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EDITORIAL

As We See It

The President is expected by many to go to work in earnest now to make the Republican party over more to his liking. In this way, it is apparently believed that he can convert his party from a "minority" to a "majority" party even, so it is said, as Franklin Roosevelt metamorphosed the Democratic party into a consistent winner during his long tenure in office. The President himself has had a number of things to say that would lead one naturally to suppose that he would much like to see his party changed in some such way—whether or not he intends to set himself consciously and vigorously to work to reach that end. All this often appears to mean nothing more or less than making a New Deal organization out of the Republican party.

Any appraisal, or for that matter, any comment upon the purely partisan aspects of these matters, we gladly leave to others better qualified for the task. There has been, however, a much more profound and much more significant transformation in popular thought about almost everything since the fateful days of 1933, and all this party maneuvering is but a reflection of it. In this no man with the good of his country at heart can fail to be interested. The major work of President Roosevelt was that of seizing upon the unrest of his time and the growing impact of socialistic ideas from abroad to lead the rank and file of the people of this country to adopt and to boast of lines of thought and general economic and social doctrines of which they would have been ashamed a decade or two earlier. What had in earlier years been regarded as paternalistic

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Inflation, Spending, Taxes And Some Reforms

By HONORABLE HERBERT HOOVER*
Former President of the United States

Not fearing a serious depression if inflation's march can be stopped, former President Hoover reports that estimated total governmental expenditures exceeded 1956 budget figures by over $103 billion and, as a result, contributes to higher taxes and inflation. In scoring unfulfilled opportunities to save expenditures through reforms in budget and accounting, defense, and civil service, among others, the distinguished head of the Commission On Organization of the Executive Branch praises the progress made despite pressure groups and advises American people to resign from those groups designed to increase public outlays.

The purpose of these meetings is to stimulate interest in reducing waste, increasing efficiency, decreasing expenses and taxes in the government, and thereby also contributing to curbing inflation.

Herbert Hoover

I hope you will be patient with my approach to these questions. The modern connotation of "liberalism" having taken on one of its dictionary definitions as free spending, I hope I may be regarded as a constructive conservative.

The Inflation Movement

No one here needs to be told that we are in the midst of an inflation movement. Both President Eisenhower and Secretary Humphrey as well as a host of non-official persons have called full warning of it.

You do not need to be told that unless inflation is stopped, the end is a bump. While Secretary of Commerce, I witnessed a growing inflation movement. I protested vigorously at its promotion by Federal activities. Then I had to live

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*An address by Mr. Hoover before the Third National Reorganization Conference, Washington, D. C., Feb. 4, 1957.

Quarterly Investment Company Survey

Funds Increasingly Cautious

Maintenance of liquidity, and continuing shift toward bonds and preferreds with their improved yields, accompanied by more selling than buying of common stocks, is revealed by analysis of investment company portfolio policies during year-end quarter. Managements stress increased need for caution and selectivity. Rails, buildings, finance companies, department stores and mail orders meet liquidation; bank, coal, drug, natural gas, paper, TV and steel stocks as well as many public utilities, attract buying; while mixed action prevails in aviations, chemicals, electronics, foods, metals, motors and rubbers. Switch to Western Hemisphere oils continues.

[*Tables showing 4th quarter portfolio changes and funds' comparative cash positions appear on pages 27 and 28.*]

During the last quarter of the outgoing year investment company managements as a whole stepped up their previous defensive policies. Of the 72 companies covered in our analysis, a majority again further increased their relative cash position—this in the face of seasonally large outpayments for year-end capital gain and ordinary income dividends. And whereas in the already "defensive" September quarter purchases of common stocks still had exceeded those of defensive senior securities (by 87%), in the December quarter, quite remarkably, acquisitions of the defensives actually exceeded those of commons by over 11%. Moreover, while in the September quarter equity purchases still overbalanced liquidations, the December quarter witnessed an actual excess of equity sales—by over 12%.

Cautious Managements

Among the managements particularly displaying caution were the following who sold common stocks on balance: the four Axe funds, Broad Street, Commonwealth Investment, Investors Mutual, the two Scudder, Stevens & Clark funds, Blue Ridge, Delaware Fund, Eaton & Howard Stock Fund, General Capital, National Securities Stock Series, Selected American, the four

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 40.

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.)

ALBERT H. DEUBLE
President, Yorkville Exchange Co., Inc.
Members of N. A. S. D.
New York City

American Telephone and Telegraph

American Telephone and Telegraph is just the right stock for these uncertain times. Naturally this stock cannot be recommended to active traders notwithstanding the fact that this company is not a sleeper but has an active interest in many interesting and profitable new developments, last not least, electronics. The Bell Laboratories can be considered one of the greatest scientific organizations in the world. If it would not be for the simple reason that the telephone business is strictly regulated the stock of the company would sell considerably higher.

Albert H. Deuble

Even if we pay very little attention to such talk as a prospective stock-split and an increase in the dividend rate, we like the stock for the following reasons:

(1) All new stock offerings during the last few years have been easily digested and earnings on the increased capital have shown a steady sound rise. The present price (based upon 13 times earnings) is very reasonable.

(2) Interest rates may have seen their high point and any cheapening of the money rate would reflect itself immediately in the price of "Telephone."

(3) New rights will again be offered in due course which gives the stockholder certain benefits so that the actual cash distribution is considerably higher than $9.00 a share if the rights are sold. Dividend income is also higher for those stockholders who exercise their rights. The capital structure is sounder than ever before: A few years ago funded debts amounted to a little more than 50%; today we have only about 34%.

(4) Even if Governor Harriman of New York tries to fight any increase for the New York Telephone Company other states take a more enlightened view. In any case, the Court of Appeals of the State of New York has held that the reproduction costs must be taken into consideration in fixing rates for phone companies. The company contended it would cost $1,750,000,000 to reproduce its New York plant. The Rate Commission has allowed a return on only $1,400,000,000.

American Telephone is for all those people who like to be on the safe side and make perhaps their first investment in life. The market prospects for this particular issue are favorable, the quality is high and some extras may again be in the offing. Technical growth possibilities are existing even if the speculative incentives are limited. The management is very capable and is handling its rate publicity (as shown by the latest radio announcements) in a very intelligent manner. These are some of the reasons why we are again suggesting AMERICAN TELEPHONE for income purposes with expectations of favorable market developments.

AUGUST HUBER
Manager Stock Department
Spencer Trask & Co., New York City

Radio Corporation of America

From a high price of 55⅜ in 1955, the shares of Radio Corporation of America have been in a rather persistent downtrend. Currently selling around 32½, the stock appears to have entered a deflated price area relative to earnings, future profits prospects, and the basically strong longer term growth indications for the enterprise.

August Huber

The leader in the fields of television and electronics, RCA registered a new high in gross revenues in 1956 for the tenth consecutive year. Sales of about $1¼ billion were 6% above 1955. Profit margins, however, were affected by (1) higher labor and material costs, (2) reduced prices on television sets and tubes in a keenly competitive market and, (3) heavy development and promotional expenses incurred in color television work.

Net earnings declined to $2.60 per share in 1956 compared with $3.16 the year before.

Counting the extra cost of training personnel, advertising and promotional campaigns, RCA estimated that in launching this new product and service, color television activities last year resulted in a loss (after taxes) of about $6,900,000. This is equivalent to 50 cents a share. Without this, 1956 earnings would have approximated the $3.16 shown in 1955.

Mr. Sarnoff recently stated that RCA in 1956 sold 102,000 of its 21-inch color receivers. The goal for 1957 is set at 250,000 color sets and management expects to double the number of color programs on the air to (a) attract new sponsors; and (b) stimulate color set sales.

By the second half of 1957, the management expects color to be contributing a modest profit. Thereafter, Mr. Sarnoff predicts—"profits from operations in all branches of color TV should be substantial."

RCA is a vast enterprise with its operations in three basic areas: (a) highly technical research and production of virtually all kinds of electronics equipment and items (b) consumer products, requiring merchandising ability; (c) amusement field served primarily by wholly owned National Broadcasting Co.

The company has broadened its operating and earnings base to where many facets can contribute to future sales and profits:

RCA has the largest sales volume of any company in black and white television sets. The company has been carrying the ball for the industry on color and should reap the largest rewards.

National Broadcasting apparently had record earnings in 1956. This division of the company's activities should continue to show encouraging earnings growth over the years.

RCA is the largest factor in the "tubes" field, doing a large volume of the U. S. tube business for replacement and for industry and the military. This represents a good profit portion of the overall business and should expand over the years. It will also benefit in the future from both color receiving tubes and picture tubes.

RCA is one of the largest producers of commercial and industrial *electronics* items. It is one of the major suppliers of electronics materiel to the military, with a present backlog of about $325 million. New electronic and scientific products are under development. Firmly astride the entire field of electronics, these activities, over future years, could enhance profit potentialities materially.

RCA's research outlays are probably among the largest in the country and cover a particularly wide range. The management had traditionally placed great emphasis upon scientific research. The company has a large staff of top scientists and engineers exploring vast unchartered realms of electronics, nucleonics, etc.

It may be noted that 80% of total 1955 sales stemmed from products and services either nonexistent, or not commercially feasible, only 10 years before. Today, about half of volume is connected with television.

Since 1947, sales have increased from $312 million to $1,250 million, or fourfold. During the postwar period plant expenditures have totalled about $292 million (estimated about $55 million in 1956). Electronics operations benefit from the company's highly integrated manufacturing facilities. RCA's manufacturing facilities alone have been expanded $200 million in the postwar period.

An important asset of RCA is its country-wide distributing organization which is unsurpassed in the industry.

Last year was a troubled one for the television set manufacturers. RCA earnings, however, derived considerable benefit from diversification and the profitable NBC telecasting operations. Without the charges incurred in promoting "color," 1956 earnings would have been about equal to 1955 results despite the generally poor television year.

From a high of 55, the shares at 32½ appear sufficiently deflated to already largely reflect the imponderables still in the nearer term television outlook and patent suits. At 32½, the stock is selling at 12.5 times the $2.60 earnings and yields 4.6% on the $1.50 dividend.

These measurements, at the current price, are again about in line with past normal relationships and the stock is priced on a moderately better basis—on earnings and dividends—than the Dow Jones Industrial Averages.

The $100 million convertible debentures issued in 1955 are convertible into common stock at 50—well above the present market price. The company's strong basic position in all phases of television and electronics augurs well for the future. The current year should witness some earnings recovery. Over the longer term, the growth of important segments of operations — color television, electronics, NBC telecasting — could provide revenues to produce net earnings of around $5 per share (after allowing for full conversion of bonds).

At this stage of an uncertain

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This Week's Forum Participants and Their Selections

The Jekyll and Hyde of Insurance

By SHELBY CULLOM DAVIS*
Managing Partner, Shelby Cullom Davis & Co., New York City

Paradoxically, according to Shelby Cullom Davis & Co. partner, fire and casualty record 1956 losses creates present opportunity making "insurance stocks . . . the best buys in the last ten years." Referring to the Dr. Jekyll and Mr. Hyde swings between the virtuous fundamental permanent values of investment income and net worth, and the mischevious, unpredictable underwriting side of insurance, Mr. Davis believes we are now in the early stages of upward pendulum swing in the underwriting margin of profit and that gross undervaluation of the individual group as a whole is so deep today that a reasonable expectation is for an advance of about 50%, correcting the wide divergence between general market and insurance stocks. Author specifies five securities for their attractive characteristics.

I am going first to present my conclusions, in the manner of the oldtime pugilistic one-two, and then give the reasons why I believed:

Shelby Cullom Davis

(1) That fire and casualty stocks today are more attractive than at any time in the last 10 years.

(2) That they will, according to reasonable expectations, appreciate 50% during the next upturn in underwriting earnings, probably by 1958-59.

At the outset, may I, not unlike the native Californian about his state, say a few words about the insurance business. It is a peculiar business, unlike almost any other. Its paid-in capital and surplus are not invested in factories or in ways and structures, as in a railroad, but in high grade securities. It is these high grade securities, U. S. Government bonds, other bonds, preferred and common stocks, which form the framework, the basis for the conduct of the insurance business. These high grade securities immediately begin to throw off income on their own, which increases each year in escalator-like fashion just as does their net worth or liquidating values.

Thus, an insurance company has a double aspect, a kind of Dr. Jekyll and Mr. Hyde. You will recall these two gentlemen from the famous novel. Dr. Jekyll was a good man, doing good deeds all the day long — healing the sick, being a good neighbor, a loving father and husband, a good citizen in the community. But, by night, his character underwent change. As Mr. Hyde, he became the town menace: a drunk, a chaser after women, a no-good generally!

So it is with the insurance business. Dr. Jekyll corresponds to the investment side of the business, the investment income and net worth which year after year keep rising like incoming tides on a beach. These represent the fundamental permanent values of insurance companies. But the insurance side of the house is another story, like volatile Mr. Hyde. Underwriting is subject to violent ups and downs and cyclical swings. Oddly enough, the market for fire and casualty insurance stocks takes its cue almost entirely from the mercurial Mr. Hyde, the underwriting side of the house, rather than from the "everyday in every way I'm getting better and better" investment side of Dr. Jekyll.

Dollar Losses Creates Best Buys

Herein, of course, lies the opportunity today—and that is why insurance stocks are the best buys in the last 10 years. The year 1956 was the worst one in dollar losses the fire and casualty insurance companies have ever experienced. Although final figures are not yet complete, it appears that the industry as a whole operated at a negative margin of underwriting profit. Why should this have been so? The answer is very simple. After several years of poor underwriting experience due to the violence of the hurricanes on the Eastern Seaboard in 1954 and 1955, losses unexpectedly arose in fire and automobile lines last year. There appears to be no one explanation for this unexpected change in the trend loss. In 1955, for example, fire losses were only 1½% ahead of the previous year. Yet, in January, 1956, fire losses jumped 28% ahead of January, 1955; and for the year as a whole, fire losses were 12% ahead. Fire rates at the same time were trending downward. Since loss costs in fire amount to 50% of the premium dollar, a rise in loss costs of 12% means a diminution of profit margin by 6%. Since most fire companies would be happy to earn a 6% margin of underwriting profit, this rise in loss costs alone has been sufficient to put the fire companies in the red.

Almost the same story can be told for casualty insurance in the worsening loss experience of automobile lines. Fatality figures are published monthly by the National Safety Council. Following a reasonably good experience in 1955, auto fatalities began to mount early in 1956, as much as 18% last February. Auto fatalities, of course, are a measure of

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*An address by Mr. Davis before the 38th Mid-Winter Trust Conference sponsored by the Trust Division of the American Bankers Association, New York City, Feb. 5, 1957.

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*See "Chronicle's" Survey, starting on cover page, of financial operations of Investment Companies during the final quarter of 1956.

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A Businessman's Views of Today's World Challenge

By HENRY FORD II*
President, Ford Motor Company

Cautioning we cannot afford to be caught asleep at the switch in the field of foreign relations, Ford Motor Company head calls for vigorous foreign policy that faces up to America's responsibilities of world leadership and leaves no doubt about the U. S. position on pressing international problems. The former U. S. delegate to the U. N. suggests realistic and long-term programs of trade and economic aid be devised, but not to buy love or friendship. Speaking as a businessman, Mr. Ford believes enlightened trade and aid is in our own best long-run business interest if we want to do business with the world. Depicts foreign countries' responsibility in encouraging the growth of U. S. investments abroad.

I would like to discuss some matters that may seem far removed from the day-to-day business of making and selling cars. Yet they are matters which are certain to have a direct effect on your business and mine—and no less effect on our pocketbooks — not five or 10 years hence, but this very year of 1957—matters which ultimately mean literal life and death to us all as businessmen, of course, but more importantly, as husbands, fathers, mothers, human beings.


Henry Ford, II

Coming events cast their shadows before them, and today our secure and rich land is crossed and recrossed by shadows of events that are yet to come—events in far off corners of the world that will inevitably shape our future for better or for worse. The earth-shaking events of the past six months cast shadows, too, but most of us just didn't see them.

So I would like to take off, if you will, on a short shadow-chasing mission about some things that have been happening in the world about us, what consequences they seem to hold, and how we might possibly go about meeting those consequences.

Foreign affairs, I believe, is everybody's business, and there should be much more talk and discussion on this subject. It is not only the right but the duty of every citizen who takes a real interest in such matters to speak his mind and contribute to public discussion of such issues—even at the risk of turning out to be wrong.

Nobody seriously believes that we become good Republicans or Democrats, or good citizens for that matter, just by exercising the franchise or voting the straight party line. We can't delegate our own ultimate responsibility for national and international affairs to the people we send to Washington. It's our responsibility to let them know what we think—not just on election day but on a continuing basis. In the realm of foreign affairs, particularly, an informed public opinion, based upon open discussion and adequate information, is an absolute essential.

Need Long-Range View

At the same time, however, it is equally essential that we have a foreign policy that looks at the long range rather than the immediate future. Only through clear and continued enunciation of such a long-range policy can the State Department hope to avoid the difficult problem of trying to sell new solutions to meet new crises to an uninformed electorate.

It is that basic principle that I am concerned with today. I have no desire to place blame for the events of recent months abroad. But I feel very strongly that this is a time for all of us, regardless of political belief, to take a vigorous hand in the shaping of foreign policy.

My comments are based on three premises which I think would be readily accepted by most people.

First, the events of the past few months have presented us with a fundamentally changed world situation, in which many of our most cherished notions no longer hold true.

Second, as a result of this big change, we face problems that urgently demand action—problems we can no longer evade—and that entail both tremendous possibilities and tremendous risks for our future.

Third, in order to meet and beat the challenge of this new hand of cards, we are going to have to come of age fast in international affairs—as a nation, as a government, as a people—and act with uncommon sanity, wisdom and unity.

I think the first of these points is obvious. You cannot help but be aware of the tremendous curiosity and concern people everywhere have been showing about the events in Hungary and the Middle East. Hungary was a particular shock to most of us. We felt somehow a great sense of inadequacy. We were reminded bitterly of a truth that lies deep in our American consciousness: you don't play freedom safe. Freedom literally means: "Give me liberty or give me death." And when Cardinal Mindszenty and other Hungarian patriots pleaded for help and we wouldn't or couldn't come through, we felt somewhat as if they were fighting our fight all over again. But also, as we watched them stand firm for days and then weeks in the face of insurmountable odds, it began to look as if somthing were happening more profound than we had realized.

As we tried to make sense of Hungary, the Middle East exploded in what was a thoroughly confusing sequence of events. Britain and France, our old wartime allies, and Israel—virtually an American protege—were on one side. We, the Kremlin and Nasser appeared to be on the other. And we found ourselves urging on the U. N. a course of action that had the effect of saving the neck of a dictator whose provocative actions against the vital interests of our oldest and nearest friends had brought the crisis to a head.

Out of these two events have come unmistakable signs of profound changes in the relations among nations.

Changed Relationships

For years, the Soviet bloc has represented itself as an unshakable alliance of communist nations resolutely united in purpose and obedient to the Kremlin. But now that is changed. First Yugoslavia pulled away, next came the riots in East Germany, then in Poland, and then Hungary.

And now comes the news that in the recent Polish elections, the entire slate of nationalist candidates has been elected against the opposition of the Polish pro-Soviet bloc.

Rumbles continue to be heard from the other satellite countries, and we wonder who will be next. Surely all these satellite peoples —and even some of their leaders —must be re-evaluating their relations with the Kremlin. And Russia, too, must be undergoing that well-known "agonizing reappraisal." Whom among her allies can she trust? What dependence can she place upon the satellite armies—or indeed upon her own forces—when they are used

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*An address by Mr. Ford before the National Automobile Dealers Association, San Francisco, Jan. 28, 1957.

The State of Trade and Industry

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

Some expansion was evident last week in the output of of lumber, paperboard and coal, while fractional declines took place in electric power and petroleum industries. Over-all industrial production, however, was moderately higher than the correspnding week of 1956.

New claims for unemployment compensation dropped by 33,000 to 304,500 in the week ended Jan. 26, the United States Department of Labor disclosed.

New claims, considered an indication of the number of workers losing jobs during a given week, totaled 277,100 in the like week of 1956.

The department also said the number of workers on jobless pay lists in the week ended Jan. 19 edged down 900 to 1,724,900. For the week ended Jan. 21, 1956, the total was 1,497,700.

The cost of living rose to a record high in December and may go higher, the Bureau of Labor Statistics reported.

The agency's consumer price index went up 0.2% from November to 118% of the 1947-49 average, the sixth rise in the last seven months.

At the same time, buying power of factory workers reached a new high for any month. About 500,000 workers will get hourly wage boosts of one to three cents as a result of the cost of living increase, the Bureau stated.

Higher housing costs were chiefly responsible for the December increase in living costs. At year-end, the index was nearly 3% above a year earlier and 3.6% higher than January, 1953, when the Eisenhower Administration took over.

As for the 1956 average, the agency noted that spendable earnings were more than 4% higher than in 1955 but the increase in real spendable earnings was under 3% because of a rise in the consumer price index.

The steel market is catching its second wind. Now that fears of a sharp letdown have been discounted, steel users are sticking to their normal buying patterns. Even the automotive industry is showing tentative signs of a steadier buying rate, according to "The Iron Age," national metalworking weekly.

Some mills are still booking more steel than they are shipping. The best barometer of continued strong demand is that the mills are operating at near-capacity levels. A fall-off in basic steel production is looked for in the second and third quarters, followed by a strong pickup in the last three months. The prediction for the year is ingot production of 117,000,000 tons, equal to the 1955 record.

Automakers apparently are nearing the cutoff point in their drive to reduce inventories. One worrisome rumor is that a member of the Big Three is cutting to the bone, intending to let the mills act as a quick-service warehouse in case it needs steel in a hurry. But the mills are not likely to hold still for this, and the automaker could find himself out on a long limb in a pinch.

Adding to the general confusion on Detroit's intentions is the indication given to one mill that automotive steel orders for April will be up. This could be a hint of inventory rebuilding to get set for a spring upturn in car sales.

Meanwhile, steel order backlogs this week are down only slightly from a month ago on an industrywide basis. Some mills have added to backlogs in the last several weeks. In the background is the continued strong outlook for defense, heavy equipment, and plant investment, this trade weekly states.

Consumer instalment debt increased $528,000,000 during December to a total of about $31,500,000,000 outstanding at the end of the month, according to the Federal Reserve Board. December increases totalled $751,000,000 in 1955 and $585,000,000 in 1954, the board noted.

The instalment debt increase during the full year 1956 amounted to about $2,500,000,000, the report stated. This compared with advances of nearly $5,500,000,000 in 1955 and only $563,000,000 in 1954.

United States auto makers moved into February last week with the high-level production pattern they had set during January, "Ward's Automotive Reports" stated on Friday last.

Total auto production estimated for January was 662,511 cars, surpassing any month since December of record year 1955. Output for January 1956 stood at 612,078 units.

Chrysler Corp. and General Motors Corp. stepped up their share of industry output during January, compared to December

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Observations . . .

By A. WILFRED MAY

THE REAL DETERMINANTS OF THE PRICE MOVEMENT OF SPLIT STOCKS

The fourth article in a series on the price performance of split stocks

Analysis of the respective dividend actions on the stocks split during the first quarter of 1956 confirms our previous conclusions as to the preemptive importance of non-split factors in influencing the market action of all stocks. A study has been made of the results of the 21* splits (of 2-for-1 or better) which were effected during the first three months of last year and for which analysis of the results could be completed to cover six months after the split became effective. Full adjustment was made for the general market's movement, as previously, and for dividend changes.

A. Wilfred May

As was shown in our tabulation in last week's article, there was more often than not a rise in market price between the split announcement and the effective date irrespective of whether the split was accompanied by a dividend increase. Following the effective split date, however, dividend action appeared to exert the more important influence on the price trend. Where the dividend increase was *above* the industry average, the market price continued above the pre-announcement level. On the other hand, where the dividend increase was *below* the industry average, the price had fallen below the pre-anouncement level by three months after the date of the split—more than wiping out the initial gain—and continued below the pre-announcement level six months after the split.

*Shahmoon Industries is omitted from the study because no dividends have been paid in recent years.

Market Performance of Stocks Split During 1956 Grouped by Dividend Relationship

Indexes (2 weeks prior to Announcement = 100)

	3 Months After Split	6 Months After Split
Companies with Dividend Increase		
Above Industrial Average		
Dividend Change**	122	121
Price Change**	110	107
Companies with Dividend Increase		
Below Industrial Average		
Dividend Change**	96	94
Price Change**	93	95

**Adjusted for the change in Standard and Poor's Average of 50 Industrials.

This analysis of the 1956 splits substantiates our previous conclusion that any *enduring* improvement in market price following the split is generally not attributable to the stock split itself, but rather to other factors—quantitative or qualitative.

Such prevalence of other price-determining factors, be they actual earnings, popular expectations regarding business prospects, or just psychological motivations of style—as are manifested in *Blue Chip-ism*—is substantiated by the tabulations in our preceding articles.

Thus we saw the sharply divergent market performances according to industry groups, over both the full-year 1956 and the 1955-1956 periods. Uniformly very strong were the booming steel industry issues (as split Allegheny Ludlum, Armco, Carpenter, Republic); the oils (as Standard of New Jersey, Standard of California, Royal Dutch, Gulf; and other beneficiaries of the recent post-Suez crisis swing away from involved companies—certainly irrespective of split), and defense issues (as U. S. Hoffman).

Groups quite uniformly sour included the rails (as Denver Rio Grande, Union Pacific, Northern Pacific, Rock Island, and Nickel Plate); the stores (including Sears, Ward, Federated); the apparels (Manhattan Shirt, Phillips Jones); the over-producing papers (Champion, Chesapeake), and the cyclical now earnings-headachy insurances (Continental, Fidelity Phenix). Within

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Growth Prospects in Electronics

By ALAN A. SMITH*

Director, Investors' Services, Arthur D. Little, Inc. Cambridge, Mass.

By delineating specific outstanding trends in the diverse and hard to define electronics industry, such as ability to supply automation needs, accommodate basic changes in electronic equipment engineering, achieving manufacturing cost reduction through automation, and color TV prospects, Mr. Smith assesses growth opportunities for various firms in household and industrial, military, business machines, and instrument manufacturers electronic groups. Concludes that major characteristic for the industry is growth.

What have nucleonics, chemicals and electronics in common? I submit that they have two things in common. First, they all deal with energy in one form or another. Nucleonics emphasizes a source of energy and shares its outlook for growth with other energy-producing industries—petroleum, natural gas, and in the light of most recent developments, that old standby, coal. The chemical industry is a conspicuous user of energy, converting raw materials into finished goods. The energy may be that of a chemical reaction or heat or electricity, but it's applied to the production of everything from fine pharmaceuticals to the latest in wonder metals. And last, the electronics industry embraces those industrial operations that control energy, either in household equipment, or industrial processing, or for communications, or for electronic calculation.

Alan A. Smith

Now these three growth industries have a second factor in common, and that is a heavy dependence on technology. Obviously, working as I do for a consulting engineering organization, I have to arrive at some such conclusion, but rather than try to prove the point by quoting some statement from our company literature, I'd like to pass along a remark by a man who has certainly become quite familiar with the various factors that influence the making of money. Mr. George A. Sloan has the following to say: "Show me the leading manufacturers in any industry that has experienced a successful record of fair earnings to stockholders, fair wages to employees, and relatively stable employment, and I will show you a business where scientific research has played a major part and where progressive management has supplied its scientific knowledge to improve supply for public consumption."

Describes Electronics Industry

Now with these generalizations in mind, let's see if we can define the electronics industry more closely. Unfortunately for a simple definition, the industry itself comprises a number of different sub-industries and techniques of manufacture and distribution. You have the assembly line operations that produce household and TV; you have the producers of military electronic equipment of every conceivable description; you have the manufacturers of electronic business machines, the specialized instrumentation companies, and the producers of component parts—the raw materials for the industry. And you can't even say that a company is in the electronics industry if it uses electron tubes—because the transistor has changed all that and will change it even more drastically in the future.

But there is one fairly handy definition that will serve to separate the predominantly electronics companies from the electrical equipment manufacturers—a definition that really ought to be used more often. Electronics is low current engineering. Whenever you have even modest-size electrical currents as you have in your home wiring, and if such currents are sustained for any reasonable period of time, you pass out of the sphere of electronics and into electrical engineering.

The Electronics Industry

But rather than belabor the definition any further, let's look at the industry itself and some of the companies that make it up. First, some generalizations. Since the industry is fairly diverse and fairly hard to define, estimates as to its total size vary quite widely. We have come across presumably authoritative estimates issued in January, 1955, that ranged anywhere from $5-$10 billion per year for the industry sales total. The latest estimate put out by Sylvania indicates an $11½ billion industry in 1956. In any event, what is commonly called the electronics industry represents an appreciable portion of the available United States spending power, both private and corporate. For comparison, the annual cost for buying and operating automobiles in the United States is about $40 billion.

No matter what the base, moreover, it appears clear that the electronics industry is expected to grow. An increase of about 75% in total volume is anticipated by 1960, bringing the level up to about $15 billion on the basis of Sylvania's estimates. Looking even further, the industry should exceed $22 billion a year by 1966.

I
Equipment Suppliers

Now to get down to cases, the first group we might consider includes the suppliers of both household and industrial electronic equipment. By and large, they are the same companies, although, of course, the dominant factor is sales of household radio and television. This group is somewhat artificially defined because I want to exclude specifically the companies that emphasize military electronic equipment and the producers of more specialized electronic gear.

Another way of looking at it is that these companies are assemblers of components manufactured by others. They are therefore extremely cost conscious. The average markup of a radio or TV set is only 10%-15% to the manufacturer, and an additional 50%-55% is added for distributors and dealers. Consequently, this segment of the industry is extremely competitive, and it is only the largest companies that can take proper advantage of mass production techniques, including automatic assembly lines. As an interesting side issue here, many contracts for component parts are let on the basis of a very narrow price differential, and the parts manufacturers themselves, in turn, are therefore restricted to very low profits.

The manufacturer of industrial electronic equipment, including broadcast, short wave, microwave, and closed circuit facilities, is frequently more specialized than the producer of household items, and his profit margins are correspondingly somewhat higher. But as industrial use of such equipment

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*An address by Mr. Smith before the Financial Analysts of Philadelphia.

Outlook for Construction

By MILES L. COLEAN*

Economist Consultant, Washington, D. C.

Despite sharp decline in 1957 housing prospects, because of "messed-up condition into which the insured and guaranteed mortgage area has been allowed to get," Economic Consultant Colean pictures the construction outlook as a whole as not only good but somewhat better in months ahead than in past year.

In spite of all the strain ahead, the outlook for construction is still bright. The pace may be slackened but the forward movement looks assured. Some office buildings may be delayed, some shopping centers may not get their money, but a great many new projects will proceed. House-building, however, remains a problem area.

Miles L. Colean

The main difficulty in analyzing housing prospects for 1957 lies in the messed-up condition into which the insured and guaranteed mortgage area has been allowed to get. Here every indicator points to a sharp decline in activity. FHA applications on newly-constructed houses in November were 25% below those in October and the total of new home applications during October and November was 26% below that of the same months in 1955. VA requests for appraisal of new homes in November were 26% below those in October, and the number of requests for October and November, taken together, was nearly 30% behind 1955's figure for those months.

FHA Rate Increase

Since the Dec. 4 increase of the FHA interest rate is not likely to have much beneficial effect until late spring, and since there is little chance of action on the VA interest rate before that time, no present up-turn in these activities can be foreseen. The present rate of initiating new business makes certain a very low level of starts under these programs in the early months of the year. Everything considered, an annual rate of starts down close to 900,000 units during this period should not be surprising.

The volume of FHA new house activity in 1956 was the lowest since 1946, accounting as it did for only 196,800 new units. VA's volume actually held up much better, being higher than any total reached prior to 1954 and totaling 270,600 new units.

Taking the prospect at its probable worst, the VA volume in 1957 may drop to 130,000 units; FHA should do a little better than hold its own at around 200,000 units, while conventional and all cash financing might run up a total of 700,000. The sum of such a distribution would still give a figure of slightly over one million. Although further adjustments in FHA and VA interest rates are possible and an expansion of FNMA and VA direct lending activity is certain, it is doubtful that these measures will have much more effect than I have taken into account in this estimate.

Blames Credit

My view remains that credit is the principal determinant of housing volume and that the housing market remains well able to absorb all the credit that may come its way.

According to the preliminary estimates of the Departments of Commerce and Labor, expenditures for new construction in 1956 reached a new high level of $44.26 billion, 3% higher than the $43 billion reached in 1955. Private activity advanced only 1% because of a sharp drop in residential building. New public construction, however, called for outlays 8% greater than in the previous year.

Because of price changes, the amount expended produced on balance no larger a volume of physical construction than did 1955. Moreover, in comparing trends in the separate categories of construction, the dollar drops are greater and the increases less when considered in terms of physical volume. Thus, while 1956 was a good construction year, it was on the whole nothing spectacular.

Nonresidential Gains

What was significant about 1956 was the way in which notable gains in private nonresidential building, public utilities, and government construction were able to offset the residential decline so as to maintain the stability of the whole. Significant also was the noteworthy gain in government activity compared to the almost neutral position of the private sector when taken as a whole.

So far as trends may be interpreted from the contract award and current activity data, they read to me this way: a slackening in the rate of decline of private residential building; a slackening in the rate of increase of industrial and commercial building, with a very noticeable weakness in the sub-category of "stores, restaurants, and garages" as part of the commercial classification. On the other hand, another year of increasing office building is in prospect. All elements of private nonresidential, non-business construction (religious and institutional building) retain full vigor except hospital building.

Public utilities have had an exceptionally big year and all indications are for an even bigger 1957. The advances in government construction in 1956 are attributable mainly to highway and sewer and water activities. These are certain to be strong elements in 1957. School building, despite the obvious need for a larger educational plant, has been sluggish in its advances but shows signs of at least a modest acceleration.

Good Total Outlook

As a whole, the picture is for not only good but somewhat better construction business in the months ahead than has been experienced during the past year. Among the major categories, reservations need be made only for private residential building; and even here, though unit production will be lower than in 1956, both the dollar volume and the utilization of materials for new construction in 1957 will be fairly up to the level of the year now closed. From the admittedly scanty evidence provided by the financial figures, residential repair and improvement expenditures are, and should continue to be, on the upgrade.

The residential situation aside, I see no convincing reason for modifying the forecast I made last fall, and consider that plans can be made on this basis without hesitancy. In view of impending developments in the financial markets and the unknowns in the legislative area, I suggest a general reappraisal of the outlook toward the end of March.

*Summary of a talk by Mr. Colean before the National Industrial Conference Board, New York City, Jan. 18, 1957.

New York Hanseatic Opens Chicago Office

CHICAGO, Ill. — New York Hanseatic Corporation announces the opening of a branch office at 120 South LaSalle Street under the joint management of Herbert J. Burke and William A. Sholten. Mr. Burke will serve as manager of the stock department and Mr. Sholten as manager of the bond department.

The firm also announces installation of a direct private wire to Perkins & Co. in Dallas.

Facing the Facts Of World Communism

By DAVID SARNOFF*

Chairman of the Board, Radio Corporation of America

Denying our profound hatred of war is equated with fear of war, RCA Chairman warns the free world against "excessive fear of war." Advises maintaining adequate military strength, patience and wisdom, and that, at the same time, we not give Kremlin leaders reason to miscalculate that "they can undertake adventures in aggression without risking American interference." Mr. Sarnoff exposes what he considers the fallacy of peaceful coexistence, since irreconcilable worlds cannot continue indefinitely. Urges we must determine to achieve victory over the cold war by taking advantage of present conditions allowing the propitious West to take initiative with all the political and psychological forces now at our disposal. Takes sharp exception to the theory that pressures in Russia will make the Kremlin seek an all-out nuclear war.

In these critical times all attempts to gauge the future are contingent upon the ebb and flow of international tides. The time when any country's economy could be insulated against the impacts of the surrounding world is long past.

David Sarnoff

This truth is being exemplified clearly enough by the current Suez crisis. We see how even a temporary interruption of the flow of oil from the Middle East quickly dislocates the industry of all Europe, puts abnormal burdens on the petroleum, shipping and related resources of the entire free world, and distorts the economy of nation after nation. We see, at the same time, how it imposes new military and fiscal commitments upon the American Government.

We live in a world foreshortened by modern communications, closely interdependent and as sensitive as a seismograph to disturbances in any of its parts. Not only events but even states of mind in other countries on other continents have a direct effect, for good or ill, upon our own vitality and welfare.

Supreme Challenge

For these reasons I have selected to discuss what seems to me to be the most important aspect of the present international situation. I am sure we agree that the paramount problem of this historic period is the challenge to our civilization posed by world Communism. It is spelled out on every front page and in every newscast, in our national budget and taxation and in our diplomacy. It provides the acid tests of our institutions, our ideals, our spiritual values.

We did not seek this supreme challenge and would be much happier if it did not face us. In fact, most of us are bone-tired of the sound of Soviet Russia and its program of world Communism, of Titoism, Maoism, Neutralism, the Cold War and the rest of that pestiferous complex. But in that fatigue lurks great danger—the danger of mistaking the shadow of solutions for their substance.

Until recently the free world indulged in optimistic expectations because of Moscow's supposed "new look" of moderation at home and smiles abroad. The general eagerness to find a magic shortcut to world stability was so great, that it took courage publicly to question the slogans of "peaceful coexistence."

Coexistence Exposed

Then came the dramatic events that ripped the smiling mask from the ugly face of Communism, to reveal the same old features of savagery and deceit underneath. Our complacency had been shaken. But somehow it survived the failure of the hopes generated around the Geneva "summit" conference; the Soviet intrigues in the Middle East; the Red Chinese invasion of Burma, and Comrade Khrushchev's vodka bursts of bluster. But complacency could not survive the uprisings in Poznan, then in all Poland, and finally the horrifying butchery in Hungary.

History, in short, is compelling us to look again with open eyes and minds upon the rock-bottom realities of the struggle between world Communism and freedom. The lurid flames that devoured Hungarian liberty helped us to see grim facts that had been obscured by wishful thinking and weariness of spirit. We saw more clearly that the Communist menace cannot be wished away; that the values at stake must not be compromised because they go to the innermost core of our way of life; that in the last analysis there can be no enduring halfway house between good and evil.

There are those who would settle for a world permanently divided, half-free and half-slave. Even if such a compromise could be reached, it would soon enough prove a delusion and a trap. For while our side would abide by it—trustingly dismantling its defensive setup and relaxing its defensive alliances—the Soviet side would use it as a device to soften us for the kill.

Cannot Be Callous

Besides, we cannot in the long-run remain uncontaminated when half the human race is festering with the sores of terror and torture, degradation and despair. We cannot remain indifferent to the menace faced by still free nations, or to the martyrdom of nations and peoples already in Communist captivity. Such callousness goes against the grain of everything we hold sacred.

Repeatedly we hear voices, some of them inspired by good intentions pleading that we "stop the Cold War," as if it were something we had turned on, like a faucet, and could turn off at will. Nothing could be further from the facts. Actually the conflict was initiated on the day the Communists under Lenin and Trotsky captured a great and populous nation endowed with vast resources and made of it the base for a militant and fanatic world movement.

Why, then, did the phrase Cold War come into common usage less than a decade ago, with the Soviet conquest of Czechoslovakia? Only because that was when the major democratic countries, with the ut-

*An address by Mr. Sarnoff before the Minneapolis Junior Chamber of Commerce, Jan. 24, 1957.

most reluctance, finally recognized not alone the magnitude of the Communist threat to their own survival but the fact that Soviet Russia was fast amassing the power to carry it out. We did not start the Cold War—we simply acknowledged its existence and resolved to offer some resistance.

The truth is that the Kremlin itself could not call off the contest even if it so desired. The mere existence of two such irreconcilable worlds as theirs and ours has set up fields of tension, forces of attraction and repulsion, that cannot be cancelled out by the soothing rhetoric and peaceful coexistence. The Communist offensive against freedom and morality is not a whim. It is the essence of their faith, their system and their power. A true renunciation—not in words but in deeds — would bring freedom to the Russian people and peace to a troubled world, but spell defeat for the brutal leaders of the Kremlin.

Cold War Continues

Little as we relish it, we must face up to the fact that the Cold War continues. Recently the Soviet heirarchs and a batch of their East European marionettes published a resolution complaining that the West is trying to "return the world to Cold War." This was simply another of their big lies. That war has never been interrupted by them. Even in the months when Moscow was talking of moderation, liberalization and peaceful coexistence, it did nothing to reduce or weaken its global apparatus of militarism and mischief — such as its Communist parties, its Red para-military organizations, its mass of radio jammers, its hordes of trained agents inflaming civil strife in fevered areas all around the world.

The Communists have been carrying on the "cold" struggle with all the weapons in their armory, from propaganda to localized military operations, from diplomacy to guerrilla warfare. "We will bury you!" Khrushchev recently boasted. Not exactly an elegant expression, but we would be naive if we disregarded that menacing threat.

A one-sided withdrawal from the Cold War on our part would change nothing, except that it would guarantee the universal triumph of Communism. True, we might in that way prevent a Hot War. But, as I have emphasized on other occasions, *"our civilization would be equally finished whether we burn to death or freeze to death."*

We must face up to the unpleasant fact that though of the cold variety, war it is! The only alternative to fighting it with a robust will to victory is piecemeal surrender. And that in turn would postpone without preventing, a day of reckoning when we would have only the sorry choice between capitulation and a military showdown.

Excessive Fear of War

I believe we should face up, also, to the dangers inherent in an excessive fear of war. That fear could cloud our judgment, dilute our policies and weaken our position.

If the Kremlin leaders should come to believe that our dread of war is so overwhelming that they can undertake adventures in aggression without risking American interference, the catastrophe we seek to head off may well become inevitable. But the Kaiser and Hitler touched off world wars in the firm belief that the United States would stand aside. Surely we cannot afford to encourage miscalculations of the same order on Moscow's part.

We do not conceal our profound hatred of war. We are determined to exercise the maximum patience and wisdom to prevent it. But fear of war—the kind of fear that opens us to blackmail by threat of hostilities—is another matter.

U.S.S.R. Fears War Too

Too many people seem to have persuaded themselves that the Soviets fear war less than we do. The Kremlin, we may be sure, counts this as a major success in its relentless war of nerves. If they can stop us from fighting the Cold War effectively by frightening us with the spectre of Hot War, the Communists will have a clear road toward world conquest.

Actually the Kremlin, though dedicated to a mad project, is not ruled by madmen. They value their position and their power too much to gamble them in one throw of the dice. They have resorted to war to achieve their objectives only against small countries like Finland and Korea, when they counted on swift and easy victory. Both by training and conviction they are revolutionists, with a flair for aggression by methods short of a shooting war.

Communist strategy is SIMPLE —Let me spell it out: *S* for subversion, *I* for infiltration, *M* for manipulation, *P* for penetration, *L* for liquidation and *E* for exploitation. Already that "simple" technique has made them the masters of one-third of the human race, with beachheads of power in most of the rest of the world.

The fear that the Kremlin gang might stake their regime on a nuclear duel is not based on logic. Khrushchev and his brethren have a vivid memory of the early months of the German invasion in 1941, when literally millions of Red troops surrendered with only token resistance. They cannot forget that close to a million Soviet citizens took up arms against their own country in the desperate hope of throwing off the Communist yoke. They are paying more attention than we do to the fact that the only foreigners who helped the Hungarian rebels on the spot were defectors from the Red armies of occupation.

So they have sufficient reason to fear any new world conflict; this time not against another brand of totalitarism, but against free nations. Their military plans have always taken into account the possibility of having to fight a war on two fronts: against the foreign foe and against their own people. What has happened in Poland and Hungary, and the deepening ferment within Russia itself have turned that possibility into a certainty.

Two-Front War

Better than anyone else the men in the Kremlin know that a major war would be the signal for revolt in every one of the satellite states and possibly in Russia proper. Doubt of the loyalty of their own subjects and armed forces, the near certainty of rebellion in their European empire—these are built-in deterrents to a world war started by the Soviets.

Plain good sense is our warrant for doing everything we can to fortify and exploit those deterrents. Already we have tens of millions of actual and potential allies behind the Iron Curtain. The larger their numbers, the less likely the Kremlin will be to stake its life on a showdown by war.

Recently, a curious new theory seems to have gained some ground and it is worth examining . . . one writer has called it the "wounded beast" theory. It holds that the Soviet leaders, cornered and desperate because of convulsions in the satellite countries and growing headaches at home, may plunge into an all-out nuclear war.

Refutes "Wounded Beast" Argument

The moral of the theory is that the free world must be extra careful not to annoy or frighten the beast, or it might grow rabid and reckless. Ironically, only yesterday we were being urged from many quarters to be cautious to the point of inaction, because the Soviets were over-confident and intoxicated with power. Today, we are admonished to desist from firm action for the very opposite reasons, because the Soviets are uncertain and wounded . . . which merely goes to show that there is never a dearth of alibis for doing nothing.

But neither modern history nor political logic support the "wounded beast" argument, even supposing that Soviet Russia is as wounded as assumed. Dictatorships make war, as Hitler did, when they are supremely confident of easy victory. In 1939, Stalin was as beset by internal troubles as are his successors today. It was just after the big blood purges, with rumblings of unrest echoing through his domain. Yet, far from choosing war, Stalin appeased Nazi Germany to the limit, in the hope of staying out.

In a simpler past, when war did not involve the likelihood of total devastation, governments were sometimes tempted to seek a way out of domestic difficulties through foreign conflict. For this there were two reasons. The first was: that war enabled a government to assume the kind of extraordinary powers in dealing with internal problems which it dared not assume in peacetime. The second was that an external threat could be expected to rally the citizenry, in the fervor of patriotism, around the leadership.

But neither of these reasons applies to a terror regime like Soviet Russia's. The Kremlin already exercises total power, so that a war crisis would not enhance its ability to deal with domestic troubles. And far from expecting a surge of patriotic unity with the start of war, it must count on crippling defections and insurrections.

Thus the idea that our policies

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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. 24)—Includes Atomic Highlights of 1956. Comments on Franch atomic power program, British submarine and ship propulsion, and items on Robertshaw-Fulton Controls Co., Lindsay Chemical Co., Consolidated Denison Mines, Ltd. and Can-Met Explorations, Ltd. — Atomic Development Mutual Fund, Inc., Dept. C. 1033—30th Street, N. W., Washington 7, D. C.

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

Discount Bonds—Bulletin—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

Dividends for More than a Decade—Stocks on the American Stock Exchange which have paid dividends for 10 to 108 consecutive years—American Stock Exchange, 86 Trinity Place, New York 6, 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.

Missile Makers—"Highlight" No. 32—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Moving Ahead with the Atom—Brochure discussing peacetime use of the atom—Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

New York City Banks — Breakdowns of Government Bond Portfolios and sources of growth income of 13 New York City Banks—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.

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

Printed Circuit Industry and **Techonograph Printed Electronics, Inc.**—Analysis—Mitchell & Company, 120 Broadway, New York 5, N. Y.

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Allis Chalmers Manufacturing Company—Data—Oppenheimer, Vanden Broeck & Co., 120 Broadway, New York 5, N. Y. Also available are data on **Columbia Gas System, Inc., Northern Pacific Railway, Pullman, Inc.** and **Transamerica Corp.**

Brown Co. — Memorandum — Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Chain Belt Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Chesapeake & Ohio Railway Co.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Consolidated Denison Mines Limited—Circular—W. C. Pitfield & Co., Inc., 30 Broad Street, New York 4, N. Y.

Consolidated Zinc Corp. — Memorandum — Model, Roland & Stone, 120 Broadway, New York 5, N. Y.

Dover Corporation—Analysis—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

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

Harnischfeger Corp. — Data — Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are data on **Kimberly Clark, Baltimore & Ohio Railroad, Unitronics Corp.** and **Pittston Co.**

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

Madison Gas & Electric Company—Analysis in current issue of "Business & Financial Digest"—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

Miller Manufacturing Co.—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

National City Improvement District of Pima County, Ariz. (Tucson Metropolitan Area) — Bulletin — Davidson-Vink-Sadler, Inc., Beacon Building, Wichita 2, Kans.

New York & Harlem Bonds—Analysis—Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Regis High School Bonds—Data—B. C. Ziegler and Company, Security Building, West Bend, Wis.

St. Landry Parish, La. Consolidated School District Bonds—Circular—Scharff & Jones, Inc., 219 Carondelet Street, New Orleans 12, La. Also available is a circular on **City of Abbeville, La. Utilities Revenue Bonds.**

A. O. Smith Corporation—Analysis—Moore & Schley, 100 Broadway, New York 5, N. Y.

Socony Mobil Oil Co.—Bulletin—Ross, Lyon & Co., Inc., 487 Broadway, New York 13, N. Y.

Sunray-Midcontinent Oil Company—Analysis—In current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are a selected list of **Public Utility Stocks** and **Stocks for New Investors.**

United States Lines Co.—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Van Norman Industries, Inc. — Analysis — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Warner-Lambert—Data—Seligman, Lubetkin & Co., 30 Pine Street, New York 5, N. Y. Also available are data on **Warner & Swasey, Timken Roller Bearing,** and **American Machine & Metals.**

Continued from page 5

Observations . . .

certain industries, as cement, some of the individual split issues went up, some down.

Significant was the action of Visking Corporation, a plastics producer, which performed badly immediately following its split announcement in 1955, but picked up during 1956 in apparent reflection of its imminent merger with Union Carbide.

Scrutiny of the explanations by the serious experts, including the voluminous year-end published commentary by the mutual fund managements, of their reasons for bullishness or bearishness on specific industries or issues of course reveals no reference to the factor of splitting.

Growth—Not Splitting—The Key

Among today's professional analysts with a long term investment attitude, the element of a company's *growth* characteristics—actual or fancied—is rather a chief motivating criterion.

Growth is a highly legitimate reason for splitting; and, in fact, is sometimes indispensable. If some of the real growth situations had been left un-split over the years, Dow Chemical would now be carrying the equivalent quotation of $24,165 and pay dividends of $396 per former share, du Pont at $11,334 would disburse $382 on each un-split share, Standard Oil of New Jersey at $7,050 would be paying $252, etc.—truly unwieldy units for the chemical and oil consuming shareholder; and a meaty target for the labor agitator.

The Earnings-Horse and the Split-Cart

But, while the splitting was wholly justified, we see that it properly *followed* growth in earnings with their impact on market price; not as the converse of the split *preceding* or motivating the stock's price rise.

Thus it is quite in order that splits occur most frequently among the industrial sector of the market. The misguided stockholders in utilities, as in American Telephone, who clamor at their management for a split, should instead direct their agitation at the fundamental source of their frustration, the rate-making body which obstructs at their source the growth of their earnings.

Jos. Faroll Branch

HEMPSTEAD, L. I., N. Y.—Joseph Faroll & Co. have opened a branch office at 152-A North Franklin Street under the management of Eugene M. Cohen and Lewis E. Toplitz.

With Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard G. Flaherty and Francis N. Pelosi are now with Palmer, Pollacchi & Co., 16 State Street.

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The Security I Like Best

general market trend, and selectivity continuing of basic importance, I am inclined to look toward those issues which already have had a substantial market price correction and also possess attributes such as (1) strong industry position in fields of fundamental future growth and, (2) indications of an improving earnings trend after a temporary decline, and (3) relatively good value on earnings and dividends at current rates.

Radio Corporation of America would appear to possess these attributes and be in such a price position at this time.

Henry Swift Co. Admits Schick, Others

SAN FRANCISCO, Calif.—Carl Schick has been admitted to general partnership in the investment firm of Henry F. Swift & Co., 490 California Street, members of the Pacific Coast Stock Exchange.

Carl Schick

Also being admitted to general partnership are Hartley F. Hutchings and James V. Lawyer. Henry F. Swift is retiring as a general partner.

Newark Mgr. for Kidder, Peabody & Co.

NEWARK, N. J. — David H. Kingston has been appointed manager of the Newark, N. J., office, 11 Commerce Street, of Kidder, Peabody & Co., members of the New York and American Stock Exchanges.

With Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—Richard Langton has become associated with Walston & Co., Inc., 901 Southwest Washington Street. He was formerly with Camp & Co. and Zilka, Smither & Co., Inc.

Two With Thill Secs.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Donald D. Brumsted and Rex E. Grauel are with Thill Securities Corporation, 704 North Broadway.

Hardy & Co. Will Admit Benjamin Wetzler to Firm

Benjamin Wetzler will become a partner in Hardy & Co., 30 Broad Street, New York City, members of the New York Stock Exchange, on Feb. 14.

35 Billion Barrels Can't Be Wrong

By IRA U. COBLEIGH

Enterprise Economist

A current consideration of the company that owns about 20% of the world's oil reserves and the world's largest fleet of tankers (over 2,100,000 deadweight tons), The British Petroleum Co., Ltd.

The story of British Petroleum is a saga of vision, adventure, politics, wide swings in fortune, vast magnitude and profitability in a panoramic corporate venture. It all began back in 1901 when one William D'Arcy made a deal with the Shah of Persia (Iran to you). D'Arcy put down $40 thousand in cash, and promised 16% in royalty under a concession giving him the right to explore, develop, and produce oil throughout the Persian Empire.

Ira U. Cobleigh

The oil did not materialize at once; in fact it was 1908 before the Masjid-I-Sulaiman field, pioneer producer in the Middle East, was brought in. In the meantime, the concession had become the property of Burmah Oil Co. Then it was switched to a newly formed company, Anglo-Persian Oil Co., which became in due course The British Petroleum Co. Ltd.

Along the way, too, the enterprise branched out and went hunting for oil elsewhere in the Middle East through a 23¾% interest in Iraq Petroleum Co., a 50% interest (Gulf Oil has the other 50%) in the Kuwait concession, and a full concession in the Sheikdom of Quatar. These areas account for virtually the entire production of British Petroleum with Iran in 1956 accounting roughly for 20% of total production, Kuwait 60%, Iraq 17% and Quatar 3%. To these, add, for the future, expanding Canadian production through Triad Oil, and exploration and development projects in Trinidad, East Africa and Nigeria, and you round out the picture.

Once the oil came gushing up from these lush oriental sands, its transportation required attention. A 250-mile pipeline from the first Iranian producing field was run to Abadan on the northern side of the Persian Gulf, where the world's largest refinery (550,000 barrels a day throughput) now stands. Pipelines were also built in Iraq delivering the oil to ports in Syria, Lebanon and on the Persian Gulf.

The tankers to take this oil away have already been mentioned — over 2,100,000 in deadweight tonnage owned and more being built; plus a chartered fleet of 2½ million additional tons. The owned boats have been written down to a book value of roughly $15 a ton, as against new construction costs today of $250-$300 per ton. So you see there's quite a sizable asset, most conservatively stated, in this tanker fleet.

Next in our report on BP facilities, we should mention the refineries. In addition to the big one at Abadan, there are three on the British Isles, two in France, one each in Belguim, Germany, Italy and Australia; and at Aden, Haifa and Kuwait. Some of these are wholly owned and some are owned and operated jointly with others. Totally, however, the British Petroleum equity in all this refining capacity is about 790,000 B/D.

Important to any consideration of BP is the fact that the British Government is the controlling stockholder (56%). This came about quite early in BP history. The company, in 1912, was having quite a time selling its output around the world, when the British Admiralty, no doubt perceiving a war in the offing, contracted with the predecessor company to supply oil for many future years, for the British Navy; and at the same time the Government bought the stock control of the company which it still holds. (Burmah Oil owns 27% and the public, 17%.)

This identification of BP with England has not always been an unmixed blessing. The British industrial brass can get a bit stuffy and stubborn at times and there is some feeling that British intransigence was at least partly to blame for the conditions which led up to the nationalization of BP properties in Iran by that foxy fanatic, Mossadegh, in 1951. This was a terrific blow to BP fortunes as it captured about three-quarters of the BP production and refining capacity existing at that time.

After the jugging of Mossadegh and much top level diplomacy, political as well as economic, a new deal was set up for operation of the Iranian properties originally owned in full by BP. First, Iran agreed to pay an indemnity to BP for losses it (BP) had suffered; $7 million per year for 10 years, beginning this Jan. 1; $70 million altogether. Then the equity in the property was spread around a bit with British Pete keeping 40%, and parceling out the other 60% among a consortium including Royal Dutch, Compaignie Francaise des Petroles, and 14 American companies. In consideration for its giving up of 60% of this Iranian property, BP received from this Consortium $90 million in cash, and was promised a 10 cents per barrel royalty from all oil exported from Iran until $510 million had been received from this source. This royalty in 1956 should amount to over $10 million; so you see the Consortium will be delivering royalty income to BP for many years to come.

The second major crisis in the business life of BP may again have been due in part to its British proprietorship. On Oct. 31, 1956, the Suez Canal was closed and on Nov. 3, the pipeline into Syria was sabotaged. With Kuwait and Iran relying on the Suez route for tanker delivery of oil to Europe, and Iraq using the Syrian pipeline, these Egyptian-inspired transportation blockages dealt a heavy blow to British Pete, reducing overseas oil deliveries by more than 35%, and requiring 1,500 miles more of sea voyage for each tanker. Further, this raised, for the second time in five years, serious questions about dependence on oil supply in an area of the world where political disturbance has become virtually epidemic.

And now, having briefly sketched the history of this vast and unique enterprise, and outlined some of the troubles it has encountered in the past, we move to the question as to just how much of a discount the geography of BP, with 93% of its petroleum coming from the Middle East, deserves. The shares have ranged 1955/6 between 9¾ and 25⅜ with current quotation about 18¼. The present dividend to American shareholders is 42 cents against regular per share earnings (1955) of $1.29. Results of around $1.80 a share may be realized for 1956. Net working capital at Dec. 31, 1955 stood at $355 million. So the company has good earning power, a marvellously strong balance sheet position, and its shares are selling at an extremely modest times earning ratio.

Consider, too, the magnitude of British Petroleum. Here, within a single private corporation, are controlled estimated oil reserves greater than those of the entire United States. These reserves have been conservatively estimated at 35 billion barrels! (Some estimates have run as high as 42 billion barrels.) They work out to around 350 barrels for every share of British Pete. Where else can you find an equity assaying so high per share in oil? That converts at the present price for the stock to ownership of oil in the ground costing five cents a barrel. They're paying $3.17 a barrel for crude oil in Texas today. Is five cents a barrel too high a price to pay for it under a Persian rug (or rugged Persians?)

The world demand for oil shows not the slightest sign of abating; in fact, for all the countries in the free world, we're neither producing enough today, nor locating enough new reserves to keep pace with the indicated rising curve of demand. The richest stores of oil and the largest producing wells are in the Middle East where British Petroluem has most of its chips down. And if we could only be sure that peace could be restored and maintained in this sandy political arena, then British Petroleum shares might well be regarded as the most undervalued major oil equity around. If the new British Administration, in concert with the United Nations, and in closer liaison with the United States, buttressed by our advanced technology in fission and long range missiles—if these factors can reopen Suez, keep the peace and checkmate Communism, then British Petroleum, instead of being an equity heavily discounted by Mid-Eastern uncertainties, might be a desert of derricks that would "blossom like the rose."

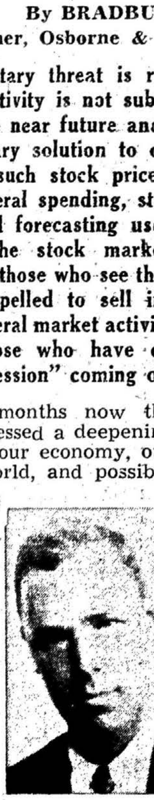
Make Haste Slowly

By BRADBURY K. THURLOW

Partner, Osborne & Thurlow, New York City

Unless military threat is removed, Mr. Thurlow concludes, business activity is not subject to serious downward adjustment in the near future and cannot be expected to influence a deflationary solution to our present overall crisis." After examining such stock price influencing elements as foreign policy, Federal spending, stock market psychology, industrial activity and forecasting usefulness, the Wall Street analyst examines the stock market's turn-about action, and the dilemma of those who see the growing dangers of inflation and yet feel impelled to sell inflation-hedge stocks because of present general market activity and near term business outlook. Advises those who have doubts about an "old fashioned depression" coming on to "make haste slowly."

For several months now the writer has expressed a deepening conviction that our economy, our country, our world, and possibly even our concepts of life are passing through a momentous crisis, a turning point, on the other side of which "things" will be as different from what they are today as today's conditions differ from those of 30 years ago.



B. K. Thurlow

As it is a mistake not to see the forest for the trees and attach undue importance to trifles, so also it is unwise to assume an ivory tower attitude, considering nothing but the grand currents in the affairs of men. The second approach provides vast pleasure to the philosophical mind, but is usually a poor way to fatten one's pocketbook. At a time like this, however, it is a mistake not to see how the larger background can affect the smaller (financial) picture in which we are immediately interested.

Since the end of World War II, the United States has demonstrated a degree of unmotivated international goodwill and selfless leadership unparalleled in recorded history. To our more civilized friends and allies who have long lived on the principle of exacting an eye for an eye (perhaps because they have not been rich enough to afford to do otherwise), such behavior has been bewildering and not unnaturally has roused the deepest suspicions, as generally happens when the recipient of a favor does not trust or understand the motives of the donor. We have made many mistakes in our foreign policy and have been sharply criticized, sometimes rightly, sometimes with shocking cynicism.

At any rate the net effect after many years, is that we seem to be entering a sort of spiritual, moral and diplomatic adolescence, in which we are coming to feel increasingly isolated from the world and increasingly aware that we must inevitably fight for our existence against the opposing power of Communism. Whether the battle will be fought by military, political, or economic action we don't know, but no one except the politicians, honestly believes that when the chips are down the recipients of our past generosity will be willing (or able) to give us any substantial help.

Governmental Leviathan

It is important to bear this in mind because Secretary Humphrey's comments on the President's budget message touched a deep chord in American feeling and are likely to accelerate a process of reaction which was already well underway. The 1957 budget is $72 billion. Such numbers are meaningless to most people until they reflect that our government is draining away the national wealth at an annual cost of $2,200 for every family (average size four people) in the country. The governmental leviathan conjured by Thomas Hobbes over 300 years ago is now in the process of devouring the richest and most powerful country the world has ever known, and threatens in the Secretary's words to bring on a depression "That'll make your hair curl."

But what do Mr. Humphrey's remarks mean. It is all well and good to rush out, as many did, and sell steels and aircrafts "because Mr. Humphrey said either we would have a depression or the government would have to stop spending money and if it stopped spending money that meant there would be no military program and if we had a depression, the steel stocks were going to collapse." The government cannot stop spending, except possibly in the area of foreign aid. But government spending has never been looked on as deflationary by anyone, except possibly some of the sellers of securities during the recent past. Is it not, as any European could tell you, that a virulent inflation means depression just as much as a strong deflation? Why must we expect every future dislocation in business to occur just as they did in the 1930's?

More Loanable Funds

There has been evidence for over a year that the Treasury was worried at the way the Federal Reserve has been dabbling with the money supply. We have already expressed some of our misgivings on this score (see *Commercial and Financial Chronicle*, Jan. 3, 1957), and have discovered from subsequent discussions of the subject that there are a number of intelligent people who are convinced that the Fed has not accomplished what it set out to do in early 1955, that it can restrain inflation only by causing a deflationary money panic, that it is about to be forced to increase the supply of loanable funds (to satisfy new and increasing demands from the Government, the military, and municipal projects, none of which can be punished, as can business, for wanting to expand). This line of reasoning seems more cogent to me than the vapid conformity of those who still cherish the dogma of money-manager infallibility.

Stock Market Direction

The present conjunction of circumstances is striking enough to suggest that in the stock market, at least, we may be approaching the psychological turning point. Since September 1955 confidence has ebbed and flowed in a vacillating atmosphere of confusion and doubt. Most people have come to the conclusion that stock prices are too high (and, if they point to the traditional "blue chips," the argument is convincing). How, they argue, can stock prices rise further when people think they have already risen too far?

There are two answers to this question: (1) Many stocks may in fact have made their highs for some time to come and may even decline while other issues are going up. (2) A year from now a number of stocks which look high today may seem in retrospect to have been very cheap. Absolute judgments on value are difficult to make when stocks as a whole appear fully priced. Value judgments arising from predictions of the future are only as good as the predictions themselves, and even then are subject to serious psychological error. Witness the correct forecasts of good business made in the spring of 1946 and bad business in the summer of 1953. The results of coupling apparently logical market policy with these forecasts should restrain those who think it is easy.

Elements to Consider

Let us assume that we are approaching, if not at, the crisis we have observed in so many of its aspects: foreign policy, military spending, money policy, stock market opinion, industrial activity —there are many others. Each of these elements has contributed in some way to the intellectual and emotional unsettlement of the past year and a quarter. Each, related to the stock market, comes down to the question of whether the solution is to be inflationary or deflationary. The first three categories we have already discussed, reaching the conclusion that they are all contributing toward inflation. Business activity is really a function of the same three categories, but since most people don't really believe this, let us survey briefly the business outlook.

Automobile production seems to be the sore spot in the economy at the present time. One is bewildered by the barrage of optimistic forecasts from Detroit which couple strangely with the glum reports from the steel and brass mills relative to automotive orders. Since it is impossible to make automobiles without raw materials, one must assume that unless there is a sharp pickup in interest this spring (which the companies themselves do not expect, judging from their raw material orders) the industry may produce no more than 5,000,000 cars this year. This would certainly be depressing for holders of automobile stocks, but is it a valid reason for jettisoning the steel equities which were beginning to win such favor only a few weeks ago?

It is one of the old saws, inherited from the folklore of capitalist economic theory, that the automobile business is the backbone of the national economy. If its declines, according to this wisdom, so does everything else, and we have a "business recession." The only thing wrong with the theory is that automobile production declined over 25% in 1956 and business was highly prosperous. A decline of 800,000 units this year would be about 14% and would represent a loss of about $1.5 billion in sales. This would be more than offset by a $2 billion increase in expenditures by the military alone, not to mention the $4 billion increase in estimated construction expected this year.

The Future Outlook

With regard to other industries the outlook seems less definite, viewed either optimistically or pessimistically. The appliance industry is obviously having trouble and the housing industry will languish until Congress puts a realistic rate ceiling on GI loans, but these considerations are of minor importance since the country's basic economic problem is to build up a sufficient striking force to destroy Communism without outside help, should the necessity arise. Until the threat of military attack is removed, it is difficult to see a substantial decline in business activity. Therefore, the writer concludes that business activity is not subject to serious downward adjustment in the near future and cannot be expected to influence a deflationary solution to our present overall crisis.

If we assume that all contributing elements we have discussed are either neutral or inflationary in their implications, then the repeated warnings of the Federal Reserve and Secretary Humphrey take on new meaning, but not the stock market meaning which would be suggested by recent falling prices. Indeed there is strong evidence that the recent decline in the market has been a "false move" in which the weakest issues have been precisely those the intelligent investor should have been buying, and in which, speaking more broadly, many holders of securities whose judgment in their calmer moments have been correct, have suddenly, and irrationally as it were, doubted their past wisdom and undone their positions in the market, possibly just as they were about to be proved right.

Inflationary Psychology and Hedges

Such a phenomenon is common in stock market behavior, as any speculator should know. Indeed there are those who hold that the sole benefit of a secondary reaction in the market is to unhinge the confidence of those who are correct but who have not the courage of their convictions. If we are about to take off on another flight of inflationary psychology, the sharp reactions during the past year will serve as a textbook example of the above theory.

And if this inflationary psychology takes hold of the stock market, what will happen to stock prices? First one must ask what alternatives exist in this country as practical inflation hedges. We may not buy gold. Foreign currency seems unduly risky, considering the overwhelming influence of our economy on that of other countries. Commodities are subject to controls and present physical problems of storage etc. Real estate has been successful in the past, but ultimately is valuable only insofar as it is useful. After a huge boom which has lasted 16 years, it would be dangerous to generalize.

This then leaves common stocks, but even here the choice is sharply narrowed. The profit margin squeeze, about which investors have been so concerned during the past year, is an inflationary phenomenon. Profitless prosperity provides little protection in an inflation. A good hedge must be able to increase its earning power in proportion with any fall in the value of the currency. For this reason one must be wary of manufacturing companies with a high ratio of labor and material costs to finished product, particularly when that finished product may meet direct consumer resistance. One must also be careful of regulated industries, like the railroads and utilities whose costs may rise faster than they can secure rate increases.

Issues to Select

This leaves a relatively small number of industries in which investment is theoretically desirable. In this category we should include: (1) raw materials producers whose products enjoy world markets; (2) manufacturing companies which sell, to other manufacturers, products which (a) are vital to the buyer's business but a minor proportion of his total costs, or (b) enable the buyer to cut his manufacturing costs; (3) companies whose business is wholly, or predominantly, derived from the U. S. Government; (4) companies which sell services rather than goods and whose costs do not absorb a material proportion of its revenues.

In the first group iron and steels, coppers, and oils look like the most attractive industries, and one could well divide one's interests between actual producers and companies with unexploited reserves. In the second group railroad equipment manufacturers are an example of (a) and machine tool companies of (b). Aircrafts are the prime example of group three while group four would include companies with such diversified lines of business as airlines and fire insurance companies.

Within these groups there is a scarcity of selection, since all companies obviously cannot suit every preference as to risk, size, quality of management or other criteria the individual investor may stress. This brings to the consideration of an idea which was prevalent during the late stages of the "growth stock" fad last year, namely scarcity value. If investor preference inclines to a few stocks in preference to all others, what are those few stocks likely to be worth, or, put another way, how high can a stock sell when an investor can find no other suitable substitute to protect his cash?

Advises Depression-Doubters

These are the questions which it seems proper to ask the investor who sees the growing dangers of inflation, yet still feels impelled to sell inflation hedge stocks because he is worried about the level of the general market and the overall near term business outlook. At this critical stage of our economic and political development there is no form of investment (including cash) which does not hold substantial risk of loss in the event of mistaken judgment. The decision must be made against what contingency protection is principally needed, and that decision, to be effective, must be implemented with some consistent course of investment action. If the investor, after careful consideration, comes to the conclusion that this is really a wise time to sell off his inflation hedges and prepare for an "old fashioned depression," he should, of course, sell; but if he has doubts as to just how history is likely to repeat itself, he might be well advised to "make haste slowly."

Arthur Gray V.-P. Of A. M. Kidder Co.

Election of Arthur Gray, Jr., as Vice-President and Director of A. M. Kidder & Co., Inc., 1 Wall Street, New York City, members of the New York Stock Exchange, has been announced by Mrs. Charles Ulrick Bay, President and Chairman of the Board. Mr. Gray was associated with Kuhn, Loeb & Co. from 1945 to 1953 and has been an independent motion picture producer for the past three years. He served as Chairman of Special Events for National Citizens for Eisenhower in 1952, and in 1956 served as Vice-Chairman of Finance for National Citizens for Eisenhower.

Arthur Gray, Jr.

With J. M. Dain

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Wheelock Whitney, Jr. is now connected with J. M. Dain & Company, Inc., 110 South Sixth Street. He was formerly with Allen C. Ewing & Co. of Jacksonville, Fla.

Continued from first page

Inflation, Spending, Taxes And Some Reforms

through the agony of its inevitable consequences. Secretary Humphrey says that unless we change some of our ways, we will see "a depression that will curl your hair." Mine has already been curled once—and I think I can detect the signs.

The obvious sign of inflation is the advance of prices, wages, and the cost of living. But another sign is the temperament of some of our economists. Again you hear the same expressions as in the inflation period of 30 years ago—that "we are in a new economic era"; that "the old economic laws are outmoded." I just suggest to you that even in a partially free economy, unless we curb inflation on its way up, Old Man Economic Law will return with a full equipment of hair curlers.

The American People Need to Be More Awake

There are several things as to government financial operations of which our people should be more fully awake.

First. The Federal Government spending is much larger than the figures in the annual Federal Budget. There is spending on various governmentally-conducted pensions and on some trust funds. And there is indirect spending on projects financed by guarantees and loans. And there is the spending of our state and local governments which we must take within our vision. Various responsible institutions have estimated the total of these expenditures during the last calendar year at over $103 billion.

Second. The American people should realize that this spending has to be met with some kind of levies on the people, whether they appear as taxes or under some other guise, and these levies are also estimated at about $103 billion.

Third. They need to realize that this enormous Federal and local spending and the levies which it requires has some part in this inflation movement.

Fourth. They should also realize that these total levies are taking so much from the people that their savings are insufficient to finance the needs of growing private enterprise to provide 1,500,000 new jobs each year, and to provide homes for the new couples. This is thwarting progress itself. Incidentally the rise in interest rates is an indication of inflation.

Fifth. They should realize that with combined Federal, state and local taxes, we are a long way on the road to socializing the income of the people. Moreover, the form of these taxes is making new individual enterprise most difficult and is driving small businesses to sell out to big business. And the government is engaged in a host of businesses in competition with private enterprise.

The spirit of Karl Marx no doubt rejoices at these phenomena. He recommended some such action as the road to Socialism.

But, lest I be misunderstood as to expenditures, let me repeat what I have said many times over the years. The Federal Government should undertake and only undertake, competitive business and public improvements which cannot be otherwise attained by the people or their local governments. There are less of them than some pressure groups would have you think.

Sixth. The American people must realize that they cannot have every social and public works improvement of their dreams all at once, especially in a world where we have to defend ourselves from a monstrous international danger.

At least we should only undertake such ventures in order of their urgency.

Our Proposals

Our [Hoover] Commission has made a multitude of proposals for reducing the cost of government. We have not proposed to abolish or injure any necessary functions of the government. With the support of President Eisenhower and the Congress, a good deal of progress has been made.

Out of scores of further such opportunities to save expenditures I will mention at this time only four.

Budgeting and Accounting

Our Federal budgeting and accounting is not adapted to these enormous expenditures. Two things have resulted. No one today can tell what the actual annual expenditures of the government really are. And for this reason, and the continuing appropriations, the Congress has lost control of the purse—the very foundation of free men.

The remedy we proposed has been supported by President Eisenhower, the Controller General and the Director of the Budget. Under the leadership of Senator John Kennedy, a bill providing these reforms was passed unanimously by the Senate in the last session. The act was divided into three parts. Two parts were passed by the House and are now law. The key part, however, was deleted in the House. Again under Senator Kennedy's leadership, this legislation has been introduced into the Senate with 48 Senators as sponsors.

Here is a spot for the Citizens Committee and the other agencies of reform in government to express themselves vigorously, for there are savings estimated at over $3 billion to be had. And further, the country and the Congress could then know what the government really spends each year and the Congress could really control it.

Defense

In the face of the Communist threat, we must maintain our military strength. But we need a soul-searching look into the abandonment of obsolete methods and weapons of defense. Beyond that we proposed the effective unification of the common-use business service of the four military departments with a saving of over $2 billion a year. Some admirable steps have been taken by the Defense Department — but there is still a long way to go. I might remind you that unification of these common-use activities was one of the great hopes of the Congress when it enacted the Unification of the Defense Services.

The Civil Service

There is another area in which there are billions of dollars to be saved. The turnover in our Civil Service is about 500,000 employees annually—that is 25% per annum, three or four times the normal of a well-conducted business. It costs about $3,000 to process and to give a year's training to a new employee. If this turnover could be reduced by 200,000, that alone would produce a saving of over $5 billion a year.

Another cause of this turnover comes from the failure of government service to attract and hold men and women who have developed unusual administrative abilities. With inadequate pay for top executive skill and the uncertainty of promotions, our best employees become the easy recruits of private business. In consequence, many services are left to be administered by deadwood. President Eisenhower has approved our proposals.

Government in Business

The Federal Government is engaged in a multitude of business enterprises in competition with private business. As a whole, they pay microscopic taxes — either Federal, State or local; few of them pay interest on government capital and still fewer amortize this capital. Any strict accounting would show, as a whole, that they are a burden on the taxpayer and that they deprive the government of taxes that would be paid on the same service by private enterprise. Some headway is being made on getting rid of them but there is still a long way to go.

Who Is Responsible for This Spending and Taxes?

And now I will disclose to you who is mostly responsible in these unnecessary and wasteful expenditures. They are opposed by some government employees. But the most important opposition is the pressure groups who operate among our people. Many of their names are on the Federal register of lobbyists as required by law. Others of them operate strenuously on Senators and Congressmen and the public in the field. There are probably more than a thousand of these pressure groups, working day and night, to get what they call "theirs." So far as I know there is not a name among the registered lobbyists whose purpose is to decrease public expenditures. I know of only two private organizations in Washington working to reduce expenses and taxes.

I suggest to you the American people that each of you examine yourself as to whether you belong to any pressure group asking for Federal spending. If you value your own safety and future peace of mind, just resign from it—and do it loudly.

However, despite the pressure groups we are making progress on the Commission's recommendations.

And may I add that so far as our internal economic forces are concerned, I have no fear of a serious depression—if we can stop the march of inflation.

Payson & Trask Admits New Partner

The venture capital firm of Payson & Trask, 748 Madison Avenue, New York, N. Y., has announced that W. Hardie Shepard has been admitted as a general partner. Mr. Shepard, who has been associated with Payson & Trask since 1954, was formerly Secy.-Treasurer and director of the Perkin-Elmer Corp., Norwalk, Conn., and prior to that was associated with Lehman Brothers. Mr. Shepard specializes in financing electronic and instrumentation companies. He is a Vice-President and director of the Hartford Steel Ball Co., Hartford, Conn. and is a director of Trans-Sonics, Inc. of Burlington, Mass.; C. G. S. Laboratories Inc., Stamford, Conn.; Vacuum Tube Products Co., Inc., Oceanside, Calif., Radiation Applications, Inc., New York, N. Y.; and Interference Testing and Research Laboratory, Inc., Boston, Mass.

W. Hardie Shepard

Gardner With Continental

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Fred T. Garner has been added to the staff of Continental Investments, Inc., C. A. Johnson Building. Mr. Garner previously conducted his own investment business in Denver.

Greater Brain Utilization

By ROGER W. BABSON

In pointing out that "every employer will say that the product of our schools is not as good as it formerly was," noted New England financial advisor urges higher educational standards, and believes the school teacher's job "is to help her pupils develop their brains." Increasing brain utilization from existing 3% to 6% is a goal, Mr. Babson advises, we should strive for.


Roger W. Babson

Two basic financial problems are facing every city and town today. (1) Higher interest rates must be paid for all money borrowed, including that for new schools, and there is a shortage of money at any cost. (2) Higher salaries are being demanded by teachers, and there is a shortage of teachers at any wage.

Why Teachers Get No More Pay

Almost all other groups of workers have increased production as their wages have risen; but the carpenters use electric tools; the painters spray, instead of using hand brushes; the doctors make quicker "calls" by telephone; while stores are fast adopting "self-service." Even the blonde typist uses an electric typewriter; while her boss uses a Soundscriber. The housewife herself has cut down her work so as to make it unnecessary to employ maids and laundries; and, in fact, she can even earn money by an outside part-time job.

With the faithful school teacher, the results are often the opposite. It is true that she has been given more "things" to teach and to talk about. These have been forced upon her school superintendent by high-pressure textbook salesmen and politicians. These outside "things" take the teacher's time and strength. I greatly sympathize with all school teachers in their predicament.

School Teaching Very Inefficient

But the fact is that her product does not increase in efficiency and usefulness as her salary is increased. The good women now teaching my grandchildren get more than double the pay which the teachers received when I was in school. I, however, am convinced that these children do not get the training that I had fifty years ago. Moreover, every employer will say that the product of our schools is not as good as it formerly was. Furthermore, we employers are not allowed to "return the goods and get our money back" when the work of a graduate is inefficient and careless.

Basically, the job of a school teacher is to help her pupils develop their brains. If this has been properly accomplished, the other needs—character, health, posture, and personality — will naturally follow. Yet, our public school students are not taught anything today about their brain. They utterly fail to realize its marvelous powers, how it works, and its tremendous unused possibilities. In fact, only in the past year did I get interested in my own brain through Dr. George Russell Harrison, the wonderful M. I. T. Dean of Science, whose article appeared in a recent "Atlantic Monthly."

How to Remedy Our Difficulty

Now here is a suggestion which those responsible for the cost of the teaching of your children should seriously consider. Begin in the lower grades to interest the children in their brains. Instead of giving them "CAT" as the first word to spell, give them "BRAINS" to spell! Have at the top of every Report Card these words: "Report On How Your Brain Is Working." Constantly keep the children conscious of their brains and its marvelous possibilities.

Recently, I asked some boys what kind of reading interested them most. One replied, "Airplane Engines"; another said, "Space Flying"; while a third said, "To understand how a TV works." Then when I began to tell them of the marvelous machinery inside their own heads, they were fascinated. I gave them only one illustration of what happens when they see an object, and how the light waves reflected therefrom are changed to electrical impulses which in turn are registered and stored in a minute memory compartment of their brain to be taken out and used years later.

Terrific Results Possible

My point is this: Physiologists tell us that we are using our brains at only 3% of capacity. If so, think what it would mean to our future and the future of the nation to increase this 3% to only 6%. It could not only double the efficiency of every public school graduate, but it could double our standard of living and it could make every one of us better, healthier, and happier. Then every teacher would gladly be given double her present salary, and more!

The Food Industry's Outlook

By S. M. KENNEDY

President, Consolidated Foods Corporation

[The accompanying article by Mr. Kennedy on the economic outlook for the economy in general, with special emphasis on the food industry's role, originally appeared in the "Chronicle" of Jan. 24 (page 44), and is being reproduced herewith because of the fact that the picture of "Samuel M. Kennedy" which was used on the previous occasion was not that of S. M. Kennedy, President of the Consolidated Foods Corporation—Editor]

With the advent of the New Year, we hear echoes of the usual year-end economic forecasts. Most can be summed up as follows: "The current high level of business activity can be expected to continue through the first half of the new year. Due to possible reverses in some forces underlying our present expansion, the second half appears less promising. However, a serious recession is unlikely because of the Federal Government's determination to adopt stimulative policies, if necessary."


S. M. Kennedy

Such warnings have been issued regularly each year since the end of World War II. It goes without saying that the rationalization of pessimistic views, if made consistently year after year, will eventually appear correct.

More optimistic forecasters each year express the confident view that our economy will continue strong, adjusting and compensating by sectors at times, but maintaining over-all prosperity and growth. In retrospect, our economy appears to have done just that, with individual sectors adjusting from quarter to quarter, and with some periods of excessive inflation or deflation.

Full production and employment have been supported time and again by consumer demand, one of the least understood, but most important segments of our economy. If businessmen gear their operations to exploiting the enormous consumer market for goods and services; if they continue to expand their plant and equipment; if government spending remains strong, there is no reason why 1957 should not match 1956 in sound economic growth.

Nor is there any reason why aggressive, enterprising firms should mark time in anticipation of soft spots in the economy.

Food Industry Outlook

The food industry is a good example of an industry that has adapted its operations to the needs of its customers, and to the changing character of the American consumer. Both food processors and distributors have adjusted well to their new environment where food technology and marketing opportunities take precedence over traditional methods of operation.

With production, employment, wages, purchasing power and retail sales expected to continue strong, the economic outlook for the food business in 1957 appears very promising. The postwar trend of increasing total food sales, in terms of constant dollars, can be expected to continue.

Some of this increase can be attributed to our steady population growth. But a more important reason for rising food sales is increased per capita food spending. Better products, more attractively packaged, and aggressively marketed, have stimulated bigger food budgets for most American families.

If the food industry's growth trend is to continue, consumer spending for food must be expanded, especially as additional income and purchasing power flows into lower- and middle-income groups.

In summary, the economic outlook for 1957 appears promising, despite unsettled world conditions, and the usual year-end concern about the second half of next year. Already conditioned to tough competition, the food industry can be expected to keep pace with our expanding economy. And, as consumer income moves upward, there is no reason why the food sector cannot continue to enjoy vigorous growth in 1957.

Model, Roland & Stone Admit Partners

Model, Roland & Stone, 120 Broadway, New York City, members of the New York Stock Exchange, announce that Walter H. Berton, member of the Exchange; Walter S. Morris and Erwin Wolff were admitted as general partners as of Feb. 1. Herman H. Stone on Jan. 31 retired as a general partner to become a limited partner.

Manley, Bennett Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — David T. Manley is now connected with Manley Bennett & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

Hugh W. Long & Co. Announces Elections

ELIZABETH, N. J. — Election of Eugene J. Habas as Senior Vice-President Sales of Hugh W. Long and Company, Inc., Elizabeth, N. J., has been announced by William Gage Brady, Jr., Chairman of the Board. At the same time, L. C. McDannel, George T. Moeschen and Harold T. Meusbacker were named Vice-Presidents and Ann Galvin and George F. Pils were made Assistant Vice-Presidents.

Mr. Habas has been a Vice-President of the Long Company since 1944 and has had 31 years' experience in the financial field. He was previously associated with Lehman Corporation and before that time was in charge of research at Fenner & Beane. He has been President of the New York Society of Security Analysts as well as Editor of the "Analysts' Journal." Mr. Habas will direct all phases of capital raising for Fundamental Investors, Inc.; Diversified Investment Fund, Inc. and the two other mutual funds sponsored by Hugh W. Long and Company.

Miss McDannel has long been associated with the Company and was formerly Secretary. Mr. Moeschen and Mr. Meusbacker were formerly Assistant Vice-Presidents. Mr. Moeschen has been in the mutual funds business since 1930 and Mr. Meusbacker since 1932.

Miss Galvin has been with Hugh W. Long and Company since 1946.

Mr. Pils joined the firm in 1954 after 24 years' association with Investors Management Company, Inc., investment advisor to the mutual funds for which the Long Company is national underwriter. In addition to his new position as Assistant Vice-President, he will continue in his capacity as Assistant Treasurer.

Wash., D. C., Analysts To Hear Sorensen

WASHINGTON, D. C.—Stanley M. Sorensen, President, Hammond Organ Company, Chicago, will speak on the organ industry at a luncheon in the Burlington Hotel before the Washington (D. C.) Society of Investment Analysts on Monday, Feb. 11, 1957. An organ recital will precede the luncheon.

Will Business Turn Down in The Critical Year of 1957?

By MALCOLM P. McNAIR*
Lincoln Filene Professor of Retailing,
Harvard Graduate School of Business Administration

Recognized retailing expert surmises 1957 may witness the first real test of whether we have learned to overcome the business cycle and, after analyzing past several years of accumulating strains and the components of the spending outlook, advances the view that business will not turn down in 1957. Professor McNair expects growth rate to flatten out, permitting a needed breathing spell, with GNP increasing from $412 to $427 billion dollars unaccompanied by as large a rise in physical volume. Assumes we will lean closer to Federal Reserve point of view than to that advanced by Congressman Wright Patman and, if so, money cost will neither increase nor decrease significantly but availability of funds is likely to be somewhat greater. Sees slight department store sales rise for Spring 1957 primarily due to price rise; and does not expect wholesale prices in 1957 to rise as rapidly as in 1956.

I

In the light of trends of national income and outgo during the latter part of 1956 the question "Will business turn down in 1957?" may appear as being unduly apprehensive. The Federal Reserve Index of Production stood at 147 in November and probably rose to 148 in December. The Gross National Product for the third quarter was at the annual rate of $414 billion and probably hit an annual rate of about $422 billion for the fourth quarter. Similarly, personal income went from an annual rate of $327 billion to $332 billion and disposable income from $288 billion to $292 billion. Personal consumption expenditures, which were at an annual rate of $267 billion in the third quarter, probably hit a figure of $270 billion in the fourth quarter, which would mean that the savings rate possibly went up from $21 billion to $22 billion. Unemployment in October stood at the low figure of 1.9 million, but in November it exhibited a sharper-than-usual seasonal rise to 2.5 million. With the exception of the last, all these indices point upward.

Prof. M. P. McNair

Downturn in 1957?

It is not, therefore, any specific weaknesses in the current general trend which prompt the question, "Will business turn down in 1957?" The reasons why I think this question is not inappropriate are to be found in the cumulative picture of what has been going on in this country in the entire postwar period. I believe that a review of this entire period suggests that 1957 may well witness the beginning of the first real test of whether the American economy has learned how to overcome the business cycle—the alternation of boom and bust which, at least up until World War II, presented a constantly recurring problem.

In spite of occasional prophecies of impending downturn, the business community thus far in the postwar period has experienced nothing more serious than so-called "rolling readjustments," namely, those of 1946, 1949, 1954, and perhaps early 1956. In each of these situations when there was a decline in some important economic sector such as government spending, inventory building, or the automobile business, other sectors have advanced sufficiently to take up most if not all of the slack. Of course in this post war period we live under some basically changed conditions, such as big Federal budgets, which help to stabilize the flow of spending, and the built-in stability features furnished by social security measures and the stronger banking structure.

We have also had the benefit of a whole series of favorable circumstances, not all necessarily of a permanent character. I refer to such factors as the great scarcities of goods created by the war, the necessity of making up for the abnormally low rate of economic growth in the 1930's, the burst of technological development as application has been made of wartime scientific discoveries, the unexpectedly rapid increase in population, the more broadly based economy, including whole new industries such as TV, atomic energy, and so on, the growing practice of long-range business planning of capital expenditures, the five year period of unusually stable prices following 1951, and the moderately conservative middle-of-the-road political climate which has characterized these later years.

For all these reasons and others, we have at no time since the end of the war experienced any simultaneous turndown of several important economic sectors such as government spending, construction, consumer durables, and capital goods spending. Nevertheless, as the situation stands today, at the outset of 1957, our economy begins to show an accumulation of strains which makes the present period resemble more and more closely some of the periods which led up to crises in earlier years before the war. Let me enumerate some of the evidence on which this judgment is based.

Accumulation of Strains

(1) We have heavy business spending for plant and equipment, $35 billion in 1956, which clearly is outrunning the supply of savings and may be outrunning nearby needs in certain lines.

(2) Money is tight and scarce, at least by any standards of the last 25 years; and this financial pinch, which is much more severe than was foreseen 12 months ago, is beginning to force postponements and reappraisals of capital spending programs. Part of this picture is a substantial use of bank credit for capital purposes and a relatively high velocity of money circulation.

(3) A definite squeeze on profits is being exerted by rising costs. Corporate profits before taxes have been dropping ever since the fourth quarter of 1955. Apparently the total for 1956 will be about $1.7 billion lower than for 1955.

(4) There has been a marked increase in bond yields to a point where these appear more attractive than many common stock yields.

(5) We have an enormously high debt structure, not only Federal, state, and municipal debt, but also business debt and consumer debt. American consumers are now in debt for nearly $95 billion on homes, $32 billion on cars and other instalment purchases, and $10 billion on other things, including $4 billion on department store charge accounts. This total of $137 billion in personal debt does not include $10 billion owed on farm mortgages. In 10 years people have added more than $100 billion to their debts.[1]

(6) After several years of stability we now have a disturbed price structure. The Bureau of Labor Statistics index of all prices other than farm and food prices is up 7% since the end of 1954. The consumer price index has risen in eight out of the last nine months and now stands at a new high of 117.8. At the same time some price discounting has appeared in capital goods.

(7) The number of housing starts definitely turned down during 1956. The October figure was at the annual rate of 1,050,000 as against an annual rate of 1,209,000 for October, 1955. Usually in the past the building cycle has tended to peak a little ahead of the general business cycle.

(8) Some inventory accumulation is present at manufacturing and wholesaling and in retail business other than automobile business.

(9) There is substantial pressure on resources of labor and materials. Shortages in steel are looming up, and there is a definite shortage of skilled workers in many lines.

(10) There has been an apparent slowdown in the rate of productivity increase in industry. The output per manhour has averaged a 3% rise every year since the end of the war, but in 1956 it increased at only a little over half that rate.

(11) There is a moderately rising trend of business failures.

This accumulation of strains is not something that has happened all at once. It is a situation that has been growing up over several years, and it is now becoming intensified. Another way of looking at the problem is to say that our economy has now moved in on a very high plateau, and the question is whether we can stay on it.

II

Intimately (and intricately) connected with the answer to this question is the present tug of war between two different economic philosophies, a contest which may be heading for a showdown in 1957. At the risk of considerable oversimplification these two philosophies may be described as follows:

The Monetary Solution

(1) The first is the more or less conventional policy of seeking to maintain business and price stability through appropriate monetary and credit controls. This way of thinking presumably is represented by the present policy of the Federal Reserve System. The basis of this philosophy is the idea that a business depression is essentially a consequence of getting the whole economy, or several important sectors of it, expanding at a rate that cannot be maintained; in other words, we get into a situation where all of us try to do too much too fast and hence begin to outrun our means and perhaps in some respects to outrun our immediate needs.

When we begin to approach such a condition the conventional remedy is to slow down a bit, to put on the brakes, that is, tighten money rates. Thus we seek to prevent prices from running away on the up side, to prevent bidding up for inventory, and so to forestall the consequent instability, panicky retreat, and eventual marked recession in employment which follow in the wake of a collapsed boom. By tightening up on money rates it is argued that we bring about a flattening of business activity, some postponement of capital spending, a reduction in debts (or at least a considerable drop in the rapidity of debt accumulation), some flattening out or moderate drop in consumer spending, possibly somewhat lower prices, a reduction in inventories, an increase in savings, and some rise, probably moderate, in unemployment. As soon as all these things have begun to happen, of course, it is important that the credit controls be relaxed. This is the conventional theory of the way to maintain business stability, and this is where the present Federal Reserve policies presumably are pointed. The Board, as you are all aware, has raised the rediscount rate no less than six times since embarking on its current program of checking inflation.

Increasing Money, Wages and Prices

(2) The opposing philosophy is that of maintaining full employment along with an ever-rising level of wages and giving only secondary attention to what may happen to prices. This was the philosophy underlying the Full Employment Act of 1946 in its original form. (The original measure was considerably watered down by Congress.) It is the philosophy expounded by such people as Leon Keyserling, head of the Council of Economic Advisers under President Truman; Walter Reuther; and some members of Congress, such as Wright Patman of Texas. In recent hearings of a Congressional subcommittee of which he is chairman, Wright Patman expressed himself as being more interested in sound people than in sound money. By this he meant that the main objective always should be full employment. The practical implication is that credit should be allowed to expand sufficiently to take care of rising money wages even though such rising money wages outstrip productivity increases. While it is tenable that from time to time the money supply has to be increased in order to accommodate a larger volume of business, the strong advocates of this second philosophy apparently would push ahead with an easy credit program notwithstanding any inflationary implications. It would be hoped, of course, to keep price inflation within moderate bounds over any short period; but if necessary, direct control of prices would be resorted to.

The foregoing description of these two opposing economic philosophies is, of course, an oversimplification. It is a much too sharp black and white contrast, in which the Federal Reserve Board appears as "the good guys" and Patman and his cohorts appear as "the bad guys." The situation is far from being this simple. Even

Continued on page 37

*An address by Professor McNair before the National Retail Dry Goods Association, New York City.

[1] U. S. News & World Report, Dec. 21, 1956, p. 40.

Outlook for Housing

By OWEN R. CHEATHAM*

President, Georgia-Pacific Corporation, New York City

In reviewing the national economic picture, Mr. Cheatham believes: housing starts have probably reached their low; we can expect sharp new house upward rise to 2 million per year within ten years; plywood, paper and paper products production must double by 1976, and while good forestry management should produce growth equal to cut, the situation indicates timber is getting scarcer and more valuable; and will have to increase national product to $750 billion, or 83% more than now being produced.

The economic picture is fairly bright, but one upsetting factor is the lack of housing starts during the past year. This was brought about, to a substantial measure, by the tight-money situation. In our own company, perhaps a minimum of 40% of our product is affected by housing one way or another, the other 60% going largely into industry and into commercial construction. The booming commercial and industrial business, along with the additions and maintenance to existing houses and the "do-it-yourself" market, has gone a long way toward alleviating the reduction in housing starts; but it still represents a serious threat to the entire economy. Home building is far reaching and the mainstay of many other industries. In fact, it was a major spark plug of the postwar prosperity.

Owen R. Cheatham

We think, and our economist advisers think that the 1956 rate of approximately 1-million starts, give or take 100,000 either way, is about the irreducible minimum. As a matter of fact, anything less than 1,300,000 new units is merely borrowing from the future; and the lag will be more than made up when funds are more easily available. A modest program to boost home-building in 1957 is likely to get support from the President's new Economic Council Chairman, Raymond J. Saulnier. He has said that he believes that the restrictive credit policy now being followed by the Federal Reserve hits housing harder than other areas of the economy. He said recently: "It's the responsibility of government to alleviate unintended excessive pressures."

In the tight-money situation, home-building has been hurt first and hardest. Housing starts were cutback 31.4% from their seasonally adjusted peak in 1954 to the new low hit last September. Nearly all this cutback was in the lower-cost market that relies on FHA and Veterans financing. Many of us think, though, that it is just as well that fewer houses were built in 1956 because it allowed the market to digest the hangover from 1955 building; it avoided further running up of costs and pricing more houses out of the market; and it let builders adjust themselves to new market conditions and develop new sales appeals.

But we are concerned with the possibility that credit relief for home-building may come too late, since the planning and preparation period, even when the money is available, is at least six months to a year. It has been pointed out by a special-study panel set up for home-builders, mortgage bankers' associations, life insurance companies, industry, government observers, and economists that a deeper or long-continued cutback in home-building would be most unfortunate for three reasons: (1) Home-building cannot be turned off and on overnight with the flow of money; (2) Home-building is one of America's most dynamic industries; (3) The need for additional and better housing is still great.

Thirty-five years ago Herbert Hoover said: "America's greatest social need is more and better housing. In the generation since 1921, the standard of housing has lagged still further behind the 100% rise in the rest of our living standards. In fact, the American standard of housing is actually lower today than in 1929, for old houses have been falling into decay faster than we built new houses to replace them. Most of the old houses are still with us, 28 years older. Prewar, demolition, and other losses were about 50,000 to 60,000 a year. Our economic advisers tell us that now the yearly rate is 250,000 and that the new Federal Highway Program will, within three or four years, increase this number, through demolition, to around 400,000 per year. This alone is phenomenal! We have built barely enough new houses to keep up with population growth — and most of them very small houses at that.

Unfilled Housing Demand

"Capital Formation In Residential Real Estate," released by the Princeton University Press, the most penetrating study yet made, shows that home construction is on the threshold of its greatest expansion over the next 25 years. Dwellings have been erected at an average rate of over 1-million a year from 1946 to 1956. Yet demand is far from filled. This study makes a convincing analysis that home-building will soon be moving from second gear to high—some of the reasons: greater income for millions of families makes wider home ownership possible; larger families and the trend toward living in the suburbs; more new families. The vast new highway program, to relieve congestion in the areas of greatest need, will cut wide swaths through existing communities, and will mean demolition of houses by several hundred thousand. These will be replaced by new housing. Obsolescence will increase at a rapid rate. The big "if," of course, is the availability of mortgage money. You know the answer to this better than I, but we believe that the White House is cognizant of this fact, and we feel sure that the situation will not be permitted to get out of hand.

In 1960, we are told, the United States will have a population of about 175-million. Beginning in about three years, we will have about double the number of youngsters reaching marriageable age than at any time before; and, barring catastrophe, this trend will continue for many years to come. This is because of the great increase in the birthrate which started about 1940, and that increased crop of babies will begin reaching 20 years of age in about three years. Consequently, there will be an increase of about two-thirds in the number of new family formations; and new family formations mean new houses. It is estimated that beginning about that time demand will begin a sharp upward rise to 2-million new houses per year within 10 years. Somehow a way will be found to serve the needs of all these new American families.

The engineers of the future are going to be confronted with problems that engineers of today never dreamed of. It has been forecast that by 1976, less than 20 years hence, our population will be 230-million; and if we maintain our present living standards, we will have to put out a national product of $750 billion, or about 83% more than we are producing now. One of the toughest jobs by that day will be that of replenishing our rapidly diminishing raw materials. Stanford Research Institute studies indicate that plywood and paper production must virtually double by 1976 to keep pace with these mounting consumer demands. America has had it reasonably easy up to now, digging into its rich stands of timber. But the industry is soon going to have to scramble to make the timber supplies go round, and to make more profitable use of its timber.

This potential demand is a tremendous challenge to our industry. About two-thirds of our nation's timber lies in the West, and about one-third in the South and East, although a much larger percentage of the old-growth timber, in diminishing supply, is in the West.

Reliance on Domestic Timber

The United States must rely chiefly on its domestic timber resources for the future. It is not likely that imports will or can increase. When flying over the world, one thing which has always been amazing to me is the small area of the earth's surface which has commercial timber or any timber on it. Without going into detail, there is timber in Central Africa, in parts of Central and South America, and in the Soviet Union. But for one reason or another—inaccessibility, high cost of transportation, inferior quality, badly mixed and different species—it is not feasible, not for a long time to come, for America to rely on those sources. Canada has about half as much softwood volume as the United States, but the quality is generally inferior; and the outlook for the domestic expansion in Canada, with the other demands upon Canada for her forest products, indicates that she cannot contribute materially to the demands of the United States.

Southeast Alaska has considerable timber, mostly suitable for pulp and lower grade lumber, which might stand us in good stead. Georgia-Pacific Corporation has rights to 7-billion feet of timber near Juneau, about equidistant from Seattle as San Francisco, covering a 50-year period, and conditional upon our constructing a pulp mill there. Plans on this have not been completed, nor have all obstacles been removed, but the project is a part of our long-range planning.

American forestry has come a long way during the past few decades. Modern forestry practices, with the fine system of access roads, firebreaks, fire-fighting methods and equipment, have largely eliminated the dread specter of forest fires. The cooperation between private ownership and government in fire prevention and control has worked well. These factors, plus the moist weather conditions on the Pacific Coast, preclude in this heavily timbered area any major fire catastrophe. It is also interesting to note that in large timber holdings any burned area would be small, especially in the fog belt on the Pacific Coast. Moreover, burned timber can be recovered virtually without loss since fire kills but does not destroy. We've made spendid progress toward getting the fire problem on a downhill pull.

Growth Equal to Cut

Good forestry management should be able to produce an annual growth about equal to the cut. However, as time goes by and old growth is diminished, the younger second growth will not be of the same quality; and more ingenious uses must be made of it. At the present time, 25% of the tree is not utilized. These problems will be solved, but their solution will not alleviate the continued scramble for timber. However, this is not a talk on the timber resources for America's future. That is a separate study and should not be generalized. For those of you interested in such a study, a copy of the "Timber Resource Review" is available from the United States Forest Service, Washington, D. C.

*From an address by Mr. Cheatham before the Ninth National Credit Conference of the American Bankers Association, Chicago.

Metropolitan Dallas Corporation Formed

DALLAS, Texas—Metropolitan Dallas Corporation has been formed with offices in the Vaughn Building to act as underwriters and dealers in public utility and industrial securities, municipal bonds, mutual fund shares and bank, insurance and oil stocks. Officers are George S. Rooker, President and Treasurer and Preston A. Peak, Vice-President and Secretary.

Mr. Rooker is a graduate of S.M.U. He was formerly Executive Vice-President of Keith Reed & Company and prior to that was an officer of the Mercantile National Bank. He is a Director of several corporations engaged in the oil business and oil well service fields. He is Vice-President and Director of the National Federation of Financial Analysts Society.

Mr. Peak is a graduate of the U. S. Naval Academy and the Wharton School of Finance. For five years he was a member of the Faculty of the School of Business of S.M.U. He is an officer of several oil companies and has for the past three years been actively associated with a company engaged in the purchase of producing oil properties.

Hugh Bass, Manager of the Municipal Bond Department, has been actively engaged in the securities business for many years. He started in the banking business in McKinney, Tex. He was Secretary-Treasurer of the Dallas Securities Company, one of the first Dallas investment firms, and later was an officer in the Mercantile Trust & Savings Bank. He has served as partner or officer of several other Dallas investment banking firms.

Sherrill E. Edwards, Manager of the Sales Department, was educated at the University of Illinois. He has been associated with the securities business for the past three years and prior to that was an independent management consultant in this area.

W. H. Keller Opens

INDIANAPOLIS, Ind.—William H. Keller, Jr. is engaging in a securities business from offices in the Circle Tower. Mr. Keller was previously with Francis I. du Pont & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Economic Prosperity's Tripod And Importance of Confidence

By ARTHUR O. DIETZ*
President, C. I. T. Financial Corporation

C. I. T. head avers credit for legitimate needs must never be cut off to the extent that all-important consumption is curtailed with resultant lower production and employment. Stating that economic growth and money supply increase go hand-in hand, Mr. Dietz praises Federal Reserve for preventing constant money supply expansion and for consequent halting of price inflation. Refers to the "tripod" supporting economic prosperity—production, consumption and credit—and maintains we are, individually, the world's best credit managers. Agrees great confidence in long-term outlook is warranted, but points out confidence in the future and strong self-reliance must be present or credit will not be used no matter how cheaply it is offered.

Everybody knows that money has become "tight" and most of us have opinions on whether that is a good or bad thing. Even those of us who have not formed hard-and-fast judgments nevertheless are well aware that something is happening to our money and the economy and we logically want to know more about it. On one hand, inflation seems to be attacking the purchasing power of savings accounts and life insurance, and the market value of many other investments and savings in cash or kind. On the other hand, the recent higher price of money and its scarcity are burdensome if we seek funds to run our businesses, arrange home mortgages, or, as taxpayers, consider what it costs governmental units to borrow either short- or long-term funds. Either way, our pocketbook nerves are being severely pinched and, of course, the pocketbook is always a very sensitive organ.

Arthur O. Dietz

Some politicians who believe in cheap money at all costs are vigorously attacking the Federal Reserve for its so-called tight money policy. Some financial analysts blame the average American for inflationary developments by charging that he has forsaken the thrifty ways of his forbears. We hear other folks—mostly businessmen—asserting that tight money is going to cause a complete economic collapse, when they really mean they are afraid that the sales for their specific products or services may suffer.

First Class Citizenship Restored To Money

It is no doubt in the light of these unanswered issues and in recognition of the fundamental place that monetary policies and financial institutions hold in our modern life, that President Eisenhower included the following recommendation in his recent State of the Union Message:

"Essential to the stable economic growth we seek is the system of well adapted and efficient financial institutions. I believe the time has come to conduct a broad national inquiry into the nature, performance and adequacy of our financial system, both in terms of direct service to the whole economy and in terms of its function as the mechanism through which monetary and credit policy take effect. I believe the Congress should authorize the creation of a commission of able and qualified citizens to undertake this inquiry. Out of their findings and recommendations the Administration would develop and present to the Congress any legislative proposals that might be indicated for the purpose of improving our financial machinery."

Such an inquiry would focus very close attention on the recent monetary policy of the Federal Reserve System, of course. This policy has meant just one thing to me—that it has restored money to a position of first class citizenship in our economic system. For the past two decades, labor has been commanding a higher and higher price and commodities of all kinds have been costing more and more, but only recently has the constant expansion of the money supply and consequent cheapening of the value of the dollar been halted. For the first time in many years, there is substantial protection for the purchasing power of pensions and the fixed incomes of people whose incomes are not tied to the wage spiral. Let us recall what the situation was in the first postwar years when major inflation threatened.

It was back in 1951, after years of supporting the low-interest policies of the U. S. Treasury, that the Federal Reserve was set free to restrain by quantitative monetary controls, the overflow of money and credit. It is such an overflow of credit that results in rising prices, as more and more dollars are created to chase a supply of goods and services that cannot possibly grow as fast. Skillfully using their techniques to limit the quantity of credit, the Board began to bring the supply of money and goods into balance.

It was announced that the Federal Reserve would no longer support U. S. bonds at par. The Board also began gradually to increase the discount rate, and its Open Market operations thereafter were directed at regulating and limiting the amount of excess reserves in the banking system.

The events since that time have proved to my satisfaction that the Federal Reserve System has at its command tools for monetary control that are very effective for restraining inflationary forces in peacetime. These events have also demonstrated how able and zealous are the present leaders of the Federal Reserve System, namely, Chairman William McChesney Martin and his colleagues.

What Is Lacking

Tight money means to some the absence of enough money to satisfy all needs. This misses the point, however, for what really is lacking today to meet all conceivable needs are resources—labor, raw materials and productive capacity. More money will not create more labor, materials or capacity. It will simply drive prices higher, as the additional dollars bid for the inelastic supply of labor and goods.

An outpouring of efficiently produced, relatively low-cost goods and services is, in the long run, the most powerful and effective way to stop inflation. What are the chances for such increased productivity? They look pretty good to me.

We are in the middle of a record-breaking peacetime boom in capital goods expenditures and plant expansion. Industry was spending about $23 billion a year on such expansion and modernization in 1954 and 1955. Such expenditures are now running at a $30 billion rate.

The emphasis is on rapid mechanization that will bring more production at a lower unit labor cost. Some of my manufacturing friends tell me they can hardly keep up with the rapid improvement in tools, machines and equipment—a new machine or process is made obsolete almost before it is completely installed.

There is a revolutionary new source of energy at hand in the atom. Its peaceful applications are sure to expand rapidly from here on. We are blessed on this continent by an enormous stock of nearly all raw materials, while in other parts of this world still greater stores are being discovered or made more easily available.

Prosperity's Tripod

There is a Tripod that supports economic prosperity. Its three legs are Production, Consumption and Credit. Taking Production first, we have already examined the nation's expanding plant capacity and mechanized efficiency. We recognize there exists the necessary supplies of power and raw materials. If our national characteristics of enormous initiative and energy are not forsaken, the nation's industrial machine can be expected to turn out in the future ever-greater quantities of ever-better products to enrich our standard of living and to allow us to share our well-being with the rest of the world.

The second leg of the Tripod is Consumption. While Production is the main reliance for preventing ungovernable inflation, Consumption—or the consumer—is our bulwark against violent deflation.

All the planning, financing, producing and selling that goes on in the American business system is ultimately for the benefit of the consumer and his family. If he can't, or won't, buy what is produced, trouble results. Certainly, it is important that each family individually lays funds aside for a rainy day, carries adequate life insurance and otherwise builds savings of one kind or another. But it is just as important that American families collectively be offered a continual flow of useful and irresistible products, better things for better living, as the du Pont Company calls them. Mr. and Mrs. Consumer must be encouraged and assisted to buy up our great output of products of all kinds by means of the right kind of salesmanship, the right prices and the necessary credit accommodations whenever the unit price is sizable.

There is no reason to belabor the vital importance of Consumption to the economy but I would like to dwell for just a moment on the necessity for maintaining a careful balance between consumer spending and saving. There have been many questions raised lately concerning the adequacy of saving by the American people.

Pleased Savings Was Not Larger

Some people are saying it is too bad the consumer didn't save more back in 1954 and 1955, so he would have more accumulated savings today to support the capital goods boom. This is a self-denying statement, based on hindsight. It was the additional spending of $18 billion on consumer goods back in those years that prevented a recession, for in those same years there was a $15 billion decline in government spending and industrial outlays for inventories and capital improvements. If the consumer had done much more saving than he did in '54 and '55, he would not have made the expenditures he did, and there would be no need now for a plant expansion program. It is the very fact that we have a strong consumption economy that makes so much capital investment necessary and possible. A country that saves too much will have less in the end. If consumers "save" the economy into a depression, they will then have to spend their savings to keep body and soul together. While the economy needs savings to grow, we must also consume in order to grow. And as plant and equipment grow, the nation will have to consume at ever higher levels to keep its plants and the labor in them fully employed.

Of course, the need for capital expenditures now has led to competitive bidding for savings and has raised their price. But, as the price of money rises, the interest paid for savings rises. This attracts more savings. Using the figures of the Department of Commerce, such a rise in savings is already noticeable. At present, they estimate savings at an annual rate of over $21 billion, nearly 7.5% of after-tax income, compared to less than $14 billion dollars, or 5.3% of after-tax income, in early 1955. Not only higher interest rates, but renewed faith in the value of the dollar, thanks largely to the Federal Reserve's stand against inflation, have at the right time made saving more attractive.

Enough for Consumption and the opposite side of that coin-saving. Let us now consider the third leg of the Tripod—Credit. It is Credit that supports the other two. Business credit makes possible industrial production and its expansion. Consumer credit makes Consumption possible at the high levels required by the present economy.

Variety of Credit

Credit is a symbol for many fine things. It means trust and trustworthiness. Today, as never before, each one of us is trusted by others for important sums of money that we pay at our own convenience. Everyone uses credit all the time, in the form of mortgages; utility bills; bread, newspapers, or milk delivered to our doors; automobile or television purchases on the instalment plan; charge accounts; tax obligations; loans to benefit personal and business interests, and in a multitude of other forms we all take for granted. As broad as is the trust reposed in us, our trustworthiness is equally broad. Simply stated, the American people have earned this credit because they pay what they owe. I often say we are, individually, the world's best credit managers. My company has successfully extended $55 billion worth of credit to 16 million Americans in the past 49 years, so I feel like something of an expert witness when I testify that Americans are a prudent, honest and trustworthy people.

Credit is not only a symbol of trust and trustworthiness, it is also a symbol of economic maturity. In a primitive society, there is no credit. As more advanced economies emerge, the glimmerings of credit appear, but it is of the sim-

Continued on page 46

*An address by Mr. Dietz before the Town Hall members, Los Angeles, Jan. 22, 1957.

THE MARKET . . . AND YOU

By WALLACE STREETE

All the talk of inflation and high government spending driving the country into a depression tailspin came to a head this week and gave the stock market its roughest time in months.

* * *

That the market was ready for some sort of setback is clearest of the explanations. The list has been jittering almost ominously for many weeks, showing little in the way of reinvestment demand with the turn of the year and definite caution among traders.

* * *

As had happened several times last year, the 468 level in the industrial average was the signal for some temporary support. It was a solo performance since the rail average has been wilting steadily and is now back to 1955 levels where it met support following the President's heart attack. There was little room for any further decline if the October 1955 support level is to save the day again.

Indicators, Turn Dour

Other indicators were similarly dour. The daily list of new lows reached a peak since early December. As has been the case so far this year, the trading list broadened out when the selling was most urgent and volume expanded as the offerings increased.

* * *

Among the few brighter facets was that the market still tended to hew to a selective line and stalwarts here and there were able to hold the line as the trading favorites sagged. The brokers' recommendations, consequently, were rather loaded with out-of-the-ordinary names for a change, such as Harnischfeger Corp. and the $10 par preferred of U. S. Lines.

A Growing Machinery Maker

Harnischfeger is a leading machinery maker which seems to have turned something of a corner last year and, moreover, is in line to benefit from the huge Federal highway construction program. Last year the company more than doubled its profit and, with the support of an even larger backlog than a year ago, seems in line to show even better results during the present fiscal year.

* * *

The chief attraction to U. S. Lines preferred is the fact that the dividend is among the more sheltered around, last year earnings covering it by some 248 times. And at recent prices the preferred has been yielding better than 5%.

Expanding Gold Producer

Attention was also being paid to the long-depressed gold stocks which, in fact, have been in the doldrums even longer than the textile issues. Homestake Mining, for one, has yet to carve out a range of as much as 10 points for its chore for 1956-57. So much attention has been paid to the fixed price of gold for a generation that Homestake's important expansion into uranium has been largely ignored. In addition, it holds timber and coal lands which are assets that have drawn favorable attention to other issues. Yet at recent levels, Homestake has been available at close to 6%.

* * *

Coal companies are generally being projected as among the few major groups virtually assured of higher activities this year than last. The industry as a whole saw the bottom of its own private depression some time back and since then operations have been increasing steadily. Pittston, for one, has a subsidiary, Clinchfield Coal, with reserves estimated into the 10-figure range from which it produces something above 15 million tons a year. Earnings last year came close to doubling over the year before and results for this year are being predicted at a couple of dollars above even the glowing 1956 results.

* * *

Glenn Martin, which not too long ago was in financial straits, is growing rapidly in popularity but more for its expanding missile work than its plane operations. In fact, the company is among those participating in the components that will launch the first earth satellite, possibly late this year.

Rails Sticky Despite Bullish Statistics

Rails as a group have had good statistical background for their followers but it has failed to generate much enthusiasm even where the prospects are above-average, as in Western Maryland. Baltimore & Ohio, for one, seems to have turned something of a corner and last year its earnings soared. The company is an important coal carrier and has benefited from the upturn in that industry. Moreover, B & O has important holdings of the common and preferred of Western Maryland. But, like the other not-too-buoyant carriers, it has been available lately far closer to its 1956-57 low despite the fact that it is now on a quarterly dividend basis with a likelihood that a year-end extra will be paid, too.

* * *

Cooper Bessemer finally ran out of independent demand and market heaviness was able to depress it at times which, to its followers, only made it more attractive at lower levels. The company is an important supplier of engines and equipment to the oil industry.

* * *

Reports from the various mutual funds show little pessimism over the oil industry which is still operating at above-normal levels as a result of the continuing Suez shutdown. Union Oil of California which is an important marketer on the West Coast was regarded favorably over a rather wide range of the Street, both because of the $120 million commitment in Union liens that Gulf Oil purchased and because it has the romance of a shale oil experiment underway in Colorado. Extraction of this oil on a commercial basis could be much the same achievement that was accomplished at the Mesabi Range from the low-grade ores available there in profusion.

Individual Aircraft Favorite

Among the aircrafts there was little general agreement, but individual issues hadn't lost their followers in specific cases. General Dynamics has been nudging its peak price in desultory markets, largely because out of mergers has grown one of the more diversified companies that seems about to break into the billion dollar sales league. The attraction of its nuclear propelled submarine business has been powerful, although latest breakdowns still show about 80% of sales and earnings from the aircraft business.

* * *

Pure aircraft makers haven't been overly popular as some of the planes are being phased out of the defense program by newer devices. Hence the leaning to the missile makers and General Dynamics is definitely in this end of the business, with one of its missiles already standard equipment for the Navy and another for intercontinental use is well enough along so that the company is spending important amounts on production facilities.

[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.]

From Washington Ahead of the News

By CARLISLE BARGERON

The rash of honesty which is coming to the organized labor movement should, paradoxically, be viewed with alarm by the rest of us. Ordinarily, such a movement on the part of a large segment of our citizenry would be taken as a very healthy development in our relatively young but growing country, plenty meaningful for the future and adding to our strength as a global leader. But somehow it sort of perturbs me. Whether the honesty really comes or whether organized labor just acquires a reputation for honesty, it is likely to become more influential and more domineering. It already has the economic strength. As something as pure as the driven snow it will assume too much importance in our national councils. For years now, about the only weapon with which we conservatives could combat organized labor has been the fact that there were an awful lot of thugs and racketeers in its leadership. If they are cast out, what is to prevent labor from taking over the government? Walter Reuther and his particular cohorts would certainly like to do just that. It is interesting but true that a lot of Reuther's influence in labor and in politics has been built upon his much advertised scrupulous honesty and his leadership in the labor movement to kick the Communists out. It was difficult to point the finger of scorn at such an uprighteous fellow. Yet there is no more ruthless man in the labor movement today. I have never been able to understand his aggressiveness against Communists. He received his schooling in revolutionary labor techniques in Russia and certainly in those days he had much admiration for the Communist system. Furthermore, he worked hand-in-hand with the "liberals" in the Michigan automobile revolution of the '30s. I doubt now that he has any great feelings against Communism on philosophical grounds. The best explanation is that the Commies got in his way. Reuther is not going to stand for anybody in his way and it is a way of insatiable ambition.

Carlisle Bargeron

The serious question in my mind is whether it wouldn't be less difficult for the country to deal with a dishonest man and a pro-Communist in his position than one with a reputation for scrupulous honesty and anti-Communism.

When we speak of honesty in this instance, of course, we mean a man who insists that there be no shakedowns in his organization, in welfare funds and the like, and who is reasonable in his salary take.

The more one thinks of it the more one is inclined to elevate dishonesty to the higher attributes and to scorn honesty. The fact is that the CIO from its outset has been more spic and span in its bookkeeping than the conglomeration of unions that have made up the A. F. of L. This is even more disquieting when it is realized that the worst offenders have been in organizations whose chiefs were Republicans.

To the forefront just now, for example, are the Teamsters who are defying a Congressional committee, but whose leader, Dave Beck, has long been looked upon as a pillar of big business. And he was one of the few labor leaders in the last campaign who supported Eisenhower notwithstanding that the A. F. of L.-CIO's executive committee formally endorsed Stevenson and did yeoman work for him. Beck has not been any blushing violet in getting a handsome salary and expense account from his teamsters. Neither have his subordinate officials.

Yet I would much prefer dealing with Beck any time than I would with Reuther and I imagine General Motors would feel the same way.

Indeed, the situation poses a pretty problem. The labor movement, in its very nature, is a ruthless business. Except in some of the skilled and most high-toned organizations, the members are treated as so many cattle. Recruitment of members is not confined to persuasion by any means. Brute force is used to get men to join up, to take them on strike and to keep them on strike.

Now who is the less dangerous to society, one who is scrupulously honest in the handling of union funds but who is more reckless in his demands upon the employer, or one who is less reckless but who is not so orderly in the handling of union funds? It is something to think about, although I am quite sure no one will publicly lament the honesty that seems to be coming to the boys. Frankly, the leaders will still meet in Miami in the winter and Atlantic City in the summer.

Joins First of Michigan

(Special to The Financial Chronicle)

DETROIT, Mich. — James L. Stock has joined the staff of First of Michigan Corporation, Buhl Building, members of the Detroit and Midwest Stock Exchanges.

A. C. Allyn Elected

Election of Arthur C. Allyn, Chicago investment banker, to the Board of Trustees of Illinois Institute of Technology has been announced by President John T. Rettaliata.

Mr. Allyn is Chairman of the investment securities firm of A. C. Allyn and Company with which he has been associated since 1912.

He is a director of the Consolidated Grocers Corp., North American Industries, National Shareholders Co., all of Chicago; Mississippi Valley Barge Co., St. Louis; Hart Carter Company, Peoria, Ill.; Southern Motor Coach Co., Chattanooga, Tenn.; Municipal Railway Co., Youngstown, Ohio; Continental Bus System, Dallas, Tex.; Virginia Transit Co., and United Transit Co., Richmond, Va. He is a former officer of the Investment Bankers Association.

R. M. Killie Joins John Nuveen & Co.

Ronald M. Killie has joined the New York office of John Nuveen & Co., 40 Wall Street, as a sales representative. Mr. Killie has been associated with Nesbitt, Thomson and Company, Inc., New York dealers in Canadian, municipal and corporate securities.

With R. S. Dickson

(Special to The Financial Chronicle)

GREENSBORO, N. C. — J. W. Berry Reid Jr. has joined the staff of R. S. Dickson & Co., Inc.

Labor Troubles in Britain

By PAUL EINZIG

British Economist Einzig foresees a period of troublesome labor disputes for British industry, a marked change in attitude compared to Suez crisis and its immediate aftermath, and a reduction in dividends in 1957. Author comments on effects of inadequate oil shipments from U. S. A., and slow Suez Canal clearing progress. Attributes weaker sterling to labor's changed attitude but believes seasonal firmness of sterling will take place as usual and, though the rising Stock Exchange trend has slowed down in the absence of bank rate cut, that the bank rate will be reduced in the not too distant future.

LONDON, Eng.—The improving business trend in Britain that has developed since the turn of the year is in danger of becoming reversed as a result of a new epidemic of labor troubles. There is a full-scale stoppage at the Ford Motor Works in Dagenham where production has come to a complete standstill. Other strikes are believed to be imminent. There is a distinct stiffening in the attitude of the Amalgamated Engineering Unions and of other unions in matters of wages claims. By the look of things British industries are in for a period of troublesome labor disputes.

Dr. Paul Einzig

Throughout the Suez crisis and its immediate aftermaths, the attitude of most unions was exemplary. There were hardly any major strikes and the unions were prepared to accept a fraction of the wages increases they had demanded. Admittedly, they could well afford to be conciliatory, considering that during 1956 wage rates increased by 7½% compared with an increase in retail prices by 3½%. Even so, credit must be given where credit is due. The position of sterling would have weakened further if in addition to the difficulties arising from the Suez crisis there had been a series of strikes.

The change in the attitude of organized labor must be attributed to the improvement in the situation. In face of a major crisis the unions and their members were willing to practice a certain degree of self-denial. The moment the acute phase of the crisis has passed, however, they reverted to their previous attitude by insisting on wages increases quite out of proportion to increases in productivity and unjustified by any previous increases in prices. Indeed, during 1956 British industrial production remained stationary. The increase in wage rates by 7½% created additional purchasing power unaccompanied by a corresponding expansion in the volume of goods.

It is true, the increase in wage rates by 7½% did not mean a corresponding increase in the actual amount of the total wages paid by industry. Owing to the credit squeeze and other disinflationary measures, there was less overtime in 1956, and in some industries short working weeks were introduced. Even so, the grand total of wages in 1956 was appreciably above the corresponding figure for 1955. In such circumstances wages increases are bound to be potentially more inflationary than those conceded during the period of expanding output.

Lower Dividends in 1957

In spite of this the increase of prices was comparatively moderate. This is due to the self-denial exercised by employers. A very large number of firms paid the additional wages out of profits instead of adding them to the prices of their goods. Although the immediate effect of this attitude was to moderate the inflationary trend, this effect is liable to become reversed as a result of the more equalitarian distribution of the national income brought about by smaller profits. Dividends remained high in 1956, but in many instances they will have to be reduced in 1957, owing to the self-imposed reduction of profits in 1956. This means that less will be available to classes which are in the habit of saving, while more is available to classes which are in the habit of living right to the limit of their incomes.

Now that sterling has ceased to be in immediate danger, the unions no longer feel the need for self-restraint. There is also more likelihood of unofficial strikes for trifling reasons. In this respect the strikes at the Ford Motor Works may well prove to be a forestate of things to come. The immediate cause was the discontent caused by the laying off of a number of workers resulting from the fall in demand for cars. It may appear absurd that in such circumstances workers should be in a mood for striking, but they are so used to having the upper hand that they refuse to realize that in face of fall in demand, they are now not in a very strong position. They may hope that the relaxation of disinflationary measures, at any rate as far as the motor industry is concerned, may reverse the trend in their favor. Demand has in fact revived since the New Year in many spheres. And this encourages workers to try once more to dictate their terms.

Yet the possibility of an oil shortage remains a grave menace. Although the government reassured the industries that there would be no further cuts in oil supplies during February and March, the inadequacy of oil shipments from the United States and the slow pace of the clearance of the Suez Canal is giving rise to concern. Substantial increase in unemployment resulting from fuel shortage cannot be ruled out.

After a promising start to the New Year sterling weakened slightly towards the end of January. Most of those who are short in sterling are still reluctant to cover, even though it should be obvious to them that, whatever the prospects may be in the long run, the dollar facilities arranged in December are more than adequate to safeguard sterling in the short run. Possibly the weaker tone may be due to the unfavorable change in the attitude of labor. Even allowing for that factor, sterling is bound to be firm during the greater part of the first half of the year. For one thing, owing to the incidence of tax payments, the early months of the year usually witness a disinflationary trend which is largely responsible for the seasonal firmness of sterling and the increase in the gold reserve during the first half of the year.

Lower Bank Rate

Anticipation of a lower bank rate is now somewhat less in evidence. In the absence of the bank rate cuts widely anticipated week after week, the rising trend on the Stock Exchange has become more restrained. Nevertheless, it is reasonably safe to expect a bank rate reduction in the not too distant future. There is a growing volume of criticism of the reluctance of bankers to restrict credit of their own free will without being compelled to do so by high bank rate and official credit squeeze. It is this attitude which compelled the government to raise the bank rate to 5½% a year ago and to maintain it at such a high figure for such a long period. Possibly the bankers may, under pressure of public opinion, accept the point of view that voluntary credit restraint is, after all, the smaller of two evils.

M. C. Bundy Joins Cruttenden, Podesta

ST. PAUL, Minn.—Cruttenden, Podesta & Co., announced the opening of a branch office in St. Paul, Minn., with Mahlon C. Bundy as Manager.

Mr. Bundy has been in the investment securities business for 37 years and has been head of his own St. Paul firm, M. C. Bundy Co., for the past 19 years. He has also been associated with Harold E. Wood & Co., Woodard, Brooks & Bundy, and Bundy and Park, Inc.

Mr. Bundy has twice served on the board of governors of the Twin City Bond Club and on the District Four committee of the National Association of Securities Dealers, Inc.

The new office will be located in the First National Bank Building, St. Paul.

McNeel-Rankin Formed

ATLANTA, Ga. — McNeel-Rankin, Inc., has been formed with offices in the Candler Building to engage in a securities business. Officers are Eugene E. McNeel, President; John R. Rankin III, Vice-President and Treasurer; and J. M. Palmer, Secretary. All were previously with J. W. Tindall & Company.

Stein, Roe & Farnham Admit Three

CHICAGO, Ill.—Rex James Bates and Paul C. Cohen in Chicago and L. Z. Morris Strauss, Jr. in New York have been admitted to partnership in Stein Roe & Farnham, 135 South La Salle Street, investment counsel, Sydney Stein, Jr., announced.

Rex James Bates

Paul C. Cohen

L. Z. M. Strauss, Jr.

Mr. Bates is a native of Seattle, attended Oregon State College and the University of Washington and later the University of Chicago where he took BS and MBA degrees. He served in the Air Force from 1942 to 1946 and is a member of various economic societies.

Mr. Cohen was born in Chicago and is a graduate of Northwestern University. Prior to joining Stein Roe & Farnham, he was Assistant to the President of Mathieson Chemical Corp., and from 1950 to 1952 was Special Assistant to the Administrator of the National Production Authority and Defense Production Administration in Washington. He later was an instructor at Northwestern and served as Chief Price Economist with the OPA in Chicago. He was a Lieutenant in the Navy during the war.

Mr. Strauss was born in Richmond, Va. and attended the Virginia Military Institute and the Graduate School of Business Administration of New York University. Prior to joining Stein Roe & Farnham, he was with the Chemical Bank & Trust Company in New York. He was a Lieutenant in the Air Force during the war.

Merrill Lynch to Admit New Partners

Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange, on March 1 will admit Milbank McFie of Los Angeles to general and limited partnership; La Rue F. Applegate, Samuel I. Grodin, Finley J. Iseman, Edgar W. Kann, Edmund C. Lynch, Jr., Lyman R. McFie, Gillette K. Martin, Dwight Robinson and Wilbur F. Smith to general partnership; and Edgar A. G. Bright, Robert E. Craig II, Ruth G. Kistler and Genevieve S. Shatford to limited partnership.

On Feb. 28, Jean T. Beane and William L. Kistler, Jr. will retire from limited partnership in the firm.

Customers Brokers to Hear

The Association of Customers Brokers will have Royal Little, Chairman of the Board of Textron, Inc., address the group on the current position and prospects for his company.

All members of the New York Society of Security Analysts have been invited.

The meeting will be held promptly at 4 p.m. at the Downtown Athletic Club, 18 West Street, 17th Floor, on Thursday, Feb. 7, 1957.

European Common Market and World Economic Fundamentals

By HERMANN J. ABS*

Member, Governing Council, International Chamber of Commerce
Vice-President, Credit Institute for Reconstruction

Leading German banker maintains that the proposed European common market would have beneficial effects on trade between Europe and the United States, and that "under no circumstances should the common market be sealed off from the rest of the world by customs tariffs." Mr. Abs attributes Germany's economic recovery to U. S. aid, currency reform, creation of a market economy, and the challenge and contribution offered by 12 million refugees. Pleads for *Magna Carta* which would bind free world countries to respect and protect private property and other rights of foreigners as much as those of their own subjects; and regrets lack of currency convertibility.

I shall be discussing German economic recovery, or at least some of the essential developments responsible for it. There is a long and complicated story to draw from; I cannot hope to exhaust all of the material; I must hope instead that I have made my long story short enough, and that I will not exhaust any of you.

Dr. Hermann Abs

Nearly 12 years ago, Germany suffered total defeat. She was divided into occupation zones. The three Western zones were not united economically until after the currency reform of June, 1948. The Eastern territories, which had been Germany's main food basket and the principal supplier of many raw materials, were cut off and have remained so.

The first years, from 1945 to 1948, were difficult indeed. Nearly 70% of our productive capacity and transport had been either destroyed or dismantled. From the East came 12 million refugees who had to be settled in Western Germany, an area already densely populated with 2.3 million apartments destroyed. The latter number is equal to the combined housing facilities of Germany's 11 greatest cities. Under these circumstances, it was not surprising that many lost faith in their future.

Accounts for German Recovery

While the German people were struggling to regain confidence in themselves, the United States began to **demonstrate** her belief in the reconstruction of Germany. It was this demonstration of confidence in us, your recent adversary, that was the **foundation** on which the new German economy was built. Some people have called this recovery miraculous, but in fact one may point to many natural causes, and first among these I place the help you rendered to my country, simply by believing that we **could** do what we **had** to do.

The currency reform of June, 1948 was perhaps the **second** most important factor in German recovery. It was severe, indeed, and possibly it is true that only a military government in a defeated country could have executed it. All surplus money was eliminated. Every single German started from scratch with only $15 in his pocket.

A third factor was the generous material help of the United States, and I am glad of this opportunity to express the gratitude of the German people for the GARIO and for Marshall Plan aid. Through these programs, American taxpayers made available to the German economy the vast sum of $3,200 million. You made it possible for us to buy urgently needed food, fertilizer, cotton and other raw materials.

After the currency reform, internal payments for these supplies could be made from so-called Counterpart Funds, which were largely made available to the German economy for investment purposes. Very good use was made of these funds by the Reconstruction Loan Corporation, set up in Frankfort for that purpose. This Corporation, in 1950 alone, invested about $430 million of Counterpart Funds—an amount equal to about 22% of all medium- and long-term funds coming from outside the country. Today, the interest and amortization payments on these funds continue to represent a susbtantial sum for new investments in the Republic. Among the recipients are coal mining, iron and steel industries and public utilities.

There is a **fourth** reason for our speedy recovery. I have mentioned that 12 million refugees came to Western Germany, an influx that some could see only as a heavy burden. I believe, on the contrary, that they were a great blessing. These unfortunate people had come, literally with nothing but the strong will to survive. They presented to us a moral obligation to be met, an incentive beyond that of merely serving ourselves. And they brought to Western Germany a spirit of enterprise equaled only, I believe, by that of the pioneers of your great country.

Fifth, I want to stress that a free reconstruction was possible only because of the establishment of a market economy. It was initiated by our courageous Minister of Economics, Prof. Erhard. Very early, he freed the German economy from the shackles of controls and price ceilings which had, up till then, seriously retarded the growth of private initiative.

There are five factors, then, to which I attribute leading roles in the speedy economic recovery of Western Germany: American aid, both moral and material; our currency reform; the establishment of a market economy; the challenge and the contribution offered by 12 million refugees.

Now let me try to sketch in some of the concrete details of our economic development.

What Germany Achieved

At first, our lack of productive capacity resulted in a considerable increase in the cost of living. Early in 1949, however, conditions turned slowly toward normal. The national product, which in earlier years had been almost vanishingly small, rose to $19 billion in 1949. It was nearly $40 billion in 1955, and the 1956 figure will be higher still.

During the same period, from 1949 to 1955, industrial production increased from 80% to 198% of the 1936 level. The number of persons employed rose by almost 4 million to 17.4 million. You may recall that in 1950 we still had 2 million unemployed, of whom about one-third were refugees. These 2 million represented almost 15% of the working population. Today, there is practically no unemployment among the able-bodied, but on the contrary, a great shortage of skilled labor. From 1949 to 1956, the gold and foreign exchange holdings of the Bank Deutscher Lander, the German Central Bank, increased from $90 million to roughly $4.3 billion.

This figure of $4.3 billion in gold and foreign assets, impressive as it may sound when compared with the holdings of other European Central Banks, is misleading; for it represents the total foreign exchange reserve of the German economy. While the German foreign exchange assets are held entirely by the Central Bank, in other European countries there are very substantial private holdings. The Swiss, for instance, hold privately owned securities, bonds and other assets to the amount of $2.8 billion in the U. S. A. alone. This figure demonstrates what importance private holding can have.

Another important feature of German postwar economic developments was the settlement of the German prewar debt, a prerequisite for Germany's return to the world market. The London Debt Agreements, which bear my signature, finally provided for the payment of $4.3 billion. They included a $800 million payment to Israel and the postwar assistance debt to the United States, which had been reduced from $3.2 billion to $1.2 billion. Incidentally, the grand total of $4.3 billion exactly equals the amount of foreign exchange held today by the German Central Bank. Of this total $1.0 billion has been repaid and the remaining $3.3 billion is payable over a period of 20 years.

Overcoming Capital Shortage

In the area of German capital and investment problems, the story of "investment aid" is an interesting one. During the Korean boom, it became increasingly clear that the basic industries, especially the coal, electrical and iron and steel industries, were unable to keep pace with the general need for expansion because of lack of capital. The result was numerous bottlenecks. Since prices for their products were fixed, industry was unable to expand through self-financing. To remedy this serious situation, a law, known in Germany as the "investment aid for trade and industry," was passed early in 1952. It provided for (special) loans, which together with substantial tax relief, made possible the expansion of the basic industries during 1952 and 1953. While the results of the law were generally favorable, a number of firms in tight financial circumstances found difficulty in making necessary payments. The law was therefore criticized in many quarters.

Needless to say, capital in those days was extremely scarce. The capital market was functioning poorly, indeed, it hardly existed. To revive it certain tax privileges were enacted in 1953-54; as a matter of record, I had constantly cautioned against these measures.

The tax exemption caused some $500 million of short-term funds to be diverted into capital market and these bonds have still not been definitely placed among private long-term investors.

The tax privilege was repealed as of Dec. 31, 1954. This meant that the source of investment funds has been reduced for the last two years. It was not until July, 1956 that it again became possible to place $120 million of industrial bonds. They carried an 8% coupon and had to be issued at 98%.

Hardly any stocks were issued before 1954. But during 1955 and 1956, as conditions in the capital market became more normal, $600 million of shares were marketed. Thus the percentage of stocks to total securities sold rose from 7% in 1950 to 30% in 1956. Because of the high interest rates, public authorities still must finance the construction of homes. Otherwise rents would have to be raised far beyond the means of the poorer section of the population.

Capital Demands Still High

We are today faced with an exceptionally high demand for capital. Though the formation of capital as such probably is not lower in Germany than in a number of other industrial countries in Western Europe, still there is little hope for lower interest levels in the Federal Republic at this time. The demand of funds for urgently needed replacement investments is too great.

As the volume of investments has increased demands for higher wages have become more insistent. Also private consumption has increased. In the effort to keep future expansion within the limits of production, the board of directors of the Bank Deutscher Lander in several stages raised the discount rate from 3% in 1953 to a high of 5½% in May 1956. Since then it has been reduced to 4½%.

The problem of tightening credit terms has been extremely vexing, because it involves the pull of opposite necessities. We still have huge demands for funds to continue the improvement of industry, to build homes, to improve transportation and agriculture. Therefore, I do not think we should cut down on investments, as a measure to tighten credit. To do so would only perpetuate existing bottlenecks and create new ones. It would also increase social tensions.

The desired solution, of course, is to achieve a higher ratio of savings to income. And a most important incentive for that surely is confidence in the currency. One reason for granting tax privileges is, of course, the hope of making saving more popular.

Wage Policy

Another thorny problem is that of wage policy. While wage demands during the reconstruction period were comparatively moderate, increases granted since the end of 1955 by far outpaced the increase in productivity. We know that monetary policies of the central banks cannot, by themselves, remove the dangers to stable prices that arise from wage boosts of this kind. Some prosperous branches of trade and industry may be in a position to grant wage increases beyond productivity, even in times of restrictive credit policies. But such increases lead inevitably to demands for higher wages in the less fortunate sectors.

In fact, if all parties try to keep the currency stable, it ought to be possible to reach a point where the growth of productivity results in lower prices. We must see to it that there is always a proper correspondence between the movement of prices and productivity.

On the whole, however, we had reason so far to be satisfied with developments in the field of monetary policy in West Germany. Our currency has retained a greater measure of stability than have those of many other countries. But it remains true that the currency problems of our neighbors are problems for us as well. I sincerely hope that further development of international cooperation will in the near future result in genuine progress, which can only consist in the progress of all.

Foreign Trade

Our foreign trade volume during the past two years alone expanded by almost 50%. In 1955 the total value of exports amount to approximately 15% of the national product. Occasionally foreign observers have regarded this rate of expansion with some concern; but I for one believe that there is no reason for it.

It is true that the inter-ramification of our foreign trade is greater than in the case of the United States, but on the other hand, it is considerably less than that of a number of other West European industrial countries. The United Kingdom, and especially the Benelux countries, export relatively more than West Germany. I call your attention to these facts not by way of complaint—we Germans recognize the share of responsibility that we ourselves bear for the difficulties we face today. I do so rather because I believe that the efforts we are making to increase our prosperity and to improve our social conditions are essentially sound. I believe they immediately benefit our neighbors, and that we in turn have every reason to welcome their progress.

Adaptation of Exchange Rates

Regrettably, progress along the road toward full convertibility of the currencies during the past years has been slow. There is still, in some quarters, a reluctance to adapt over-valued currencies to changing circumstances. But I sympathize with the view that such adaptation should wait until stable exchange rates can be maintained effectively. On the other hand, I do not believe that a satisfactory solution lies in having some countries, with comparatively hard currencies, revaluate their exchange rates. Such a step would surely not reduce the inflationary tendencies evident in a number of countries. To be sure, it would encourage those who say that a gradual deterioration of the purchasing power of money is really not such a bad thing.

What we also need at the present moment is greater international co-ordination in the field of monetary, financial, social, and economic policies.

At the present moment throughout Europe the concept of the common market is a principal topic of discussions. Generally the plan is conceived only as a common market combining a number of continental West European countries, especially the six States forming the European Coal and Steel Commodity, which are France, Belgium, the Netherlands, Luxembourg, West Germany and Italy. Within West Germany, I can report that government, trade and industry, and public opinion all are entirely favorable toward such a project. The neighboring Soviet-controlled countries are demonstrating especially to the Germans, the shortcomings of small national economic areas. It is our belief that the common market will enhance not only economic but also political cooperation among the countries concerned. This is ardently desired by the overwhelming majority of my fellow-countrymen. Obviously, the project will be far from easy to put into practice; differences in the habits of everyday life among European nations are very marked; and the necessary structural modifications will call for considerable sacrifice. Even with the most favorable developments, realization of the common market will come only by consecutive steps extending over a number of years.

We have noted with great satisfaction that the United Kingdom now shows greater willingness to establish close relations with the common market of the continental European countries by adhering to

*An address by Mr. Abs before the Annual Meeting of the United States Council, International Chamber of Commerce, Jan. 17, 1957.

a free-trade zone agreement. If this were to materialize, it would definitely eliminate the fear of fresh economic barriers within Europe. Under no circumstances should the common market be sealed off from the rest of the world by high custom tariffs. These incidentally would hardly receive the approval of GATT.

The common market should contribute towards a world-wide strengthening of economic relations and should also, in particular, have beneficial efffects on trade between Europe and the United States. I am convinced that the prospects for the common market on the European continent are good and I am certain of the approval of all countries concerned if essential facts are duly recognized.

In this connection, I want to stress that I very strongly recommend the export of capital for Western Germany.

The total West German capital export amounts thus far to about $300 million, invested mainly in overseas affiliates and agencies of German firms. As of May 1956, Germans have been permitted to make private foreign investments, to buy foreign exchange, foreign bonds and shares. Yet the sad fact is that during the eight months in which we Germans have had this great opportunity, we have invested abroad only $500,000. In my view, the sum is ridiculously small, but I do see two main reasons to account for it:

Foreign Capital and Discrimination

One is the high interest rate in Germany and the excellent opportunities for investment in our country.

The second, and far more decisive reason, however, derives from previous experience with foreign investments.

There is hardly any nation, and this includes Germany, which in the past has not discriminated, in one way or another, against foreign investors. The free world cannot afford such attitudes in the future. We must develop a sense of community among nations and all this in our own interest. We depend on greater solidarity for the very preservation of our way of life. Recent events have demonstrated the need only too clearly.

There is, in the final analysis, no substitute for good faith in the right management of human affairs. We could not live in our homes or in our communities if a thousand and one implied contracts were not made and kept. We rely upon a shared respect for truth, for law, for the rights of others. We must not forget that these principles are not natural facts but they are achievements, and that they are as indispensable among nations as within nations.

Magna Carta

In line with these thoughts I suggested two years ago that we revive the idea of a Carta, by which all countries in the free world would bind themselves to respect and protect private property and other rights of foreigners as much as those of their own subjects.

Such a Magna Carta will support and free the world against property-denying Communism and reinstate respect for individuals and vested rights as a principle of the law of nations.

The United States may indeed be proud of the example it has given to the world in upholding the principle of sanctity of individual rights. The attitude of the American people has earned you the deep respect of the old world and your actions will preserve it. It is my sincere belief that freedom shall not perish from the earth so long as the free nations find unity in the elementary principles of law and in respect for human dignity.

Nadler Views the Year Ahead and Forecasts Short-Lived Readjustments

Hanover Bank's consulting economist anticipates high business level to continue for next few months and a rolling readjustment-ending of the current boom during the latter half of the year. Dr. Nadler doubts any decline will go far or last long, and foresees eased credit policies, reduced taxes and other factors keeping our economy, after short-lived readjustments, on its "dynamic" path.

An easing-up in the current tight money market may be expected sometime during the latter half of 1957, Dr. Marcus Nadler, consulting economist to The Hanover Bank, declares in a report on "The Year Ahead," published by the bank.

Marcus Nadler

The basic reason for any reversal in credit policies lies in the probability of a "rolling readjustment" in the economy, Dr. Nadler says.

Factors Prompting Change

This readjustment will be brought on by productive capacity overtaking effective demand, the reduced availability of credit and capital, and a decline in consumer indebtedness, he explains.

"Once business activity slows down and inflationary pressures subside, the credit policies of the monetary authorities will be reversed. The availability of bank credit will increase and the upward trend of interest rates will be halted," the economist states.

"This will have a favorable effect on home construction and public works . . . and will enable those corporations that have postponed their capital spending plans because of tight money and capital markets to carry their programs to completion," he adds.

In the event of a readjustment, a reduction in personal as well as excise and corporate taxes is "quite probable," Dr. Nadler declares.

"Although higher government spending — particularly in regard to the proposed 'Eisenhower Doctrine' in the Middle East—would tend to discount the possibilities of a tax cut in the near future, any setback in the domestic economy is sure to favor a lowering of taxes," he points out.

Dr. Nadler foresees a gradual deceleration in the upward swing of the price-wage spiral in the year ahead. Increasing competition and the high cost of doing business are likely to have an adverse effect on the profit margins of many corporations, and this will serve as a check to rising wages and prices, he explains.

Short-Lived Readjustment

The economist decries the "gloom-and-doom" predictions made at the end of the war about the future of the American economy. Any readjustment is bound to be short-lived because of the essentially "Dynamic" character of the U. S. system, he says.

"Expenditures for research are rising; new products and labor-saving devices are constantly being developed; and the mode of life and buying habits of the American people are changing," Dr. Nadler asserts.

The swings in business activity that characterize a free economy merely reflect "changes in tastes and technology, excesses and other economic forces," he concludes.

In summing up the outlook, Dr. Nadler foresees:

Summing Up

"(1) **A continuation in the high level of business activity may be expected at least for the next few months.** Despite the uncertainties engendered by international political difficulties, the underlying forces in the American economy are strong. Disposable income is increasing; personal consumption expenditures are high; capital outlays by corporations for new plants and equipment in 1957 are estimated to exceed last year's; and government spending—at the Federal and local levels — for goods and services are on the upswing. All these factors plus the growing population will generate purchasing power and contribute to the nation's economic well-being.

"(2) **The current boom may come to an end sometime during the latter half of the year.** The country's productive capacity is rising and in some industries already exceeds effective demand. Inventories are large, and, except for certain commodities still in short supply, are not likely to experience any material increase from the present level. On the contrary, a decline later in the year is quite possible. Money is tight and the demand for capital is running ahead of current volume of savings. The volume of consumer debt outstanding is large, and, while new borrowing still exceeds repayment, the increase in total indebtedness has slowed down.

"(3) **Any decline that may be in the offing is not likely to go far or last long.** In all probability, the pattern of business will assume the characteristics of a "rolling readjustment" of the magnitude witnessed during 1953-54, or possibly 1948-49. After a long period of rapid expansion and near-capacity operation, a short respite is not unusual. Moreover, as witnessed during previous postwar periods of readjustments, there are many built-in stabilizers which become effective when business activity begins to decline and unemployment rises.

"(4) **Once business activity slows down and inflationary pressures subside, the credit policies of the monetary authorities will be reversed.** The availability of bank credit will increase and the upward trend in interest rates will be halted. This will have a favorable effect on home construction and public works, notably schools, roads and highways. It also will enable those corporations that have postponed their capital spending plans — because of tight money and capital markets—to carry their programs to completion.

"(5) **In the event of a readjustment, a reduction in personal as well as excise and corporate taxes is quite probable.** Although higher government spending — particularly in regard to the proposed 'Eisenhower Doctrine' in the Middle East—would tend to discount the possibilities of a tax cut in the near future, any setback in the domestic economy is sure to favor a lowering of taxes.

"(6) **The rise in the price-wage spiral during the new year is not likely to be as pronounced as in 1956.** Wages and the other costs of doing business will continue to climb, and this is bound to be reflected in wholesale and retail price levels. But competition is keen and will become even sharper in the days ahead as capacity begins to outrun demand. The increased competition and the high cost of doing business are likely to have an adverse effect on the profit margins of many corporations, and this will serve as a check to rising wages and prices.

"(7) **Finally, in considering the future one must always bear in mind that the American economy is dynamic.** Expenditures for research are rising; new products and labor-saving devices are constantly being developed; and the mode of life and buying habits of the American people are changing. A free economy is sure to have its ups and downs and swings in business activity. These reflect changes in tastes and technology, excesses and other economic forces. It is reassuring, however, that all the 'gloom-and-doom' predictions made at the end of the war about the future of the American economy have not materialized. The country has remained strong and its postwar growth has been remarkable. The supply of goods and services has been sufficient to meet not only the expanding demand of a growing population with a rising standard of living, but also to support large defense expenditures and economic and military aid to the rest of the free world."

Investors Planning Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Rosalind P. Brooker has joined the staff of Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Hooker & Fay Admits John Raggio to Firm

SAN FRANCISCO, Calif. — Hooker & Fay, 220 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges, announce that John S. Logan, who has been a general partner of the firm since 1948, is now a limited partner, and John Raggio has been admitted as a general partner. His son, John Thayer Raggio, is joining the organization as a registered representative.

John Raggio

As a limited partner, John Logan will continue to have an active association with the firm. John Raggio, in 1931, was one of the founding partners of the investment firm of Greenwood-Raggio & Co., later Raggio-Reed & Co. After serving in the Marine Corps in World War II, John Thayer Raggio completed his education at the University of California and has been in the investment business for the past six years.

C. A. Koenig Opens

RUTHERFORD, N. J.—Charles A. Koenig, Jr., is engaging in a securities business from offices at 9 Lincoln Avenue.

Risks of Private Enterprise In a Growing World

By ROBERT L. GARNER*
President, International Finance Corporation

After outlining the International Finance Corporation's purposes and principles, President Garner describes increase in the movement of private capital and business into less developed areas, and impetus that might be given to this movement by the establishment of the IFC. Does not suggest private investors rush into foreign operations for there are too many problems and risks, and cautions it "is a tough game" requiring professionals, not amateurs.

Growth is the keynote of the world economy today. Since the end of the war, the growth concept has spread to the less developed areas of the world, and to an increasing extent these areas are participating in the unprecedented growth that is evident in the world today.

Robert L. Garner

Since 1949 world manufacturing output has grown at the rate of over 6% per year, compared to less than 2½% in the preceding 35-year period; food production has increased at the rate of 2½% a year, twice the average rate of the 35 preceding years; and the volume of international trade has grown at the rate of 6% per year. The Latin American countries as a group have increased their Gross National Product by about 5½% per year, compared with roughly 5% in Europe and 4% in the United States.

The flow of private capital into the less developed areas since the war has been relatively small due to urgent demands and attractive opportunities at home, and to caution regarding risks abroad. Intergovernmental grants and loans, chiefly from the United States, and loans from the World Bank have helped restore and create basic facilities which are necessary to the development of private industry and trade.

As the less developed areas have begun to move in a desire to grow, there has been an increasing interest among businessmen and investors in this country and Western Europe in the new and growing markets to be supplied; in the untapped resources to be developed; and in the opportunities to establish new industry. And within the last two or three years there has been some increase in the movement of private capital and business into these areas.

Purpose of I. F. C.

The International Finance Corporation was established to help give impetus to this movement by participating in partnership with private business and investors, without government guarantee, in promoting and engaging in the spread of private enterprise and investment. This is the first time that governments have joined together for the single purpose of helping to develop private business, without political interference.

IFC was organized last summer. It was conceived out of the experience of the World Bank and is closely related to it. Only the members of the World Bank may be stockholders in the Corporation. Already 47 have joined with subscriptions of $90 million capital. The World Bank staff furnishes administrative services and makes available its wide range of experience regarding economic conditions around the world.

The Corporation itself has a small operating staff of men with experience in private finance and business in this country and abroad.

The Corporation's purposes and principles are simple:

(1) To join with private business and management in establishing and expanding privately-owned and managed enterprises—principally in the field of industry—in areas where they have not yet been substantially developed.

(2) To take risks and share in the profits with our private partners who will manage the enterprises.

(3) To help get a business going and then to sell out our interests to private investors, and thus revolve our capital.

Opportunities Abroad

The opportunities for development abroad offer an extremely challenging prospect for American capital, technique and management. The competitive private enterprise system of which you are a part is the most productive force the world has ever seen. It is unique in the world today; no other system spreads its benefits to so many. I believe it can be exported, and I am convinced that no other concept or commodity which this country may send abroad offers such mutual benefits to the United States and to those in foreign lands.

By this I am not suggesting that American business rush into foreign operations. There are many problems and risks such as political conditions, different laws, exchange problems, inflation, lack of business tradition and ethics. Foreign operations is a tough game which calls for sound knowledge, competence, cool judgment and for courage. It is a job for professionals, not amateurs.

But the less developed countries —which I call the frontiers of economic development—are in process of change. They want the material benefits of which they have learned from us and from Europe. But they are largely inexperienced and driven by an urgency that often dispells reason and judgment.

During the past ten years with the World Bank I had an opportunity to observe rather closely the economies of a large number of countries around the world. This experience has confirmed and strengthened my conviction that the American competitive private enterprise system is the best that man has evolved. It provides more opportunities for the individual, more and better goods and a better life for more people than any other system. There is no more useful task than promoting the spread of this system to the other parts of the world.

It is my belief that, if reasonable peace can be maintained, the growth in the volume of production, trade and economic activity in this country and throughout the world should surpass anything in history during the next 25 years. And the American businessman can play a major role in this coming era of expansion, through the spread of that vigorous and dynamic force—American private enterprise.

*From a talk by Mr. Garner before the Illinois Manufacturers Association, Chicago, Jan. 24, 1957.

Bond Club of Chicago Annual Meeting

CHICAGO, Ill.—The Forty-Sixth Annual Meeting of the Club will be held at The Sheraton-Blackstone Hotel on Thursday, Feb. 14, 1957. Cocktails, 6:00 p.m., French Room; Dinner, 7:15 p.m., Crystal Ballroom.

Sampson Rogers, Jr.

James G. Dern

Woodward Burgert

The Nominating Committee, Charles R. Perrigo, Chairman; Holden K. Farrar and Richard W. Simmons, Blunt Ellis & Simmons, has proposed the following Officers and Directors for the coming year:

President: Sampson Rogers, Jr., McMaster, Hutchinson & Co.

Secretary: James G. Dern, Smith, Barney & Co.

Treasurer: Woodward Burgert, Harris Trust & Savings Bank.

For Directors, the Officers and: Howard E. Buhse, Hornblower & Weeks; William D. Kerr, Bacon, Whipple & Co.; F. Girard Schoettler, Wayne, Hummer & Co.; Robert E. Simond, Halsey, Stuart & Co.; Edwin A. Stephenson, Chase National Bank; Richard B. Walbert, Blyth & Co., Inc.

N.A.P.A. Survey Optimistically Notes Moderate Upturn in New Orders

Moderate upturn in new orders is reported in January survey of purchasing agents which tend to confirm the optimism expressed last December, 1956, regarding the outlook for 1957. Survey shows majority polled believe over-all inventories are about right.

The January composite opinion of purchasing agents comprising the National Association of Purchasing Agents Business Survey Committee, Chaired by Chester F. Ogden, Purchasing Manager of the Detroit Edison Company, reveals an optimism based on a moderate upturn in new orders, but, also, reflects price inflation worries and tendency to limit forward coverage, particularly on Production and MRO items.

In describing the general business conditions, the Survey points out, "there are indications that the optimism which purchasing executives expressed for 1957, in their December comments, may have the beginning of its confirmation in the January reports.

"New orders have shown a moderate upturn, with 32% saying that their position is improved. This compares with 24% who reported a better new order position in December. The number reporting a decline in new orders has dropped from December's 31% to 23% in January. Production remains high and 28% say it is better than December. However, there are many who still believe the current situation should be tempered with caution. Spotty situations still exist both geographically and in certain industries.

"Our special question this month asked if the higher inventories of purchased materials reported in December, which are again confirmed this month, were intentional or the result of a drop in new orders and production. The majority of purchasing executives (59%) thought the company overall inventories were about right, while 30% believed them to be too high and only 8% too low. In a few cases, inventories were believed to be unbalanced, being too low on some items and too high on others.

"A renewal of price increases and further inflation worry many. The attempt to keep the costs of purchased materials down so that their companies will be in a good competitive position in the markets they see ahead is frustrated by advancing prices.

"Purchasing executives continue to limit their forward coverage, particularly on Production and MRO items.

"As has been the case for many months, employment remains high and steady.

Commodity Prices

"Prices have resumed their upward spiral. The leveling trend that was reported in the last quarter of 1956 has diminished. 73% of those reporting say they are paying more for the material they buy and none says prices are lower. A number of purchasing executives have expressed the opinion that, while the government's current tight money policy poses many problems, they believe it is a sound move for the nation's economy. They state that, for the near period ahead, inflation will continue to be the problem and, in the next few months, they look for prices to continue to move slowly upward.

Inventories

"Following the pattern of the previous two months, inventories of purchased materials again are reported on the high side, with 31% reporting increases, against 20% who state they are lower than last month. The percentage reporting inventories the same is unchanged. The general feeling remains that the slight build-up is primarily a reflection of a temporary drop in the new orders and production.

Employment

"Very little change is reported this month in the employment figures. Those indicating greater employment remained the same as last month, 17%, while those saying it is the same as last month dropped only 2 points, from 70% to 68%. Many part-time employees hired for the holiday season have been released and the general consensus is that employment will not fluctuate much for the next 90 days.

Buying Policy

"Again, as for the past two months, purchases of production materials are definitely limited to the short-term range. Some 66% of our reporting members say they are keeping commitments to 60 days or less. There is some extension to 90 days on items in short supply or where longer lead time is required by mill schedules.

"MRO requirements are also being limited to immediate needs, with 65% of the buyers staying within the hand-to-mouth to 30-day range.

"A slight drop in lead time for capital expenditures is noted, as the 66% in the 120 days-and-over category last month tapered off to 60% this month.

Specific Commodity Changes

"As might be expected, most petroleum products show general price increases. Recent freight rate hikes are also strongly reflected this month.

"**On the Up Side Are:** Nickel, some steel items, dyestuffs, formaldehyde, methanol, raw sugar, coke, coal, fuel and other oils, gasoline, freight rates, light bulbs, paints, and cement.

"**On the Down Side Are:** Brass, some copper items, tin, selenium, and lumber.

"**In Short Supply Are:** Nickel, structural and numerous other steel items, stainless, monel, cellophane, some items of electrical equipment."

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc. on Feb 5 headed an underwriting group which publicly offered $12,000,000 of Public Service Co. of Oklahoma first mortgage bonds, series F, 4¼%, due Feb. 1, 1987, at 99.25% and accrued interest, yielding approximately 4.295% to maturity. The group was awarded the bonds on Feb. 4 on a bid of 98.45%.

Net proceeds from the sale of the bonds will be used to pay part of the costs of additions, extensions, and improvements to the company's electric utility properties and to prepay $8,400,000 of bank loans made and to be made for that purpose.

The new bonds are redeemable at general redemption prices ranging from 103.50% to 100% and, beginning in 1958, are redeemable for debt retirement purposes at 100%.

Public Service Co. of Oklahoma supplies electricity to an estimated population of 770,000 located in 48 counties in eastern and southwestern Oklahoma, including the cities of Tulsa and Lawton.

Among those associated with Halsey, Stuart & Co. Inc. in the offering are: Courts & Co.; J. Barth & Co.; First of Michigan Corp. Thomas & Co.; Mullaney, Wells & Co.; Schwabacher & Co.; Stifel, Nicolaus & Co. Inc.; Clayton Securities Corp.; F. S. Yantis & Co. Inc.; Allison-Williams Co.; John B. Joyce & Co.; McMaster Hutchinson & Co.; Patterson, Copeland & Kendall, Inc.; and Peters, Writer & Christensen, Inc.

Securities Counsel Inc. Celebrates 25 Years

JACKSON, Mich. — Securities Counsel Inc., 408 Wildwood Ave., is celebrating its 25th Anniversary this year. At the firm's annual meeting George W. Clemons, for many years President, was named Chairman of the Board. Harry G. Ziegler, with the firm since 1933, was elected President; M. Lloyd Jones, Vice President; and Robert S. Botsford, Secretary.

With Keller & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Eldon G. Stanwood is now with Keller & Co., 53 State Street. He was formerly with Richard J. Buck & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The appointment of Eugene S. Northrop as a senior Vice-President of **Manufacturers Trust Company, New York,** has been announced by Horace C. Flanigan, Chairman of the board.

Mr. Northrop joined Manufacturers Trust Company in August, 1931, became Assistant Secretary in 1939, was made Assistant Vice-President seven years later, and was made Vice-President in 1948. For the last four years he has been in charge of the Metropolitan Division of the Domestic Department.

The appointment of Henry G. Duden as an Assistant Secretary was also announced by Mr. Flanigan.

Mr. Duden joined Manufacturers Trust Company in 1937. He was appointed a platform assistant in 1948 and an Assistant Manager in 1950.

At present Mr. Duden is assigned to the branch administration department at the bank's main office, 55 Broad Street.

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John C. McGay, an Assistant Treasurer of the **Chase Manhattan Bank in New York,** died on Jan. 31 after a brief illness. His age was 42.

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Richard H. West, President for eight years, became chief executive officer of **Irving Trust Co., New York,** on Feb. 1, upon his election by the Board of Directors as Chairman. George A. Murphy, senior Vice-President, becomes President, and William N. Enstrom, formerly Chairman, was named Chairman of the Executive Committee.

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George W. Engelhardt, John B. Mall and Charles J. Werring have been appointed assistant managers, International Division, by **Chemical Corn Exchange Bank, New York,** it was announced by Harold R. Helm, Chairman.

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Alfred Brittain III, J. L. Craft, and F. Raymond Sherwood were elected Vice-Presidents of **Bankers Trust Company, New York,** it was announced on Jan. 31 by S. Sloan Colt, Chairman of the Board.

Simultaneously, Mr. Colt announced the promotion of Douglas C. Leander and Joseph O. Zurhellen to Assistant Vice-Presidents and the appointments to Assistant Treasurer of Alfred D. Cella, Omar Dedert, and Myron B. Griswold.

Mr. Brittain, who is associated with the National Division in the Middle and Far West territory, began with the company in 1947. Elected an Assistant Treasurer in 1951, and an Assistant Vice-President in 1954.

Mr. Sherwood and Mr. Craft, both associated with the bank's Credit and Loan Policy Administration Division, began with the bank in 1927 and 1929, respectively.

Mr. Sherwood was appointed an Assistant Treasurer in 1943 and was named an Assistant Vice-President in 1945. Mr. Craft was named an Assistant Treasurer in 1949 and an Assistant Vice-President in 1951.

Mr. Leander, with the bank's Credit Analysis and Investigation Group, joined Bankers Trust Company in 1950. He was named an Assistant Treasurer in 1955.

Mr. Zurhellen, of the company's 42nd Street branch, joined Bankers Trust Company in 1934. He was named as Assistant Treasurer in 1955.

* * *

The appointment of S. Bernard Adnepos, Vice-President of the **Federation Bank & Trust Company, New York,** as officer in charge of the Bank's operational office at 34th Street and 8th Avenue was announced on Feb. 1 by Thomas J. Shanahan, President of the Bank. Mr. Adnepos, who has had extensive experience in the factoring and finance fields, has been associated with Federation Bank for the last two years.

* * *

Royal State Bank of New York, New York, N. Y. was given approval to increase its Capital Stock from $1,500,000, consisting of 300,000 shares of the par value of $5 each, to $2,000,000, consisting of 400,000 shares of the same par value.

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John H. Coontz was elected Vice-President in charge of the Fifth Avenue office of the **Seamen's Bank for Savings, New York.**

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The New York Trust Company, New York announced the appointment of Alfred P. Ostlund as an Assistant Treasurer in the Banking Division.

Mr. Ostlund will manage the bank's Loan Department.

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The common capital stock of the **Meadow Brook National Bank of Freeport, New York** was increased from $7,484,750 to $7,709,290 by a stock dividend effective Jan. 23, (1,541,858 shares, par value $5).

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The County Trust Company, White Plains, N. Y. was given approval to increase its capital stock from $6,654,115, consisting of 1,330,823 shares of the par value of $5 each, to $6,986,825, consisting of 1,397,365 shares of the same par value.

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The Citizens' Trust Company of Schenectady, N. Y. was given approval to increase its capital stock from $700,000, consisting of 28,000 shares of the par value of $25 each, to $800,000, consisting of 32,000 shares of the same par value.

* * *

Leonard A. Webb, has moved from Manager of Marine Midland's Northern Lights Office to a position as a loaning officer in the main office of **Marine Midland Trust Company of Central New York, Syracuse, N. Y.** Gervase F. Boyle, former Assistant Manager, has assumed the management of the Northern Lights banking office. Frederic A. Williams, has been named Assistant Manager.

Mr. Webb, an Assistant Secretary of the Bank, joined the staff in 1937. He has a wide background in banking and is a specialist in consumer credit financing, having been manager of the Bank's Time Sales Dept. He had been Manager of the Bank's Manlius Office prior to the opening of the Northern Lights Shopping Center.

Mr. Boyle started with the Bank in 1923, working in the various departments of the Bank. Prior to his assignment at the Northern Lights Office, he had been Manager of the Bank's main office Collection Department.

Mr. Williams has worked at Marine Midland since 1950, with the exception of the time he served in the U. S. Army. He was a member of the Bank's Public Relations Department for several years.

* * *

The Federal Reserve Board, Washington, D. C. through the Federal Reserve Bank of New York, has granted Marine Midland Corporation permission to acquire the stock of the **Lake Shore National Bank of Dunkirk, New York,** for the purpose of merging that Bank with **Chautauqua National Bank of Jamestown, New York.** A joint announcement to this effect was made on Feb. 1 by Harvey Beebe, President of the Lake Shore National Bank of Dunkirk, Charles Teschner and John Hamilton, Chairman of the Board and President respectively of Chautauqua National Bank of Jamestown, and Baldwin Maull, President, Marine Midland Corporation.

The plan provides for an exchange of 30 shares of Marine Midland Corporation common stock for each of the 2,000 outstanding shares of the Lake Shore National, and is subject to the approval of the regulatory authorities.

Resources of the Lake Shore National Bank on Dec. 31, 1956 were in excess of $11,700,000, of Chautauqua National Bank, one of the 13 Marine Midland Banks, over $48,400,000. Both banks are in Chautauqua County in New York State's ninth banking district.

* * *

Security Trust Company of Rochester, Rochester, N. Y. received, on Jan. 30, approval given to increase its capital stock from $5,437,350, consisting of 217,494 shares of the par value of $25 each, to $5,709,225, consisting of 228,369 shares of the same par value.

* * *

The common capital stock of the **Citizens National Bank of Englewood, New Jersey,** was increased from $810,000 to $891,000 by a stock dividend effective Jan. 25 (44,550 shares, par value $20).

* * *

By a stock dividend effective Jan. 25, the common capital stock of **The First National Bank of Jersey City, New Jersey** was increased from $3,150,000 to $3,250,000 (130,000 shares par value $25).

* * *

The City National Bank and Trust Company of Hackensack, New Jersey increased its common capital stock from $250,000 to $500,000 by a stock dividend, effective Jan. 21 (40,000 shares, par value $12.50).

* * *

Western Pennsylvania National Bank, McKeesport, Pa. disclosed it has acquired the **First National Bank of Houston, Pa.,** bringing to 15 the total number of WPNB offices.

Last step in the consolidation with the Washington County Bank was final approval by the U. S. Comptroller of the Currency, which was just received by the parent Bank, effective Feb. 1.

Shareholders of the Houston Bank approved the transaction Jan. 8 and WPNB shareholders gave their approval Jan. 23.

J. C. King, former cashier and director of the Houston Bank, becomes a Vice-President of WPNB and Manager of the Houston Office of the Western Pennsylvania National Bank.

Western Pennsylvania National Bank reported total resources of $155,000,000 in its year-end statement for 1956. The Houston Bank reported total resources of $2,900,000 and deposits of $2,600,000.

Former directors of the Houston Bank who will be members of WPNB's Advisory Board are Chairman R. E. Plunkett, Harry M. Templeton, Ralph W. Peacock, J. Glenn Patsch, Dr. W. T. McVitty and W. E. Speakman.

* * *

The Board of Directors of the **Provident Trust Company of Philadelphia, Pa.** has elected **Howard A. Foster** a Vice-President of the Bank. Mr. Foster will retain his title of Secretary of the Company, his present responsibility.

Howard A. Foster

Mr. Foster was elected Secretary of the Provident Trust Company in May, 1923.

* * *

The Farmers Bank of the State of Delaware, Wilmington, Del. on Feb. 4, celebrated the 150th anniversary of the founding of the Bank.

Governor J. Caleb Boggs of Delaware, in congratulating the Bank on its 150th anniversary, said records of the State show that the General Assembly on Feb. 4, 1807, passed an act incorporating the Bank and providing that it should be on "a foundation sufficiently extensive" to be "conducive to the general interests of the State" and "to promote the agriculture, commerce and manufactures" of Delaware.

Back in 1807 when Farmers Bank was founded, the population of the State of Delaware was around 70,000 and Thomas Jefferson was President.

* * *

The Union Bank of Commerce of Cleveland, has changed its name to **The Union Commerce Bank.**

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

To anybody following the statistics of the leading New York City banks in recent years it was patent that they would close 1956 not only with record high operating earnings in most cases, but also make clear how these were acquired. In 1956 the holdings of United States Government obligations of the 13 banks shrunk slightly more than 5%; $5,890,152,000, versus $6,631,282,000 at the end of 1955, a contraction of $341,120,000. In loans and discounts the respective periods showed $16,047,858,000 against $14,721,156,000, a difference of $1,324,702,000, or 9%.

In other words, the banks gave up $341,120,000 of governments to put an additional 1,324,702,000 in loans, nearly four times the 1955 year-end amount, into their portfolios. When it is shown that the average rate of return for the two years in governments was 2.23%, and in loans 3.77%, the latter 69% greater, it becomes clear why the banks have jettisoned government bond holdings in order to put the funds out on loan, and, why earnings have attained the levels that were shown in the 1956 annual reports.

But if we use 1954 as the base year the swing away from governments (and, indeed, from other investment media such as state and municipal bonds) to loans and discounts is even more pronounced:

	12/31/54	12/31/56	% Change
	(000 omitted)		
Governments	$9,184,994	$5,890,152	—36%
Loans and Discounts	12,209,833	16,047,858	+31%

With almost a 70% greater rate of return on the $3,836,020,000 of loans in the two years, it is in order to wonder why bank stocks have not met with more favor in recent years among the more conservative investors. Conservative or otherwise, most investors have to some extent been stung with the "growth" bee and bank stocks in the public's mind just have not qualified as growth stocks. Also, more recently, there has unquestionably been some sizable switching from the bank stocks to better grade bonds now that bond yields are so high.

For example, good tax-exempts have declined pricewise just as taxable bonds have, and for an investor in even a middle income bracket a quite sizable return would have to be realized on a bank stock to match his return from a tax-exempt. Of course, as long as interest rates continue high the bondholder's investment will remain more-or-less static; but if rates do decline he will also see some appreciation in his bond holdings, on top of a relatively high return while in the bonds.

But there seems to be scant indication that rates will soon give ground. Several days ago a Treasury announcement stated that about $12,500,000,000 of 2⅞% notes and 2⅝% certificates of indebtedness would fall due in February, March and April, and would be replaced by offerings of a one-year 3⅜% certificate or a 39 month note at 3½%. It was pointed out that the latter bore the highest interest rate "offered on any Treasury security since 1933." The 39-month note will be the longest maturity nearest to an intermediate or long-term issue in many months.

Also one of our largest banks looks for a flattening out of rates around the present levels. If this occurs, of course, it will benefit bank earnings with the run-off of old loans at low rates, and new loans and renewals at the present high rates.

The following schedule gives the year's movement in governments and in loans.

	U. S. Govt. Bonds			Loans and Discounts		
	12/31/55*	12/31/56*	% Change	12/31/55*	12/31/56*	% Change
Bankers Tr.	$463,762	$421,619	— 9.1	$1,402,989	$1,469,235	+ 4.7
Bank of N. Y.	120,128	134,850	+12.3	249,222	255,400	+ 2.5
Chase Manhattan	1,230,522	1,073,035	—12.8	3,510,003	3,731,987	+ 6.3
Chemical Com.	506,550	462,379	— 8.7	1,306,904	1,482,565	+13.4
Empire Tr.	33,047	24,644	—25.4	78,292	88,807	+13.4
First Nat. City	1,424,472	1,264,192	—11.2	3,187,685	3,710,582	+16.4
Guaranty Tr.	829,757	688,045	—17.1	1,498,766	1,573,333	+ 5.0
Hanover Bank	441,080	315,625	—28.5	811,667	911,313	+12.3
Irving Trust	395,422	398,371	+ 0.7	723,533	784,944	+ 8.5
Manufacturers Tr.	769,017	697,433	— 9.3	1,058,200	1,164,755	+10.1
J. P. Morgan & Co.	174,751	179,739	+ 2.8	411,290	390,962	— 4.9
New York Tr.	177,778	171,480	— 0.4	401,532	405,927	+ 1.1
U. S. Trust	64,986	58,740	— 9.6	81,073	76,048	— 6.2
Averages			— 5.1			+ 9.0

*In thousands.

Puerto Rico Expands U. S. Operations Under Rafael Durand

Puerto Rico's Economic Development Administration on Feb. 1 disclosed a broad expansion of its continental operations, with Rafael Durand taking over as Executive Director. The operations include industrial development, tourism, rum and marketing divisions as well as advertising and public relations, with headquarters at 579 Fifth Avenue, New York.

Rafael Durand

Mr. Durand, former director of Puerto Rico's annually renewed Six-Year Economic Plan, was Deputy Executive Director of EDA's continental offices. He succeeds John I. Snyder, who will continue as EDA consultant.

A native of San Juan, Mr. Durand, 35, holds a Master's degree from Boston University as a specialist in political economy. From 1950 to 1955 he directed the Six-Year Plan for Puerto Rico's Planning Board and was later Controller of the EDA before joining the continental operations last year.

He heads a staff of divisional directors including Gaspar Roca, Jr., for Industrial Development, F. Earl Crawford, Jr., for Tourism, G. Allen Reeder for Rum Promotion and Kellogg G. Birdseye for Marketing. EDA continental offices are located at New York, Chicago, Los Angeles and, for the Rum Division, also in Miami.

Mr. Durand's selection for the post was regarded as indicating growing concentration by EDA on longer-term planning. He said EDA expansion has been especially marked in the Divisions of Industrial Development, with a new Special Projects Section which will promote plants for Puerto Rico from among the 500 top U. S. corporations. Former Eastern Regional Manager Guillermo Romanat has joined the new section, succeeded by Hector Pineiro.

Tourism and public relations operations are being bolstered by the addition of a new Travel News Section under Don Short, to service the current hotel building boom in Puerto Rico, Mr. Durand said. EDA advertising has been expanded this year and new personnel is planned for the Rum Division.

Mr. Durand predicted that 1957 will prove "a record year for EDA and for virtually all sectors of Puerto Rico's economy."

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market seems to have liked the terms which were offered by the Treasury in the refinancing of nearly $11 billion of debt. Not only did the issues that were to be refunded go to a slight premium above the redemption price, but the turn-ins for cash are expected to be on the favorable side. The one-year 3⅜% certificate and the 39-month 3½% note were fitted to meet the needs of the money market, although the Treasury had to pay the highest rates since 1933 in order to make this refunding a successful one.

The money market is currently under the influence of the refunding operation, and the larger weekly offering of Treasury bills. Demand for new-term and medium-term issues is sizable and signs appear to point to a continuation of this condition. The capital market and long-term Governments appear to have an improving demand in spite of the competition for the available supply of funds.

Decline in Non-Government Borrowings Expected

The Treasury in announcing the terms of its latest refunding operation has kept pretty much to short-term issues, or to that side of the monetary picture which is most commonly known as the money market. In selecting maturities, the longest of which does not run more than 39 months, the Treasury is not providing any competition for the new issue capital market which is concerned primarily with long-term maturities. The capital market for the foreseeable future seems to have enough new issues coming along to keep the pressure on interest rates of non-Treasury offerings.

Even though the new flotations of corporate and tex-exempt bonds are not yet showing any appreciable declines in the amounts coming along, it is the opinion of some money market observers that the not-too-distant future will bring with it a fairly appreciable decrease in borrowing for capital purposes.

Refunding Issues Tailored to Market

The Treasury in putting out short-term securities to meet the impending maturities is again tailoring its offerings to coincide with the needs of the money market. The holders of the 2⅝% certificates due Feb. 15, and the owners of the 2⅞% notes maturing March 15 were given the option of turning in their securities for either the one-year 3⅜% certificate or the 39-month 3½% notes. Neither of these refunding obligations was available for cash, although the holders of the 1½% notes due April 1 were able to subscribe to the one-year 3⅜% certificates. In addition, the Government announced that the issue of special "Treasury bills" coming due Feb. 15 is to be "rolled over" into an equal amount of 129-day tax anticipation bills.

The rates which the Treasury had to pay to put over the current refunding were somewhat better than would have been the case if the operation were undertaken last month. There had been a modicum of ease in the money market in the past few weeks and this has improved the yields of both the long- and short-term maturities.

New One-Year Issue Seen Favored

It is expected that the bulk of the maturing certificates will go into the one-year maturity, because the Federal Reserve banks which hold about one-half of the securities that are being refunded will most likely take the shorter-term obligations as has been true in the past. Corporations and the commercial bank holders of the maturing issues are likewise expected to be attracted to the 3⅜% certificates.

On the other hand, the notes due May 15, 1960 with the 3½% rate, will have attraction for those that are interested in a somewhat longer maturity. These exchanges (into the 3½% note), however, should not be too sizable (probably $1,500,000,000), even though it could be a very desirable issue, especially if there should be an easing in money rates in the future.

Bond Market's "Worst Days" Near End

Although the pressure is still strong as far as the money market and the capital markets are concerned, funds continue to be available when the yields are attractive. To be sure, money is currently being channeled into fixed income bearing obligations from other sources, because the yields of these obligations are more favorable, the senior security factor is important, and the feeling seems to be growing that the boom is coming to an end. If there is to be a lifting of the inflationary pressure, as some now expect, then the bond market has seen its worst days.

Three With Walker

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Dewey F. Millay, William P. Schorr and Frank L. Zingale are now with G. H. Walker & Co., 503 Locust Street, members of the New York and Midwest Stock Exchanges.

Edward Jones Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Lester R. Fuller has become associated with Edward D. Jones & Co., 300 North Fourth Street, members of the New York and Midwest Stock Exchanges.

Salt Lake Exchange Elects Governors

SALT LAKE CITY, Utah—The following have been elected to the Board of Governors of the Salt Lake Stock Exchange at the annual meeting of the members held Jan. 18, 1957:

L. C. Cromer, Cromer Brokerage Company, Inc.; H. S. Brothers, Harrison S. Brothers & Co.; R. P. Woolley, Robert P. Woolley Company; F. C. Archer, J. A. Hogle & Co.; E. N. Bagley, J. A. Hogle & Co.; R. W. Muir, Schwabacher & Co.; G. L. Denton Jr., First Security Bank of Utah, N. A.

The following officers of the Salt Lake Stock Exchange for the year 1957 are:

L. C. Cromer, President; H. S. Brothers, First Vice-President; R. P. Woolley, Second-VicePresident; F. C. Archer, Secretary-Treasurer.

Douglas Aircraft Debentures Offered

An underwriting group headed by Merrill Lynch, Pierce, Fenner & Beane and Kuhn, Loeb & Co. offered yesterday (Feb. 6) $27,900,000 Douglas Aircraft Co., Inc. 4% convertible subordinated debentures, due Feb. 1, 1977 at 101½% and accrued interest.

Douglas Aircraft Co., Inc. is a leading designer and producer of commercial transport airplanes, military aircraft and missiles. The company's backlog at Nov. 30, 1956 amounted to $2.2 billion which was almost equally divided between military and commercial orders.

Net proceeds from the sale of the debentures will initially be added to the company's working capital. The company expects to use such funds, among other things, to keep the company in a position to accept orders and undertake projects for the Government, to further advance the company's position in the development and production of commercial aircraft, particularly its DC-8 jet transport program, and for additions and improvements to properties and facilities.

The new debentures are convertible at any time into capital stock at $95 per share, subject to adjustment. They are redeemable at the company's option at 105½% through Jan. 31, 1958, and at decreasing prices thereafter. A sinking fund, starting in 1967, will retire 75% of the issue before maturity.

Joins Bache Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Charles V. Brooks is with Bache & Co., Johnston Building.

Continued from page 5

Growth Prospects in Electronics

grows, competition, which is already severe, will become keener. Nevertheless, there appears to be considerable opportunity for growth in this segment of the industry, in contrast to household products, where the market for first installations appears to be almost saturated.

Let's look at the specific question of television. The biggest suppliers of household television, in order of decreasing sales, appear to be RCA, Philco, Admiral, Motorola, and GE. Interestingly enough, the leaders in household radio are almost the same; RCA, Philco, GE, Westinghouse, Admiral. In 1955, according to latest estimates, the public purchased 7,450,000 television sets, and 1956 sales are expected to be only a few thousand sets short of that mark. The dollar volume there was about $996 million. By 1960, such sales should total 8.2 million annually, representing a volume of more than $1.1 billion. Sales of home radio sets in 1956 are expected to total about eight million units, with a total factory value of $163 million. By 1960, this should exceed nine million sets per year, but that represents a modest gain at best.

The big question is whether color TV will catch on, now that sets have been reduced to below the magic $500 mark. RCA is enthusiastic; most of the other manufactuers are not. We believe that from an estimated 150,000 to 200,000 color TV units sold last year, we may possibly jump to 750,000 in 1957, but sales in the millions won't come until 1958. Then, there is the constant threat of so-called single gun television tube, developed out in California and recently licensed by Dumont. It is still somewhat of a novelty, and it will probably require a good deal of engineering to make it operate satisfactorily. but we feel that you ought to keep your eye on this one, and for the really long range, you have to watch out for the flat TV tube, so-called picture-on-the-wall TV. This seems quite likely to come about as a result of a number of new developments in the industry, for example, special devices for storing information in a code pattern of electrical charges, and the so-called light amplifiers which intensify a light image.

II
Military Electronics

Second, let's look at the group of companies that emphasize military electronics equipment, which was produced at a level of about $3 billion during this year. Since Government requirements are so diverse, almost all manufacturers of electronic parts benefit directly or indirectly from the military program, but there are some companies that derive the majority of their income in the electronics field from direct contracts with Government agencies and from all available projections, it appears that they will continue to enjoy a substantial and increasing market.

Outstanding contributors to the Government's electronic purchasing program are American Bosch Arma Corporation, Bendix Aviation Corporation, International Tel. & Tel., and Sperry Corp. In this connection, however, you can't overlook the substantial military business that Burroughs Corp. has developed in the course of its work with the Air Force on the SAGE radar warning system.

III
Electronic Business Machines

Let's look next at the suppliers of electronic business machines—both the so-called giant brains and the smaller medium-priced or specialty computers that vastly extend the ability of a business organization to handle its own internal records. Total markets for both giant brains and the so-called medium-priced computers have been projected at over a billion dollars each, with current sales levels well over $200 million per year.

The primary suppliers of giant brains are, of course, IBM, which, in terms of sales, is largest in the field, and Sperry Rand. IBM has the particular advantage of offering both large computers—its 700 series—and a somewhat smaller line—its 600 series—as well as a considerable amount of accessory equipment for almost all conceivable automatic accounting purposes. Sperry Rand has in the Univac line a product that is easily the equivalent of the 700 series in its performance, but offers no medium-priced equipment.

There are other companies that sell "giant brains"; RCA has developed one; so has Datamatic, a subsidiary owned jointly by Minneapolis-Honeywell and Raytheon. But in our opinion, the next strong contender with IBM and Sperry Rand for leadership will be Burroughs Corporation, as a result of its recent acquisition of ElectroData Corp. Through this step, Burroughs, an old line company, but with increasing electronics know-how, both in civilian and military markets, has acquired a highly significant investment plus that should result in substantial increases in their earnings picture starting some time in the next two or three years.

IV
Instrumentation

As another group in the electronics industry, we should look at the instrument manufacturers. Actually, there is such a wide variety of electrical and electronic instruments in use in present day technology that it is very difficult to define specifically an instrumentation field. According to the Department of Commerce classification, however, this segment accounted for about $3 billion in sales in 1952 and $4½ billion in 1955; and by every available criterion — number of new instruments reported per year, pages devoted to instrumentation in trade periodicals, etc., sales of instruments are expected to grow faster than for the industry as a whole.

As a special point, the infleunce of so-called automation on growth in this area should be noted. Complete automation of any process is going to involve sensing instruments (that is, those that measure pressure, flow, temperature, and the like); recording instruments; computers; and controls. Many of these pieces of equipment will be in part mechanical, and in part electronic. Therefore, the instrument maker who can design and manufacture for all parts of an over-all control system within his own company will be in the best position to take advantage of increasing markets for automation. Thus, the suppliers of both electronic and mechnical instrumentation, and those who are developing so-called systems engineering groups should become the leaders in this segment of the industry.

To identify a few of the outstanding companies in this growth segment, I should like to point out first, the two obvious leaders, Beckman Instruments and Consolidated Engineering—not really competitors, although at first glance, they might seem so. Then, there is Minneapolis-Honeywell, the largest manufacturer of industrial control equipment and outstanding in instrumentation through the acquisition of its Brown Instrument Division and a number of other subsidiary companies.

V
Component Parts

Finally, I might mention the component parts manufacturers. I could make the perhaps trite observation that they can be expected to grow as fast as the electronics industry itself, which is pretty fast, but in order to keep ahead in the race, the individual company must have enough research ability to keep abreast of the newer trends toward miniaturization, printed circuits, use of transistors, and everything else that makes the electronics field change so rapidly. To identify just a few of these companies that, in our opinion, do keep sufficiently up-to-date, I should like to point out Sprague Electric, P. R. Mallory, and Texas Instruments.

Having mentioned transistors, I think I should add a word or two on where they stand. First, it appears that if we lump transistors together with the so-called diodes, which are in effect a simpler version of the same gadget, it appears that 1956 dollar volume will be about $75 million. Obviously, then, the solid semi-conducting elements are taking over rapidly in many applications where tubes would otherwise have been used, but you cannot overlook the fact that tubes are with us to stay and probably will be for quite some time. For one thing, there is the question of cost. The average factory value of a transistor is $2 per unit, while the present average value of receiving tubes is about 80 cents. For another thing, transistors and diodes on the whole are more limited in their total current-carrying capacity, so that while they may be used in the low power end of a radio, for example, tubes will frequently be used to achieve anything except very limited output. Then, there is the fact that a transistor is quite a different breed of cat from a tube; new circuits have to be devised to take the maximum advantage of its capabilities—it is not simply a question of pulling out a tube and plugging in a transistor. So, while transistors and diodes are growing rapidly in acceptance in the industry, their rate of growth will be somewhat limited by the rate of new design developments, and we cannot write the tube manufacturers off overnight.

If we had to list the leading manufacturers of transistors in terms of volume, I believe we would turn to General Electric, Philco, Raytheon, and Texas Instruments, and among these companies, if we had to choose as regards quality of product, I believe we would settle upon Texas Instruments.

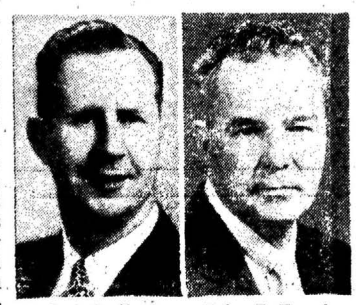
Conclusion

Now obviously, this has been a very brief treatment of the electronics industry at best, but it appears that it is an industry in which you can look for growth, and there are a number of specific trends in the industry which seem to stand out as the ones to be watched for outstanding growth prospects. Obviously, automation is one of these, and I have already pointed out the growth prospects for those companies who can indulge in automation through making a wide line of control equipment and handling systems engineering work in their own shops. Secondly, we have to look at the possibility of achieving substantial cost savings through automation of manufacturing processes. This would be of more importance to the assembly line operators than the small concerns, and, of course, you can only anticipate the use of this expensive automatic assembly equipment where a company turns out thousands of units of the same product, as do the major manufacturers of home radio and television sets. Third, we have to keep an eye on the companies that prove most adept at using the techniques of miniaturization, printed circuits and redesign of components to accommodate themselves to the basic changes in the engineering of electronic equipment.

As regards specific equipment developments, we must watch out for continued improvement in transistors, for eventual introduction of the flat television tube, application of light amplifiers, the growing use of tape recording of both black and white and color television, as well as sound, and the vastly increased use of electronics in office data handling. No matter how difficult it is to define the electronics industry, and no matter how diverse its products, it seems that its major characteristic is growth.

Crofford, Temple V.-Ps. Of Keith Reed & Co.

DALLAS, Tex.—Keith B. Reed, President, and Jack Munger, Chairman of the Board, of Keith Reed & Company, Fidelity Union



Carl Crofford Robt. F. Temple

Life Building, announces the addition of Carl Crofford and Robert F. Temple as Vice-Presidents in the firm.

Mr. Crofford, former President and General Manager of a Dallas insurance firm, was recently affiliated with another investment firm as underwriter, research analyst, and manager of the institutional department. Before that he was controller of Leo F. Corrigan Properties (Dallas). He holds a B.A. degree from Rice Institute in Houston, and a B.S. degree from S.M.U. He is a member of the Dallas Athletic Club and the Dallas Control of the Controllers Association. He served as President of the Dallas Rice Alumnae Association in 1953.

Mr. Temple, Vice-President of the municipal department was assistant director of finance for the City of Dallas from 1946 to 1952; assistant city manager from 1945 to 1946, and spent nine months in a German prisoner of war camp after the plane on which he was an aerial gunner was shot down on his 39th mission. He has been awarded the Distinguished Flying Cross and Air Medal with five clusters. He began his work with the City as office boy and receptionist for the Mayor in 1927. Mr. Temple was also Director of Finance for the City of San Antonio during part of 1952 and 1953.

Keith Reed & Co., Dallas investment banking firm, is nationwide underwriter, trader and distributor of municipal and corporate securities.

Maine Inv. Dealers Annual Meeting

PORTLAND, Maine — Carl K. Ross, Carl K. Ross & Co., Inc., has been elected President of the Maine Investment Dealers Association at the annual meeting, succeeding Robert G. Wade, Morton, Hall & Rounds, Inc., Lewiston. George S. Payson, H. M. Payson & Co., was elected Secretary-Treasurer, succeeding Mr. Ross, who had held the post for 12 years.

Directors of the Association are Harold D. Jones, Jones, Holman & Co.; Charles W. Leonard, C. W. Leonard & Co.; Robert G. Wade; Nathan C. Fay, Nathan C. Fay & Co.; George Payson; W. Thomas Burns, Jr., Burns, Barron & Co., and Roger P. Moore, D. T. Moore & Sons.

With Reynolds

MINNEAPOLIS, Minn.—Ray E. Habermann is with Reynolds & Co., 629 Second Avenue South.

Continued from page 3

The Jekyll and Hyde of Insurance

the frequency and severity of auto accidents. Not only did auto fatalities and accidents rise, but the cost of claim settlements rose as well—so that for the year as a whole loss costs in automobile lines also probably rose at least 12 to 15%. Since, as in fire, auto rates last year were trending downward, loss costs represent 50% of the premium dollar, a rise in loss costs of 12 to 15% means a reduction in the profit margin of 6 to 7½% or enough to put the important automobile lines in the red. In addition, other lines, such as ocean marine, beset by the gigantic "Doria" and "Stockholm" losses, were in the red also. The year 1956 was a notable one in which practically all insurance lines—or products—lost money, a truly catastrophic year.

This has created the present opportunity. Insurance is a regulated business and a kind of semi-public utility. According to the rating laws of the 48 states, insurance rates must be reasonable, as far as the policyholders are concerned, and adequate as far as the companies are concerned. A fair measure of adequacy over the years has been 5% of earned premiums. That is an average. Some lines, such as workman's compensation, have a lower allowable margin of profit, in this case only 2½%. But for insurance as a whole, 5% would be a fair and working average for the underwriting margin of profit allowed by the various state insurance commissioners. In practice it has worked out that way. The average underwriting margin of profit for fire and casualty companies for the five years ending 1955 was 5.4%; for the past 10 years, 6%; and for the past 20 years, 6.1%.

Upward Profit Margin Swing

So when the industry is operating at a negative margin of profit as in 1956, clearly this is inadequate, and corrective measures are called for. The last time the business operated at a clearly inadequate margin of profit was 10 years ago, in 1946, when there was actually a profit margin of 1.2%. Corrective measures were taken in 1947; and the margin of underwriting profit improved to 3.7%. In 1948 it went to 8.8%, and in 1949 to 12.4%. When the pendulum swings too far one way and produces an inadequate margin of profit, it tends to swing too far the other way and produces a handsome margin of profit in order to create an average over the period. I believe we are in the early stages of such a swing upwards in the underwriting margin of profit now.

In 1947, there were two corrective measures taken in both fire and automobile. Rate increases are of course the most obvious. Rate increases took place in 1947, the first since the early '20s in fire insurance; and they will take place again this year. It will take some time for these to become effective, because so many of the policies are for a 3- to 5-year term. Since rates become effective only upon the expiration of policies, it will take a full three or five years from the time of rate increase for the new rates to become fully effective.

Rates and Education

There is another avenue of approach in fire, which the companies are going to use this year as in 1947. That is a sustained effort to bring insurance up to value. A sum of $1 million has been appropriated by the National Board of Fire Underwriters for a 13-week campaign on TV and radio starting this March to encourage people to bring their insurance up to the new and higher values. Since 1947 the cost of dwellings has risen 42%. In homes the value of contents has increased a great deal, not only because of the rise in prices, but because of the addition of more valuables. Few people have the insurance they require. Since most losses are partial losses, the companies will actually have very little more at risk if an assured takes out 10% or 15% more insurance. The company receives its money right away — the relief is immediate. This, plus the increase in rates, should be sufficient to bring back fire underwriting to the black.

Furthermore, it is believed an increase in fire rates in New York, on an emergency basis, will be announced shortly—and this will be the forerunner of rate increases elsewhere. New York is known as a "strict" state; and if the authorities in New York believe that an emergency exists, other state supervisory authorities will also. An emergency certainly exists when some of our topflight companies are losing in underwriting as much as $15- to $20-million a year. Should such losses continue, certain of the smaller more marginal companies might well get into difficulties—and this is specifically what an insurance commissioner is supposed to safeguard against.

In automobile, rate increases are already under way; and it is safe to predict that before the next month or two rate increases will have been announced in almost all the states. Several weeks ago, rates in auto liability were increased as much as 30% in California, 24% in the state of Washington, and various other substantial amounts in seven of the western states. On Feb. 1, rates were increased 33% on male drivers under 25 in Virginia. On Jan. 1, property damage rates were increased 19% in Massachusetts—and so on. The insurance commissioners have moved swiftly, once petitioned by the insurance companies, to grant higher rates—and a trend factor has been put in the rates so that rates will not always lag behind prices during an inflationary period. The extent of this trend factor is difficult to determine because there are so many different kinds of auto rates and many different rating jurisdictions. But, in general, it takes into account the trend in cost settlements of claims over the past several years and assumes that this trend will continue for the next year or two when the claims resulting from accidents in 1957, for example, will probably be settled and paid for.

There is another approach also in solving the auto insurance problem, rates being the first, and increased emphasis upon safety the second. This also occurred in 1947, and it is interesting to note that recently auto fatalities have shown a more favorable trend. In October, for example, auto fatalities dropped 12% below the previous year, the first year-to-year decrease in more than two years. Because of the recent favorable figures, auto fatalities for the year as a whole rose only 5%, although in the early part of the year they had run as high as 18% ahead of 1955. Increased publicity about the carnage on the highways and heightened emphasis on safety campaigns are probably the reasons for the better experience. The state of Connecticut has led the way in better law enforcement, with the result that its figures have become most favorable. Here in New York there is a bill which would suspend for 60 days the operating license of a driver who has been convicted twice for speeding. Although claim settlement costs continue to rise, it is believed that the rise in auto rates will be sufficient to put these important lines in the black by 1958.

Just as 1956 was so notable as a year in which almost all insurance lines were in the red, so with corrective measures being taken in most insurance lines this year, it would appear that in the 1958-59 period, most insurance lines should be operating well in the black—and this should produce an increased interest in insurance shares.

For the past more than two and one-half years, fire and casualty stocks have been in a bear market. They reached their peak in August, 1954, just before "Hurricane Carol" struck the Northeast, followed by "Diana" and "Edna." Since then, values have fallen about 25-30% while the fundamental values of the fire and casualty companies, the Dr. Jekylls, investment income and net worth or liquidating value, have risen about 25%. Thus there has been an important divergence, prices down because of the underwriting Mr. Hyde, yet fundamental values, the Dr. Jekyll — investment income and net worth—up about 25%. Meanwhile, the general market has advanced 25% so that this important divergence of approximately 50% between the general market and insurance stocks is the greatest in more than a decade.

Such a divergence existed in 1945, 1946, and 1947, when insurance shares were again out of favor. Following the corrective measures of 1947, insurance shares then staged an independent bull market and shot ahead 41% in 1948 and 1949 while the Dow-Jones Industrials were rising only 11%. It would seem that a similar performance in 1958-1959, exactly 10 years later, might easily take place.

From the standpoint of fundamental values, price times investment income and price in relation to net worth or liquidating value, the prices of most fire and casualty stocks today compare favorably with other extremely depressed times in the market, such as in 1947, or during the outbreak of war in 1942, or during the fall of France in the spring of 1940.

I believe the undervaluation of the individual group as a whole is so deep today that a reasonable expectation is for an advance of approximately 50%. Yet, some stocks will do better than others—and I would like now to move from the general to the specific in order in indicate some of the values which are obtainable in insurance stocks at the present time.

* * *

What securities look attractive at the present time? I shall name five different types which exemplify certain theses:

Merger With a "Plus" Value

First, I believe the insurance business is going to witness a great many mergers, both in order to improve the competitive position of companies and also to cut costs through larger operations. Companies which are merger candidates and which may be sought after may therefore become very desirable properties and have a "plus" value. Such a "plus" value would seem to be Aetna Insurance of Hartford, a fine old name with a good, although not notable record, extremely cheap in itself, selling at about 11½ times last year's investment income and at a discount of 45% from net worth. It possesses considerable leverage, having $150 of premiums for each share of stock, so that in a period of profitable underwriting such as 1958-59, its earnings could rise to $12.50-$17 per share—at its current market, it is selling at only 5½-6 times these potential earnings.

So, the company is good in itself—but is also, in my opinion, an excellent merger possibility, through an exchange of stock with its fellow companies in Hartford, Connecticut General, or Aetna Life. It is known that Connecticut General desires to enter the fire insurance business—and what more natural candidate than Aetna Insurance? Because of the similarity of names between Aetna Life and Aetna Insurance, the former would look, I believe, with considerable misgivings at any attempt on the part of outside interests to purchase Aetna.

Therefore, to keep Aetna in Hartford (one important Hartford company has recently been bought and control has moved to Chicago), Aetna Life might well consider making an offer of exchange with Aetna Insurance. These exchange offers, in my opinion, would be friendly and based around the net worth of Aetna, which is $120 per share. The price of Aetna stock, therefore, might be able to advance from its present market of around 73 to in the neighborhood of 110-120. This potential gain of 60-70% costs an investor nothing and is therefore an important plus value.

Improving Management Situation

The second type of company which interests me is the improving management situation. An investor receives an added increment of value because of improved management. The clearest case of improved management that I know of in a long time in insurance is American Insurance. This company merged several months ago with American Auto—and the combined company will have a higher investment standing. American Insurance has always had a quality fire insurance business, but a very poor casualty business. In fact, during the last 10 years, its casualty business lost 8% on earned premiums, so that its fire profits were reduced 40% by its casualty losses. On the other hand, American Auto has always had a first-class casualty management, and during the same 10 years had a margin of profit of 4% on earned premiums. Had American Insurance been able to earn 4% on its casualty business, its overall profits would have doubled. It is certainly reasonable to assume that the casualty problems of American Insurance will be solved by the superior casualty know-how of American Auto. It is not difficult to foresee earnings of $3.50 to $5 per share during 1958-59; and this stock, which currently yields close to 5% and sells around 27, would seem to be able to sell in the 35-40 range.

In today's market, there is increasing attention paid to value—and one of the best values in insurance today lies in Great American. It is statistically extremely cheap, but in addition has such a strong capital and surplus position that it is outstanding. It is selling at only about 10 times last year's investment income and at a discount of 50% from liquidating value. It sold as high as 44 in 1954, 2½ years ago; and it is not at all difficult to see the stock at 52 in the next several years — which would be a profit of 50% from current levels. At that time, I would expect its investment income would be $4.25 to $4.50 per share; total earnings $5.50 to $6.50; and net worth, assuming no change in the general stock market of around 80. So that at 52 this stock would still be very attractively priced, and I am sure there will be more buyers for it at that time than there are today.

Auto Insurance Stocks

A fourth type of stock which seems attractive is the growth type in the automobile insurance field. Automobile insurance will receive its rate increases first; and since most policies are for one year only, by the spring of 1958 the new rates will be fully effective. The year 1958 should therefore be a good one for the automobile insurance companies. Government Employees Insurance concentrates solely upon automobile insurance, and it should receive all of the benefits. Furthermore, it is a low cost producer, since it sells through the mails and by word of mouth. It has, as its name implies, concentrated upon government employees, first at the Federal level, then at state and municipal. It also now sells to other groups, such as retired army officers and college professors, etc. — the type of people whom it does not believe will be driving around the country at night and running into telephone poles. Its experience is consequently better than average, and its costs are way below average because it does not sell through agents. For the past five years, ending 1955, its underwriting margin of profit was 24.2%—and believe it or not, for the past 10 years, its margin of profit was also 24.2%. For the past five years, its premium growth was 222%.

So in Government Employees Insurance you have a strong growth company, with a wide margin of profit, a low cost producer in the automobile field, which can compete with All State on a price basis, and solely concentrated in automobile insurance which will receive the rate increases first. It is not difficult to foresee total earnings in the neighborhood of $10 per share by say the middle of 1958; and it would appear that this stock, which is currently selling around 57, might well sell in the 90-100 area.

The "Tiffany" Issues

Some people like to buy only the best, the blue chip or Tiffany stocks—and the cheapest of the blue chips at the present time is Hartford Fire. It has a distinguished name and an agency plant around the country, I believe even its competitors would agree, that is second to none. Its top management has been rejuvenated in the past several years and is both progressive and aggressive. It is also a high-priced stock, and for that reason it may have a certain plus value. It is not difficult to foresee earnings of $15-20 per share by 1958-59; and on these earnings the stock could well sell around 200, which is approximately 50% above the current level.

When underwriting profits return, there will be a rash of dividend increases. As I mentioned earlier, investment income already has increased about 25% since the last round of dividend increases in the industry, which was in 1953. It seems quite probable that investment income by 1958-59 will have risen 40-50% in many companies since their last dividend increases. So when underwriting profits return, dividends will be raised importantly, and there will be many stock dividends. These actions will act as a tonic upon the insurance share market and cause investor interest to quicken. That will be the flowering of the insurance share cycle, and insurance stocks will again assume the benign countenance of Dr. Jekyll.

That also may be a time for an agonizing reappraisal of insurance stocks—quite opposite from the appraisal which seems appropriate today. We must thank Mr. Hyde, for giving us this opportunity—for without the violence of the underwriting cycles in fire and casualty, they might be like Ole Man River — and just keep a-rollin' along upward on their constantly rising investment income and net worth. To Mr. Hyde, therefore, the mischievous underwriting side of the house—do we owe a debt of gratitude for the gross undervaluation and consequent great opportunity existing in insurance stocks today.

Stanrock Uranium Securities Offered

An underwriting group headed by Blyth & Co., Inc. and The Dominion Securities Corporation offered publicly yesterday (Feb. 6) $26,000,000 of 5¾% first mortgage sinking fund bonds due June 1, 1963 and 910,000 common shares of Stanrock Uranium Mines Ltd.

The securities are being offered in units, each of which consists of $1,000 principal amount of bonds and 35 common shares. Principal and interest on the bonds are payable at the option of the holder in either U. S. or Canadian dollars.

Units aggregating $16,000,000 principal amount of bonds and 560,000 common shares are being offered for sale by United States underwriters and the balance is simultaneously being offered for sale in Canada by the Canadian underwriter.

In the United States the price of each unit is $1,000.

Net proceeds of the offering will be applied by Stanrock to the repayment of $3,000,000 (U. S.) of 5¼% first mortgage bonds, due June 1, 1957, which were sold last year. The balance will be applied to expenditures in conjunction with Stanrock's construction program for the production of uranium in the Blind River area of Ontario.

Stanrock Uranium Mines Ltd., which was incorporated in the Province of Ontario in March, 1956 holds leases on 19 mining claims in the Blind River area. An exploratory drilling program has been completed by the company and two mine shafts are now being sunk; a milling plant is being built with a designed capacity of 3,000 tons of ore per day. Under a special price contract, the company has agreed to sell uranium oxides up to a maximum value of $95,000,000 to Eldorado Mining & Refining Co. Ltd., the sole purchaser of uranium concentrates in Canada. It is planned that ore deliveries under the contract will begin in November, 1957.

The bonds are entitled to a sinking fund sufficient to retire $2,600,000 principal amount on Feb. 1, 1959 and on each Aug. 1 and Feb. 1 thereafter to and including Feb. 1, 1963, and, at the option of the company, up to an additional $1,000,000 principal amount on each such date, in each case at par.

Halsey, Stuart Group Offers B. & O. Equips.

Halsey, Stuart & Co. Inc. headed an underwriting group which offered yesterday (Feb. 6) $3,360,000 Baltimore & Ohio RR. 4% equipment trust certificates, maturing annually Feb. 1, 1958 to 1972, inclusive.

The certificates, first installment of a total issue of $6,945,000, are scaled to yield from 3.80% to 4.05%, 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 14 Diesel-electric switching locomotives and 800 steel box cars, estimated to cost not less than $8,687,980.

Other members of the offering group are: Dick & Merle-Smith; R. W. Pressprich & Co.; Baxter & Co.; Freeman & Co.; The Illinois Co., Inc.; Wm. E. Pollock & Co., Inc.; Shearson, Hammill & Co. and McMaster Hutchinson & Co.

Colorado Fuel & Iron Offering Underwritten By Allen & Co. Group

The Colorado Fuel & Iron Corp. is offering holders of its outstanding common stock, rights to subscribe for $19,903,300 of 4⅞% series A sinking fund, convertible debentures, due Jan. 31, 1977, at a subscription price of 100% for each $100 principal amount of debentures, on the basis of $100 principal amount of debentures for each 17 shares of common stock held of record Feb. 5, 1957. Subscription rights will expire at 3:30 p.m. (EST) on Feb. 20, 1957.

Allen & Company is manager of an investment banking syndicate which is underwriting the offering.

Net proceeds from the sale of the debentures will be used by the company for the repayment of bank loans and to increase working capital.

The series A debentures are convertible into shares of common stock at $30 per share until Jan. 30, 1967, and $35 thereafter until Jan. 30, 1977, unless previously redeemed, subject to adjustment, in both cases, the debentures being taken at par. The debentures will have the benefit of a sinking fund designed to retire $1,000,000 per year beginning in 1963, at a redemption price of par, and they will also be redeemable at option redemption prices ranging from 105% to par, plus accrued interest in each case.

The Colorado Fuel & Iron Corp. and its subsidiaries are engaged principally in the manufacture and sale of iron, steel, and various steel products, and the mining or quarrying of iron ore, limestone, dolomite, and coal, chiefly for its own use. The corporation and its subsidiaries together constitute the ninth largest producer in the steel industry on the basis of rated steel ingot capacity. Based on ingot capacity as reported to the American Iron and Steel Institute, the iron and steel producing plants of the corporation and subsidiaries have an estimated combined annual capacity of 1,501,200 tons of pig iron and 2,514,500 tons of ingots and steel for castings.

With Webber-Simpson

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Richard A. Sullivan has become connected with Webber-Simpson & Co., 208 South La Salle Street, members of the Midwest Stock Exchange. He was formerly with Taylor & Co. and Detmer & Co.

Hemphill, Noyes Adds

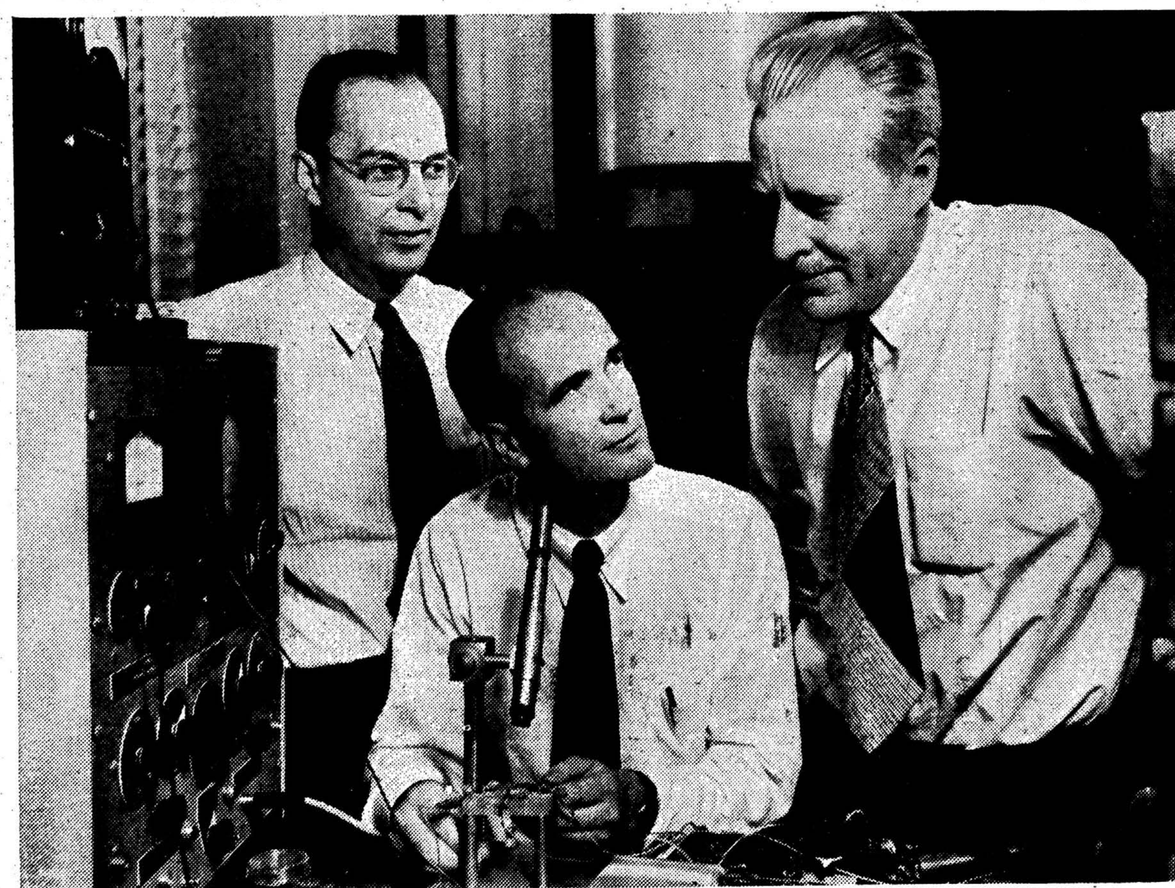
(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Howard Lurier is now with Hemphill, Noyes & Co., 340 Main Street.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Alfred F. Tossy has joined the staff of Bache & Co., Penobscot Building.



(Left to right) Dr. John Bardeen*, Dr. William Shockley* and Dr. Walter H. Brattain, shown at Bell Telephone Laboratories in 1948 with apparatus used in the early investigations which led to the invention of the Transistor.

Continued from first page

Funds Increasingly Cautious

United funds, and almost all the closed-end funds. Of the latter, U. S. & Foreign continued its policy of realizing security profits by selling $4.1 million of securities and refraining — as it virtually has since 1953 — from making any purchases.

On the other hand, equity purchases exceeded sales in the individual instances of Boston Fund, Eaton & Howard Balanced Fund, Loomis Sayles, National Securities Income Series, George Putnam Fund, de Vegh Mutual Fund, Dreyfus Fund, Fundamental Investors, Investment Co. of America, and Tri-Continental. However, in some cases, notably Tri-Continental, even greater amounts were cautiously invested in purchases of senior securities.

Thus, the philosophy motivating the latter closed-end giant is expressed by Chairman Francis F. Randolph in his annual report as follows: "Investment emphasis was shifted moderately further in 1956 in recognition of the increased risks inherent in the continued expansion of business activity and the advanced level of stock prices. There was the further consideration that senior securities became increasingly attractive during the year as the tightening money market forced interest and dividend rates on bonds and preferred stocks higher. . . ."

"Cautious But Not Bearish"

"In recent months we have described our investment policy as 'cautious but not bearish,'" says George Putnam, Chairman of the Trustees of The George Putnam Fund of Boston. "That is still a fair description, but with perhaps somewhat greater emphasis on the 'cautious' due to the recent crisis in the Middle East and the satellite countries, and to the possible effect of the tight money situation on our domestic business picture."

Mr. Putnam participated in widespread de-sanctification of the Blue Chips, as follows: "The composition of the Common Stock Section changed considerably during the year as we endeavored to employ funds in the most promising situations. For example, certain 'blue chip' stocks that appeared to be selling too high in relation to foreseeable earnings were reduced."

Over-Pricing Seen

H. I. Prankard 2nd, President of The Affiliated Fund, reports that his company has "reduced substantially" its investment in many growth stocks because it believes that market prices for many reflected too full a valuation of their long-term growth prospects.

"High grade common stocks, in the Managers' judgment, are generally overpriced at this time relative to bonds and preferreds," is the unequivocal statement in support of this position made by Arnold Bernhard, President of the Value Line Fund.

Further explaining his current investing policy, whose bearishness is maintained in the face of confidence in the state of business, Mr. Bernhard continues, "On the other hand, business continues generally good and the extent of any trade recession in 1957 is expected to be of small proportions. A number of interesting opportunities may be found in carefully selected special situations. With these judgments in mind, the Fund has taken a defensive position in short-term bonds to protect against the risk of a general market decline, while it holds high grade, long-term bonds and preferreds to provide current income, and a selection of special situations to give the Fund representation in industries and companies that, in the Managers' judgment, could advance in 1957 despite a possible business recession and a lower stock market in general."

Intensified Selectivity

The need for intensified selectivity is widely emphasized. Says Jonathan B. Lovelace, President of The Investment Company of America: "In view of the many uncertainties, domestic and international, the tight money situation, and the cross currents in the American economy, it is our belief that 1957 will be another year in which investment selectivity will be extremely important."

Similarly, after pointing out prevailing economic cross-currents, Emerson W. Axe, President of Axe-Houghton Stock Fund, Inc., concludes: "In view of these rather complicated tendencies the management of your Fund has placed emphasis on newer industries, those relating to armament, and those that would benefit from a rise in the general commodity price level. At the same time it has maintained a substantial reserve of preferred stocks which we believe would reduce or partly offset the effect of any possible decline in general business activity. This portion of the portfolio would be likely to benefit from any easing of credit which may occur later in the year."

Increased emphasis on the bond segment of the portfolio is evidenced by Diversified Investment Fund, Inc. Says William Gage Brady, Jr., Chairman, and Hugh W. Long, President: "A moderate increase was made last year in the proportion of your Fund's assets invested in bonds. The major part of this increase represented a transfer of funds from preferred stock holdings. Since the Semi-Annual Report, management has taken advantage of unusual conditions in the bond market to strengthen its list of such holdings. In several cases, issues were acquired at prices which afforded a higher income than has been available for over 20 years on bonds of similar quality."

Bond Reserves Increased

In a similar vein is this comment by Messrs. Johnston and von der Heyde, respectively Chairman and President of The Johnston Mutual Fund, Inc.: "The present situation can perhaps be described with a homely analogy. An economy operating at full throttle is subject to stresses and strains just like a machine. At such a time the operator must reduce speed or mechanical failure will result. In this instance we believe the probabilities favor some slowing down in the economic pace—we do not look for a mechanical failure. For this reason . . . the common stock investments of the Fund were reduced moderately in August and since then our bond reserves, particularly those of short maturity, have been increased. When the time seems right it is planned to use these reserves to add to common stock holdings."

The incidence of increased interest rates on the defensive portfolio area is also cited by Wellington Fund. Says Walter L. Morgan, President: "Your Fund took advantage of the unusual rise in interest rates to increase its backlog of good grade corporate bonds and preferred stocks from 22% to 26% of resources, while government bonds were reduced from 10% to 7% of resources. Most of these purchases were new issues acquired at higher yields than were available from outstanding securities of similar quality."

An Important Stock-to-Bond Switch

A striking example of the defensive policies engaged in can be seen in the action of the United Funds group. These management units reinvested the sale of $12,050,000 worth of common stock in $12,207,000 of Government and corporate bonds. The corporates thus acquired include such prime obligations as General Motors Acceptance 2¾s, such high-yielders as Missouri Pacific 5s, such new convertibles as the Sinclair Oil 4⅜s and the new Burroughs 4½s, and another newcomer, the big-yielding Northspan Uranium 5¾s.

Long-Term Confidence Not Lacking

Expressions of bullishness, particularly over the long-term, are by no means lacking. In his **FORECAST FOR 1957** Edward P. Rubin, President of Selected American Shares, Inc., says: "Stock prices are not especially high in relation to earnings. Cash dividends still provide yields which are moderately above yields of comparable quality. The stock market seems to be more an investment market than a speculative one. Four tests of the 462-468 Dow-Jones level under trying circumstances this year (Eisenhower illness, falling bond prices, war over Suez) indicate stocks are strongly held."

"Profit potentials in a number of investment fields remain highly promising," is the conclusion expressed in the Trustees' letter of Shareholders' Trust of Boston.

National Securities & Research Corporation accompanies its estimate of a 1957 range of 550-450 for the Dow Jones Industrial Average with the comment: "Although wider variations in the earnings of individual companies are expected in 1957, a sound base for continuation of a good average level of stock prices is expected to be maintained."

* * *

POLICY TOWARD INDUSTRY GROUPS

Our tabulation and analysis of specific portfolio changes reveal that the retrenchment policies were chiefly directed toward liquidation in the following industry groups: department and mail order, building, consumer finance, and rails. Bought on balance were banks, coals, drugs, papers, natural gas, radio-TV, steels, machineries, and utilities (the latter freely but not uniformly). A mixed attitude was shown toward the aircrafts and airlines, farm equipments, chemicals, electrical equipment and electronics, foods, metals, office equipments, rubbers and motors. In the latter group, "the Big Three" were divided between buying of Ford, and liquidation of Chrysler, and more heavily, of GM, which was sold by nine managements to the tune of nearly 58,000 shares.

In the oils, although the transfer into the Western Hemisphere issues was continued, the purchase of American oils did not manifest as clear a pattern as might have been expected—undoubtedly resulting from the re-current domestic inventory situation.

GROUPS SOLD

Selling of Department Stores and Mail Orders

Selling predominated heavily in the department store and mail order area of the market. In particular, the 1955 split Sears, Roebuck met renewed selling by six managements for a total of over 57,000 shares, including elimination of its 24,240-share block by the Investment Company of America; with no fund reported as a buyer of the issue. In the case of its twin mail order leader, post-controversial Montgomery Ward, Investors Mutual entirely liquidated its holding of 46,200 shares. In May Department Stores, Massachusetts Investors Trust closed out its 30,000 shares. In contrast to these two retail segments, the food store issues attracted some buying, notably Safeway and First National.

Building Issues Lightened

Heavy selling was directed against American Radiator, with nearly 40,000 shares sold by American Mutual, Investment Co. of America, and Delaware Fund. Liquidation also prevailed in Armstrong Cork, Celotex, Masonite, National Gypsum, U. S. Gypsum, and U. S. Plywood, among others. Of the latter two, Selected American Shares was the principal seller.

Selling of Finance Companies

Beneficial Finance, C.I.T. Financial, Household Finance, Family Finance, and especially Commercial Credit, were sold on balance—presumably in recogni-

Continued on page 28

Balance Between Cash and Investments of 72 Investment Companies

End of Quarterly Periods September and December 1956

	Net Cash & Governments Thousands of Dollars —End of—		Net Cash & Governments Per Cent of Net Assets —End of—		Investment Bonds and Preferred Stocks* Per Cent of Net Assets —End of—		Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent of Net Assets —End of—	
	Sept.	Dec.	Sept.	Dec.	Sept.	Dec.	Sept.	Dec.
Open-End Balanced Funds:								
American Business Shares	5,155	3,789	17.5	13.5	32.7	33.6	49.8	52.9
Axe-Houghton Fund A	4,501	4,979	9.8	10.8	41.1	36.8	49.1	52.4
Axe-Houghton Fund B	1,665	4,386	2.6	6.4	23.3	22.9	74.1	70.7
Axe-Houghton Stock Fund	615	557	8.8	7.8	27.6	28.0	63.6	64.2
Axe Science & Electronics	694	331	5.9	3.0	24.2	28.6	69.9	68.4
Boston Fund	9,525	7,754	6.6	5.4	¶27.5	¶29.9	‡65.9	‡64.7
Broad Street Investing	1,267	1,620	1.4	1.7	17.7	17.9	80.9	80.4
Commonwealth Investment	8,355	11,787	7.4	9.9	18.9	17.1	73.7	73.0
Diversified Investment Fund	1,935	2,271	3.0	3.4	24.6	23.1	72.4	73.5
Dodge & Cox Fund	361	442	7.4	8.4	23.7	22.8	68.9	68.8
Eaton & Howard Balanced Fund	11,655	13,005	6.8	7.5	25.2	23.2	68.0	69.3
Group Securities— Fully Administered Fund	417	696	5.1	8.8	20.4	20.5	74.5	70.7
Institutional Foundation Fund	182	478	2.1	5.0	9.1	7.8	88.8	87.2
Investors Mutual	7,775	11,816	0.8	1.2	31.5	28.6	67.7	70.2
Johnston Mutual Fund	325	370	6.1	6.4	24.9	24.6	69.0	69.0
Knickerbocker Fund	1,114	1,337	8.3	10.3	23.3	24.1	68.4	65.6
Loomis-Sayles Mutual Fund	10,938	8,465	20.8	15.8	26.2	28.7	53.0	55.5
Massachusetts Life Fund	2,630	3,058	8.8	9.7	29.4	29.9	61.8	60.4
Mutual Investment Fund	1,648	1,034	15.5	8.4	7.1	9.9	77.4	81.7
National Securities—Income	1,075	1,558	2.1	3.0	11.2	11.2	86.7	85.8
Nation-Wide Securities	1,193	1,386	4.6	5.3	36.2	34.6	59.2	60.1
New England Fund	1,106	1,424	8.1	10.1	32.9	30.9	59.0	59.0
George Putnam Fund	7,813	4,867	6.0	3.6	23.4	23.4	70.6	73.0
Scudder, Stevens & Clark Fund	5,514	2,651	7.9	3.8	32.7	34.2	59.4	62.0
Shareholders' Trust of Boston	1,742	1,446	9.1	7.5	20.3	19.9	70.6	72.6
Stein Roe & Farnham Fund	1,814	2,306	11.3	13.9	36.4	30.8	52.3	55.3
Value Line Fund	3,787	3,744	34.9	35.4	22.9	20.4	42.2	44.2
Wellington Fund	32,682	42,108	5.9	7.3	27.5	26.1	66.6	66.6
Whitehall Fund	98	89	1.2	1.1	47.7	46.5	51.1	52.4
Open-End Stock Funds:								
Affiliated Fund	38,482	37,187	10.9	10.3	0.2	0.6	88.9	89.1
Blue Ridge Mutual Fund	1,211	1,821	4.7	6.7	None	0.4	95.3	92.9
Bullock Fund	4,534	5,144	14.8	15.7	None	None	85.2	84.3
Delaware Fund	2,955	5,725	6.9	12.1	2.5	3.6	90.6	84.3
de Vegh Mutual Fund	1,100	1,510	8.5	10.6	3.8	5.0	87.7	84.4
Dividend Shares	32,888	29,079	15.9	13.6	None	None	84.1	86.4
Dreyfus Fund	41	230	0.5	2.3	None	None	99.5	97.7
Eaton & Howard Stock Fund	9,003	9,619	13.2	12.9	1.5	1.3	85.3	85.8
Energy Fund	71	43	2.6	1.4	None	None	97.4	98.6
Fidelity Fund	23,170	23,277	9.7	9.0	3.7	4.4	86.6	86.6
Fundamental Investors	8,123	8,308	2.3	2.2	None	None	97.7	97.8
General Capital Corp.	136	61	0.9	0.4	None	None	99.1	99.6
Group Securities—Common Stock Fund	203	597	0.9	2.5	None	None	99.1	97.5
Incorporated Investors	7,604	8,112	3.0	3.0	1.6	2.0	95.4	95.0
Investment Co. of America	10,263	9,984	11.5	10.5	0.5	0.5	88.0	89.0
Massachusetts Investors Trust	5,363	1,762	0.5	0.2	1.2	0.5	98.3	99.3
Massachusetts Investors Growth Stock	1,204	2,986	1.2	2.6	None	None	98.8	97.4
National Investors	1,596	869	2.5	1.3	None	None	97.5	98.7
National Securities—Stock	1,356	1,889	1.1	1.4	None	None	98.9	98.6
Pine Street Fund	552	561	4.4	4.3	11.3	7.9	84.3	87.8
T. Rowe Price Growth Stock	1,454	1,520	19.1	18.5	1.9	2.1	79.0	79.4
Scudder, Stevens & Clark— Common Stock Fund	392	1,189	3.0	8.4	None	None	97.0	91.6
Selected American Shares	5,331	9,768	9.1	15.0	0.4	1.0	90.5	84.0
Sovereign Investors	47	46	2.7	2.4	2.1	2.1	95.2	95.5
State Street Investment	30,605	21,583	18.8	13.0	None	0.4	81.2	86.6
United Accumulative Fund	4,642	12,041	4.3	9.5	1.7	8.2	94.0	82.3
United Continental Fund	1,508	1,664	6.2	6.2	0.4	0.6	93.4	93.2
United Income Fund	7,583	7,777	5.0	4.9	None	0.7	95.0	94.4
United Science Fund	1,217	3,229	3.5	8.4	0.6	0.6	95.9	91.0
Wall Street Investing	1,314	1,322	19.0	18.4	None	None	81.0	81.6
Wisconsin Fund	195	205	1.7	1.8	1.2	1.2	97.1	97.0
Closed-End Companies:								
Adams Express	6,675	3,881	7.0	4.0	0.4	0.7	92.6	95.3
American European Securities	620	546	3.2	2.8	15.0	12.4	81.8	84.8
American International	3,280	1,913	8.0	4.7	0.6	1.1	91.4	94.2
Carriers & General	1,320	1,143	7.7	6.7	3.4	2.8	88.9	90.5
General American Investors	7,420	†3,987	11.6	6.0	2.2	1.7	86.2	92.3
General Public Service	3,457	2,116	13.6	8.5	None	None	86.4	91.5
Lehman Corporation	12,354	7,013	5.4	3.0	0.1	0.4	94.5	96.6
National Shares	2,894	2,700	11.5	10.5	0.8	1.5	87.7	88.0
Niagara Share	2,141	3,387	4.7	6.9	3.1	2.9	92.2	90.2
Overseas Securities	155	---	6.3	---	11.2	§11.2	82.5	§87.4
Tri-Continental	3,151	3,481	1.1	1.1	21.6	21.1	77.3	77.8
U. S. & Foreign Securities	16,799	13,318	13.3	10.6	None	None	86.7	89.4

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB for preferreds (or approximate equivalents). ¶Bonds and preferreds irrespective of quality classification. ‡Common stocks only. †After $184,906 for repurchase of $4.50 preferred shares. §In percent of gross assets.

SUMMARY

Changes in Cash Position of 72 Investment Companies Dec. 31, 1956 vs. Sept. 30, 1956

	Plus	Minus	Approx. Unchanged	Total
Open-End Companies				
Balanced Funds	15	9	5	29
Stock Funds	11	8	12	31
Closed-End Companies	1	0	2	12
Totals	27	23	19	72

Average Allocation by 71 Companies of Assets to Cash and Equivalent, Defensive Securities, and Risk Securities

	Sept. 30, '56	Dec. 31, '56
Net cash, etc., and Governments	7.2%	7.3%
Defensive securities (investment bonds and preferreds)	11.8	11.6
Risk securities (common stocks plus lower grade bonds and preferreds)	81.0	81.1

Continued from page 27

Funds Cautious

tion of rising interest rates and renewed doubts concerning 1957 automobile sales.

Carriers Sold on Balance

Quite heavy selling took place in Chicago Rock Island & Pacific, Gulf Mobile & Ohio, Illinois Central, Northern Pacific, Seaboard Air Line, and particularly Southern Pacific which apparently attracted no fund buyers whatever. This pessimism was somewhat offset by purchases of Baltimore and Ohio (6,000 shares by Selected American and 5,000 by National Securities Income), with no sellers of this issue. Nor was there any selling of Norfolk and Western to offset M.I.T.'s acquisition of 6,800 shares and Broad Street's purchase of 1,000 shares. Canadian Pacific was completely whipsawed between a purchase of 10,000 shares, as a new acquisition, by Selected American Shares, and a sale of the same amount as a complete elimination by United Accumulative Fund.

FAVORED GROUPS

Bank and Insurance Stocks Bought

Apparently sparked by the continuing rise in interest rates and their impact on operating profitability, bank stocks maintained their recent return to popularity among the experts. The spotlight turned particularly on Chase Manhattan Bank, where the rights offering and other purchases resulted in the acquisition of over 38,000 shares by six fund managements, notably 14,000 by Affiliated Fund and 12,875 by Investors Mutual. First National City Bank of New York was picked up in an amount of over 40,000 shares; 18,000 of which represented a new acquisition by the group consisting of the Investment Company of America and American Mutual Fund; with Wellington coming along with a 15,000 share addition. Other bank issues finding favor included Chemical Corn, Marine Midland, First National of Boston; National City of Cleveland, and National Bank of Detroit, the latter two sparked by rights offerings. Sales in this group were negligible.

The previous quarter's popularity of insurance stocks abated somewhat—perhaps as another pausing Blue Chip Group—as the year drew to a close. Buying was largely confined to Fireman's

Continued on page 30

Changes in Common Stock Holdings of 56 Investment Management Groups

(October — December, 1956)

Issues in which transactions by more than one management group occurred. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios. *(Purchases shown exclude shares received through stock splits or stock dividends. Changes through mergers also disregarded.)*

Bought: No. of Trusts	Bought: No. of Shares		Sold: No. of Shares	Sold: No. of Trusts
		Agricultural Equipment		
3	38,000	Deere & Co.	11,600	2(2)
3	36,200	International Harvester	31,000	2(2)
1	*1,000*	*Allis-Chalmers*	*101,200*	*5(4)*
		Aircraft Manufacturing		
1(1)	2,000	Bendix Aviation	900	1
6(1)	14,640	Boeing Airplane	880	2
2(1)	18,500	Curtiss-Wright	None	None
2	4,600	Douglas Aircraft	2,000	1
1(1)	1,000	Lockheed Aircraft	708	1
2(1)	1,400	Martin (Glenn L.)	11,720	1
None	*None*	*McDonnell Aircraft*	*7,600*	*2(2)*
None	*None*	*North American Aviation*	*49,233*	*7(3)*
3	*7,600*	*United Aircraft*	*2,400*	*5(1)*
		Airlines		
2(1)	75,600	Pan American World Airways	5,000	1(1)
2	45,300	United Air Lines	None	None
1	*74,100*	*American Airlines*	*30,100*	*3(1)*
3	*1,300*	*Eastern Air Lines*	*13,450*	*4(3)*
		Automotive and Parts		
3	7,100	Borg-Warner	None	None
7(3)	37,700	Ford Motor	11,200	2(1)
1	*500*	*Chrysler Corp.*	*17,000*	*2(2)*
None	*None*	*Fruehauf Trailer*	*42,100*	*2(2)*
3(1)	*6,200*	*General Motors*	*57,800*	*9(1)*
None	*None*	*Thompson Products*	*4,100*	*3*
1(1)	*1,000*	*Timken Roller Bearing*	*3,700*	*2(2)*
		Beverages		
2	700	Coca-Cola	None	None
None	*None*	*Canada Dry*	*30,100*	*2(2)*
None	*None*	*Pepsi-Cola*	*57,300*	*3*
		Building Construction and Equipment		
7	15,600	Carrier Corp.	4,200	1
2(1)	5,860	Georgia-Pacific Corp.	None	None
8(2)	45,930	Johns-Manville	5,400	2
1	*400*	*Masonite*	*3,420*	*1*
2	500	Minneapolis-Honeywell	500	1
2(1)	7,652	Missouri Portland Cement	None	None
2	700	National Lead	1,400	1
1(1)	*8,000*	*American Radiator*	*39,900*	*3(2)*
1	*2,000*	*Armstrong Cork*	*10,500*	*2(2)*
None	*None*	*Bestwall Gypsum*	*3,667*	*2(1)*
None	*None*	*Celotex*	*6,700*	*2(2)*
None	*None*	*General Portland Cement*	*4,000*	*2(1)*
1	*300*	*Lone Star Cement*	*4,200*	*2(1)*
1	*6,500*	*National Gypsum*	*12,050*	*2*
1	*4,500*	*Robertshaw-Fulton*	*20,700*	*2(1)*
None	*None*	*Thew Shovel*	*2,500*	*2(1)*
None	*None*	*Trane*	*750*	*2*
2(1)	*12,000*	*U. S. Gypsum*	*20,600*	*4(1)*
None	*None*	*U. S. Plywood*	*12,500*	*2(2)*
None	*None*	*Weyerhaeuser Timber*	*1,200*	*2*
		Chemicals		
2(1)	12,600	Air Reduction	4,500	1
5	2,058	Allied Chemical	9,239	5(1)
2	800	American Cyanamid	500	1
6(4)	27,345	American Potash & Chemical	19,081	1
3	2,050	Diamond Alkali	None	None
6(1)	3,404	Dow Chemical	16,030	3
7	3,600	Du Pont	2,300	3(1)
3	11,700	Int'l Minerals & Chemicals	5,000	1(1)
1	300	Lindsey Chemical	300	1(1)
4	9,930	Monsanto Chemical	5,100	1
3(2)	13,000	Olin-Mathieson	7,900	2
2	6,000	Pennsylvania Salt	None	None
2	1,206	Rohm & Haas	None	None
2	1,300	Spencer Chemical	7,000	1(1)
2	1,300	Union Carbide & Carbon	2,400	2(1)
1	5,000	Victor Chemical	10,000	1(1)
1	*500*	*Atlas Powder*	*3,300*	*2(1)*
1	*925*	*Eastman Kodak*	*550*	*3(1)*
1	*500*	*Hercules Powder*	*6,700*	*4(2)*
1	*3,900*	*Hooker Electrochemical*	*19,900*	*2(1)*
None	*None*	*Texas Gulf Sulphur*	*14,000*	*2(2)*
		Coal and Coke		
2	1,500	Island Creek Coal	None	None
2(1)	19,600	Koppers	500	1
1	900	Pittsburgh Consolidation Coal	3,000	1
3	23,500	Pittston	5,250	1(1)
		Containers and Glass		
2	5,600	Anchor Hocking Glass	None	None
5(1)	4,700	Corning Glass Works	1,000	1(1)
3(1)	5,600	Libbey-Owens-Ford Glass	None	None
5(3)	12,600	Owens-Illinois Glass	15,200	2
2	1,500	Pittsburgh Plate Glass	None	None
None	*None*	*American Can*	*63,700*	*5(3)*
1	*200*	*Owens-Corning Fiberglas*	*5,400*	*3(1)*

Bought: No. of Trusts	Bought: No. of Shares		Sold: No. of Shares	Sold: No. of Trusts
		Drug Products		
3(1)	11,900	Bristol-Myers	None	None
2	7,000	McKesson & Robbins	3,200	1
2(1)	2,400	Mead Johnson	3,200	1
9(1)	37,100	Merck	1,500	1
1(1)	10,000	Norwich Pharmacal	1,000	1(1)
6(1)	50,900	Parke, Davis	6,000	1(1)
3	27,700	Pfizer (Chas.)	None	None
1	100	Searle (G. D.)	5,300	1
2(1)	3,500	Sterling Drug	900	1
3	11,518	Warner-Lambert	None	None
1	*5,000*	*Lily (Eli) "B"*	*7,900*	*2(1)*
		Electrical Equipment and Electronics		
5	29,900	General Electric	300	2(1)
2	1,600	International Tel. & Tel.	500	1(1)
1(1)	16,700	McGraw Electric	None	None
6(1)	17,000	Radio Corp.	45,000	3(1)
1	1,500	Square D	1,400	1
1	600	Sunbeam	3,000	1
2	6,200	Sylvania Electric	None	None
2(1)	12,000	Westinghouse Electric	1,900	1(1)
None	*None*	*Philco*	*21,000*	*2(2)*
1	*5,000*	*Sperry Rand*	*54,400*	*4(3)*
2(1)	*3,700*	*Sprague Electric*	*17,000*	*3(1)*
		Finance, Banking and Insurance		
3	6,700	Associates Investment	None	None
1	1,000	Beneficial Finance	10,000	1(1)
1	1,100	C. I. T. Financial	2,900	1
6(1)	38,275	Chase Manhattan Bank	None	None
2	5,300	Chemical Corn Exchange Bank	None	None
3	1,670	Connecticut Gen'l Life Insurance	None	None
2	8,250	Continental Casualty	12,500	1(1)
3(1)	7,700	Fireman's Fund Insurance	None	None
2	2,600	First National Bank of Boston	None	None
6(3)	40,200	First National City Bank (N. Y.)	1,500	1
2	5,100	Household Finance	7,800	2(2)
1	100	Lincoln National Life Insurance	600	1
2(1)	2,000	Manufacturers Trust N. Y.	None	None
3(1)	12,500	Marine Midland	None	None
3	17,272	National Bank of Detroit	None	None
2(1)	8,653	National City Bank of Cleveland	None	None
2	5,500	National Life & Accident Ins.	None	None
3	2,750	Travelers Insurance	3,100	2(1)
None	*None*	*Commercial Credit*	*37,600*	*2(2)*
None	*None*	*Continental Assurance*	*2,561*	*2(2)*
None	*None*	*Family Finance*	*4,300*	*2(2)*
		Food Products		
1	4,500	Best Foods	26,200	1
2	6,600	Campbell Soup	None	None
2	2,000	General Foods	5,800	1
1	500	General Mills	100	1
2	1,100	National Dairy	20,700	1
2(1)	5,300	Swift	None	None
1(1)	3,000	West Indies Sugar	1,700	1
None	*None*	*Standard Brands*	*4,000*	*1(1)*
1	*200*	*United Fruit*	*29,400*	*3(1)*
		Machinery and Industrial Equipment		
2(1)	6,500	Bucyrus-Erie	None	None
2	24,000	Caterpillar Tractor	1,000	1
2(1)	4,000	Chicago Pneumatic Tool	None	None
3(2)	29,200	Combustion Engineering	4,500	1(1)
4	34,900	Dresser Industries	650	2
6	7,400	Food Machinery & Chemical	10,000	1(1)
2	2,400	Ingersoll Rand	None	None
3(1)	5,500	Joy Manufacturing	6,600	2
1(1)	2,000	United Shoe Machinery	1,000	1(1)
3	4,460	Worthington	200	1(1)
2	*2,800*	*Babcock & Wilcox*	*17,440*	*3*
		Metals and Mining		
2(1)	12,300	Algom Uranium	None	None
3	9,600	Aluminium Ltd.	6,700	3
2	5,200	Aluminum Co. of America	100	1
2(1)	8,700	American Smelting & Refining	500	1
4(1)	1,900	Anaconda	5,900	2(2)
3(3)	13,400	Brush Beryllium	None	None
1(1)	12,200	Cleveland-Cliffs Iron	2,000	1
1	1,000	General Cable	1,000	1
3(2)	3,500	International Nickel	11,300	2(1)
4(1)	2,200	Kennecott Copper	500	1
1(1)	5,000	Mesabi Iron	500	1
3	16,600	New Jersey Zinc	7,500	2(1)
6	3,800	Phelps Dodge	6,000	1
1	475	Rome Cable	2,525	1(1)
3(2)	4,370	Tennessee Corp.	None	None
2	*3,150*	*Cerro de Pasco*	*7.137*	*3(3)*
1	*562*	*Kaiser Aluminum*	*37,500*	*5(3)*
1	*10,000*	*Reynolds Metals*	*12,675*	*4(1)*

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Natural Gas		
5(1)	10,400	Colorado Interstate Gas	None	None
5(4)	96,100	Lone Star Gas	32,700	1
3(2)	9,000	Mississippi River Fuel	30,400	1(1)
3	2,000	Northern Natural Gas	5,500	1
3(1)	9,600	Panhandle Eastern Pipe Line	7,600	2
3(1)	14,000	Republic Natural Gas	4,700	3(3)
6(1)	49,334	Southern Natural Gas	None	None
2	3,076	Southern Union Gas	None	None
2	4,700	United Gas	None	None
1	*25,500*	*El Paso Natural Gas*	*23,500*	*4(2)*
		Office Equipment		
2(2)	20,000	Burroughs Corp.	39,000	2
6(1)	2,640	IBM	2,575	2
2	350	National Cash Register	600	1
1	*5,000*	*Pitney-Bowes*	*4,154*	*2(1)*
		Oil		
5(1)	5,800	Amerada Petroleum	12,200	3
2	3,000	Atlantic Refining	1,000	1(1)
2	10,700	British Petroleum	25,000	1
4	24,766	Cities Service	5,180	2
3(1)	9,900	Continental Oil	3,100	3
7(2)	19,270	Gulf Oil	2,900	4
1	21,800	Honolulu Oil	3,600	1
3(2)	49,000	International Petroleum	None	None
2(1)	18,800	Kerr McGee Oil	None	None
2	7,000	Mission Corp.	None	None
6(2)	45,250	Ohio Oil	4,800	2
3(1)	12,500	Phillips Petroleum	18,400	3
2	7,600	Pure Oil	17,500	2(1)
2	2,500	Richfield Oil	500	1
3	500	Royal Dutch Petroleum (fl 50)	25,000	3(2)
2	300	Royal Dutch Petroleum (fl 20)	27,500	1
3	5,100	Seaboard Oil	400	1
5	11,750	Shell Oil	6,710	3
3(1)	31,000	Sinclair Oil	27,800	2(1)
4(2)	20,500	Skelly Oil	6,000	2
7	24,175	Socony Mobil Oil	1,125	2(1)
3	18,000	Standard Oil of California	7,354	3(2)
4(1)	25,298	Standard Oil (Ind.)	None	None
5	43,560	Standard Oil (N. J.)	9,213	4
7(1)	11,550	Sunray Mid-Continent Oil	28,250	3
4	250	Superior Oil	1,040	1
5(1)	23,800	Texas Co.	5,000	1
1(1)	23,400	Texas Pacific Coal & Oil	4,200	1(1)
3	3,100	Union Oil & Gas of La.	1,000	1
None	*None*	*Louisiana Land & Exploration*	*23,000*	*3*
1	*6,200*	*Shamrock Oil & Gas*	*1,500*	*2*
1(1)	*4,000*	*Standard Oil (Ohio)*	*3,100*	*2*
		Paper and Paper Products		
1(1)	26,000	Champion Paper & Fiber	47,700	1
4(1)	16,000	Crown Zellerbach	3,000	1
1	500	Great Northern Paper	1,500	1(1)
4	2,658	International Paper	1,240	4(1)
2(1)	5,500	Kimberly-Clark	None	None
4(1)	21,500	Marathon Corp.	3,500	1(1)
5(1)	7,537	Mead Corp.	2,800	1(1)
4(1)	19,500	Rayonier	None	None
4(2)	38,000	St. Regis Paper	1,000	1(1)
3(1)	2,000	Scott Paper	600	2
2(1)	5,550	Warren (S. D.)	None	None
None	*None*	*St. Lawrence Corp.*	*12,800*	*2(1)*
1	*100*	*Union Bag-Camp*	*11,000*	*4(2)*
		Public Utilities		
2	1,200	American Gas & Electric	2,900	2
10	10,150	American Tel. & Tel.	4,700	1
1	18,300	American Water Works	12,000	1(1)
7(7)	321,000	Arkansas & Louisiana Gas	None	None
2(1)	5,400	Buckeye Pipe Line	None	None
6(2)	27,300	Central Illinois Public Service	None	None
2	2,400	Columbia Gas System	5,134	2(1)
2	15,100	Delaware Power & Light	None	None
2(1)	2,700	Florida Power	2,500	1
4(3)	51,100	General Telephone	None	None
2(1)	6,000	Idaho Power	20,789	1
1	1,000	Kansas Power & Light	200	1
5	24,300	Middle South Utilities	19,400	3(1)
2	1,500	Montana Power	None	None
2	4,400	N. Y. State Electric & Gas	None	None
4	10,800	Niagara Mohawk Power	900	1
1	1,000	Northern States Power (Minn.)	2,000	1(1)
2	9,300	Ohio Edison	1,500	1
2	6,000	Oklahoma Gas & Electric	None	None
3(2)	2,300	Peoples Gas Light & Coke	1,500	1(1)
2(1)	6,000	Public Service Electric & Gas	None	None
2(1)	3,500	Public Service of Indiana	None	None
2	10,000	Puget Sound Power & Light	None	None
3	19,300	San Diego Gas & Electric	None	None
2	12,300	South Carolina Electric & Gas	None	None
2(1)	6,600	Southern Co.	None	None
3	8,900	Southwestern Public Service	None	None
4	6,700	Texas Utilities	4,700	1
2	4,700	Union Electric (Missouri)	16,900	1
1	12,100	Utah Power & Light	400	1
2	5,500	West Penn Electric	7,000	1
2	*1,700*	*Central & South West*	*24,600*	*3(3)*
1	*2,000*	*Consolidated Edison (N. Y.)*	*30,000*	*2(1)*
None	*None*	*Consumers Power*	*82,200*	*2(1)*
1	*3,500*	*General Public Utilities*	*22,500*	*3(1)*
1	*2,400*	*Northern Indiana Public Service*	*13,700*	*3(2)*
None	*None*	*Southern California Edison*	*13,900*	*2(1)*

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Radio, Television and Motion Pictures		
5(3)	80,200	Amer. Broadcasting-Paramount	20,000	2(1)
6	35,752	Columbia Broadcasting 'A' & 'B'	6,743	2(1)
3	3,600	Motorola	10,000	1(1)
2(1)	20,300	Storer Broadcasting	None	None
1	*7,200*	*Paramount Pictures*	*9,300*	*4(3)*
		Railroads		
2	1,500	Atchison, Topeka & Sante Fe	8,000	2(1)
1	1,100	Atlantic Coast Line	2,000	1(1)
2(1)	11,000	Baltimore & Ohio	None	None
1(1)	10,000	Canadian Pacific	10,000	1(1)
3(1)	14,500	Chesapeake & Ohio	8,300	2(1)
2	6,700	Kansas City Southern	7,000	1(1)
2	7,800	Norfolk & Western	None	None
1(1)	200	St. Louis-San Francisco	300	1(1)
3	3,700	Southern Railway	12,800	2(2)
1(1)	300	Union Pacific	1,000	1(1)
None	*None*	*Chicago, Rock Island & Pacific*	*16,000*	*3(1)*
1	*500*	*Gulf Mobile & Ohio*	*10,000*	*2(1)*
1	*1,100*	*Illinois Central*	*24,800*	*5(4)*
1(1)	*1,000*	*Louisville & Nashville*	*2,900*	*2*
1	*500*	*Northern Pacific*	*14,000*	*2(2)*
1	*1,000*	*Seaboard Air Line*	*11,000*	*2(2)*
None	*None*	*Southern Pacific*	*39,100*	*6(5)*
		Railroad Equipment		
5	4,900	Gen. American Transportation	None	None
		Retail Trade		
1	1,000	Federated Department Stores	5,000	1
2	6,000	First National Stores	None	None
1(1)	5,500	May Department Stores	30,000	1(1)
2	3,000	Montgomery Ward	46,200	1(1)
2	7,000	National Tea	6,600	2(2)
1	500	Penney (J. C.)	1,000	1(1)
1	10,000	Safeway Stores	3,500	1
1	*500*	*Allied Stores*	*3,300*	*2*
None	*None*	*Sears, Roebuck*	*57,140*	*6(2)*
		Rubber and Tires		
2	2,500	Firestone	None	None
6(1)	14,342	Goodyear	230	2
None	*None*	*Goodrich*	*15,000*	*4(3)*
4	*9,158*	*U. S. Rubber*	*27,800*	*6(1)*
		Steel		
2	3,100	Allegheny Ludlum Steel	10,000	1
6(2)	12,800	Armco Steel	21,000	2
8(1)	11,980	Bethlehem Steel	9,700	6
2(1)	1,200	Inland Steel	5,000	1(1)
3(1)	900	Jones & Laughlin Steel	800	1
4(2)	16,700	Republic Steel	5,000	1(1)
6(1)	30,400	U. S. Steel	11,900	5(1)
4(2)	21,000	Youngstown Sheet & Tube	3,500	3(1)
1	*7,000*	*National Steel*	*54,500*	*4(4)*
		Textiles and Textile Machinery		
1	7,300	American Viscose	7,000	1(1)
2	2,300	Beaunit Mills	None	None
1(1)	19,250	Cluett, Peabody	15,000	1(1)
2	4,000	Saco Lowell Shops	None	None
2	26,000	Stevens (J. P.)	3,000	1
None	*None*	*Industrial Rayon*	*57,000*	*2(2)*
None	*None*	*Lowenstein (M.)*	*19,720*	*2(1)*
None	*None*	*United Merchants & Mfrs.*	*54,842*	*2(1)*
		Miscellaneous		
2(1)	4,200	American Chain & Cable	None	None
2	1,090	American Chicle	None	None
2	3,260	Beckman Instruments	5,700	2
1	1,000	Gillette	4,000	1(1)
1	500	Glidden	500	1
1	1,500	Harbinson-Walker Refractories	3,000	1(1)
1	100	International Shoe	2,000	1
4(2)	2,765	Newmont Mining	100	1
2	1,500	Newport News Shipbuilding	12,700	1
2	4,100	Outboard Marine	None	None
1	200	Singer Mfg.	1,000	1
2	17,000	Transamerica	4,000	2(1)
1	300	United-Carr Fastener	2,200	1(1)
1	*100*	*Colgate-Palmolive*	*63,600*	*7(4)*
None	*None*	*Diamond Match*	*6,600*	*2(1)*
2	*12,500*	*Halliburton Oil Well Cementing*	*7,200*	*3*
1	*200*	*Minnesota Mining & Mfg.*	*2,800*	*3*

Continued from page 28

Funds Increasingly Cautious

Fund, National Life and Accident, and Connecticut General Life.

Interesting Coal Issues

The pronounced interest in coal stocks, so strongly evidenced in the preceding period, continued if in somewhat lessened degree. Pittston was acquired, among others, by Fidelity Fund which acquired 22,500 shares. The only sale was a complete elimination by the Bullock Fund of its 5,250 shares.

In an unusual deal Incorporated Investors, a prolific buyer of coal stocks during the September quarter, added 83,000 shares of North American Coal Corporation to its previously owned 17,000 shares in that company. This was a direct acquisition of authorized but unissued stock from the coal company, serving to finance its increased working capital requirements. In the field of coal chemicals, 17,000 of the 19,600 shares of Koppers common bought by funds were acquired by Wellington.

Strong Buying of Drugs

Buying of drug issues was lively, the two most popular ones being Parke Davis and Merck. Of the former, six funds bought more than 50,000 shares; the largest purchase being made by Affiliated Fund to the tune of 29,600 shares; only Lehman Corporation sold, closing out its 6,000-share block. Merck attracted nine funds as buyers, led by Investors Mutual in the amount of 13,200 shares and M.I.T. for a 12,000-share total. There was also good buying of Bristol-Myers, Norwich Pharmacal, Pfizer, and Warner-Lambert.

Papers Picked Up

Apparently overcoming prevalent over-production fears, paper issues attracted more buyers than sellers. This was particularly true in the case of St. Regis Paper, where Incorporated Investors alone bought 25,000 shares as a new commitment. Crown Zellerbach likewise attracted good buying, as did Kimberly Clark, Marathon, Mead, and Rayonier (a company including non-paper products). Whip-sawing occurred in Champion Paper and Fiber, of which State Street bought 26,000 shares as a new commitment, while 47,700 were being sold by Incorporated Investors. Sellers strongly predominated in the split Union Bag-Camp and in St. Lawrence Corporation (a Canadian company) stocks.

Mild Bullishness on Natural Gas

The star performers in this group were Lone Star Gas, Southern Natural Gas, and Republic Natural Gas; although buying of 96,100 shares of Lone Star Gas by five funds (including a 60,000-share new commitment by M.I.T.) was partly offset by a disposal of 32,700 by Affiliated Fund. Mississippi River Fuel was sold on balance as Investors Mutual liquidated its 30,400-share commitment.

Radio-TV Stocks in Demand

ABC-Paramount was purchased heavily, with Fundamental Investors making a new commitment of 72,000 shares. Sales of 10,000 shares each were effected by Lehman Corp. and Selected American Shares. Columbia Broadcasting and Storer aroused demand. Paramount Pictures was sold by four funds, three representing complete eliminations.

Steels Favored

Steels retained the previous quarter's popularity. Bethlehem, Armco, U. S. Steel, and Youngstown were the favorites. On the other hand, considerable profit-taking took place in practically all the issues; and National Steel was heavily sold, four funds making complete eliminations of this issue, including a 40,000-share liquidation by Investors Mutual.

Machinery and Industrial Equipments Bought

Stocks in this group were bought on balance, especially Bucyrus Erie, Caterpillar, Combustion Engineering, and Dresser Industries. Acquisition by six funds of Food Machinery & Chemical was overbalanced by a close-out of 10,000 shares by the Putnam Fund. Babcock & Wilcox met heavy liquidation.

Utilities Bought on Balance

With their highly defensive qualities utilities were liberally bought, but at the same time the impact of the improving yields on competing investments led to some scattered selling. The heaviest buying took place in Central Illinois Public Service, Delaware Power & Light, General Telephone, Middle South Utilities, and San Diego Gas & Electric; and in Arkansas and Louisiana Gas, in which a large secondary offering attracted seven funds as first-time buyers, including a mammoth 220,000-share purchase by Investors Mutual. Substantial selling occurred in Consumers Power, Consolidated Edison, Central & South West, and General Public Utilities. American Tel. & Tel. attracted buying by 10 funds, largely ensuing from its rights offering, another case where rights-subscription accounts for part of an issue's activity.

GROUPS ENCOUNTERING DIVERGENT POLICIES

Agricultural Equipment

Here Deere was the favorite issue. In International Harvester selling almost offset buying. Very hard hit was Allis Chalmers, which was sold by five fund managements to the tune of 101,200 shares; the United Funds group alone closing out 58,000 shares.

Aircraft Manufacturing

Here Boeing and Curtiss-Wright attracted particularly good buying, but bearishness pervaded North American Aviation, of which seven funds sold over 49,000 shares, while non bought. Some buying of Glenn L. Martin was more than offset by Bullock's sale of 11,720 shares.

Airlines

Pan American was bought by Investors Mutual to the extent of 55,600 shares, while Fidelity Fund made a new commitment of 20,000 shares, and only Selected American made a complete elimination (of 5,000 shares). United Airlines was featured by a purchase of 45,200 shares, likewise by Investors Mutual. The latter fund also bought 74,100 shares of American Airlines, in which selling otherwise prevailed. Eastern Airlines met with an excess of selling.

Chemicals

American Potash & Chemical attracted one of the largest number of buyers in this group, by six managements; although Investment Co. of America sold its more than 19,000 shares. In Dow there were six buyers, but the number of shares sold by three others exceeded the number bought. Liquidated were Hercules Powder, Hooker, and Texas Gulf Sulphur.

Electric Equipment and Electronics

There was good buying in General Electric, Sylvania Electric and Westinghouse; also, in McGraw Electric there was a new 16,700-share commitment by the Tri-Group. Sales exceeded purchases in RCA, where Fundamental Investors alone sold 32,000 shares; and also in Philco and Sprague. Sperry Rand was rather heavily sold to the extent of over 54,000 shares.

Food Products

The principal sufferer in this group was United Fruit, where two funds alone, namely Broad Street and M.I.T., disposed of 28,900 shares. There was large liquidation in Best Foods, namely 26,200 shares by Investors Mutual and in National Dairy, of which Wellington sold 20,700 shares. Swift and West Indies Sugar enjoyed an excess of buying.

Metals

In the face of a softening price trend for the commodity, coppers managed to attract widespread buying although there was also some concentrated selling. Purchases exceeded sales in the case of American Smelting; New Jersey Zinc; and Tennessee Corporation attracted purchasers with no offsetting sales. Among the aluminums demand for Aluminium Ltd. and Alcoa contrasted sharply with widespread selling of Kaiser Aluminum by five managements (including a complete 26,000-share elimination by National Investors); more funds also sold than bought Reynolds Metals.

Office Equipments

A new commitment of 19,000 shares in Burroughs Corp. by the Bullock Group was more than offset when the Wellington Fund sold 18,000 shares and the United Fund group disposed of 21,000 shares. Purchases of IBM by six managements were all but offset by sales on the part of Affiliated Fund.

Oils

Here the most frequent buying occurred in Gulf and Sunray Mid-Continent. The shift to Western Hemisphere oils is exemplified by the fact that Lehman Corp. newly

With Vaughan & Co.

(Special to THE FINANCIAL CHRONICLE)

WILMINGTON, Del. — William L. Callum, Jr., is with Vaughan and Company, Murchison Bldg.

acquired 35,000 shares of International Petroleum, while Loomis Sayles made a first commitment of 10,000 shares and de Vegh 4,000 shares. Lehman sold half its 50,000-share stake in British Petroleum. Other favorites included Kerr-McGee, Ohio Oil, Honolulu, Continental, Shell, Sinclair, Skelly, Socony Mobil, Texas, Texas Pacific Coal & Oil, and the Standard Oils of California, Indiana, and New Jersey. On the other hand, there was considerable selling of Royal Dutch and Louisiana Land & Exploration.

Rubbers and Tires

In this group Firestone and Goodyear attracted more buying than selling; and conversely, liquidation predominated in Goodrich and U. S. Rubber.

Two Miscellaneous Issues

Among the stocks not lending themselves to ready classification —a growing group under today's industrial diversification trends— Minnesota Mining & Manufacturing was sold on balance, and Colgate-Palmolive was exposed to persistently heavy selling in the amount of 63,600 shares by seven managements, Investors Mutual eliminating its 50,000-share block.

Edmund Anderson With B. J. Van Ingen Co.

B. J. Van Ingen & Co., Inc., 57 William Street, New York City, underwriters and distributors of municipal bonds, have announced that Edmund G. Anderson has joined their organization as a member of the Institutional Sales Department.

Mr. Anderson, who has been with the Municipal Bond Department of Dean Witter & Co. for the past 3½ years, had previously been with B. J. Van Ingen & Co., Inc., from 1939 to 1953. He is a member of The Municipal Bond Club of New York, The Municipal Forum of New York (Secretary, 1955-56), Investment Association of New York, Money Marketeers of New York University and The Toppers.

Herbert Exec. V.-P. of Investors Management

ELIZABETH, N. J.—Election of Thomas J. Herbert as Executive Vice-President of Investors Management Company, Inc., of Elizabeth, N. J., was announced by George E. Roosevelt, Chairman of the Board, and W. Emlen Roosevelt, President.


Thos. J. Herbert


Adron P. Trantum


Elliott P. Brown

At the same time, Adron P. Trantum was elected Vice-President and Secretary, Elliott P. Brown, Vice-President, and Florine E. Osburg, Assistant Vice-President and Assistant Secretary.

Mr. Herbert was previously Vice-President of Investors Management Company, which serves as investment advisor to Fundamental Investors, Inc., Diversified Investment Fund, Inc. and two other mutual funds. Prior to 1951, Mr. Herbert was a Vice-President and Investment Officer of American National Bank and Trust Company of Chicago.

Mr. Trantum and Mr. Brown were formerly Assistant Vice-Presidents of the company. Mr. Trantum joined the organization in 1929 and has been an officer for the past 22 years. Mr. Brown was associated with investment counsel firms for 15 years before coming with the company in 1946. Miss Osburg has served as Assistant Secretary of the company since 1942.

Essentiality of Depletion Allowance As Key to Adequate Supply of Domestic Oil

Guaranty Trust cites retention of depletion allowance in oil-producing industry as the key to domestic oil self-sufficiency for the foreseeable future. Attention is called to the extent to which depletion allowance makes possible necessary economic incentives to encourage exploration and production, in the form of reinvested profits.

If the economic incentive of the depletion allowance for oil-producing properties is not reduced by Congress, domestic oil reserves appear sufficient to satisfy this country's requirements for the foreseeable future, even without the aid of imports from the Middle East and other sources, according to the February issue of the "Guaranty Survey."

The business and economic review, published by Guaranty Trust Company of New York, predicts that the oil-depletion allowance for tax purposes—27½% of the gross income, or 50% of the net income, whichever is less —which has been questioned frequently since its authorization by Congress in 1926, will probably be attacked again this year as "special interest" legislation.

Proved reserves of approximately 30 billion barrels should, at the current rate of production, be adequate for about 12 years, the "Survey" reports, and estimates of our total reserve recoverable petroleum range as high as 300 billion barrels.

Economic Incentives

Adequacy of the oil supply must always depend upon economic incentives to encourage the continuous process of exploration and discovery, the "Survey" points out.

"About three billion barrels of crude oil and natural gas liquids must be discovered and developed in the United States each year merely to replace current consumption, and more if the increasing requirements of future years are to be met," according to the Guaranty publication.

The finding of oil is a costly and hazardous business. The article places the cost range of a single well from $20,000 to as much as $1,000,000 with an average of about $90,000, and notes that eight out of nine discovery wells are dry, that only one well in 43 finds a field containing enough oil to be profitable, and that only one in 967 finds a field of fifty million barrels or more. Moreover, oil is often found in remote and inaccessible areas where large sums must be spent for transportation facilities.

Profits Plowed Back

"From any profits remaining after taxes, the producer must provide funds for new exploration and discovery if he is to remain in business, for oil is a wasting asset and the days of every existing oil well are numbered," the publications asserts.

Figures are cited to show that "effective depletion over the life of a producing property is a good deal less than the depletion allowance of 27.5% of gross income because of the limitation to 50% of net income before depletion. Therefore, the present rate of depletion represents less than the capital value that is being depleted by production."

Thus, the "Survey" concludes, "rational analysis of the economics of depletion confirms the verdict of experience. Against the existing legislative background, oil has taken its place among the great epics of American enterprise and welfare. Nothing could be more short-sighted than to jeopardize the future of a resource so vital to prosperity and national security by changes that cannot be justified even on theoretical grounds."

C. W. Scranton Adds

(Special to The Financial Chronicle)

NEW HAVEN, Conn. — Milton M. Bassett, Fred E. Ross, Giacchino F. Salerno, and Frank A. Sasso have been added to the staff of Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange.

G. P. Frisou Opens

SAN FRANCISCO, Calif.— George P. Frisou has opened offices at 114 Sansome Street to engage in a securities business.

With Eastern Secs.

(Special to The Financial Chronicle)

JACKSONVILLE, N. C.—Chester T. Nickell is with Eastern Securities Corporation, 331 Marine Boulevard.

Securities Salesman's Corner

By JOHN DUTTON

Recessionary Markets Present a Challenging Opportunity

If you are a realist as well as a good salesman of securities you are not going to let periods of declining markets interfere with the constructive job you are doing. The fluctuations in the trend of the market as a whole are a normal and natural phenomena. The trend is upward, then it adjusts downward, and if such were not the case there would be no deterrent to an explosive overvaluation of security prices that would be catastrophic in its effect upon the entire economy. This is something to remember when periods of readjustment in the prices of common stocks are underway. It is a matter of perspective.

Things You Can Do to Keep Your Business Healthy

(1) **Maintain a sound and confident attitude toward the long-range future of this country.** Don't allow the pessimism of a few chronic worriers among you clients, or your friends and associates, affect your thinking and your own morale. If you have been through these periods of hesitant investment sentiment before, you will also discover that only a few of your clients are very much concerned, and that the majority of investors are much less conversant with the pervailing gloom that exists around the board rooms than you may think.

I recall some years ago I had a client who owned five securities that had declined about 30% below the price I had sold them to him. This was, I believe, back in the early months of 1949. He was a retired investor and he owned quite a sizable portfolio of common stocks which he had acquired primarily with income as his objective.

One day I decided to phone him and see if he might at least tell me to call it a day, and very much to my surprise he told me that he had just received the annual report of one of the companies in which I had interested him and he thought he would like to make and additional investment in the stock at about 30% less than his original purchase. Instead of blaming me for the decline in price of each one of the five stocks I had sold him, he looked at the otner side of the ledger. This was the proper way to see it. He knew that the value now was even better, the income 30% more, and he had read a report which convinced him that DESPITE FLUCTUATIONS UPWARD OR DOWNWARD, he had invested in a solid company with substantial assets and earning power.

Incidentally, he bought and averaged two more of the stocks I had originally sold him, and he has them to this day. June, 1949, marked the beginning of the upward surge of common stock prices which has continued until the present.

(2) **Your customers want the facts.** If they are reassured a situation they are holding for investment is sound and that the long-range future is healthy, they are not going to be very much concerned if they have some paper losses. But if you fail to keep them advised pertaining to their holdings, if you neglect to follow their lists and give them current information, you will invite a lack of confidence and a reluctance on their part to follow your suggestions when you make them. If a situation is develping where a change should me made, place it before your customer. Sometimes new and worthwhile profit opportunities can be obtained through reappraising the outlook for a depressed security and "switching" it into one with a more promising future, better income and of higher quality.

Don't be hesitant about taking the initiative in these cases providing, of course, you have the facts. Times and conditions change, and one of the things you can offer your customer is the assurance that your own pride in trying to be always right is secondary to obtaining the best possible over-all investment results for him.

(3) **Don't overlook the opportunity for making new friends during periods of recessionary markets.** The best time to see more new, prospective, clients is during periods when markets are declining. The business you do today was the result of the work you accomplished last month, last year or even several years ago. If your business has slowed down a bit get busy and see some new faces. Make some calls again among those prospects you have written down on your memo pad that you would contact sometime when you had more time. Now you have it. Keep busy and it is surprising how much business you will do.

By all means stay confident and keep on the job—this country has been here a long time and it will continue to be here, and the best time to buy a share of it is when the price is more attractive. The best investment purchases are always made during periods of recessionary markets. This is certainly a truism that has been proven time and time again.

Name Frye, Ostrander To NASD Committees

CHICAGO, Ill.—Appointment of two Chicago investment securities men to major committee posts of the National Association of Se-


Newton P. Frye


Lee H. Ostrander

curities Dealers was announced by Frank L. Reissner, Indianapolis Bond & Share Corp., Chairman of the Board of Governors.

Newton P. Frye, President and a director of Central Republic Co., was named Chairman of the Finance Committee and a member of the Executive Committee.

Lee H. Ostrander, partner, William Blair & Co., was appointed a member of the Executive Committee.

Tannen Co. Opens

Tannen & Co., Inc. has been formed with offices at 50 Broadway, New York City, to engage in a securities business. Officers are Philip Tannen, President and Treasurer; Morris Tannenbaum, Vice-President; and J. R. Tannen, Secretary.

Continued from first page

As We See It

and quite un-American became the enlightened truth of the Twentieth Century.

Whether we like it or not—and we definitely do not like it — this is the real contribution of Franklin D. Roosevelt to American history and to American future. It is far more important than any political party. The youth of the country has been all but brainwashed, and all of us will have to pay the penalty. The real task of the true statesman, particularly one in such high position and possessed of such magnificent influence as President Eisenhower, is that of turning the thinking of the American people back into more constructive channels and laying the basis not for a New Deal Republican party, but a Republican party that stands firmly for the true and tried individualism and self-reliance that has served this nation so well through the centuries. And what a challenging task it would be, too!

So far as we can detect, though, nothing is further from the mind of the President or any of the others who would have him rebuild the Republican party. It has not proved particularly easy in the past to build up a commanding political party on the basis of doing what the other party has been doing and preaching, but doing it with greater moderation and more efficiently. As a matter of fact, "moderation" is often found only by comparison with what the New Dealers would now do. The President and his followers have more than once come forward with proposals which go further away from traditional Americanism than the actual work of the New Deal or the Fair Deal. It may or may not be possible to convert the Republican party into a consistent winner at the polls in the way now proposed, but it can not be made to deserve it in any such manner.

But there is another aspect of the political success of President Roosevelt, and another habit of mind among the general rank and file, which must be charged in very large degree to Mr. Roosevelt. That is the practice of almost everyone to view the political arena as one to be used to "get what one can" for oneself. The encouragement of this attitude was one of the cardinal elements in the New Deal management of practical politics. It was reflected in Mr. Hopkins' spend and spend, tax and tax and elect and elect outburst. It was clearly in evidence in the early invitation to the farmer to come to Washington and arrange his own solution at the expense of the taxpayer. It could not have been clearer in the attitude of the New Deal toward organized labor. This tactic, of course, helped "cement" various theretofore discordant elements behind the New Deal.

It did nothing, of course, to help the country. Far from it. Not only did it unwisely and unfairly burden the community with largesse of one sort or another to favored groups, but it made beggars of large elements in the population—and beggars who did not ask alms but demanded them as their right. Not only did it make demanding beggars of large groups of citizens, but it soon and naturally led to an attitude of mind on the part of others that undercut traditional American self-reliance and independence. The New Deal's political success was largely built upon the basis of doing all things for all men who were important politically and shamelessly laying the burden upon the whole nation.

These are some of the facts which should not be lost to sight by those who now call upon the President to play the sedulous successor to the author and finisher of the New Deal faith. Do they believe that they or any one else who has the good of the country really at heart could draw much inspiration from a program of this sort? We should certainly doubt it. The task of putting the thinking of the American people back on the right track will inevitably be a Herculean one. New Deal fallacies have become a part of the very warp and woof of the thinking of the day. Mr. Roosevelt, of course, adapted a good deal of his programs from what had been done in other parts of the world, but his world popularity made it inevitable that his programs here and his preachments would give great impetus to similar action abroad. The trouble is now more than ever world wide.

It would be naive, naturally, to expect any man, even the immensely popular and influential President of the United States, to sweep all this away within the space of the few years he has left in office. For our part, though, we should give him a much higher place in history were he to make it his main task from here on. Whether it would be possible to build a more successful kind of Republican party in any such way, we do not profess to know. What we do know is that any material headway he might make in getting the thinking of the rank and file straight again would be a much greater service to the nation than anything he could hope to do in the way of rehabilitating the Republican party.

This service may, of course, have to await the arrival of some other leader, but it must somehow, some day, be rendered if we are to go forward again as in the past.

Continued from page 4

A Businessman's Views of Today's World Challenge

to suppress peoples in foreign lands?

At the same time, the Middle East crisis is revealing some sizable cracks in our own armor. The western alliance of nations has had a severe shock, both politically and economically, and we have a priority job to do in rebuilding that alliance on a realistic basis of trust and confidence.

Even more serious is the immediate possibility of further Soviet penetration of the Middle East. In this crucial area, a minor shift in the political sympathies of a few highly unstable governments could give the Soviets, any day now, effective working control of the oil and the trade routes of the Middle East. With such control, they could ultimately dictate the policies of Europe just as surely as if the Red army patrolled the streets of London, Paris and Rome. Very quickly the vast riches of the African continent would be theirs for the plucking, without so much as firing a shot. And all of the yet-uncommitted peoples of Asia would in time fall under immense economic pressures from Moscow.

A setup like that would put a tremendous squeeze on us and our friends in the Western Hemisphere. Moscow would have monopoly control of more than half of the world's resources. And we would have to meet their price or submit our economy to slow strangulation. Let's not forget that we are fast becoming a have-not nation in many important raw materials. Furthermore, our ability to make and sell cars depends not only on such imported materials but on consumer income that is increasingly based on international trade.

Atomic war might be the worst thing that could happen; but it's certainly not the only thing that ought to be on our minds.

This whole picture seems to me a graphic example of what historians mean when they talk about "a fundamental shift in the balance of world power." It seems to me that is exactly what is dangling in the Middle East today—and dangling by a very thin thread. For over a century, Russian designs in the Middle East were frustrated by the British and the French. Today the British and the French are gone. How that fateful shift in world power takes place is up to us, and to us alone. There's no one else who can do anything about it.

Shift in Soviet Tactics

One more aspect of the transition in world affairs which I think should be mentioned is a basic shift of Soviet tactics in their struggle for world domination. While they have not abandoned that basic goal, they do seem to have changed their way of trying to achieve it. There is much more emphasis on political and economic infiltration. The cold war is being carried on today more in the realm of international trade, economic aid programs and political ideas.

Instead of expansion by conquest, we find the Soviets sweet-talking their new targets. In rapid succession, Moscow has offered new trade and mutual aid agreements to satellite and other nations on the Soviet perimeter as well as to underdeveloped areas in the Middle East, Africa, Asia and Latin America. When I was a delegate to the United Nations in 1953, the Russians denounced the U. N. technical assistance program as sinister American imperialism. Since then, however, they have become ardent supporters of the idea. They have also announced their support of a special U. N. economic development program, SUNFED, which our country has thus far refused to do. The Russians are accelerating their programs of technical aid to underdeveloped areas. In those programs, they now have a rapidly increasing number of dedicated Marxist technicians selling the Soviet way for all they're worth. And the Soviet propaganda mills continue to roll—on a budget roughly 10 times that of our Voice of America—blowing up Soviet economic growth and the benefits of mutual cooperation promises beyond recognition.

Any one of us could offer some good reasons why Russia has so sharply altered tactics that were working pretty well in a number of places. One of the best reasons could be simply that the Soviets have at last stumbled on a bit of ancient wisdom: you can catch more flies with honey than with vinegar. It's better to have other nations docile and perhaps even grateful under your sheltering wing than seething with resentment under your heel. It's a lot easier to govern the world by hidden control of a few strategic points than by trying to hold down a world empire by armed force.

All of these things make up the great change which has presented us with great opportunities and great perils. We are faced with a series of problems, some new, some old familiar ones in a new guise, which we cannot ignore or brush aside any longer. The stakes are too high. We are going to have to ask the hard questions, and find the hard answers, not next year or the year after but starting right now. Vacillation before the urgent pressure of these events can only lead from one disaster to another.

Cannot Afford Passive Stand

We can no longer afford to take a passive stand and merely react to things after they happen in a sort of fire-alarm diplomacy. We've got to get out ahead of events and try to lead and shape them to the best of our ability. There is no dodging the fact that the United States is the natural leader of the free world. In that role it will star gloriously or flop miserably before the judgment of history.

Let's look at some of those hard questions that we as a people must ask ourselves and our government — keeping a completely open mind.

In the Middle East there's a whole bill of particulars that needs filling out. We have talked about recourse to "moral force" and support of the U. N. as our basic approach to the problems of this area. We have put ourselves on record as ready to defend with arms anybody attacked by a communist nation, and have made various other moves to discourage the Soviets as the House Foreign Affairs Committee has suggested. There has not been much, as yet, however, to indicate just what we want to do to settle the Arab refugee problem, to bring about a just and lasting settlement of Arab-Israeli disputes and to assure the free international use of the Suez canal. The American public is just as much in the dark about what we propose to do in these situations as anybody else in the world. All we know for sure is that no one but us can ultimately bring about a solution of these problems — except possibly the Russians. Neither the U. N. nor any free nation can act effectively here until they know where the U. S. stands.

In another realm, I think we've got to take a new look at our relations with the communist satellites. Thus far, we have tended to apply economic sanctions in the form of drastic trade limitations and laws which largely prohibit us from offering them economic help. Even to suggest that we should help out some of these people or do business with them has been to risk the charge of being soft on communism. But it appears that our policies have tended to play right into the Kremlin's hands to the extent that they make the satellites more dependent on Moscow. I think we need to be realistic and decide whether our trade-and-aid policies toward such satellite areas as Poland, Hungary, East Germany, and even Red China are really in our own best interests. Maybe the people of Red China are just as anxious to get rid of the yoke of communism as the Hungarians have demonstrated they were. Shouldn't we give them the chance—or at least some alternative to their present ties with the Kremlin?

What is to be our policy toward the Western Alliance? The Suez crisis has caused such a severe economic strain in Britain that she may be forced to cut back on the highest relative military burden borne by any NATO nation and withdraw her forces from Western Germany. You will remember that she was forced to withdraw from Greece for economic reasons in 1947, and we moved in to replace her. Are we prepared in 1957 to pick up her share of the tab in West Germany? What can we do — what should we do — to help compensate for the prestige loss and the economic loss of Western Europe in the Middle East? How far should we be willing to go in seeking a settlement of the critical question—of uniting East and West Germany? Some day—and not too far away—Germany will be united again. But under whose sponsorship will that take place—ours or the Russians? So far it looks as if the Russians are trying to use our kind of program all along the line.

Finally, I would ask how do we propose to go about meeting the new Soviet economic and political aggression on a world-wide front? We obviously cannot compete solely with armaments and military aid. Basically, we must accept the challenge by devising realistic and long-term programs of trade and aid.

This is a struggle for which we are uniquely fitted both by tradition and experience. If American know-how and ingenuity have anything to contribute to the progress of mankind, it is precisely in the areas of this conflict. If we don't step up and meet this test, then the Russians will have licked us at the game we know best.

Both government and private enterprise have important roles to play in that struggle. I would not presume to comment on the public role, except in very general terms.

I believe we must, for example,

have consistent and long-range policies in foreign aid, if they are to be effective. I think we should be willing to be venturesome and imaginative in our economic aid thinking—where a big investment promises to pay off big in terms of reaching our goals of peace and prosperity, we ought to be willing to take chances. I think we ought to develop a more realistic and unemotional approach to foreign aid. We should look upon our wealth and military power as sharp tools that may be used coldly and logically to pursue national ends—ends that we believe are right and humane.

We should get rid of the childish notion that we are out to buy love or friendship. Our foreign aid money should be spent in such a way as to represent the best we have to offer in ideas, in people and in portraying the strength of our society to peoples abroad. But we should recognize that no one is going to love us for what we give them. We are much too big, too rich and powerful for anyone to love us. What we should expect is for other nations to realize our friendship is to be desired and our antipathy to be avoided in their own best interests.

As a businessman, I am naturally concerned with this situation from a business viewpoint. I feel, for example, that an enlightened trade and aid outlook is sound not merely because of the Soviet threat but because it is in our own best long-run business interests to strengthen the economies and raise the living standards of the people we want to do business with all over the world.

Because we have a stake in that, we businessmen also have an obligation to help our government promote its economic objectives. Private capital, for example, is an increasingly important tool for developing the less advanced countries, and there's a lot that can be done by cooperation between industry and government to expand such foreign investment activities. Industry can lend its people and its specialized skills to United States and United Nations agencies of economic development.

Foreign Investment Problems

Much of the responsibility for encouraging the growth of American foreign investment abroad lies with the foreign countries themselves. If they want American dollars, they should accept the fact that respect for contracts is absolutely fundamental to our private enterprise system. Arbitrary actions in violation of agreements, such as Nasser's seizure of the Suez canal, pull the rug right out from under international investment.

But we ourselves are not without sin in some other respects. We sometimes fail to practice what we preach to our friends abroad.

One of the great continuing paradoxes of our country is its outlook on foreign trade. For years and years, it has been evident that the United States can contribute greatly to the strength of the free world by encouraging a maximum freeing of trade among nations. We have insistently urged others to relax their trade barriers. Though the present and preceding administrations have recognized the importance of liberalized trade and fought for it, the United States still remains outside the international agency, the Organization for Trade Cooperation, of which we ourselves were the main sponsors, to provide a vehicle for orderly international cooperation in the lifting of trade barriers.

In recent years, despite the fact that we are enjoying unprecedented national prosperity, there has been a steady rise of protectionist sentiment in the land. The high tariff people—a small but vociferous group—are still wagging the dog of American foreign economic policy, and still asking for and getting what amounts to a subsidy from every American consumer. We've got to keep in mind the fundamental and simple truth that, on the whole, protectionism is an unnecessary and expensive luxury for this particular great nation with its great responsibility for leadership in the world.

In summary, then, it seems evident that today we are up against a world situation of both immense possibilities and immense dangers. It is a situation so delicately poised that we probably can't afford to luck our way through it. We've got to play this one heads up. We are going, as I suggested a while ago, to have to act with a sanity, wisdom and unity without parallel.

"We Have That Potential"

You may very well ask whether any people has the wisdom, the skill and the ability to meet so difficult a challenge. I say we have that potential, if ever a people did have it. But acting like effective world leaders will require the same kind of dedication and unity of purpose that characterized our people during the course of World War II. We've got to get our individual noses out of the everyday rut and take a livelier interest in the world about us.

In my opinion, we have to stop defining our day-to-day actions in terms of rigid absolutes. We should be on guard against hypocrisy in determining whether or not we will deal with certain nations and their leaders on the basis of morality. The experience of the past two decades certainly ought to have taught us that there can be few absolutes in international affairs. Yesterday's implacable enemies are today's friends. Too often today's heroes are tomorrow's villains. Things do constantly change and there's no sense in swearing that we will never take up arms in a certain cause or do business with a certain country or system—because tomorrow may make liars of us.

I think our posture of world leadership above all requires that we make a real effort to take foreign policy out of partisan politics—and I mean Republican as well as Democratic politics. I suggest that we cannot afford to take a vacation from world realities every four years just because we happen to have an election running at home.

We cannot afford to be caught asleep at the switch in the field of foreign relations. All of us must share some blame for the problems that might have been foreseen and prevented: the government, where it failed to look far enough ahead, failed to keep people informed, or vacillated in the face of political opposition; the Congress, where it slid into a rather complacent mood and obstructed many important policies of the administration; the businessmen and farmers and housewives of America who became a little weary of the pressures of world events and took a few years' vacation from reality. All of us, in short, who decided to stop worrying about those distant troubles — troubles too big, it seemed, for you and me to do anything about—and who said "Let George do it," or "Let Ike do it."

It's time that we returned to the realities of the world we live in. I have no doubt that if we do we can once again assume a position of leadership in the world commensurate with our strength and with the greatness of our institutions.

I believe if the people of this country — private citizens like those of us here—will get interested more deeply and get into the heart of this struggle for a more effective foreign policy, then we shall be getting at the basic key to success.

New Yorkers Named to NASD Committees

Frank L. Reissner, Indianapolis Bond & Share Corp., Chairman of the Board of Governors of the National Association of Securities Dealers, announces the appointment of seven New York investment bankers to major NASD committees.


Charles L. Bergmann


Albert C. Purkiss


Allen J. Nix


Earl K. Bassett


Harold H. Cook


E. W. Borkland, Jr.

The following were appointed Committee Chairmen:

Charles L. Bergmann, R. W. Pressprich & Co., National Business Conduct Committee. He also is a member of the Executive Committee.

Albert C. Purkiss, Walston & Co., National Quotations Committee.

Thomas B. MacDonald, Blyth & Co., National Uniform Practice Committee.

Allen J. Nix, Riter & Co., Information Committee. He also is a member of the National Business Conduct Committee.

The following were named as members of various committees:

Earl K. Bassett, W. E. Hutton & Co., Executive and Finance Committees.

Harold H. Cook, Spencer Trask & Co., Executive Committee.

Ernest W. Borkland, Jr., Tucker, Anthony & R. L. Day, National Business Conduct Committee.

Milwaukee Bond Club Annual Meeting

MILWAUKEE, Wis. — The annual meeting and election of officers of Milwaukee Bond Club will be held in the Wisconsin Club on Thursday, Feb. 21, it is announced by Brenton H. Rupple, President. Arrangements for the meeting are being made by Fred D. Jenkins, Vice-President of the club and chairman of the Arrangements Committee. Henry E. Schlass, of Brew-Jenkins Company, Inc., is chairman of the Prize Committee. The meeting will start with a business session at 5:30, followed by a cocktail period until dinner at 7:00 p.m.

Hotel Reservations may be made with Harold A. Madary, Robert W. Baird & Co., and Glen Kocher, Paine Webber, Jackson & Curtis. Tariff for guests $15.

President Rupple has appointed the following to the Nominating Committee to select a slate of officers and governors for the coming year: Harold A. Franke, of The Milwaukee Company; Lester B. McElhiney, of Bache & Company; Robert J. Riley, of Loewi & Co.; Brenton H. Rupple, of Robert W. Baird & Co.

The Nominating Committee reports the following selections: President, Fred D. Jenkins, of Brew-Jenkins Company, Inc.; Vice-President, Joseph N. Austrup, of Merrill Lynch, Pierce, Fenner & Beane; Governors, William C. Davis, of A. G. Becker & Co.; Harold Emch, Jr., of Emch & Company; Oliver A. Julien, of Thomson & McKinnon; Marshall A. Loewi, of Loewi & Co.; Brenton H. Rupple, of Robert W. Baird & Co.; James A. Swoboda, of Paine, Webber, Jackson & Curtis.

The Secretary-Treasurer is appointed by the President, subject to the approval of the Board of Governors.

First Boston Group Offers Aluminum Co. of America Shares

A secondary distribution of common stock of Aluminum Co. of America was made yesterday (Feb. 6) with the public offering by The First Boston Corp. and associates of 250,000 shares of the aluminum producer's stock at $83.25 per share.

This stock represents a portion of the holdings of Arthur V. Davis, Board Chairman of the company, who will own approximately 4.6% of the common stock after this sale. Aluminum Co. of America will not receive any proceeds.

Alcoa and its subsidiaries constitute an integrated producer of primary aluminum with operations ranging from the mining and processing of bauxite to the fabrication of aluminum and aluminum alloys into semi-finished and finished products. Aluminum products of the company sold for civilian purposes are ordinarily used extensively for transportation equipment, building materials, electrical equipment, household appliances, machinery and for many other uses.

Consolidated net sales and operating revenues of the company for the nine months ended Sept. 30, 1956, totaled $658,728,000 compared with $634,139,000 in the like period of 1955. Net income for the first nine months of 1956 was $67,655,000 against $66,278,000 for the same months of 1955.

E. S. Hope to Merge With Eastman Dillon

SAN DIEGO, Calif. — Consolidation of E. S. Hope & Co., investment bankers, with Eastman Dillon, Union Securities & Co., effective Feb. 1, is announced by Edward S. Hope, President of the San Diego firm. He will become a general partner in Eastman Dillon Mar. 1.


Edward S. Hope

The San Diego office will be the second affiliated with Eastman Dillon in California, the first having been opened last October in Los Angeles. Operations will be directed from spacious new quarters which E. S. Hope & Co. occupied late in 1955.

Mr. Hope said Eastman Dillon, with access to eastern capital, will be in a strong position to finance rapidly growing industries in the west, particularly Southern California. The state, he added, now ranks behind only the New York and Chicago Midwest regions as a major investment area.

"The expanded Eastman Dillon firm will provide complete facilities for both individual and institutional investors," Mr. Hope said. "It holds memberships in the nation's principal securities exchanges, including the New York Stock Exchange, and maintains active trading markets in a large number of unlisted securities. In the field of securities underwriting the firm offers a broad range of services backed by ample capital and thoroughly experienced specialists in corporate and tax-exempt financing.

"The San Diego office will now be linked with Eastman Dillon's 15 other key offices throughout the nation by a 4,000-mile private wire network."

Eastman Dillon and Co., founded 48 years ago, merged last September with Union Securities Corp. as Eastman Dillon, Union Securities & Co., with the main office in New York City. Capital of the firm is in excess of $17,000,000.

E. S. Hope & Co. was established 23 years ago. Herbert M. Bullock. Executive Vice-President, will be manager of the new Eastman Dillon branch, and Irving Passarino, Vice-President, will manage the investment department. The E. S. Hope & Co. staff of 22 will remain intact under the consolidation.

Philip Theapold Director of Boston Fund

BOSTON, Mass. — Election of Philip H. Theapold as a director of Boston Fund, one of the largest mutual investment companies in the country, is announced by Henry T. Vance, President.

Mr. Theapold, one of the group of young men which organized Boston Fund 25 years ago, is a partner of the Boston real estate management firm of Minot, DeBlois and Maddison. He is also a trustee of Employers Group Insurance Companies, Consolidated Investment Trust, the Diocesan Investment Trust, the Provident Institution for Savings, and Massachusetts General Hospital, and treasurer and trustee of St. Mark's School; as well as a director of the John Hancock Mutual Life Insurance Co., the Fiduciary Trust Company, and other corporations.

His election fills the vacancy on the nine-member Boston Fund board of directors formerly occupied by the late Powell M. Cabot.

Carrier Debentures Offered at 101½%

Public offering of $18,000,000 Carrier Corp. 4⅛% subordinated debentures, due Feb. 1, 1982, at 101½%, plus accrued interest from Feb. 1, 1957, was made yesterday (Feb. 6) by an investment banking syndicate managed by Harriman Ripley & Co. Inc and Hemphill, Noyes & Co.

Net proceeds from the sale of the debentures will be added to the cash funds of the corporation and will be available for general corporate purposes, including capital expenditures and additional working capital expenditures. The current expansion and improvement program of the corporation, already under way, calls for expenditures within the next two or three years in the approximate amount of $30,000,000 over and above normal capital expenditures.

The new debentures will be convertible to and including Feb. 1, 1967, unless previously redeemed, into common stock at the conversion rate of 16 shares of common for each $1,000 principal amount of debentures. The debentures will be redeemable at optional redemption prices ranging from 105.50% to par, plus accrued interest. The issue carries a sinking fund commencing in 1962 and designed to retire about 60% of the debentures prior to maturity.

Carrier Corp., with headquarters in Syracuse, N. Y., is engaged principally in the business of manufacturing and selling a broad line of air conditioning, refrigerating and heating equipment. In some instances the corporation installs such equipment. The corporation owns two manufacturing plants located in Monrovia, Calif., and Indianapolis, Ind., and in addition operates two plants held under lease at Tyler, Tex., and New Lexington, O. A wholly-owned Canadian subsidiary, Carrier Engineering, Ltd., owns a manufacturing, warehousing and office building in Toronto, as does another Canadian subsidiary, Bryant Manufacturing Co., Ltd. Cambridge Corp., a subsidiary, operates a new plant in Lowell, Mass. On Jan. 1, 1957, the corporation had about 10,400 employees.

For the year ended Oct. 31, 1956, Carrier Corp. and its subsidiaries had consolidated net sales of $193,194,000 and consolidated net profit of $9,369,000, equal to $5.26 per common share.

Mrs. O'Neill to Address Conservation Society

Mrs. Rose O'Neill, registered representative with Harris, Upham & Co., 99 Park Ave., nation-wide investment brokerage firm with 35 offices coast to coast and members of the New York Stock Exchange, will address 200 women members of the National Life Conservation Society, Thursday, Feb. 7, at 2 p.m. in the McAlpin Hotel on the subject: "What Every Woman Should Know About Stocks."

Mrs. O'Neill, active in women's groups throughout the country and a registered representative for the past 20 years, pointed out that "Harris, Upham is happy for this opportunity to appear before the National Life Conservation Society in a further extension of the firm's nationwide investment education program."

Phila. Inv. Women Hear

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will be addressed on the topic of "The Economic Implications of Business Forecasting" at its next Educational Meeting being held on Monday, Feb. 18, 1957, at 5:20 p.m., in the Fidelity-Philadelphia Trust Company Board room.

Continued from page 4

The State of Trade and Industry

while Ford Motor Co. slipped slightly, the statistical publication noted.

Production estimates by "Ward's" last week are 146,897 cars and 23,151 trucks, compared to 145,191 cars and 23,138 trucks in the preceding week.

The week's automotive activities were brightened by settlement of the American Motors Corp. eight-day strike. Assembly of Nash, Hudson and Rambler cars was resumed at the Kenosha, Wis., plant on Monday this week.

Saturday work plans were announced the past week at three Ford Division plants, one Mercury plant, Lincoln and Chrysler Division. Elsewhere, five-day operations prevailed, "Ward's" reported.

Although there were some signs of a let-down in construction activity in 1956, the volume of building permits for the 217 cities, including New York, reporting to Dun & Bradstreet, Inc., reached a new all-time high of $6,195,884,821 for the year. This marked an increase of 4.6% over the previous year's total of $5,922,796,969.

New York City building plans filed during 1956 were up 29.1% to $861,609,508, from $667,463,417 in 1955.

Five of the eight geographical regions reported larger building permit volume in 1956 than in 1955. The best comparisons appeared in the Middle Atlantic and Pacific groups, up 17.1 and 12.0%, respectively. The greatest decline was recorded in the West Coast group, off 15.2%.

Steel Production Scheduled This Week At 96.6% of Capacity

A record year for steel production and metalworking still appears in the making despite softening in some parts of the economy, "Steel" magazine metalworking weekly, declared on Monday last.

It added, the industry is being beset by a rash of gloomy forecasts which appear unwarranted by business trends.

Of 32 indexes used in the Business Trend department of the magazine, exactly half show gains for the latest month and the balance show losses. Compared with year ago standings, 17 are higher and 15 are lower, it pointed out.

Some of the adverse forecasts apparently arise because machine tool orders dipped to $57,000,000 last December from a year's average of about $77,000,000 monthly.

However, the builders whose business fortunes often parallel experiences in other capital equipment lines, are not concerned about an order dip below the "abnormally high" levels of 1955 and 1956, since they welcome a decline in order backlogs to more manageable levels. Fewer big automotive orders are being offset by more small orders from diversified customers. The story's the same in other capital lines, the metalworking authority stated.

Trade association spokesmen for makers of electric overhead cranes, foundry equipment, resistance welders and material handling machinery agree that 1957 will be a plateau year and any increases over 1956 will be less spectacular than 1956 gains over 1955. Industrial furnace makers echo that sentiment, as do component producers.

The publication said much of the reduced demand for steel has been laid to the relatively slow pace of the automobile industry, the biggest consumer of steel. But a pickup took place in the auto industry in January.

Although demand for many forms of steel is lighter than it was, not all forms of steel are readily available. Plates and structural shapes continue to be in strong demand and a Chicago mill reports its capacity for plates and shapes could be sold two or three times over.

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 96.6% of capacity for the week beginning Feb. 4, 1957, equivalent to 2,472,000 tons of ingot and steel for castings, as compared with 97.6% of capacity, and 2,498,000 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 98.4% and production 2,519,000 tons. A year ago the actual weekly production was placed at 2,439,000 tons or 99.1%. 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 Moves Lower Again the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 2, 1957, was estimated at 12,322,000,000 kwh., according to the Edison Electric Institute. This was a decline from the previous week.

The past week's output dropped 88,000,000 kwh. below that of the previous week; it increased 782,000,000 kwh. or 6.8% above the comparable 1956 week and 2,275,000,000 kwh. over the week ended Feb. 5, 1955.

Car Loadings Advanced in Week Ended Jan. 26, 1.3% Above the Preceding Week

Loadings of revenue freight for the week ended Jan. 26, 1957, rose 8,476 cars or 1.3% above the preceding week, the Association of American Railroads reports.

Loadings for the week ended Jan. 26, 1957, totaled 665,745 cars, a decrease of 26,105 cars or 3.8% below the corresponding 1956 week but an increase of 28,629 cars, or 4.5% above the corresponding week in 1955.

U. S. Automotive Output Pointed Higher In Latest Week

Automotive output for the latest week ended Feb. 1, 1957, according to "Ward's Automotive Reports," moved into February with the high level production pattern set during January last.

Last week the industry assembled an estimated 146,897 cars, compared with 145,191 in the previous week. The past week's production total of cars and trucks amounted to 170,048 units, or an increase of 1,719 units above that of the preceding week's output, states "Ward's."

Last week's car output rose above that of the previous week by 1,706 cars, while truck output advanced by 13 vehicles during the week. In the corresponding week last year 140,582 cars and 26,690 trucks were assembled.

Last week the agency reported there were 23,151 trucks made in the United States. This compared with 23,138 in the previous week and 26,690 a year ago.

Canadian output last week was placed at 8,500 cars and 1,701 trucks. In the previous week Dominion plants built 8,485 cars and 1,736 trucks and for the comparable 1955 week, 6,059 cars and 1,138 trucks.

Business Failures Rose Sharply the Past Week

Commercial and industrial failures climbed to 320 in the week ended Jan. 31 from 258 in the preceding week, Dun & Bradstreet, Inc., reports. At the highest level for any postwar week, the toll was considerably above the 273 a year ago and the 254 in 1955. Failures edged slightly above the prewar toll of 318 in the comparable week of 1939.

Liabilities of $5,000 or more were involved in 258 of the week's casualties as against 221 last week and 229 a year ago. Small failures under $5,000, rose to 62 from 37 in the previous week and 44 in the similar week of 1956. Twenty-six of the failing businesses had liabilities in excess of $100,000 as compared with 24 a week ago.

All industry and trade groups had higher tolls during the week. The increase from 1956 occurred in wholesaling, retailing and service with the toll in the latter line twice as heavy as last year. However, construction failures remained at the 1956 level and manufacturing declined slightly from a year ago.

Seven of the nine major geographic regions reported an increase in failures. Tolls were considerably higher in the Middle Atlantic States, up to 110 from 93, in the South Atlantic, up to 24 from 14 and in the Pacific, up to 72 from 52. Small decreases occurred in the East North Central and East South Central States. More businesses failed than a year ago in all except three regions. The level in New England was noticeably lower than last year and the East South Central toll dipped slightly. Failures in the West South Central region remained at the corresponding 1956 level.

Wholesale Food Price Index Edged Higher For Third Consecutive Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., increased slightly for the third consecutive week reaching $6.16 on Jan. 29, compared with $6.14 a week earlier. The current level shows a gain of 3.5% over the $5.95 of a year ago.

Commodities quoted higher last week included beef, butter, eggs, potatoes, steers and bellies. Lower in price were flour, wheat, corn, rye, oats, hams, lard, coffee, cottonseed oil, cocoa, hogs and rice.

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 Comodity Price Index Showed a Mixed Trend in Latest Week

Slight gains in the prices for some commodities were offset by moderate declines in the prices for others the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., fell to 298.28 on Jan. 29. This compared with 299.09 a week earlier and with 280.22 a year ago.

Except for a brief flash of strength in rye and soybeans, grain prices declined last week. Improved growing conditions in the Winter wheat belt and a drop in the export buying contributed to the weakness in wheat with both old and new crop contracts affected. Large deliveries of cash corn resulted in a slight drop in prices. Oat shipments from Chicago in the week ended Jan. 24, amounted to 593,800 bushels, compared with 502,200 bushels in the previous week. Purchases of grain and soybean futures on the Chicago Board of Trade last week totalled 43,000,000 a day compared with 41,000,000 a week previously and 30,000,000 a year ago.

Orders for hard wheat bakery flour were limited the past week after fairly active trading in the preceding two weeks. Flour millers expected some recovery in buying in the coming weeks as bakers' stocks diminish. Flour purchasing for export was about equal to last week's volume. Rice prices firmed as buying rose to the highest level of the season, well above the average of the time of year.

A shortage of rice in the Far East, coupled with heavy buying by some other foreign countries helped to support the rice markets

The volume of trading in coffee was high and steady and prices were slightly higher than a week ago. The recent rise in coffee buying was reflected in an increase in shipments from Brazil to 512,000 bags last week from 283,000 bags at week ago. Cocoa prices slid lower, notwithstanding a brief rally with some commission house buying. Warehouse stocks of cocoa, at 307,843 tons the past week were about 4% larger than a year ago.

Contrasting with the active trading in hogs, the demand for steers and heifers was slow and their prices edged downward.

Hog prices were maintained at the higest levels in more than a year; hog receipts by Western slaughterers were smaller than last year.

Heavy stop loss selling in the world sugar markets was accompanied by a sharp drop in sugar prices. The domestic market was rather slow to respond to the world decline. Losses from the reaction in domestic markets were largely recovered when trade interests increased their buying.

Trading in cotton gray cloths remained slow the past week; mill shutdowns had no apparent effect on prices. The present consumption of American cotton is at the rate of about 15,500,000 bales, some 4,000,000 more than last season.

Current consumption is exceeding production of the raw fiber for the first time since 1950-1951.

According to an estimate for the National Cotton Council, consumption of American cotton is likely to reach 20,000,000 bales in about five years.

Trade Volume Registered a Mild Decline Last Week But Held Slightly Above Like Period In 1956

Consumer buying of men's apparel, television sets, major appliances and houseware dipped moderately the past week, but total retail volume was slightly above that of the corresponding week last year.

The call for new and used passenger cars slackened but remained higher than the similar 1956 level.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 1% below to 3% 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 and Middle Atlantic —2 to +2; East North Central, West South Central and Mountain 0 to +4; West North Central —4 to 0; South Atlantic —1 to +3; East South Central +1 to +5 and Pacific Coast +3 to +7%.

Sales of men's apparel declined last week, but volume in women's apparel was close to the level of the preceding week and fractionally above that of the similar 1956 period. While retail inventories of women's apparel fell appreciably the past week, stocks slightly exceeded those of a year ago.

A slight decrease in purchases of lamps, television sets, refrigerators and automatic laundry equipment occurred. Shoppers stepped-up their buying of upholstered chairs, bedding, and dining room sets, and sales moderately exceeded those of last year. Sales promotions helped maintain high volume in linens and floor coverings, while the call for draperies and slipcovers decreased somewhat.

Grocers reported a noticeable decline in the buying of dairy products, poultry, and canned goods last week. There was a substantial gain in purchases of fresh produce, baked goods and frozen foods.

Moderate increases in wholesale orders for furniture, appliances and women's Spring apparel offset a decline in the buying of textiles, houseware, and some food products.

Total wholesale trade was close to that of the preceding week and moderately exceeded that of the comparable 1956 period.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Jan. 26, 1957, increased 2% from the like period last year. In the preceding week, Jan. 19, 1957, an increase of 2% also was reported. For the four weeks ended Jan. 26, 1957, an increase of 2% was recorded. For the period Jan. 1, 1956 to Dec. 29, 1956, a gain of 4% was registered above that of 1955.

Retail trade volume in New York City the past week suffered from a spell of wintry weather, resulting in an estimated 1% increase above the similar period of 1956, store executives reported.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Jan. 26, 1957, showed an increase of 6% above the like period of last year. In the preceding week Jan. 19, 1957, a decrease of 1% (revised) was reported. For the four weeks ending Jan. 26, 1957, an increase of 4% 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.

Quebec Hydro-Electric Debentures Offered

An investment banking group headed by The First Boston Corp. and A. E. Ames & Co. Inc. offered publicly yesterday (Feb. 6) $50,000,000 Quebec Hydro-Electric Commission 4⅜% debentures, series Q, due Feb. 1, 1977, at 98.75% to yield 4.47%. The issue, which is guaranteed unconditionally as to principal and interest by the Province of Quebec, will be payable in United States funds.

The net proceeds to the Commission from the sale of the debentures will be applied toward the payment of series E debentures maturing March 1, 1957, amounting to $61,057,300.

Between Jan. 1, 1951 and Nov. 30, 1956, the Commission made capital expenditures of approximately $418,000,000 and has a program for such spending which began Sept. 30, 1955, of about $520,000,000 through 1962. It expects to have available from its operations and provision for reserves approximately $210,000,000 for the period from Sept. 30, 1955, through 1962. After giving effect to the issue of $35,000,000 series P debentures in December, 1956, the indicated balance of approximately $145,000,000 to complete the program will be obtained through additional borrowings.

The new debentures will be redeemable at the option of the Commission at prices ranging from 103% if redeemed on or after Feb. 1, 1967 to 100% on and after Feb. 1, 1975.

The Commission is an agency of the Crown in right of the Province of Quebec. It was created by Act of Legislature of the Province in 1944 and is empowered to generate, acquire, sell, transmit and distribute electricity and gas throughout the Province, and the Province is the owner of the properties of the Commission.

For the first 11 months of the year, ended Nov. 30, 1956, total operating revenues of the Commission amounted to $69,430,000 and net income to $23,784,000 compared with total operating revenues of $69,161,000 and net income of $25,281,000 for the full year 1955.

Drummond Director

Robert W. Drummond has been elected a member of the board of directors of Crown Cork & Seal Company, Inc., to fill the vacancy caused by the resignation of Leonard F. Olt as a member of the board.

Mr. Drummond is an investment banker and associated with the firm of Francis I. du Pont & Co., Philadelphia, Pa. Mr. Drummond is a director of Connelly Containers, Inc., Philadelphia, Pa.; Hofmann Industries, Inc., Sinking Springs, Pa.; National Alfalfa Dehydrating & Milling Company, Lamar, Colo.; Arden Corporation, Philadelphia, Pa., and Piasecki Foundation; and is also President of Robert Watchorn Charities, Ltd., and President of Wissahickon Bridge Corporation.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Winferd Spiegle is now with Bache & Co., National City East Sixth Building.

George Galleher

George R. Galleher passed away Jan. 30 at the age of 42. Mr. Galleher was Manager of the Washington, D. C., office of Bache & Co.

Casey, Betz Appointed By Delaware Fund

PHILADELPHIA, Pa. — Warren A. Casey has been appointed Investment Vice-President, and Frank T. Betz, Jr., Sales Vice-

Warren A. Casey Frank T. Betz, Jr.

President, of the $47 million Delaware Fund, W. Linton Nelson, President, has announced.

Mr. Casey joined the fund as senior security analyst in 1954. He was formerly associated with several leading financial houses in Boston and Philadelphia. At one time, he was also connected with the Securities and Exchange Commission as senior public utilities analyst, and with the Federal Deposit Insurance Corporation as principal security liquidating analyst. During World War II, he served as a fiscal officer with the Army Service Forces. Mr. Casey is a graduate of Boston Latin School, Harvard University and the Harvard Graduate School of Business Administration where he received his Master's Degree in 1936.

Mr. Betz came to the Delaware organization in 1953, bringing with him considerable experience in both the retailing and wholesaling phases of the mutual fund business. He was later named Vice-President and Sales Director of the fund's national distributing company — Delaware Distributors, Inc.—an office which he will continue to occupy. Mr. Betz is a graduate of Rider College and holds a Bachelor of Science Degree in Business Administration. During World War II, he served with the 1st Marine Air Wing in the Pacific.

Lionel Edie Elects Isakson Asst. V.-P.

PHILADELPHIA, Pa. — Lionel D. Edie & Company, Inc., investment counselors and economic consultants, have announced the election of Robert E. Isakson as Assistant Vice-President of the company.

At the same time it was announced that G. Davis Greene, Jr. has become associated with the firm in the accounts management department.

Mr. Isakson was formerly an Assistant Treasurer of the First Pennsylvania Banking & Trust Company, Philadelphia; Mr. Greene was associated with the Federal Reserve Bank of Philadelphia.

S. Abrahams Admits

Samuel Abrahams & Co., 25 Broad Street, New York City, members of the American Stock Exchange, on Feb. 1 admitted Milton Sabin to partnership in the firm.

On Jan. 31 John R. Atwill retired from partnership.

Alexander Co. Formed

Robert L. Alexander & Co., Inc., has been formed with offices at 111 Broadway, New York City, to engage in a securities business. Officers are Robert L. Alexander, President and Treasurer; and D. A. Alexander, Secretary. H. M. Bertram is also associated with the firm. Mr. Alexander was formerly with McGrath Securities.

Public Utility Securities

By OWEN ELY

International Telephone & Telegraph Corp.

International Telephone & Telegraph is one of the largest of the international companies, with sales of $448 million in 1955. Telephone operations in Latin America are a negligible earnings factor (despite the $100 million investment) and the System is virtually a world-wide manufacturing enterprise in communications equipment and electronics. A substantial part of net earnings are from U. S. operations, with most of the balance from the British Commonwealth and Western Europe.

IT&T wholly owns or controls 30 manufacturing subsidiaries or divisions, with 69 principal plants in the United States and 18 foreign countries, and with established sales companies and agency outlets in practically every other country in the world outside the Iron Curtain. It has substantial minority holdings in other manufacturing companies in Sweden, France, Australia and Japan. It has four central research laboratories employing over 3,500 scientists and other experts, while manufacturing subsidiaries also have laboratories of their own. It owns or controls 11 telephone and radio operating subsidiaries, located in South America and the Caribbean, two marine radio companies in England and Spain, and has a 42% interest in the principal telephone company in Mexico. It has a 58% interest in American Cable & Radio, America's largest international cable and radiotelegraph network.

U. S. subsidiaries play an important role in the nation's defense activities. Federal Electric Corporation has received an Air Force contract for the operation and maintenance of DEW — the distant early warning radar line across the Arctic—as well as an integrated civilian and defense communication network in Alaska. International has equipped ten U. S. carriers, including the Saratoga and Forrestal with TACAN (tactical air navigation) and is supplying the Army Signal Corps with field telephones and similar equipment.

While nearly two-thirds of current U. S. production is for various Government departments, much of this work is adaptable to future civilian use. Even the control equipment for guided missiles, and countermeasure systems, involve methods of transmission, reception, and control that frequently can be modified for civilian use; an example is the analog-to-digital converter so valuable in the automation of civilian industry. The military TACAN system of short-range navigation for aircraft developed by IT&T's U. S. laboratories for the U. S. Navy and Air Force is now a vital part of the VORTAC system for commercial aircraft navigation in this country.

Regarding guided missiles President Leavey recently stated: "Our record in this field is very good—how good, it is impossible to tell you for security reasons. But I can say that both our Federal Laboratories and Farnsworth Electronics Company are heavily engaged in producing the electronic brains that make our guided missiles work. And as I have already pointed out, we are steadily finding new commercial applications for much that we have learned in this field."

In the foreign field, IT&T is a major factor in supplying telephone and other communication equipment for national telecommunication networks. Because the use of telephones abroad is not so widespread as in the United States, the potential for expansion in the telephone field there is greater than it is here. All system companies are licensed under Western Electric patents. Facilities in England, Belgium and Germany have been considerably expanded in recent years, but in South America due to the handicap of unstable economies and erratic curencies, there has been little expansion in recent years although subsidiaries are operating more or less profitably. Some expansion may now be necessary in Brazil to handle increased orders.

Telephone operations in Latin America have not been very satisfactory, except for telephone and radio operations in Puerto Rico, Peru and Brazil. In Cuba, a $50 million 4-year construction program still awaits the approval by the Cuban Government of a new rate structure; there is a heavy backlog of demand for new phones. In Puerto Rico, a new rate structure in 1952 encouraged a program of expansion. The situation in Chile is still unsatisfactory owing to the unsettled economy and wholly inadequate rates. In Peru, IT&T received approval last year of increased rates and is now undertaking an expansion program.

Domestic as well as foreign manufacturing companies are expanding. Federal Telephone & Radio Company and Federal Telecommunication Laboratories have both opened branches in the San Fernando Valley near Los Angeles, while Farnsworth Electronics Company also has a new unit and Federal Laboratories a new branch working in Palo Alto near San Francisco. In 1956, IT&T spent $40 million on plant expansion, and preliminary plans for 1957 call for a total of nearly $55 million.

IT&T's financial position has improved considerably in the postwar decade, with system net working capital reaching $200 million at the end of 1955 compared with $60 million a decade earlier. Parent company debt has been reduced to about $35 million.

It does not appear that the Suez Canal situation will have any important adverse effect on earnings. Remittances from foreign subsidiaries have been steadily improving and in 1956 IT&T received some income from every country in which it operated. Everywhere in the world system operations are currently in the black. Orders on hand at the end of 1956 could considerably exceed the $431 million backlog of 1955. "IT&T is fortunate in being part of an industry that is equally vital in war and in peace," General Leavey has stated.

Consolidated shares earnings have been somewhat irregular because of occasional writeoffs, but have increased from $2.38 in 1950 to $3.21 in 1955 and an estimated $3.75 this year. Parent company earnings, which are affected by exchange difficulties, increased from 63c in 1950 to $2.06 in 1955 and an estimated $2.35 in 1956. Selling recently at 30 and paying $1.80, the stock yields 6%. It is selling at about eight times estimated system earnings for 1956 and less than 13 times estimated parent company net.

Joins L. W. Hoefinghoff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Albert J. Lehmeyer has joined the staff of L. W. Hoefinghoff & Company, Inc., Union Central Building, members of the Cincinnati Stock Exchange.

Railroad Securities

By GERALD D. McKEEVER

Missouri Pacific Class "A" Stock

After a false start in May of last year which brought it up to the all-time high of 47¼, Missouri Pacific class "A" stock is on the march again. Since the beginning of this year this stock has picked up three points, but with evidence of more considered accumulation this time, and which the previous flashy and short-lived move seemed to have lacked. The recent strength of this stock has been based on only partial fulfillment of the optimistic forecasts that had been made early last year and which, among other things, had suggested earnings of about $11 per share for MOP "A" in 1956. Instead, it has been evident for some time that 1956 net would be around $9 per share for this stock, and for this reason it is quite clear that its strength has not been due to a mere sudden awakening on the strength of the road's November report showing $8.50 per share on the class "A" for the first 11 months of 1956.

It is also not that the market had all at once become aware of the fact that MOP "A" was selling at only about 4½ times the estimated 1956 per share earnings. There are numerous comparable cases where, as with MOP "A," dividend limitations aside from earnings hold the prices of the stocks in question down to an unconventionally low earnings multiple. The most notable instance, of course, is found in Baltimore & Ohio common which, like MOP "A" has an equity only in "available" earnings, which are the balance of net after provision for capital fund and sinking funds provided by indentures set up in reoganization, or more properly in the case of the B & O, by debt adjustment terms.

Stocks generally sell on the basis of dividend yields, present or potential. The potential in the case of MOP "A" is measured by the aforementioned "available" portion of net income which, for 1956, is estimated at something less than 40% of the $9 per share estimated net. In determining 1956 available earnings for this stock some $11 million aggregate of capital fund and sinking fund must be deducted in addition to almost $26 million of interest charge. That is, only about 25% of total earnings before charges remain available for dividends on MOP "A," or a little less than $3.50 per share, on the basis of the 1956 result, and this sets the limit on the amount of dividend that can be paid on April 1 of the current year. In common with other "reorganization" roads generally, dividends paid in any year are based on available earnings of preceding years.

The 1955 available earnings for MOP "A" were $2.75 per share, and on the strength of this, a $2 per share dividend was distributed last April 1. The current strength in this stock is believed to be related to the growing opinion that the declaration for next April 1 distribution may be as much as $3 per share. Whether this is somewhat optimistic remains to be seen. A $3 per share payment would represent roughly 85% of the 1956 available, whereas the $2 per share distributed last April amounted to only 72% of the 1955 available of $2.75.

At the current price of about 43, MOP "A" is rather fully discounting a distribution of anything less than $3 per share. Good evidence of this is seen in the fact that Southern Pacific, paying $3 per share, but with a 100% margin of safety, is selling at 45, or only two points higher than MOP "A." Also, Baltimore & Ohio common, on which $2.50 per share was paid in 1956 out of $10.75 estimated net and $7.25 available is selling at 46. While the regular dividend for B & O common has been established at 50 cents quarterly for 1956, it is quite conceivable that at least $3 total may be paid for 1957 by virtue of a year-end extra.

Another consideration bearing on the price situation of MOP "A" is the multiple of its price represented by available earnings, which, at 43, would be over 12 times. B & O common at 46 is selling at about 6¼ times its estimated available of $7.25 per share while Southern Pacific at 45 is selling at about 7½ times its 1956 net per share, all of which is theoretically "available." A further consideration in the latter instance is that Southern Pacific is a stock of considerable investment quality while MOP "A," on the other hand, is one of the most highly leveraged stocks in the rail group with about $160 of gross revenues per share but with less than 2% of 1956 gross available for dividends.

This leverage works both ways. If there should be a sizable recession it might not be a very happy period for MOP "A," especially since the gain in 1956 earnings was achieved more from the trimming off the "fat" in the maintenance allowance for the year than from the meager increase of less than 2% in the year's revenues. On the other hand, this leverage can work advantageously, and with multiplied effect if operating income should be increased either by revenue growth or through increased efficiency. While the Missouri Pacific operates in what is generally regarded as a growth area, neither this road nor its district has shown outstanding performance in recent years, largely due, of course, to the effects of the drought. Fully dieselized since 1955, the Missouri Pacific will now have to look in other directions for further improvement in efficiency. Such a step has been taken in the recent authorization of the construction of a $10 million modern "hump" yard at Kansas City.

Harold Allen Director

Harold Allen, a partner in Allen & Company, has been elected Chairman of the Executive Committee of The American Life Insurance Company of New York, recently organized affiliate of American Surety Company, it was announced by William E. McKell, President of both companies. In addition to being a director of American Life, Mr. Allen is a Trustee of American Surety and is a recognized specialist on insurance.

Harold Allen

With Remmele-Johannes

(Special to THE FINANCIAL CHRONICLE)

GRANVILLE, Ohio — Frank J. Casey is now affiliated with Remmele-Johannes & Co., 118 East Broadway. He was previously Wilmington, Ohio representative for Westheimer and Company.

Warner, Miller Named NASD Dist. Chairmen

Announcement has been made of the election of Elbridge S. Warner, partner, Hayden, Miller & Co., Cleveland, as Chairman of District Committee No. 10 (Ohio, Kentucky) of the National Association of Securities Dealers. James F. Miller, Vice-President and Director, Blyth & Co., Portland, Oregon, was elected Chairman of District Committee No. 1 (Oregon, Idaho, Washington).

Elbridge S. Warner James F. Miller

Mr. Warner succeeds John B. Joyce, John B. Joyce & Co., Columbus, Ohio, and Mr. Miller succeeds Al Hughbanks, Hughbanks, Inc., Seattle, Wash.

A native of Unionville, Ohio, Mr. Warner is a graduate of Cornell University. He became associated with Hayden, Miller on his return from active service in World War I. He is a Past President of the Bond Club of Cleveland.

Mr. Miller has been with Blyth for more than 35 years, joining the firm in 1921 and serving in various capacities since that time. He now is Resident Manager of the Portland office.

Robert C. Winmill, Vibrant Horseman and NYSE Member, Dies

Robert Campbell Winmill of the New York Stock Exchange firm of Gude, Winmill & Co., 1 Wall Street, N. Y. City, died in Roosevelt Hospital after an operation at 73 years of age. Mr. Winmill, who at one time maintained a stable of racehorses at his Warrenton, Va., plantation, started his banking career in the old Fifth Avenue Trust Co. and afterwards he formed the firm of Gude, Winmill & Co. in 1907 with Mr. Edward C. Gude, brother of the well-known outdoor advertising firm of O. J. Gude & Co.

Robert C. Winmill

Outside of his directorships in several Wall Street corporations, his chief interest for years centered in his stable of race horses, and the Vice-Presidency of the United Hunts Racing Association. Mr. Winmill was at one time the proud owner of the steeplechase champion "Surf," and he was never happier than when he was talking about his horses and their prospects.

Mr. Winmill is survived by his widow, Mrs. Viola Townsend Winmill, three daughters and 14 grandchildren. Mr. Winmill was best known in Wall Street circles for his friendly personality, his witticisms, and genial temperament.

Ralph C. Runyon

Ralph C. Runyon, associated with Adams & Peck, New York City, passed away Jan. 31 after a long illness.

Continued from page 7

Facing the Facts Of World Communism

must purr gently lest Moscow be driven to choose war as a desperate expedient fails to stand up. I believe that we have every right to formulate policy on the common-sense premise that Soviet Russia fears a world war at least as much as we do, and probably a lot more. Certainly unilateral renunciation of force, raising questions as to the willingness of the free world to use it to safeguard its survival can only give the enemy immense advantage and temptation.

Moscow's Strategy

What is the essence of Moscow's "simple" strategy in the Cold War? It is to keep the great democratic powers constantly off balance, divided among themselves and badgered by one crisis after another both at home and abroad. In these circumstances the least we should do, it seems to me, is to apply similar techniques against the Communist sphere. Our opportunity today—and it may not return for a long time—is to exploit the palpable political, economic and social strains in the Soviet orbit as vigorously as Moscow exploits every dislocation in our world.

Predictions Coming True?

Last Sept. 30, at a banquet on the anniversary of my 50 years of service in the radio industry, I ventured a look into a crystal ball. Among the things I professed to see was that *"within the next 20 years Communism will collapse under the weight of its economic fallacies, its political follies and the pressures of a restive, discontended population. The Soviet empire,"* I went on, *"will fall apart as one satellite after another attains its own liberation."*

I could hardly blame those who thought I was too optimistic and, of course, could not myself have guessed that the forecast would be given such strong support so soon by subsequent events. Yet, only a few weeks later the people of Poland were demanding independence and the people of Hungary came close to achieving liberation.

In the light of these events, it is worth recalling that fully six years ago, our present Secretary of State envisioned such possible developments. Referring to Soviet Russia in a book on "War or Peace," Mr. Dulles wrote:

"Dictatorships usually present a formidable exterior. They seem, on the outside, to be hard, glittering and irresistible. Within, they are full of rottenness. They are like unto whited sepulchers, which indeed appear beautiful outward, but are within, full of dead men's bones and of all uncleanness."

Such predictions derive from our faith that man's hunger for elementary freedom and human dignity cannot be forever contained by terror. The spontaneous rebellion in Hungary and its heroic proportions are thrilling reaffirmations of the human spirit. Today, for the first time since the advent of Communist power, we can look forward with good reason to the disintegration of that power from within.

A Facade

Successful defiance of tyrants is a heady thing. The Hungarian people have been crushed but they have not surrendered. In Poland the fires have been banked for a time, but they continue to burst into flame. In East Germany the evidences of incipient rebellion cannot be hidden from the world. Though for the moment Czechoslovakia seems quiescent, it was in Prague that the first student demonstrations took place, starting the chain reaction. And in Soviet Russia itself the controlled press has been forced to admit increasing unrest among youth—the youth from which tomorrow's armies and technical leadership must be drawn.

We know now that the vaunted Communist monolith is only a facade, behind which there are tensions, strains and irrepressible conflicts. A Yugoslav who used to be Tito's right-hand man, Milovan Djilas, has written: *"The revolution in Hungary means the beginning of the end of Communism generally."* Tito promptly clapped Djilas into prison for these words but that only underlines their significance.

Precisely those upon whom the Communist despots counted most—the youth and the workers of the hand and the brain—led the revolts against the puppet regimes and are most restive in the Soviet Union itself. And behind these is the vast peasant humanity, upon whom those despots have never been able to count.

No Automatic Process

That is why we begin 1957 in a mood of heightened confidence in the ultimate crumbling of the Communist structure. There seems to be substantial support, after all, for the belief that time is on our side. Yet we must rule out fatalistic inertia. We must not stake our destiny upon automatic processes. We can buy the necessary time—and under the best circumstances it means a long pull—only by pushing boldly and energetically the political-psychological advantages that are opening up.

This presupposes a sturdy shield of free-world military and economic strength. That is indispensable survival insurance, whatever else we do or fail to do. And the maintenance of adequate strength involves a race against the Soviet world, not in one but in virtually every department of our life.

I believe that neither we nor the Soviets will knowingly ignite the world war nobody wants. Yet the disaster may come by accident or miscalculation. The embers of local wars are smoldering in a great many inflammable areas. The Communists, now as always, are using the bellows of their propaganda to blow up little fires into big ones; to provoke civil conflicts and Guerrilla warfare. And every such episode carries the threat of an unplanned world conflagration.

Keep Well Armed

Our first and irreducible duty, therefore, is to maintain military vitality and to maintain it continually "at the ready." This requires not merely the amassing of adequate weapons and the maintenance of well-balanced forces on land, on sea, and in the air, but the maximum efforts to win the race in science and technology on which they depend.

Modern life has acquired tremendous dimensions of power—including, alas, power for mass destruction — through nuclear energy, guided missiles, artificial satellites and other forces now in gestation in research laboratories. A new dynamism is at the heart of science. Revolutionary advances that would have required decades in the past are today brought to fruition in a few years.

Do Not Neglect Basic Research

That dynamism manifests itself in a fast-moving cycle of discovery, invention and obsolescence, and we cannot afford to lag behind. It is no longer enough to think in terms of what we know. Always we must think in terms of what we need to know. This is what the American Association for the Advancement of Science meant when it warned, in a recent resolution, against the relative neglect of basic or theoretical research.

We should never forget that what we can do, our enemies can do. Let us not console ourselves with illusions of Russian scientific sterility. We do enjoy superiority in applied science and productivity, but the Russians have always been strong in theoretical research. This is not to be wondered at. The same creative and imaginative faculties evident in the Russian genius for music and literature play vital roles in the groundwork of basic science. And every student of the history of science knows that an inch of progress in basic knowledge clears the road for miles of progress in practical technology.

Need More Brains and Talent

With respect to another crucial race we are more alert now than we were a few years back. This is the race for trained manpower, in which there is ample reason to believe that the Soviets are gaining the lead. The latest weapons are so much scrap metal without adequate and fully competent personnel to operate them. Our great research complex can maintain its vitality and expand only if there is a steady inflow of new brains and talent. Indeed, the higher a nation's stage of technical development, the more urgent is its need for highly qualified men.

At the same time there is, of course, the all-important contest for the minds of men on both sides of the Iron Curtain. In this area, we now have a new opportunity to score colossal victories.

The great strength of Communism in the past has been not in its deeds but in its slogans and promises. It had cornered the market, so to speak on idealistic words and appeals which it was obscenely violating in practice. Today, through its own misconduct, Communism stands naked in its primitive brutality. The great disillusionment begun with the Kremlin's confessions of the dead Stalin's heinous crimes is being deepened by recent proofs that Stalin's successors are no less criminal.

Millions of decent men and women who formerly failed to see the Soviet reality through the fog of claims and plain lies, have had their eyes opened. Soviet pretensions of idealism have become grotesque, and Moscow's pose of principled opposition to colonialism has become a transparent fraud.

On the last point His Holiness Pope Pius XII spoke cleary and from the heart in his recent Christmas message. *"There is no longer any room for doubt,"* he declared, *"concerning the aims and methods which rely on tanks, when these latter noisily crash over borders, sowing death in order to force civilian peoples into a pattern of life they explicitly detest."* The Pontiff voiced the sentiments of the great majority of mankind, including most of those who heretofore regarded Moscow as the fountainhead of anti-colonial inspiration.

Yet, in the contest for the mind of man the enemy has sustained psychological defeats which, in their long term effects, may be more disruptive than diplomatic or military defeats. But again, this does not justify any relaxation of our Cold War efforts. On the contrary, conditions at present are propitious for the West to take the initiative, with all the political and psychological forces at its command and others that must be created without delay. Precisely because Communism has lost much of its appeal we should pursue resolutely the enlarged opportunities for disseminating the truth, for reflecting our moral courage and for exercising our statemanship.

Let me recapitulate:

(1) The fateful, historical struggle that has come to be known as the Gold War has not been and cannot be called off as long as fanatic Communists seeking world dominion remain enthroned in the Kremlin.

(2) The free world, therefore, has no real alternative but to face up to the menace by fighting the Cold War with a firm determination to achieve victory. It must develop and use strategy capable of meeting what I have called Moscow's SIMPLE strategy of Subversion, Infiltration, Manipulation, Penetration, Liquidation and Exploitation.

(3) We cannot afford to let fear of a Hot War paralyze our will to victory in the cold struggle. If the Communists are encouraged to believe that they can risk aggressive adventures with immunity from American counteraction, the likelihood of the nuclear showdown we so ardently wish to prevent would be greatly increased.

(4) Genuine military superiority, both in magnitude and in quality is indispensable peace insurance. We must, therefore, keep ahead of the Soviet bloc not only in weapons and well-balanced military forces, but in science, technology and trained manpower.

These four points add up to an inexorable challenge that cannot be wished away. It is a challenge especially to the younger American generation so well represented here tonight.

It is not strange that young men and women, even children, are in the forefront of the struggle against Communism, whether in East Berlin or Poznan or Budapest. It is no accident that the most significant stirrings of rebellion inside the Soviet Union are reported from the universities. Youth is the springtime of moral courage, affirmation of principle, idealistic dedication.

If this can be so under Communism — where truth is outlawed and conscience is treated as treason—it is infinitely more compelling in our blessed land of freedom. If ever in modern times there was a generation summoned to high responsibility, it is the one to which you younger men belong. In effect you are called upon to preserve freedom and decency on this earth and to save mankind from a long and godless totalitarian night.

You can never complain that, beyond the personal sphere of ambition and career, your life has no purpose. That purpose has been built into your lives by the critical period that finds you on the threshold of leadership.

Such is the challenge of our time—big and urgent enough to bring forth your very best efforts. It is a call to courage and will be answered by all who love America and wish to keep it free.

Joins Eastman Dillon

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Fred E. Adams Jr. has become connected with Eastman Dillon, Union Securities & Co., 135 South La Salle Street. He was formerly with Swift, Henke & Co., and Hornblower & Weeks.

With Webber-Simpson

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — John Pini is now with Webber-Simpson & Co., 208 South La Salle Street, members of the Midwest Stock Exchange.

Eximbank Operations in Sharp Rise

Authorizations to thirty-eight countries totaling $1,156,607,000 mark a 10-year high.

Operations of the Export-Import Bank of Washington to facilitate exports from the United States to buyers throughout the world were the most extensive during the calendar year 1956 of any year in the past decade, Samuel C. Waugh, President of the Bank, said on Feb. 5.

Mr. Waugh made the statement in a speech discussing the role of the Export-Import Bank, an independent agency of the U. S. Government, in supporting U. S. overseas trade. Mr. Waugh addressed a Business Executive luncheon meeting of The New School for Social Research in New York City. Statistics illustrating the Bank's activities during 1956, as cited by Mr. Waugh, included the following:

Eximbank authorized 193 credits to borrowers in 38 countries for a total sum of $1,156,607,000. Not since 1946 has the Bank authorized a larger total amount for new credits, when the sum was $1,210,950,000.

The Bank authorized 10 loans to governments to finance exports of U. S. industrial products, commodities, and technical services, for a total sum of $855,735,000. The largest credit in this category was the $500,000,000 secured credit to the United Kingdom to meet dollar requirements for petroleum and other U. S. goods and services.

The Bank authorized 23 credits with foreign government guarantees for a total of $174,711,000.

A total of 160 credits was authorized to private borrowers for $126,161,000.

Credits were authorized by the Bank in 1956 by area and country as follows:

To 132 borrowers in 17 Latin American countries for a total of $409,317,000;

To 38 borrowers in 11 countries in Europe for a total of $557,235,000;

To 18 borrowers in 6 countries in Asia for a total of $189,492,000;

To 2 borrowers in 2 countries in Africa for $140,000;

To 1 borrower in Australia for $350,000; and

To 2 borrowers in Canada for $73,000.

The Bank made cash disbursements during 1956 totaling $233,402,000 as follows: $112,118,000 to finance U. S. exports to Asia; $69,525,000 to finance U. S. exports to Latin America; $21,843,000 to finance U. S. exports to Africa; $16,836,000 to finance U. S. exports to Europe; and $13,080,000 to finance U. S. exports to Oceania, all under credit authorizations.

The Bank received $266,286,000 loan repayments during 1956, plus $84,710,000 in interest and certain minor fees, for total collections of $350,996,000 in the calendar year.

Loan repayments from borrowers, public and private, by areas were as follows: from Latin America, $116,901,000; from Europe, $79,531,000; from Asia, $56,750,000; from Africa, $11,618,000; from Oceania, $1,461,000; and from others, $25,000

The Bank made allocations in 1956 on credits previously authorized to 22 borrowers in seven countries totaling $133,471,000. These allocations, by areas, were as follows: to 12 borrowers in three countries in Asia for a total of $40,127,000; to six borrowers in one country in Africa for $11,429,000; to three borrowers in two countries in Latin America for $79,415,000; and to one borrower in one country in Europe for $2,500,000.

The Bank's operations in its 23 years' history, from 1934 through 1956, were summarized by Mr. Waugh as follows:

	Amount (Millions)
Loans Authorized	$8,362
Participations and Cancellations	1,532
Disbursements	5,277
Repayments Received	2,641
Loans Outstanding	2,636
Authorizations not yet Disbursed	1,552

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Will Business Turn Down in The Critical Year of 1957?

if one tries to stay strictly within the first, or more conservative, philosophy, there is a very difficult problem of timing. Adherents to the basic necessity of credit control to preserve business stability differ among themselves as to the time when the brakes should be put on or relaxed.

Some are arguing that right now, as of the beginning of 1957, the brakes ought to be eased off a bit on the theory that the necessary restraint has already been accomplished and a slowdown is currently under way. This view has been expressed recently by such moderate conservatives as Elliott Bell, editor and publisher of "Business Week," testifying before Representative Patman's committee, and Murray Shields, senior partner of Mackay-Shields Associates, as reported in "U. S. News & World Report" for Dec. 21.

At the same time others of the same general economic school—for instance, William McChesney Martin, Jr., the head of the Federal Reserve—are arguing equally strongly that it would be a great mistake to loosen credit until business capital expenditures have flattened and savings have been increased somewhat more, even if that should mean an increase in unemployment at some time during 1957. In addition to this critical question of timing there are also some doubts expressed here and there as to whether the classic remedy of credit control actually is effective in achieving stability. Thus Elliott Bell has contended that there "will ultimately prove to be great dangers in the attempt to stabilize our economy through the violent alternations of dear money and cheap money (which) we have seen in recent years."[2]

Perhaps the underlying academic question adds up to this (and this was the question recently debated by a group of leading economists meeting in New York): "In the longer run can we simultaneously finance full employment prosperity, technological revolution (with all the capital expansion required), and wage inflation?" Obviously that is a question that will not be answered in any one year, and yet the direction which our national thinking takes on these matters of credit control during 1957 may have a considerable effect on the business outlook for this year.

At one extreme, if an uncompromising and possibly somewhat doctrinaire policy of rigid control is maintained with perhaps one or more additional advances in the rediscount rate, it is not difficult to visualize a turndown in some sectors, particularly in business spending for plant and equipment.

On the other hand, if the reins of credit control are loosened enough to satisfy people such as Representative Patman and Walter Reuther, then a strong surge of business activity might well be accompanied by a substantial rise in prices and an intensification of some of the strains that already exist in the economy.

My own guess is that over the year a course somewhere between the two extremes will be followed, probably leaning closer to the Federal Reserve point of view than to the Patman point of view. In other words, the cost of credit probably will not decrease nor on the other hand will it increase greatly, and as the year draws on the availability of funds is likely to become somewhat greater.

This last statement is more in the nature of an assumption than of a forecast, but it is an assumption that is necessary as a basis for any estimates of business trends and magnitudes in 1957. One other assumption also, of course, is necessary, namely, that increasingly precarious one that deterioration in the international situation will not be accelerated in 1957.

III

Spending Outlook

Against this general background we can turn to an appraisal of the outlook for the important flows of spending in 1957, including principally (1) government spending, embracing defense and other Federal outlays and also state and local outlays; (2) business spending for plant and equipment; (3) business spending for inventory; (4) spending for construction, both private and public; and (5) consumer spending, which is of course by all odds the most important. In my opinion the present outlook for these several areas of spending may be assessed as follows:

(1) **Government Spending.** Government spending will be up in 1957. Outlays for national security will be greater by approximately $2 billion, and increased foreign aid also is on the cards. State and local expenditures, already running substantially higher than in 1955, will continue to increase, especially as the Federally aided road-building program gets under way. Part of these higher prospective government expenditures, of course, will represent higher price tags on the goods and services which the government buys. Total government spending on the whole will probably rise by about 7%.

(2) **Capital Goods.** Business spending for plant and equipment at the end of 1956 was running at an annual rate of well over $37 billion, more than $5 billion higher than a year earlier. For the year 1956 as a whole the total is something over $35 billion. Projection of business plans for plant and equipment spending indicates a small increase to an annual rate of $38 billion in the first quarter of 1957, which would be some 16% above the first quarter of 1956. For the year 1957 as a whole, the projected increase, according to the well-known McGraw-Hill survey, is approximately 11%, indicating a total of $40 billion. Part of this figure, of course, represents higher price tags, and part of it is work originally planned for 1956 but carried over into 1957. This forecast rate of increase of 11%, it is to be noted, compares with an increase of 22%, or twice as much, in 1956 as opposed to 1955.

Thus, in any event, some slowdown is indicated; and if a rigorous policy of credit control is persisted in, the disparity between the two years may be considerably greater than the projection indicates. Therefore capital goods spending in 1957 at the best will

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[2] *Christian Science Monitor*, Dec. 10, 1956.

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represent a considerable leveling off from 1956; and the final total for the year, if the element of price increase is disregarded, might turn out to be not far above the 1956 figure.

(3) **Inventory.** Business inventories have been showing an advance in 1956, particularly manufacturing and wholesale inventories, but the rate of increase recently has not been large. Retail inventories also have increased, other than automobile inventories in the hands of dealers, which are much lower today than they were a year ago. The over-all stock-sales ratio during recent months has been running somewhat higher than was the cast last year. The probability is that inventories will continue to advance during at least a considerable part of 1957, but the relationship to sales and to inventories at the corresponding points in 1956 probably will not change greatly. If prices were to rise considerably, inventory accumulation might become a problem.

On the other hand, if sales should weaken more than now seems likely, many businesses would draw down their existing inventories while production slacked off. Thus the business inventory factor probably should be considered as more or less neutral in our balance of plus and minus factors for 1957.

(4) **Building.** The building sector of the economy seems slated for a moderately lower level in 1957. In private construction the new nonfarm housing starts in November were at the annual rate of 1,060,000, and the total for the first 11 months was 1,055,000 as compared with 1,253,000 in the like period of 1955, a drop of 16%. Because of higher costs the value figures, of course, do not show so great a disparity. The outlook for residential building in 1957 is for stabilization at not much over one million new homes. Nonresidential construction rose fairly sharply in 1956 with the result that the dollar value of total construction in 1956 was jusut slightly higher than in 1955. Although industrial construction may increase in 1957, there is considerable likelihood that commercial construction will fall off. On the whole, the construction industry probably can be listed as rather moderately on the minus side of the 1957 balance sheet.

Analyzes Consumer Spending

(5) **Consumer Spending.** Personal consumption is the major flow of spending, typically running about 64% or 65% of the Gross National Product, which means some $265 billion for the past year and an annual rate for the fourth quarter of something over $270 billion. What will consumer spending do in 1957?

(a) Personal income, going along at an annual rate of $332 billion for the fourth quarter, or $17 billion higher than a year earlier, probably can be expected to advance about 5% in 1957 as compared with 1956. This estimate is based on continuing high employment, further wage advances, and somewhat improved farm income. The month-to-month comparison is likely to narrow somewhat as the year progresses.

(b) Since there is no prospect of tax reductions, disposable income will no more than keep pace with changes in personal income. The total, however, on the assumption of a Gross National Product in 1957 of approximately $427 billion, may be only a little under $300 billion.

(c) Then comes the intriguing question, what will consumers do with their income? How much of it will they save? The savings rate has risen considerably during the year 1956, now standing at about 7½% of disposable income, or $22 billion annually in terms of data for the fourth quarter of 1956. This increased rate of saving, of course, means that consumer spending recently has risen somewhat less rapidly than disposable income. It seems doubtful, however, whether the savings rate will go above 8% and whether the total annual amount of savings in 1957 will exceed $23 billion.

(d) Next comes the matter of consumer credit. During recent months of 1956 the growth of consumer debt has not been nearly at so rapid a pace as during the corresponding period of 1955. Thus consumer credit in October increased only $120 million as compared with a figure of $400 million in October, 1955. In other words, repayments and extensions of new credit are coming more nearly into balance. Hence it appears that for the early part of 1957 consumer expenditures are not likely to be bolstered by substantial increases in consumer debt. As the year goes on, however, it is conceivable that this situation might change and that the rate of consumer borrowing might again increase.

(e) The number of automobiles sold in 1957 will of course have a marked bearing on the total volume of consumer spending. The industry currently is predicting 6½ million passenger cars. Because of credit stringency, resulting in larger down payments and shorter periods of credit extension, and also because of the number of owners who have not yet finished paying for the 1955 cars which they bought on long credit terms, I am disposed to mark the industry's estimate down to a figure somewhat closer to 6 million cars.

Total consumer spending on the whole, therefore, is likely to show no more than a moderate increase over 1956, probably not to exceed 4%.

Fiscal Policies, World Trade, and Prices

In addition to these major flows of spending there are three other sets of factors which have a potential bearing on the 1957 outlook. These are Federal fiscal policies, the dislocation of world trade involved in the Suez Canal situation, and the probable trend of price movements in 1957.

(1) **Federal Fiscal Policies.** It seems quite clear that no reduction in either business or personal taxes is to be expected for 1957, barring a sharp decline in business which would furnish a sound economic reason for tax reduction. With respect to the Federal budget a small cash balance is indicated for the current government fiscal year. For the following fiscal year such a balance is perhaps less certain because of increased government expenditures and a possible small decline in revenues if business profits should continue to be squeezed.

(2) **The Suez Canal Situation.** Though foreign trade is not a big factor in the total picture of the U. S. economy, we should nevertheless recognize that substantial dislocations may be caused by the Suez Canal stoppage. Exports of oil to Europe unquestionably will rise, and our shipbuilding industry already is booming. On the other hand, European countries may not have the dollars to spend on American goods other than petroleum products. The whole situation is so complicated that it is difficult to assess.

(3) **Prices.** Wholesale prices of manufactured goods have been rising more rapidly in 1956 than for several previous years. As of mid-December the general wholesale price index stood at 116.2 vs. an average of 111.3 for December, 1955, an increase of 4.4%. Although there is much concern in some quarters in regard to the possibility of inflationary developments, and currently impending rises in steel, petroleum products, and freight rates will surely work toward a higher price level, I do not expect to see quite so rapid an advance in wholesale prices in 1957 as in 1956. On the other hand, it is most unlikely that the general price level will decrease. The retail price index recently stood at a new high of 117.8 on the basis of 1947-1949 as 100. This is an increase of nearly 2½% since a year ago. Though some further increase in retail prices is probable as many higher wage, material, and transportation costs are passed along, I do not expect the 1957 advance in the cost of living to be quite so great as the 1956 increase. This expectation is based on the assumption that the tight-money policy of the Federal Reserve System has already achieved a measurable degree of stability in the price structure.

To summarize the general business outlook for 1957 briefly at this point it appears that the line-up of the major flows of spending will be approximately as follows: government spending will be on the plus side; business spending for plant and equipment will be up moderately, with a substantially lower rate of increase than was shown in 1956; business spending for inventories will manifest little change (barring any sharp advance in prices); building will be a slightly less vigorous sector of the economy than in 1956; and, finally, consumer spending will score no more than a modest increase in 1957, possibly lagging behind the rise in disposable income during the first part of the year. The Federal fiscal situation does not appear likely to upset this outlook to any appreciable extent. The Suez Canal stoppage, though containing the seeds of many possible economic complications, cannot yet be translated into any clearly measurable impact on the total U. S. economy for 1957; and anticipated price trends, continuing upward at a less accelerated pace than in 1956, will probably account for something between a third and a half of the advance in over-all economic magnitudes for 1957. Roughly consistent with all these estimates would be a Gross National Product rising from $412 billion to about $427 billion, disposable income moving up to about $298 billion, and consumer expenditures running somewhere around $275 billion.

IV

Against this general economic background we turn finally to the prospects for the department store business during the spring season of 1957.

Department Store Prospects

(1) **Sales.** For the calendar year as a whole, department store sales, according to Federal Reserve figures, maintained their 4% increase. Since this performance took place in a year when automobile sales dropped over 20% going below the 6 million mark, it is going to be hard to argue that department stores will do any better in 1957, when the prospects for automobile sales are somewhat more optimistic than in 1956. Certainly the notion which some of us may rather hopefully have entertained in the past that any shrinkage in durable goods sales would automatically be translated into a correspondingly higher volume of department store business seems to nave been pretty well exploded.

In the light of this general situation it does not seem likely that department store sales for the Spring of 1957 will show quite so good a rate of increase as retail sales generally. I am inclined to guess conservatively at a figure of about 3% on the plus side, which means that the dollar increase will be in large part a price increase and that the number of transactions quite possibly will run lower than during the corresponding months of 1956.

(2) **Gross Margin.** Competition will continue to hold a close ceiling on initial markon, but the fairly conservative inventories with which most stores have emerged from the Christmas season may permit some decrease in markdowns, a tendency which may be reinforced by the rising price level. On the whole, a slight betterment in the gross margin percentage appears possible for the Spring season of 1957.

(3) **Total Expense.** The same tendencies that have been pushing up the expense rate for some time past are still operating. Wage rates are continuing to rise, and productivity still lags. With no more than a 3% rate of sales increase I find it difficult to believe that the total expense ratio can be prevented from advancing somewhat during this spring season.

(4) **Net Earnings.** With any gross margin improvement offset by the rising expense rate, the net profit percentages of many department stores will probably exhibit little change during this 1957 spring season. Since net sales are likely to show some advance, it follows that total dollar earnings could be a little higher than in the 1956 spring season.

V

Thus my answer to the question which I propounded at the beginning of these remarks is that business will not turn down in 1957 but that it will flatten out its rate of growth considerably. Increases in dollar magnitudes, as compared with 1956, presumably will be registered, but the physical component of these increases is likely to be small. I want to make it clear that I do not regard this as a pessimistic forecast, because I believe that this kind of performance on the part of American business in 1957 will represent a period of necessary stabilization, a needed breathing spell, to insure a vigorous forward advance a little later. If in this total picture the department store industry seems to occupy a moderately less favorable position, that is a consequence that must be ascribed to certain factors peculiar to that industry rather than to the general trend of the American economy.

Cinn. Municipal Men Annual Spring Party

CINCINNATI, Ohio—The Cincinnati Municipal Bond Dealers Group will hold their annual spring party, June 13 and 14 at the Sheraton Gibson Hotel on the 13th and Maketewah Country Club on the 14th.

Ronald Beaton Forms Own Investment Office

ST. PETERSBURG, Fla.—Ronald A. Beaton has opened offices at 2744 Central Avenue to engage in a securities business under the firm name of Ronald A. Beaton Investment Securities. Mr. Beaton was formerly an officer of Distributors Group, Incorporated.

Sholley Heads Comm. Of National Inv. Cos.

Sidney L. Sholley has been elected Chairman of the Public Information Committee of the National Association of Investment Companies for 1957, to succeed Joseph E. Welch, retiring Chairman, it has been announced.

S. L. Sholley

Mr. Sholley, a co-founder of the Keystone Plan in 1931, has been President of Keystone Custodian Funds, Inc., Boston, since 1934. Born in Minneapolis, he graduated from the University of Minnesota. He was a partner of Cambridge Associates from 1925 to 1930. Mr. Sholley lives in West Newton, Mass.

Two new members were also elected to three-year terms on the committee, which sponsors the Association's public information program. They were Hugh W. Long, President of Hugh W. Long and Company, Incorporated, Elizabeth, N. J.; Charles M. Werly, Trustee of The George Putnam Fund of Boston.

Also members of the seven-man Public Information Committee are: Messrs. Harold K. Bradford, President, Investors Mutual, Inc.; Dorsey Richardson, Vice-President, Lehman Corp.; Henry J. Simonson, Jr., President, National Securities and Research Corp.; and Joseph E. Welch, Executive Vice-President, Wellington Fund, Inc.

Beeson Elected NASD District Chairman

James T. Beeson, Clement A. Evans & Co., Inc., Augusta, Ga., was elected Chairman of District Committee No. 9 (Georgia, Alabama, Florida, Louisiana, Mississippi, So. Carolina and Tennessee) of the National Associates of Securities Dealers.

James T. Beeson

Mr. Beeson succeeds Einer Nielsen, J. C. Bradford & Co., Nashville, Tenn. Hugh D. Carter, Jr., Courts & Co., Atlanta, was elected Vice-Chairman, succeeding Mr. Beeson.

Foster Elected NASD District Chairman

BOSTON, Mass. — Frederick H. Foster, Lee Higginson Corp., Boston, was elected Chairman of District Committee No. 14 (Massachusetts, Maine, New Hampshire, Rhode Island and Vermont) of the National Association of Securities Dealers.

Mr. Foster succeeds Edward S. Amazeen, Coffin & Burr, Inc., Boston.

Harry Williams Partner In F. I. duPont & Co.

Harry G. Williams has been made a general partner in the nation-wide brokerage firm of Francis I. duPont & Co., effective Feb. 1, it has been announced. Mr. Williams, who has been Manager of various New York offices of the duPont firm, will be in charge of the five duPont offices in Southern California.

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)	Feb. 10	§96.6	*97.6	98.4	99.1
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 10	§2,472,000	*2,498,000	2,519,000	2,439,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 25	7,395,500	7,431,000	7,392,350	6,994,300
Crude runs to stills—daily average (bbls.)	Jan. 25	§8,189,000	8,120,000	8,395,000	8,057,000
Gasoline output (bbls.)	Jan. 25	26,850,000	27,107,000	28,176,000	26,452,000
Kerosene output (bbls.)	Jan. 25	2,487,000	2,472,000	2,746,000	2,707,000
Distillate fuel oil output (bbls.)	Jan. 25	14,333,000	14,841,000	14,585,000	13,310,000
Residual fuel oil output (bbls.)	Jan. 25	8,702,000	8,923,000	9,604,000	8,836,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 25	193,248,000	191,373,000	185,796,000	178,947,000
Kerosene (bbls.) at	Jan. 25	25,619,000	27,542,000	31,799,000	21,592,000
Distillate fuel oil (bbls.) at	Jan. 25	106,668,000	114,424,000	134,809,000	89,161,000
Residual fuel oil (bbls.) at	Jan. 25	39,531,000	41,009,000	42,649,000	38,351,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 26	665,745	657,269	487,546	691,850
Revenue freight received from connections (no. of cars)	Jan. 26	632,757	606,515	523,846	667,894
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 31	$406,802,000	$222,142,000	$323,736,000	$532,973,000
Private construction	Jan. 31	223,012,000	81,297,000	144,768,000	401,599,000
Public construction	Jan. 31	183,790,000	140,845,000	178,968,000	131,374,000
State and municipal	Jan. 31	154,370,000	120,434,000	138,390,000	105,048,000
Federal	Jan. 31	29,420,000	20,411,000	40,578,000	26,326,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 26	10,210,000	*9,025,000	5,100,000	10,420,000
Pennsylvania anthracite (tons)	Jan. 26	531,000	489,000	351,000	630,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 26	96	100	112	94
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 2	12,322,000	12,410,000	11,871,000	11,540,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 31	320	258	222	273
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 29	5.622c	5.622c	5.622c	5.174c
Pig iron (per gross ton)	Jan. 29	$62.90	$62.90	$62.90	$59.09
Scrap steel (per gross ton)	Jan. 29	$55.50	$57.83	$63.50	$50.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 30	35.500c	35.400c	35.675c	43.475c
Export refinery at	Jan. 30	33.200c	32.900c	33.375c	45.150c
Lead (New York) at	Jan. 30	16.000c	16.000c	16.000c	16.000c
Lead (St. Louis) at	Jan. 30	15.800c	15.800c	15.800c	15.800c
‡Zinc (delivered) at	Jan. 30	14.000c	14.000c	14.000c	14.000c
Zinc (East St. Louis) at	Jan. 30	13.500c	13.500c	13.500c	13.500c
Aluminum (primary pig, 99%) at	Jan. 30	25.000c	25.000c	25.000c	22.500c
Straits tin (New York) at	Jan. 30	102.750c	102.500c	100.625c	101.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 5	91.98	91.52	87.59	96.64
Average corporate	Feb. 5	95.92	95.92	95.16	107.98
Aaa	Feb. 5	100.82	100.49	98.88	111.62
Aa	Feb. 5	98.25	98.25	97.31	109.97
A	Feb. 5	96.23	96.23	95.62	107.98
Baa	Feb. 5	88.95	89.09	89.23	102.63
Railroad Group	Feb. 5	94.86	94.71	93.97	106.21
Public Utilities Group	Feb. 5	96.38	96.54	96.54	108.34
Industrials Group	Feb. 5	96.54	96.38	95.16	109.42
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 5	3.15	3.20	3.54	2.80
Average corporate	Feb. 5	4.01	4.01	4.06	3.28
Aaa	Feb. 5	3.70	3.72	3.82	3.08
Aa	Feb. 5	3.86	3.86	3.91	3.17
A	Feb. 5	3.99	3.99	4.03	3.28
Baa	Feb. 5	4.49	4.48	4.47	3.59
Railroad Group	Feb. 5	4.08	4.09	4.14	3.38
Public Utilities Group	Feb. 5	3.98	3.97	3.97	3.26
Industrials Group	Feb. 5	3.97	3.98	4.06	3.20
MOODY'S COMMODITY INDEX	Feb. 5	424.2	429.9	440.1	407.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 26	234,936	237,125	**303,228	258,781
Production (tons)	Jan. 26	282,631	278,737	**222,250	290,802
Percentage of activity	Jan. 26	96	95	**52	102
Unfilled orders (tons) at end of period	Jan. 26	380,684	430,271	**419,403	539,431
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 1	111.13	111.14	110.61	107.09
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	Jan. 12	1,564,230	1,306,817	1,250,967	1,417,254
Dollar value	Jan. 12	$77,553,576	$67,436,972	$64,101,832	$72,738,699
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 12	1,078,221	945,750	1,060,894	1,091,669
Customers' short sales	Jan. 12	8,315	5,723	5,434	5,401
Customers' other sales	Jan. 12	1,069,906	940,027	1,055,460	1,086,268
Dollar value	Jan. 12	$52,253,290	$46,447,579	$51,258,402	$54,883,089
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 12	214,180	222,030	270,350	264,090
Short sales	Jan. 12				
Other sales	Jan. 12	214,180	222,030	270,350	264,090
Round-lot purchases by dealers—					
Number of shares	Jan. 12	699,070	521,260	474,340	586,540
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	Jan. 12	613,210	411,210	544,540	467,390
Other sales	Jan. 12	11,829,160	10,584,780	12,042,060	12,333,000
Total sales	Jan. 12	12,442,370	10,995,990	12,586,600	12,800,390
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 12	1,595,140	1,273,040	1,724,210	1,579,880
Short sales	Jan. 12	285,740	196,310	328,230	224,210
Other sales	Jan. 12	1,481,530	1,319,980	1,261,210	1,480,150
Total sales	Jan. 12	1,767,270	1,516,290	1,589,440	1,704,360
Other transactions initiated on the floor—					
Total purchases	Jan. 12	349,050	233,500	381,420	322,470
Short sales	Jan. 12	22,700	26,400	28,740	20,730
Other sales	Jan. 12	343,700	306,490	313,860	340,550
Total sales	Jan. 12	366,400	332,890	342,600	361,280
Other transactions initiated off the floor—					
Total purchases	Jan. 12	528,371	494,825	573,745	530,391
Short sales	Jan. 12	139,950	104,780	88,030	95,940
Other sales	Jan. 12	558,625	596,404	474,140	603,224
Total sales	Jan. 12	698,575	701,184	562,170	699,164
Total round-lot transactions for account of members—					
Total purchases	Jan. 12	2,472,561	2,061,365	2,679,375	2,432,741
Short sales	Jan. 12	448,390	327,990	445,000	340,880
Other sales	Jan. 12	2,383,855	2,222,874	2,049,210	2,423,924
Total sales	Jan. 12	2,832,245	2,550,864	2,494,400	2,764,804
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 29	116.9	117.0	116.3	112.0
Farm products	Jan. 29	89.4	89.2	88.5	86.7
Processed foods	Jan. 29	104.3	104.5	103.7	95.5
Meats	Jan. 29	82.9	84.0	80.7	75.7
All commodities other than farm and foods	Jan. 29	125.2	125.2	124.6	119.8

*Revised figure. ‖Includes 740,000 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 128,363,090 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.

	Latest Month	Previous Month	Year Ago
AMERICAN ZINC INSTITUTE, INC.—Month of December:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	98,234	91,803	92,578
Shipments (tons of 2,000 pounds)	99,787	110,433	89,657
Stocks at end of period (tons)	68,632	70,185	40,979
Unfilled orders at end of period (tons)	34,913	45,866	72,908
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of December (in thousands)	$201,875,000	$185,207,000	$200,523,000
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of November (millions of dollars):			
Manufacturing	$51,300	*$50,800	$45,700
Wholesale	13,200	13,100	12,300
Retail	23,500	23,300	23,600
Total	$87,900	*$87,200	$81,600
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE — Month of December (000's omitted)	$2,217,400	$314,400	$2,418,700
COAL EXPORTS (BUREAU OF MINES)—Month of November:			
U. S. exports of Pennsylvania anthracite (net tons)	487,621	658,584	330,554
To North and Central America (net tons)	201,675	281,369	250,057
To Europe (net tons)	283,182	373,193	80,197
To Asia (net tons)	2,764	3,485	------
To South America (net tons)	------	537	------
Undesignated	------	------	300
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of November:			
Contracts closed (tonnage)—estimated	338,892	290,961	345,308
Shipments (tonnage)—estimated	276,045	287,639	258,883
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of November:			
Gas-fired furnace shipments (units)	55,100	78,900	77,400
Gas conversion burner shipments (units)	11,900	26,200	20,100
Gas-fired boiler shipments (units)	7,800	13,200	8,000
Domestic gas range shipments (units)	141,700	195,900	184,400
Gas water heater shipments (units)	194,700	242,500	195,500
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of November:			
Death benefits	$197,500,000	$223,200,000	$189,500,000
Matured endowments	56,300,000	57,700,000	53,600,000
Disability payments	9,100,000	9,900,000	9,200,000
Annuity payments	44,100,000	45,500,000	39,500,000
Surrender values	86,000,000	95,800,000	71,700,000
Policy dividends	80,100,000	84,500,000	72,500,000
Total	$473,100,000	$516,600,000	$436,000,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of Nov. (000,000's omitted):			
Ordinary	$3,367	$3,280	$2,705
Industrial	512	549	525
Group	863	963	1,340
Total	$4,742	$4,792	$4,570
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of November (millions of dollars):			
Inventories—			
Durables	$29,857	*$29,408	$26,050
Nondurables	21,435	*21,407	19,619
Total	$51,292	*$50,815	$45,669
Sales	28,808	*28,294	27,343
MONEY IN CIRCULATION—TREASURY DEPT. As of Nov. 30 (000's omitted)	$31,424,000	$30,839,000	$30,993,000
NEW YORK STOCK EXCHANGE—As of Dec. 30 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,855,777	$2,816,837	$2,825,006
Credit extended to customers	32,882	*32,484	33,755
Cash on hand and in banks in U. S.	335,831	317,346	341,506
Total of customers' free credit balances	880,104	821,688	894,009
Market value of listed shares	219,175,881	211,411,894	207,699,177
Member value of listed bonds	99,022,076	99,382,421	104,749,886
Member borrowings on U. S. Govt. issues	150,586	60,064	94,460
Member borrowings on other collateral	2,323,852	2,211,198	2,474,628
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of November (in billions):			
Total personal income	$333.6	*$332.5	$314.5
Wage and salary receipts, total	230.7	*229.7	217.2
Commodity producing industries	101.2	*100.6	94.2
Distributing industries	60.4	*60.2	57.3
Service industries	31.1	*30.9	29.3
Government	38.0	*38.0	36.4
Less employees' contribution for special insurance	6.0	6.0	5.3
Other labor income	7.4	7.4	7.2
Proprietors and rental income	52.0	*52.3	49.6
Personal interest income and dividends	30.4	30.2	28.1
Total transfer payments	19.1	18.9	17.7
Total nonagricultural income	317.7	*316.3	299.4
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of November:			
Total operating revenues	$887,604,728	$963,199,291	$874,083,272
Total operating expenses	687,121,522	699,353,236	656,321,211
Operating ratio	77.41	72.61	75.09
Taxes	$92,693,734	$122,545,209	$94,848,739
Net railway operating income before charges	87,759,592	121,713,784	103,152,048
Net income after charges (estimated)	68,000,000	103,000,000	81,000,000
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Nov. (000's omitted):			
Savings and loan associations	$716,793	$847,957	$765,340
Insurance companies	136,451	154,263	152,272
Bank and trust companies	408,478	474,741	499,277
Mutual savings banks	152,220	182,855	170,277
Individuals	292,704	326,899	285,235
Miscellaneous lending institutions	401,079	438,671	443,405
Total	$2,107,725	$2,425,386	$2,316,124
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS—Month of November (000's omitted):			
Exports	$1,515,400	*$1,656,100	$1,321,600
Imports	986,000	1,120,000	1,064,600

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Aid Investment & Discount, Inc. (2/11-15)
Jan. 24 filed $1,250,000 of 6% capital notes due Feb. 1, 1972 (convertible until Feb. 1, 1964). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for expansion program. **Office** — Akron, Ohio. **Underwriter**—Merrill, Turben & Co., Inc., Cleveland, O.

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 Natural Gas Co. (2/27)**
Jan. 14 filed 442,114 shares of common stock (par $25) to be offered for subscription by common stockholders of record February 27, 1957, on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire about March 14. **Price** — To be supplied by amendment. **Proceeds** — To purchase common stock of Michigan Consolidated Gas Co., a subsidiary, providing the latter with funds to repay or reduce $25,000,000 of bank loans. **Underwriter**—None.

Anaconda Co., New York (2/18)
Jan. 25 filed 1,734,865 shares of capital stock (par $50) to be offered for subscription by stockholders of record Feb. 14, 1957 at the rate of one additional share for each five shares held; rights to expire on March 5. **Price**—To be supplied by amendment. **Proceeds**—For improvement and expansion program. **Underwriter**—Hallgarten & Co., New York.

● **Arnold Altex Aluminum Co. (2/18-21)**
Jan. 24 filed 177,760 shares of 35-cent cumulative convertible preferred stock (par $4) and 177,760 shares of common stock (par $1) to be offered in units of one share of each class of stock. Of the common stock, 50,000 shares are to be sold for account of certain selling stockholders. **Price**—$9 per unit ($5 for preferred and $4 for common). **Proceeds**—To repay bank loans and for expansion and working capital. **Office** — Miami, Fla. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Virginia.

● **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. This offer will expire on Feb. 21. **Underwriter**—None. Statement effective Jan. 30.

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.

★ **Azzardo, Inc., Washington, D. C.**
Jan. 22 (letter of notification) 3,100 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—815-18th St., N. W., Washington, D. C. **Underwriter**—None.

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.

● **Barden Corp., Danbury, Conn. (2/18)**
Jan. 25 filed 146,160 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To four trusts. **Business** — Manufactures precision ballbearings. **Underwriter**—Shearson, Hammill & Co., New York.

● **Barnwell Offshore, Inc. (2/19-20)**
Jan. 29 filed $2,000,000 of 6% subordinated sinking fund debentures due Feb. 15, 1967, and 600,000 shares of common stock (par 50 cents) to be offered in units of $100 of debentures and 30 shares of stock. **Price** — $128 per unit ($98 for the debenture and $1 per share for the stock). **Proceeds**—For expenses incident to off-shores drilling of oil and gas wells. **Office**—Shreveport, La. **Underwriter**—Bear, Stearns & Co., New York.

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.

★ **Bonista Co., New Orleans, La.**
Feb. 2 (letter of notification) $212,500 of 8% 10-year subordinate second mortgage debentures and 850 shares of common stock (par $100) to be offered in units of one $250 debenture and one share of stock. **Price**—$350 per unit. **Proceeds**—For capital expenditures and working capital. **Office** — 1609 Orleans Ave., New Orleans, La. **Underwriter**—None.

★ **Brite-Lite Corp. of America**
Jan. 28 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price** — $1 per share. **Proceeds**—For capital expenditures and working capital. **Office**—Title & Trust Bldg., Phoenix, Ariz. **Underwriter**—None.

● **Brunswick-Balke-Collender Co.**
Jan. 11 filed $5,888,800 of 5% convertible subordinated debentures due Feb. 1, 1972, being offered for subscription by common stockholders of record Jan. 31, 1957 at the rate of one $100 debenture for each nine shares of stock held; rights to expire on Feb. 14, 1957. **Price**—100% of principal amount. **Proceeds**—For expansion program. **Underwriters**—Lehman Brothers and Goldman, Sachs & Co., both of New York.

Burma Shore Mines, Ltd., Toronto, Canada
July 26 filed 600,000 shares of capital stock, of which 500,000 shares are to be offered publicly, and 100,000 shares to promoters. **Price**—At par ($1 per share). **Proceeds** — For equipment, exploration, drilling, working capital and other general corporate purposes. **Underwriter**—To be named later.

★ **Cargo Cool Corp.**
Jan. 31 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To open and acquire additional truck terminal branches; for increased inventories; and for working capital. **Business** — Transport refrigeration equipment. **Office**—947 Communipaw Ave., Jersey City, N. J. **Underwriter**—Fred Kaufman Co., Orange, N. J.

Centers Corp., Philadelphia, Pa.
July 30 filed $8,000,000 of 5½% sinking fund debentures due Aug. 1, 1971, and 1,600,000 shares of common stock (par one cent); subsequently amended to $4,500,000 of debentures. **Price** — To be supplied by amendment. **Proceeds** — About $4,100,000 will be used to acquire seven shopping center sites and a Penn Fruit supermarket adjacent to one of them; the balance will be used to develop shopping centers at the seven sites and to acquire and develop additional sites for related real estate activities, and for general corporate purposes. **Underwriter** — Blair & Co. Incorporated, Philadelphia and New York. Latter has agreed to purchase an additional 300,000 common shares and reoffer them to persons selected by it at $1.10 per share. **Offering**—Date indefinite.

● **Central Electric & Gas Co. (2/20)**
Jan. 25 filed $1,750,000 of convertible subordinated debentures due Nov. 1, 1971. **Price**—At 100% of principal amount. **Proceeds**—To repay bank loans, purchase securities of subsidiaries and for other corporate purposes. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

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.

★ **Chain Belt Co., Milwaukee, Wis.**
Feb. 4 filed 27,862 shares of capital stock (par $10) to be offered for subscription under the company's 1956 Restricted Stock Option Plan for Employees.

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.

● **Colorado Fuel & Iron Corp.**
Jan. 15 filed $19,903,300 of 4⅞% convertible debentures series A, due Jan. 31, 1977 being offered for subscription by common stockholders of record Feb. 5, 1957 on the basis of $100 of debentures for each 17 shares of stock held; rights to expire on Feb. 20. **Price**—100% of principal amount. **Proceeds**—To repay bank loans. **Underwriter**—Allen & Co., New York.

★ **Columbus & Southern Ohio Electric Co. (3/5)**
Feb. 5 filed $16,000,000 of first mortgage bonds due 1987. **Proceeds**—To reduce bank loans and for construction program. **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 Investment Corp., Sioux Falls, Ia.
Jan. 14 filed 499,400 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For working capital to expand company's business and operations. **Underwriter**—None.

● **Connecticut Light & Power Co. (2/11)**
Jan. 24 filed 927,598 shares of common stock (no par) to be offered for subscription by common stockholders of record Feb. 11, 1957 on the basis of one new share for each seven shares held; rights to expire on March 6. **Price**—Expected to be $16.50 per share. **Proceeds**—For construction program. **Underwriter**—None.

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. Statement effective Jan. 23.

★ **Consolidated Edison Co. of New York, Inc. (2/27)**
Feb. 1 filed $55,087,300 of convertible debentures due Feb. 15, 1972, to be offered for subscription by common stockholders of record Feb. 25, 1957, on the basis of $100 of debentures for each 25 common shares held; rights to expire March 15, 1957. **Price**—To be supplied by amendment. **Proceeds** — To retire about $43,000,000 of bank loans and for construction program. **Underwriters**—Morgan Stanley & Co. and The First Boston Corp., both of New York.

Consumers Time Credit, Inc.
Jan. 17 (letter of notification) $250,000 of 6% renewable debentures (subordinated), payable upon demand) Feb. 1, 1962 or payable (without demand) Feb. 1, 1967. **Price**—At par. **Proceeds** — For loans, working capital, etc. **Underwriters** — Walnut Securities Corp., Philadelphia, Pa.; B. Ray Robbins Co., New York, N. Y.; and Berry & Co., Newark, N. J.

★ **Corporate Leaders of America, Inc., New York**
Feb. 4 filed (by amendment) additional certificates as follows: $50,000,000 Periodic Payment Certificates, series B, and 2,568,649.517 participations; and $2,000,000 Single Payment Certificates, series B and 103,762.057 participations.

● **Danly Machine Specialties, Inc., Cicero, Ill. (2/18-21)**
Jan. 30 filed 150,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds** — For expansion program. **Office**—Cicero, Ill. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

★ **Daystrom, Inc. (2/28)**
Feb. 5 filed $8,000,000 of convertible subordinate debentures due March 1, 1977. **Price** — To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriters** — Goldman, Sachs & Co. and R. W. Pressprich & Co., both of New York.

Dayton Power & Light Co. (2/8)
Jan. 16 filed 328,630 shares of common stock (par $7) to be offered for subscription by common stockholders of record Feb. 8 on the basis of one new share for each eight shares held (with an oversubscription privilege); rights to expire on Feb. 28. **Price** — To be supplied by amendment (to be set by directors on Feb. 8). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—None.

Delaware Income Fund, Inc., Camden, N. J.
Jan. 15 filed 600,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Distributor**—Delaware Distributors, Inc., 300 Broadway, Camden, N. J.

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.

Dixilyn Drilling Corp., Odessa, Tex. (2/20)
Jan. 28 filed 930,000 shares of class A convertible stock (par $4). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and other debt; and to purchase equipment. **Underwriters**—Hemphill, Noyes & Co., New York; and Dallas Union Securities Co., Dallas, Tex.

● El Paso Natural Gas Co.
Dec. 14 filed 5,235,952 shares of common B stock (par $3) being offered in exchange for common stocks of Pacific Northwest Pipeline Corp. on the basis of 14 shares of common B stock for each 8 shares of Pacific Northwest common stock. The offer, which has been accepted by holders of the required 2,435,000 shares of Pacific Northwest, will expire on March 1 (extended from Feb. 8). **Underwriter**—None. Statement effective Jan. 7.

★ Elyria Telephone Co., Elyria, Ohio (2/21)
Feb. 1 filed 15,000 shares of cumulative convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—Together with funds from the private sale of $1,250,000 first mortgage 4¾% bonds, series B, due 1987, to be used to repay bank loans and for construction program. **Underwriter** — Kidder, Peabody & Co., New York.

En Flo Corp.
Jan. 14 (letter of notification) 40,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For machinery, equipment, working capital, etc. **Address**—Airport Circle, Route 38, Pennsauken, N. J. **Underwriter**—Arthur & Co., Haddonfield, N. J.

Eternalite, Inc., New Orleans, La. (2/13)
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. Statement effective Jan. 8.

★ Fireside Neighbors, Inc.
Jan. 15 (letter of notification) 100 shares of class A non-assessable, non-voting preferred stock and 100 shares of class B non-assessable voting prefered stock. **Price**—At par ($100 per share). **Proceeds**—For purchase of land for life lease apartments. **Office**—1916 Lowell Avenue, Enunclaw, Wash. **Underwriter**—None.

Flakewood Corp., San Francisco, Calif.
Nov. 14 filed 100,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For construction of manufacturing plant and to provide working capital. **Underwriter**—None. Robert E. Evju is President.

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**—Expected soon.

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.

Fountain's Inc., Greenwood, Miss.
Jan. 21 (letter of notification) 5,000 shares of common stock (no par). **Price**—$25 per share. **Proceeds**—To pay past due bills and for working capital. **Underwriter**—Lewis & Co., Jackson, Miss.

Freiberg Mahogany Co.
Oct. 11 filed $2,000,000 of subordinated debentures due 1971 and 450,000 shares of common stock (par 10 cents), of which $1,500,000 of debentures and all of the stock are to be offered publicly in units of $500 of debentures and 150 shares of stock; the remaining $500,000 of debentures to be sold to Texas Industries, Inc., which owns about 75% of Freiberg's outstanding common stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units to retire short-term loans and for working capital, etc., and from sale of debentures to Texas Industries to retire a subordinated promissory note payable to the latter firm. **Office**—New Orleans, La. **Underwriters**—Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.; Rauscher, Pierce & Co., Inc., Dallas, Texas; and Russ & Co., Inc., San Antonio, Texas. **Offering**—Postponed.

Fruit Juices, Inc.
Dec. 3 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For working capital. **Office** — 1115 South Washington St., Marion, Ind. **Underwriter**—Sterling Securities Co., Los Angeles, Calif.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney Geenral of the United States. **Underwriter**—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc.; Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Eastman Dillon, Union Securities & Co. (jointly). No date has been set.

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.

Gob Shops of America, Inc.
Jan. 21 (letter of notification) 240,000 shares of common stock (par 30 cents) of which 86,610 shares are being sold pursuant to outstanding warrants. **Price**—$1.25 per share. **Proceeds** — For additional discount department store operation; to increase the number of stores; and

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NEW ISSUE CALENDAR

February 8 (Friday)

Dayton Power & Light Co.—Common
(Offering to stockholders—no underwriting) 328,630 shares

Phillips Petroleum Co.—Debentures
(Offering to stockholders—to be underwritten by The First Boston Corp.) $171,750,000

February 11 (Monday)

Aid Investment & Discount, Inc.—Notes
(Merrill, Turben & Co. Inc.) $1,250,000

Leslie Productions, Inc.—Common
(Alester G. Furman Co., Inc.) $60,000

Connecticut Light & Power Co.—Common
(Offering to stockholders—no underwriting) 927,598 shares

Macy (R. H.) & Co., Inc.—Debentures
(Offering to common stockholders—underwritten by Lehman Brothers and Goldman, Sachs & Co.) $12,281,100

Tower Acceptance Corp.—Class A Common
(S. D. Fuller & Co. $1,000,000

February 13 (Wednesday)

Eternalite, Inc.—Class A Common
(Vickers Brothers) $900,000

New England Electric System—Common
(Exchange offer—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co. to act as dealer-managers) 819,000 shares

Norfolk & Western Ry.—Equip. Trust Ctfs.
(Bids noon EST) $2,910,000

Potomac Electric Power Co.—Debentures
(Bids 11 a.m. EST) $30,000,000

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.) $112,500,000

February 14 (Thursday)

New York, Chicago & St. Louis RR.—Equip. Trust Ctfs.
(Bids noon EST) $6,420,000

February 15 (Friday)

Security Electronics Corp.—Common
(Foster-Mann, Inc.) $263,750

February 18 (Monday)

Anaconda Co.—Common
(Offering to stockholders—underwritten by Hallgarten & Co.) 1,734,865 shares

Arnold Altex Aluminum Co.—Preferred & Common
(Scott, Horner & Mason, Inc.) $1,399,840

Barden Corp.—Common
(Shearson, Hammill & Co.) 146,160 shares

Danly Machine Specialties, Inc.—Common
(A. G. Becker & Co. Inc.) 150,000 shares

New England Power Co.—Bonds
(Bids noon EST) $10,000,000

Sperti Products, Inc.—Debentures & Common
(Smart, Clowes & Oswald, Inc.) $745,300

February 19 (Tuesday)

Barnwell Offshore, Inc.—Debentures & Common
(Bear, Stearns & Co.) $2,600,000

Inter-County Telephone & Telegraph Co.—Common
(Central Republic Co. Inc.) 25,000 shares

Merchants Acceptance Corp.—Class A
(Offering to stockholders—to be underwritten by G. H. Walker & Co.) 44,318 shares

Southern California Edison Co.—Bonds
(Bids 8 a.m. PST) $37,500,000

February 20 (Wednesday)

Central Electric & Gas Co.—Debentures
(Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp) $1,750,000

Dixilyn Drilling Corp.—Class A
(Hemphill, Noyes & Co. and Dallas Union Securities Co.) 930,000 shares

Indianapolis Water Co.—Common
(Glore, Forgan & Co. and Raffensperger, Hughes & Co.) 250,000 shares

Morningstar, Nicol, Inc.—Common
(Lee Higginson Corp.) 100,000 shares

February 21 (Thursday)

Elyria Telephone Co.—Preferred
(Kidder, Peabody & Co.) $750,000

Hubshman Factors Corp.—Class A
(H. M. Byllesby & Co. Inc.) 200,000 shares

February 25 (Monday)

South Carolina Electric & Gas Co.—Common
(Offering to stockholders—to be underwritten by Kidder, Peabody & Co.) 336,085 shares

February 26 (Tuesday)

Illinois Bell Telephone Co.—Bonds
(Bids to be invited) $40,000,000

Southern Indiana Gas & Electric Co.—Bonds
(Bids 11 a.m. EST) $5,000,000

West Penn Electric Co.—Common
(Offering to stockholders—bids noon EST) 528,000 shares

February 27 (Wednesday)

American Natural Gas Co.—Common
(Offering to stockholders—no underwriting) 442,114 shares

Consolidated Edison Co. of New York, Inc.—Debs.
(Offering to stockholders—underwritten by Morgan Stanley & Co. and The First Boston Corp.) $55,087,300

Potomac Electric Power Co.—Preferred
(Dillon, Read & Co. Inc. and Johnston, Lemon & Co.) $15,000,000

United Gas Corp.—Bonds
(Bids noon EST) $35,000,000

February 28 (Thursday)

Daystrom, Inc.—Debentures
(Goldman, Sachs & Co. and R. W. Pressprich & Co. $8,000,000

March 1 (Friday)

Transition Metals & Chemicals, Inc.—Common
(M. S. Gerber, Inc.) $500,000

March 4 (Monday)

Consumers Power Co.—Common
(Offering to stockholders—bids to be invited) 549,324 shares

March 5 (Tuesday)

Columbus & Southern Ohio Electric Co.—Bonds
(Bids to be invited) $16,000,000

Lone Star Gas Co.—Preferred
(Offering to common stockholders—underwritten by The First Boston Corp.) $15,483,400

Stuart-Hall Co., Inc.—Common
(White & Co.) about 40,000 shares

March 6 (Wednesday)

Southern Counties Gas Co. of California—Bonds
(Bids to be invited) $15,000,000

March 7 (Thursday)

Southern Pacific Co.—Equip. Trust Ctfs.
(Bids to be invited)

March 11 (Monday)

General Public Utilities Corp.—Common
(Offering to stockholders—without underwriting) 646,850 shares

Minnesota Power & Light Co.—Bonds
(Bids to be invited) $12,000,000

March 12 (Tuesday)

Commonwealth Edison Co.—Bonds
(Bids to be invited) $50,000,000

March 13 (Wednesday)

Southern Co.—Common
(Offering to stockholders—bids 11 a.m. EST) 1,507,304 shares

March 15 (Friday)

Ford Gum & Machine Co., Inc.—Bonds
(No underwriting) $250,000

Savannah Electric & Power Co.—Preferred
(The First Boston Corp. and Stone & Webster Securities Corp.) $2,000,000

Savannah Electric & Power Co.—Common
(Offering to stockholders—to be underwritten by The First Boston Corp. and Stone & Webster Securities Corp.) 163,334 shares

March 19 (Tuesday)

Appalachian Electric Power Co.—Bonds
(Bids to be invited) $29,000,000

March 20 (Wednesday)

Eastern Utilities Associates—Common
(Offering to stockholders—Bids may be invited) 89,322 shares

Public Service Electric & Gas Co.—Debentures
(Bids 11 a.m. EST) $50,000,000

March 25 (Monday)

Houston Lighting & Power Co.—Common
(Offering to stockholders—no underwriting) about 612,300 shares

March 26 (Tuesday)

American Telephone & Telegraph Co.—Bonds
(Bids to be invited) $250,000,000

March 28 (Thursday)

New Orleans Public Service Inc.—Bonds
(Bids to be invited) $6,000,000

April 11 (Thursday)

Mississippi Power Co.—Bonds
(Bids 11 a.m. EST) $6,000,000

May 9 (Thursday)

Alabama Power Co.—Bonds
(Bids 11 a.m. EDT) $14,500,000

May 28 (Tuesday)

National Fuel Gas Co.—Debentures
(Bids 11:30 a.m. EST) $15,000,000

June 4 (Tuesday)

Virginia Electric & Power Co.—Common
(Bids to be invited) 500,000 shares

June 6 (Thursday)

Georgia Power Co.—Bonds
(Bids 11 a.m. EDT) $15,500,000

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for working capital. **Office**—41 Stukely St., Providence, R. I. **Underwriter**—Bruns, Nordeman & Co., New York, N. Y.

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

Hamilton Paper Co., Miquon, Pa.
Jan. 2 filed 108,160 shares of common stock (par $5) being offered for subscription by common stockholders of record Jan. 25, at the rate of one new share for each two shares held; rights to expire Feb. 8. **Price**—$29 per share. **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.

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.

Holly Corp., New York
Jan. 25 filed 406,638 shares of 50-cent convertible preferred stock, series A (par $5) and 2,476,116 shares of common stock (par 60 cents), of which all of the preferred and 763,011.3 shares of common stock are to be offered in exchange for Mount Vernon Co. preferred and common stock on the basis of one Holly series A share for each of the 406,638 shares of Mount Vernon preferred stock and 2½ shares of Holly common stock for each of the 305,204.52 shares of Mount Vernon common stock. Of the remainder, 210,000 Holly common shares are to be offered to certain holders of 35,000 shares of Van Dorn Iron Works Co. common stock on a six-for-one basis; 38,333 Holly common shares will be offered to certain finders, 60,000 shares to certain vendors of property; 1,016,595 shares will be reserved against conversion of preferred stock; and the remaining 388,176 are to be reserved for possible issuance at a future date in exchange for 64,696 shares of Van Dorn Iron Works common stock. **Underwriter**—None.

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.

★ **Hubshman Factors Corp., New York (2/21)**
Feb. 1 filed 200,000 shares of class A stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To Henry M. Hubshman, President, who is the selling stockholder. **Underwriter**—H. M. Byllesby & Co., Inc., New York and Chicago.

★ **Illinois Bell Telephone Co. (2/26)**
Feb. 6 filed $40,000,000 of 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 Water Co., Indianapolis, Ind. (2/20)**
Jan. 31 filed 250,000 shares of common stock (par $10). **Price** — To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—Glore, Forgan & Co., New York; and Raffensperger, Hughes & Co., Indianapolis, Ind.

★ **Inter-County Telephone & Telegraph Co. (2/19)**
Jan. 31 filed 25,000 shares of common stock (par $12.50). **Price**—To be supplied by amendment. **Proceeds** — For reduction of accounts payable and for payment of a portion of the company's 1956 taxes due in 1957. **Office**—Fort Myers, Fla. **Underwriter**—Central Republic Co. Inc., Chicago, Ill.

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 135,000 shares by Financial General Corp. on a basis of 1¾ 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.

★ **Intex Oil Co.**
Jan. 23 (letter of notification) 23,500 shares of common stock (par 33⅓ cents). **Price**—At market (estimated at selling security holders. **Office** — 531 California Ave., Bakersfield, Calif. **Underwriter**—None.

Jacobs (F. L.) Co.
Oct. 4 filed $3,000,000 of 6% convertible debentures due Nov. 1, 1966. **Price**—100% of principal amount. **Proceeds**—To pay short-term loans and for working capital. **Underwriters**—McLaughlin, Cryan & Co. and Gearhart & Otis, Inc., both of New York. **Offering**—Date indefinite.

★ **Juneau & Douglas Telephone Co.**
Jan. 24 (letter of notification) $295,000 of 6% 15-year debentures due 1972. **Price** — At face amount (in denominations of $1,000 each). **Proceeds** — For additions and improvements. **Office**—139 W. Second Street, Juneau, Alaska. **Underwriter**—Grande & Co., Inc., Seattle, Wash.

King Soopers, Inc., Denver, Colo.
Jan. 15 filed 263,048 shares of common stock (par $1) to be offered for subscription by common stockholders and holders of certain outstanding stock purchase warrants on the basis of one share for each share held, or for each share subject to purchase under such warrants. **Price**—$3.25 per share. **Proceeds**—To equip and stock a warehouse and any new stores that may be acquired. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

● **Leslie Productions, Inc. (2/11-15)**
Jan. 14 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For special building, equipment and for working capital. **Office**—Columbia, S. C. **Underwriter**—Alester G. Furman Co., Inc., Greenville, S. C.

★ **Loomis-Sayles Mutual Fund, Inc., Boston, Mass.**
Jan. 30 filed (by amendment) an additional 200,000 shares of common stock (par $1). **Price** — At market. **Proceeds**—For investment.

Louisville Gas & Electric Co. (Ky.)
Jan. 3 filed 330,000 shares of common stock (no par) being 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**—$23.50 per share. **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.

Macy (R. H.) & Co., Inc. (2/11)
Jan. 18 filed $12,281,100 of convertible subordinated debentures due Feb. 1, 1977, to be offered for subscription by common stockholders of record Feb. 8, 1957 on the basis of $100 of debentures for each 14 shares of stock held; rights to expire on Feb. 25, 1957. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Lehman Brothers and Goldman, Sachs & Co., both of New York.

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.

★ **Merchants Acceptance Corp., Worcester, Mass. (2/19)**
Jan. 30 filed a maximum of 44,318 shares of class A common stock (no par) to be offered for subscription by class A common stockholders of record Feb. 15, 1957 on the basis of one new share for each three shares held; rights to expire on March 5. **Price**—To be supplied by amendment. **Proceeds**—For working capital, to be used primarily to expand business in the existing 38 loan offices of company's subsidiaries or to open or acquire additional offices. **Underwriter**—G. H. Walker & Co., New York, N. Y., and St. Louis, Mo.

Michigan Wisconsin Pipe Line Co.
July 2, 1956 filed $25,000,000 of first mortgage pipe line bonds due 1976. **Proceeds**—To pay off short term bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. **Probable bidders**: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. **Bids**—Three bids were received on Aug. 1, all for 4¾s, but were turned down. Reoffering is expected sometime during the first six months of 1957.

● **Midland Commercial Corp., New York**
Dec. 28 filed $480,000 of 10-year 7% subordinated convertible debentures. **Price**—100% of principal amount. **Proceeds**—For working capital, to finance expansion of Northern Appliance Stores, Inc., a subsidiary, and for other corporate purposes. **Underwriters**—A. J. Grayson & Co., Inc., New York, N. Y.; A. J. Grayson & Co. of New Jersey, Inc., Newark, N. J.; and A. J. Grayson & Co. of Maryland, Inc., Baltimore, Md. Statement withdrawn.

● **Midland Commercial Corp., New York**
Dec. 28 filed 187,500 shares of common stock (par 10 cents), of which 52,500 shares are to be offered for cash at par to certain individuals, and the remaining 135,000 shares are to be offered by Albert J. Grayson (controlling stockholder) to stockholders of Ramie Corp. and South Canada Uranium Corp. in exchange for common stock of those corporations on the basis of one share of Midland for each Ramie share and one share of Midland for each five shares of South Canada common stock. **Proceeds**—To selling stockholder. **Underwriters**—A. J. Grayson & Co., Inc., New York, N. Y.; A. J. Grayson & Co. of New Jersey, Inc., Newark, N. J.; and A. J. Grayson & Co. of Maryland, Inc., Baltimore, Md. Statement withdrawn.

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 Valley 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.

★ **Mooney Aircraft, Inc., Kerrville, Texas**
Jan. 15 (letter of notification) 60,000 shares of common stock. **Price** — At par ($5 per share). **Proceeds** — For working capital. **Underwriter**—None.

● **Morningstar, Nicol, Inc., New York (2/20)**
Jan. 29 filed 100,000 shares of common stock (par $1), of which 77,858 shares are to be sold for company's account and 22,142 shares for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For construction of plants in California and Hawthorne, N. J., and for working capital. **Underwriter**—Lee Higginson Corp., New York.

★ **Morrison-Knudsen Co., Boise, Idaho**
Jan. 29 (letter of notification) 7,692 shares of common stock (par $10) to be offered to employees of company and its subsidiary pursuant to an employees' stock purchase plan. **Price**—At the market, less $2 on the various dates between Feb. 11, 1957 and Dec. 10, 1957. **Proceeds**—To reimburse company, in part, for cost of purchase of stock necessary for this plan. **Office**—319 Broadway, Boise, Ida. **Underwriter**—None.

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 Gypsum Co., Buffalo, N. Y.**
Jan. 28 filed 100,000 shares of common stock (par $1) to be offered under the company's restricted common stock option plan for key employees of the company and its subsidiaries.

National Old Line Insurance Co.
Nov. 15, 1955 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office** — Little Rock, Ark. **Underwriter** — Equitable Securities Corp., Nashville, Tenn., and New York, N. Y. **Offering** — Indefinitely postponed.

New Brunswick (Province of)
Dec. 14 filed $12,000,000 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. **Offering**—Temporarily delayed.

● **New England Electric System (2/13)**
Dec. 3 filed 319,000 shares of common stock (par $1) to be offered in exchange for capital stock of Lynn Gas & Electric Co. on the basis of two NEES shares for each Lynn share. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co., both of Boston, Mass.

New England Power Co. (2/18)
Jan. 15 filed $10,000,000 of first mortgage bonds, series G, due 1987. **Proceeds**—To repay bank loans and for new construction. **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.

New York Shipbuilding Corp., Camden, N. J.
Jan. 24 filed 211,254 shares of common stock (par $1). **Price**—To be related to the prevailing price on the New York Stock Exchange at the time of sale. **Proceeds**—To Merritt-Chapman & Scott Corp., the selling stockholder. **Underwriter**—None.

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.

★ **Northern Illinois Gas Co., Aurora, Ill.**
Jan. 31 filed 1,000,000 shares of common stock (par $5), which will constitute the maximum number of shares of such stock issuable on conversion after Jan. 31, 1957 of 100,000 shares of 5% convertible preferred stock (par $100).

Ohio Edison Co.
Jan. 3 filed 580,613 shares of common stock (par $12) being 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**—$46.50 per share. **Proceeds**—For additional investment in common stock of Pennsylvania Electric Co., a subsidiary, and for construction program. **Underwriter** — White, Weld & Co. won award of this issue on Jan. 30.

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.

★ **Okaw Land Development Co., Vandalia, Ill.**
Jan. 29 (letter of notification) 3,000 shares of common stock. **Price** — At par ($100 per share). **Proceeds** — To purchase additional farm land, farm machinery, clear land and for seed. **Underwriter**—None.

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.

★ **Paradox Production Corp., Salt Lake City, Utah**
Feb. 4 filed 1,000,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For drilling test wells and general corporate purposes. **Business**—To develop oil and gas properties. **Underwriter**—Market Securities, Inc., Salt Lake City, Utah.

Phillips Petroleum Co. (2/8)
Jan. 16 filed $171,750,000 of convertible subordinated debentures due 1987 to be offered for subscription by common stockholders of record Feb. 7 on the basis of $100 principal amount of debentures for each 20 shares of stock held; rights to expire on Feb. 25, 1957. **Price**—be supplied by amendment. **Proceeds** — To repay about $86,000,000 of short-term bank loans and for other corporate purposes. **Underwriter**—The First Boston Corp., New York.

Pioneer Finance Co.
Jan. 9 (letter of notification) 12,000 shares of common stock (par $1). **Price**—At market (estimated at $3.37½ to $3.87½ per share). **Proceeds**—To a selling stockholder. **Office** — 1400 National Bank Bldg., Detroit 26, Mich. **Underwriter**—Troster, Singer & Co., New York, N. Y.

Plastic Wire & Cable Corp.
Dec. 27 (letter of notification) 14,514 shares of common stock (par $5) being offered to stockholders of record Dec. 17, 1956 on the basis of one new share for each 12 shares held; rights to expire on Feb. 8. **Price**—$16.50 per share. **Proceeds**—For expansion and additional working capital. **Office**—East Main St., Jewett City, Conn. **Dealer-Manager**—Putnam & Co., Hartford, Conn.

● **Potomac Electric Power Co. (2/13)**
Jan. 18 filed $30,000,000 of debentures due Feb. 15, 1982. **Proceeds**—To redeem presently outstanding preferred stock and repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co., White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. **Bids**—To be received up to 11 a.m. (EST) on Feb. 13 at Room 931, 929 E St., N.W., Washington 4, D. C.

● **Potomac Electric Power Co. (2/27)**
Jan. 18 filed 300,000 shares of preferred stock, series of 1957 (par $50). **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriters** — Dillon, Read & Co. Inc., New York and Johnston, Lemon & Co., Washington, D. C.

★ **Profile Mines, Inc.**
Jan. 28 (letter of notification) 5,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office** 1502 Heron Street, Boise, Idaho. **Underwriter**—None.

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.

Raymond Oil Co., Inc., Wichita, Kansas
Jan. 29 filed 200,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—For exploration, development and operation of oil and gas properties. **Underwriter**—Perkins & Co., Inc., Dallas, Tex.

★ **Refrigeration Finance Co.**
Jan. 31 (letter of notification) 33,350 shares of common stock (par $1) and $50,025 of 6% debenture bonds due May 1, 1965. **Price**—Of stock, $1.50 per share; of bonds, at par ($75 per unit). **Proceeds**—For expansion purposes to loan on additional commercial paper. **Office** — 7360 Castor Ave., Philadelphia 15, Pa. **Underwriter**—None.

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.

Security Electronics Corp. (2/15)
Jan. 11 (letter of notification) 263,750 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—To complete design of an improved model of the Security Check Register (now in use); to purchase 500 such units; and for working capital and general corporate purposes. **Office**—589 Fifth Ave., New York. **Underwriter**—Foster-Mann, Inc., New York.

Socony Mobil Oil Co., Inc.
Jan. 10 filed 4,379,758 shares of capital stock (par $15) being offered for subscription by stockholders of record Jan. 30, 1957 on the basis of one new share for each 10 shares held; rights to expire on Feb. 19, 1957. **Price**—$45.50 per share. **Proceeds**—For exploration and development costs and for plant expansion. **Underwriter**—Morgan Stanley & Co., New York.

★ **South Carolina Electric & Gas Co. (2/25)**
Feb. 4 filed 336,085 shares of common stock (par $4.50) to be offered for subscription by common stockholders of record about Feb. 25, 1957 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on or about March 11, 1957. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Kidder, Peabody & Co., New York.

Southern California Edison Co. (2/19)
Jan. 22 filed $37,500,000 first and refunding mortgage bonds, series H, due 1982. **Proceeds** — To repay bank loans and 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 up to 8 a.m. (PST) on Feb. 19.

★ **Southern Counties Gas Co. of California (3/6)**
Feb. 4 filed $15,000,000 of first mortgage bonds, series B, due 1982. **Proceeds** — To repay indebtedness to parent, Pacific Lighting Corp. (about $9,200,000) and for construction and expansion program. **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 6.

★ **Southern Indiana Gas & Electric Co. (2/26)**
Feb. 1 filed $5,000,000 of first mortgage bonds due March 1, 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 up to 11 a.m. (EST) on Feb. 26 at offices of Commercial Services, Inc., in New York City.

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.

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.

● **Sperti Products, Inc., Hoboken, N. J. (2/18-21)**
Jan. 29 filed $745,300 of 6% debentures due March 1, 1972 and 14,906 shares of common stock (par $1) to be offered in units of a $100 debenture and two shares of stock, of which $545,300 of the debentures and 10,906 shares of stock are to be offered first in exchange for the 54,530 outstanding shares of 5% cumulative convertible preferred stock (par $10) at the rate of one new unit for each 10 shares of preferred stock. The remaining $200,000 of debentures and 4,000 shares of common stock are to be publicly offered. **Price**—$100 per unit. **Proceeds**—For general corporate purposes, including working capital and for redemption of any unexchanged preferred stock. **Underwriter**—Smart, Clowes & Oswald, Inc., Louisville, Ky.

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.

★ **Swift & Co., Chicago, Ill.**
Feb. 1 filed 17,935 shares of common stock (par $25) to be issued upon exercise of options issued under the company's Stock Option Plan for officers and other key employees of the company and its wholly-owned subsidiaries.

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 being offered for subscription by stockholders on the basis of one new share for each eight shares held as of Jan. 22, 1957; rights to expire on Feb. 19. The remaining 26,152 shares are being offered, together with cash, in exchange for stock of Abstract & Title Insurance Corporation of Buffalo, Rochester and Lockport, N. Y., on the basis of $15.25 in cash and 4/10ths of a share of Title Guarantee stock in exchange for each share of Abstract. The subscription offer to Title Guarantee stockholders becomes effective if latter company acquires at least 85% of the Abstract stock. The purchase offer will expire on Feb. 28, 1957. **Price**—$14 per share. **Proceeds**—To acquire Abstract stock. **Underwriter**—None. Statement effective Dec. 17.

Tower Acceptance Corp. (2/11-15)
Dec. 7 filed 200,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Office**—Houston, Tex. **Underwriter**—S. D. Fuller & Co., New York.

● **Trans-Canada Pipe Lines, Ltd. (2/13)**
Nov. 26 filed $75,000,000 (Canadian) of subordinated debentures due 1986 and 3,750,000 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. About $31,250,000 of the securities will be offered in the United States.

Trans-Gulf Offshore Drilling, Inc., Houston, Tex.
Jan. 24 filed 700,000 shares of common stock (par 25 cents). **Price** — $2 per share. **Proceeds** — For mobile drilling platform; reserves for escalation and contingency charges, etc. **Underwriter**—Dallas Rupe & Son, Inc., Dallas, Tex.

Transition Metals & Chemicals, Inc. (3/1)
Jan. 22 filed 1,615,500 shares of common stock and 1,126,500 common stock purchase warrants, of which 250,000 shares of stock and 250,000 warrants are to be offered publicly in units of one common share and one warrant. **Price**—$2.01 per unit. **Proceeds**—For construction of plant and other facilities; for equipment; and working capital. **Office**—Wallkill, N. Y. **Underwriter**—M. S. Gerber, Inc., New York.

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.

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Turf Paradise, Inc., Phoenix, Ariz.
Jan. 11 filed 50,000 shares of common stock (par $10) to be first offered for subscription by common and preferred stockholders. **Price**—$15 per share. **Proceeds**—To retire issued and outstanding preferred stock. **Underwriter**—None.

● **Ulen Management Co., New York**
Jan. 29 filed 400,000 shares of common stock (par $1). **Price**—$5.50 per share. **Proceeds**—For working capital. **Underwriters**—Sutro Bros. & Co. and Allen & Co., both of New York. **To Change Name**—Stockholders will vote Feb. 15 on changing name of company to Development Corp. of America.

★ **United Gas Corp., Shreveport, La. (2/27)**
Feb. 1 filed $35,000,000 of first mortgage and collateral trust bonds due 1977. **Proceeds**—To purchase $30,000,000 of first mortgage bonds of United Gas Pipe Line Co., a subsidiary, and for construction program of the two companies. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); White, Weld & Co. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); The First Boston Corp. **Bids**—Expected to be received up to noon (EST) on Feb. 27.

United States Air Conditioning Corp.
Sept. 27 filed 600,000 shares of common stock (par 10 cents), of which 50,000 shares are to be offered to employees, distributors and dealers; 50,000 shares, plus any of the unsold portion of the first 50,000 shares, are to be offered to the public; and the underwriter will be granted options to acquire the remaining 500,000 shares for reoffer to the public. **Price**—At market prices. **Proceeds**—For working capital and general corporate purposes. **Office**—Philadelphia, Pa. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York. **Offering**—Date indefinite.

★ **United Telluride, Inc.**
Jan. 21 (letter of notification) 250,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—800 N. Maclay St., San Fernando, Calif. **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.

Venezuelan Sulphur Corp. of America (N. Y.)
Jan. 29 filed 150,000 shares of common stock (par 50 cents). **Price**—At market, but not less than $3 per share. **Proceeds**—For mining operations. **Underwriter**—None.

West Penn Electric Co. (2/26)
Jan. 25 filed 528,000 shares of common stock (par $5) to be offered for subscription by common stockholders of record Feb. 26, 1957, on the basis of one additional share for each 16 shares held; rights to expire on March 14. **Price** — To be named by company (sufficient to raise about $11,000,000 or $12,000,000). **Proceeds**—To increase investments in subsidiaries. **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). **Bids**—Expected to be received up to noon (EST) on Feb. 26.

★ **West Star Mining Co., Coeur d'Alene, Idaho**
Jan. 31 filed voting trust certificates for 2,500,000 shares of common stock. **Voting Trustees**—J. Fred Markwell and Alexander Markwell.

Wildcat Mountain Corp., Boston, Mass.
Aug. 13 filed $800,000 of 6% subordinated cumulative debentures due Dec. 1, 1976, and 6,000 shares of common stock (no par) to be offered in units of a $400 debenture and three shares of stock. **Price** — $500 per unit. **Proceeds**—For construction and working capital. **Business**—Mountain recreation center. **Underwriter**—None; offering to be made by officers and agents of company.

Wilson & Co., Inc.
Aug. 28 filed $20,000,000 of 20-year sinking fund debentures due 1976. **Price**—To be supplied by amendment. **Proceeds** — To redeem presently outstanding first mortgage bonds, to repay bank loans and for expansion program. **Business**—Meat packing firm. **Underwriters**—Smith, Barney & Co.; Glore Forgan & Co. and Hallgarten & Co., all of New York City. **Offering**—Indefinitely postponed.

Prospective Offerings

Alabama Power Co. (5/9)
Jan. 21 it was announced company plans to issue and sell $14,500,000 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.; 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**—Expected to be received up to 11 a.m. (EDT) on May 9. **Registration**—Planned for April 12.

American Telephone & Telegraph Co. (3/26)
Dec. 19 the directors authorized a new bond issue of $250,000,000. **Proceeds** — For additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Morgan Stanley & Co. **Bids** — Tentatively scheduled to be received on March 26.

Appalachian Electric Power Co. (3/19)
Dec. 24 it was reported company plans to issue and sell $29,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Kuhn, Loeb & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Tentatively expected March 19. **Registration**—Planned for Feb. 13.

Associated Truck Lines, Inc.
Oct. 11 it was announced corporation plans to issue and sell $1,000,000 of 6% convertible subordinated debentures due Oct. 1, 1971 at par and 75,000 shares of common stock (par $3) at $11 per share (the latter for the account of selling stockholders). **Proceeds**—From sale of debentures, for expansion and working capital. **Business**—A short haul motor common carrier operating over 3,300 miles or routes in Illinois, Indiana, Michigan and Ohio. **Office**—Grand Rapids, Mich. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass., and New York, N. Y. **Offering**—Indefinitely postponed.

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 Hudson Gas & Electric Corp.**
Feb. 1 it was announced that the company plans, before the middle of the year, to issue approximately $12,000,000 of new securities (two-thirds in debt securities and the balance from sale of common stock). **Proceeds**—For construction program. **Underwriter**—For any debt securities, Kidder, Peabody & Co.; for common stock, Kidder, Peabody & Co. and Estabrook & Co., both of New York.

★ **Central Louisiana Electric Co., Inc.**
Jan. 25 it was reported that the company plans some debt and equity financing in 1957. **Proceeds**—For $12,500,000 construction program. **Underwriters** — Kidder, Peabody & Co. and White, Weld & Co. placed last bond issue privately; last preferred stock issue also placed privately; with common stock locally or to stockholders, without underwriting. In 1954, a convertible debenture offering was underwritten by Kidder, Peabody & 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.

Central National Bank of Cleveland
Jan. 22 the bank offered 125,000 additional shares of capital stock to stockholders of record Jan. 16, 1957 on a 1-for-7 basis; rights to expire on Feb. 13. **Price**—$35 per share. **Underwriter**—McDonald & Co., Cleveland, Ohio.

Central & South West Corp.
Jan. 21, it was announced company plans to issue and sell approximately 526,000 additional shares of common stock (par $5) this Spring. **Proceeds** — Approximately $20,000,000 to pay off $7,500,000 of bank loans, and $10,500,000 of the remaining funds to purchase equity securities of company's subsidiaries. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Smith, Barney & Co. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

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 tem in East Baton Rouge Parish, La. **Underwriters**—May be Lehman Brothers and Allen & Co., both of New York.

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.

● **Consumers Power Co. (3/4-8)**
Jan. 25 it was announced that company plans to offer to its common stockholders 549,324 shares of additional common stock on the basis of one new share for each 15 shares held. Unsubscribed shares to be offered to employees. **Price**—Not less than $4.50 per share below market price at time of offering. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kuhn, Loeb & Co. and Ladenburg, Thalmann & Co. (jointly); Morgan Stanley & Co.; Lehman Brothers; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly). **Bids**—Expected first week in March.

● **Eastern Utilities Associates (3/20)**
Jan. 28 trustees approved an offering of 89,322 shares of common stock (par $10) to common stockholders on the basis of one new share for each 12 shares held of record (about March 21); rights to expire on or about April 4. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriter**—May be determined by competitive bidding. Porbable bidders: Kidder, Peabody & Co.; Blyth & Co., Inc.; Stone & Webster Securities Corp.; White, Weld & Co. **Bids**—Tentatively expected to be received on March 20. Kidder, Peabody & Co., New York, acted as dealer-manager for the previous offering to stockholders, with Stone & Webster Securities Corp. acting as subscription agent.

★ **First National Bank of Middletown, Ohio**
Jan. 29 it was reported this Bank plans to offer to its stockholders of record Feb. 4, 1957 the right to subscribe on or before March 4 for 22,000 additional shares of capital stock (par $10) at the rate of one new share for each five shares held. **Price**—$20 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Greene & Ladd, Dayton, O.

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. (3/11)**
A. Tegen, President, announced company plans to offer 646,850 additional shares of common stock (par $5) for subscription to its common stockholders of record March 8, 1957 on the basis of one new share for each 15 shares held; rights to expire on March 29, 1957. Subscription warrants are expected to be mailed about March 11, 1957. **Underwriter**—None. Merrill Lynch, Pierce, Fenner & Beane, of New York City, acted as clearing agent in previous offering to stockholders.

General Tire & Rubber Co.
Dec. 4, M. G. O'Neil, Executive Assistant to the President, said the management was working on a plan to revamp the capital structure and that the company would like to come up with one issue of preferred stock. He added that close to $18,000,000 will be put into capital investments during the fiscal year to end Nov. 30, 1957.

Georgia Power Co. (6/6)
Jan. 21 it was announced the company is planning issuance and sale of $15,500,000 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 to be received up to 11 a.m. (EDT) on June 6.

★ **Houston Lighting & Power Co. (3/25)**
Feb. 1 it was announced company plans to offer to its common stockholders about 612,300 shares of additional common stock (no par) on the basis of one new share for each 10 shares held as of March 25, 1957; rights to expire on April 15, 1957. At Dec. 31, 1956, there were outstanding 6,122,596 shares. **Price**—To be supplied by amendment to the registration statement. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—None.

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.

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 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. **Underwriters** — May be The First Boston Corp., New York; and G. H. Walker & Co., St. Louis, Mo.

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 due 1987 (later changed to $15,000,000). **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). **Bids** — Expected in June or July, 1957.

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. 24 stockholders approved certain proposals authorizing $10,000,000 of debentures and increasing the 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.

Lone Star Gas Co. (3/5)
Jan. 11 it was announced company plans to offer to its common shareholders the right to subscribe for a new issue of 154,834 shares of convertible preferred stock in the ratio of one preferred share for each 40 shares of common stock held as of record about March 5, 1957; rights to expire about March 25. **Price**—Expected at par ($100 per share). **Proceeds** — From sale of preferred stock, plus funds from sale of $30,000,000 of debentures, to repay bank debt of $20,000,000 and for construction program. **Underwriter**—The First Boston Corp., New York.

Lone Star Gas Co.
Jan. 11 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—The First Boston Corp., New York. **Offering**—Tentatively expected late in April.

● Metropolitan Edison Co.
Jan. 29 it was reported that company is now considering the sale of $19,000,000 first mortgage bonds due 1987. **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 sometime in April or May, 1957.

★ Minnesota Power & Light Co. (3/11)
Jan. 28 it was reported company plans to issue and sell $12,000,000 first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); White, Weld & Co., Shields & Co. and Equitable Securities Corp. (jointly); Lehman Brothers and Drexel & Co. (jointly); Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly). **Bids**—Tentatively planned for March 11. **Registration**—Expected tomorrow (Feb. 8).

Mississippi Power Co. (4/11)
Jan. 21 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; Kidder, Peabody & Co.; Blair & Co. Incorporated; Eastman, Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on April 11.

National Fuel Gas Co. (5/28)
Jan. 10 it was reported company plans to issue $15,000,000 of new 25-year debentures. **Proceeds**—To make additional investments in securities of subsidiaries. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Harriman Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received up to 11:30 a.m. (EST) on May 28. **Registration**—Planned for April 18.

● 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. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, to be known as Marrimack-Essex Electric Co. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Company; 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 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. (3/28)
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. **Bids**—Tentatively expected to be received on March 28.

● New York, Chicago & St. Louis RR. (2/14)
Bids will be received by the company up to noon (EST) on Feb. 14 for the purchase from it of $6,420,000 equipment trust certificates due semi-annually from Sept. 15, 1957 to March 15, 1972, inclusive. 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 1957 $25,000,000 of first mortgage bonds, 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. (2/13)
Bids will be received by the company up to noon (EST) on Feb. 13 for the purchase from it of $2,910,000 equipment trust certificates, series A, to mature in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Pacific Telephone & Telegraph Co.
Jan. 14, James S. Cantlen, Vice-President, announced that company plans to spent $159,000,000 in 1957 and $157,000,000 in 1958 for expansion and improvement to be financed in part, by debt borrowings and stock issues. About 90% of Pacific's stock is owned by American Telephone & Telegraph Co. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

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.

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.

Potomac Edison Co.
Dec. 27 it was announced company may in 1957 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 Electric & Gas Co. (3/20)
Jan. 29 it was announced company plans to issue and sell $50,000,000 of debentures due March 1, 1977. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on March 20.

Rochester Telephone Corp.
Jan. 28 it was announced company plans to offer to its common stockholders 195,312 additional shares of common stock on the basis of one new share for each five shares held. **Proceeds** — To repay about $3,000,000 of bank loans. **Underwriter**—The First Boston Corp., New York. **Registration**—Expected about the middle of February.

Royal State Bank of New York
Jan. 17 it was announced bank plans to offer to its stockholders 50,000 additional shares of capital stock (par $5) on the basis of one new share for each six shares owned of record Jan. 24; rights to expire on March 1. **Price**—$16.50 per share. **Proceeds**—To increase capital and surplus.

Savannah Electric & Power Co. (3/15)
Jan. 21 it was reported company plans to register on or about Feb. 13 a total of 20,000 shares of cumulative preferred stock (par $100) and 163,334 additional shares of common stock (latter to be offered for subscription by common stockholders of record about March 14, 1957 on a 1-for-6 basis; rights to expire on March 29). **Underwriters**—The First Boston Corp. and Stone & Webster Securities Corp., both of New York.

South Carolina Electric & Gas Co.
Jan. 14 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. **Bids**—Not expected to be received until next Fall.

Southern California Gas Co.
Jan. 21 it was announced company plans to issue and sell about $35,000,000 of 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.; Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Offering**—Expected in August or September, 1957.

Southern Co. (3/13)
Jan. 21 it was announced company plans to offer to its common stockholders of record March 13, 1957 the right to subscribe on or before April 4, 1957 for 1,507,304 additional shares of common stock on a 1-for-13 basis. **Price**—To be fixed March 12. **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 Corp. (jointly). **Bids**—To be received up to 11 a.m. (EST) on March 13 at 250 Park Ave., New York, N. Y. **Registration**—Expected Feb. 15.

● Southern Pacific Co. (3/7)
Feb. 1 it was announced company expects to sell an unspecified amount of equipment trust certificates on March 7. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Stuart-Hall Co., Inc., Kansas City, Mo. (3/5)
Jan. 30 it was reported early registration is expected of about 40,000 shares of common stock. **Price**—$6.75 per share. **Underwriter**—White & Co., St. Louis, Mo.

Texas Eastern Transmission Corp.
Jan. 16, George T. Naff, Vice-Chairman, announced that corporation expects to secure an additional $100,000,000 through issuanec of senior securities and possibly equity securities and $40,000,000 from an existing bank loan agreement. **Proceeds** — For expansion program. **Underwriter**—Dillon, Read & Co., Inc., New York.

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).

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★ Thorp Finance Corp.
Jan. 30 it was reported company plans to issue and sell locally 10,000 additional shares of 5% preferred stock and to sell generally some additional common stock during 1957. **Price**—Of preferred, $102 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Emch & Co. and The Marshall Co., both of Milwaukee, Wis.

TMT Trailer Ferry, Inc.
Jan. 21 it was reported corporation is considering public financing, but details have not as yet been determined. **Financial Adviser**—Salomon Bros. & Hutzler, New York.

Transcontinental Gas Pipe Line Corp.
Jan. 8 it was reported that company plans to sell some additional preferred stock and bonds in order to raise part of the cost of its $110,000,000 1957 construction program. **Underwriter** — For preferred stock — White, Weld & Co. and Stone & Webster Securities Corp. Bonds previously were placed privately.

United Artists Corp.
Jan. 9 it was announced this privately-owned company is giving active consideration to a public stock issue. **Proceeds**—Together with a loan of about $6,000,000 from motion picture exhibitors, to be used for working capital and other general corporate purposes.

Virginia Electric & Power Co. (6/4)
Jan. 28 it was reported company plans to issue and sell 500,000 shares of common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Tentatively expected on June 4.

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 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).

Wrigley Properties, Inc.
Dec. 6 it was announced this company, a newly formed subsidiary of ACF-Wrigley Stores, Inc., plans to offer its shares of capital stock for subscription by the latter's stock, debenture and option holders, the offering to stockholders to be on the basis of one share of Properties stock for each two shares of ACF-Wrigley. **Proceeds** —To develop locations principally for use by the parent company, which may include individual locations, warehouse sites and shopping centers. **Underwriter**—Allen & Co., New York. **Registration**—Expected shortly.

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Economic Prosperity's Tripod And Importance of Confidence

plest kind. A complex, organized, regulated and broadly based economy such as our present one is required to develop the wide and constructive varieties of credit, and its broad applications, that are now enjoyed in the United States.

Power of Credit

Credit is a symbol of a democratically high living standard. It makes possible the accumulation of huge stores of wealth in the form of material things and places these in the hands of all the people. It is the mechanism that has established tens of millions of attractive, comfortable homes across our nation and has given the families that occupy them the pride, satisfaction and deep sense of personal responsibility that are the marks of home ownership. It is the basis for our motor transport system, the incomparable network of highways and streets and the 50 million personally-owned cars that use them. It yields fun, leisure, cleanliness, a better diet and protection of the family health through modern home appliances and furnishings. It gives anyone the assurance that he is not standing alone and without somewhere to turn in times of financial emergency or opportunity.

So this is the Tripod supporting a prosperous economy — Production, Consumption and Credit. What is needed to make sure this tripod is strong, firmly braced and able to perform its function? There are two factors of the greatest importance: enough credit and enough confidence.

Most of us sense that inflation is not the only threat to our present prosperity. If you want to be pessimistic, you can say we have reached a kind of uneasy balance between boom and bust. If you are an optimist, you can say our economy has stabilized at a high prosperous level.

Any program that regulates economic forces artificially can be carried too far, of course. If the economy is to continue to grow, the money supply must grow as well. If the volume of production and consumption and the standard of living are to continue to rise, then there must be the funds and credit available to make this possible. In order to hold such a precise balance between necessary restraint and necessary growth, we are relying on the present leaders of the Federal Reserve System, and perhaps their unknown successors. To a great degree, our economic security is in their hands. That is a grave responsibility for any few men to bear.

Cannot Cut Credit Too Much

Credit for legitimate needs must never be cut off to the extent that all-important consumption is curtailed and significantly lower production and employment result in certain industries. Using selective controls of different kinds, both Britain and Canada have experienced sharp drops in the production of durable goods and in factory employment. To keep men working, Britain has been forced to back away from their restraints recently, by cutting the required down payment on motor cars from 50 to 20%. Certainly, national monetary policy in this country must be administered to support maximum levels of employment at all times.

The nation is embarking on a tremendous highway improvement program that will require many billions of dollars of additional credit on top of the huge demands for new credit that are resulting from industry's capital expenditures program. Federal, state and local governments will soon be spending about $12 billion annually on street and highway construction, compared with today's $4 billion, so that they will have to raise through taxation and borrowing some $101 billion for road construction in the next 13 years. As the various units come into the market to borrow their share of this enormous bill, the supply of credit is sure to be subjected to additional pressure.

Developments and possibilities such as these are likely to cause trouble for the monetary control program. They are reminders that limiting the supply of credit can be not only unpopular but also very dangerous if not handled with extreme wisdom and care. The Tripod will topple over, if the Consumption leg is sawed off halfway up and the Production leg is left untouched, or if the Credit leg is foreshortened without anticipating that the other two must be reduced accordingly.

Also Need Confidence and Self-Reliance

Controlled future growth in both business and consumer credit is required. However, there's more to the proper functioning of the credit mechanism than just making credit available. Confidence in the future and strong self-reliance must dominate the minds of both businessmen and consumers, or they will not use their credit, no matter how freely or how cheaply it is offered. During the 1930's, all kinds of credit were available in the banking system but the Federal Reserve people have since correctly described the futile efforts to get it used as "pushing on a string."

Another famous old saying is the statement that no one has yet invented a way to eliminate the business cycle. Therefore, I do not think it will always be possible to induce people — who are really very smart and very careful in their use of credit—to spend more year after year just so the economy will always keep growing.

Of course, there will still be rather violent changes in business conditions from time to time. This year may see a breakaway from the present stability and the start of a new trend that can go either up or down. Whenever this occurs, we who are leaders of business and of our communities must keep our heads and our perspectives. realizing just how sound is the long-term outlook for the American economy—if it is managed properly.

Great confidence in the future is warranted. Families, the basic unit of consumption and of credit, have increased by 10 million, or better than 25%, in the past ten years. The growth is now at the rate of one million a year and it is expected to reach 1,500,000 a year in the 1960's.

Income Redistribution

More important still, average family income is rising rapidly through redistribution of the total income. The groups that always consume proportionally the least —the very poor and the very rich — are being substantially eliminated while the one huge class that always consumes the most, the middle income group, is rapidly expanding. Last year, two million families for the first time raised their incomes above the $3,000 line, expressed in dollars of constant value. This year, it is expected 2,500,000 will achieve this step. Today, the annual income of the average family is the highest it has ever been—comfortably over $5,000 after taxes.

The economy now provides many built-in security provisions for most people. Unemployment and Social Security insurance, health insurance, enormous savings, rising home ownership, a growing class of economically-secure retired people—these are just a few of the strong points in the consumer sector that will contribute to long-term expansion.

On the government side, it is obvious that the U. S. has turned completely away from *laissez faire* doctrines, no matter which political party is in control. There are vast spending programs that will be continued—highway needs and school needs are examples of the most constructive. Huge military expenditures, unfortunately, also appear unavoidable for years to come. Monetary policy, we have seen, can and should be used to brake the worst inflationary pressures.

However, in spite of all this, uninterrupted growth, prosperity and the betterment of human values for all the people cannot be taken for granted, although the road that leads to these goals seems rather plainly marked.

Avoid Excesses

We must avoid major mistakes and miscalculations as we follow a very tricky and precarious route. We must avoid speculative excesses or excesses of negative and timid thinking. Business, labor and government must all practice restraint in seeking more than a fair share in profits, wages or taxes. Considering the effect of the long-continued upward wage spiral on inflation, this recent remark by Walter Reuther is at least refreshing: "We are protected against inflation through cost of living contracts but we are deeply concerned with the economic well-being of Americans living on pensions and fixed incomes and millions of other unprotected families."

In time of war, Americans have always been quick to close ranks and work together for victory self-sacrificingly, as patriots and good citizens. Yet economic collapse has brought downfall to as many older civilizations as have military defeats. Economic destruction is an insidious, internal threat that is always present. It can destroy our way of life just as surely and completely as a military defeat by fascism, communism or some other foreign ideology. I am sure that is the way the Soviet leaders really expect to overcome us, for that is what Karl Marx taught.

It is the obligation and the promise of our system of free private enterprise to provide year after year a fuller, richer, better life for all our people. Rising production and a rising standard of living, supported by adequate credit, are the fundamental safeguards of our economic destiny. If we, as a people, continue to be industrious, inventive and courageous, with confidence in our destiny, then the future will have no limits.

Joins Livingstone, Crouse

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Herbert W. Boyes is now affiliated with S. R. Livingstone, Crouse & Co., Penobscot Building, members of the Detroit Stock Exchange.

With Laird, Bissell

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn. — Earl J. Davies has become connected with Laird, Bissell & Meeds, 44 Whitney Avenue, members of the New York Stock Exchange.

New York City Housing Authority 2⅞% Bonds Offered to Investors

A group composed of The First National City Bank of New York, Halsey, Stuart & Co. Inc., Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co., and F. S. Smithers Co. is offering for public investment a new issue of $16,800,000 New York City Housing Authority 2⅞% bonds at prices to yield from 2% to 2.85%, according to maturity. These New Housing Authority Bonds are secured under the provisions of United States Housing Act of 1937, as amended, and, by Act of Congress, both principal and interest are exempt from all taxation now or hereafter imposed by the United States. They are likewise exempt from New York State income taxes.

The bonds currently offered were purchased by the group via competitive bidding on Feb. 6, are dated Jan. 1, 1956 and mature on Jan. 1 from 1958 to 1997 inclusive. They are subject to call after 10 years from date of issue.

Business Man's Bookshelf

Automation — A Conference for Executives—Proceedings of 1956 conference—MF: AU1, Armour Research Foundation of Illinois Institute of Technology, 10 West 35th St., Chicago 16, Ill., $4.50.

Belgian System of Taxation in Its Relation to Corporations—Belgian Industrial Information Service, 630 Fifth Avenue, New York 20, N. Y. — paper — on request.

Benefit Formula in Unemployment Insurance — Michael T. Wermel — Industrial Relations Section, California Institute of Technology, Pasadena, Calif. (paper), $1.00.

Books from Chapel Hill—Spring, 1957 catalogue — University of North Carolina Press, Chapel Hill, N. C. (paper).

British Government Publications — Monthly list — British Information Services, 30 Rockefeller Plaza, New York 20, N. Y., 45c.

Commuting Patterns of Manufacturing Employees — James H. Thompson—Institute of Industrial Relations, West Virginia University, Morgantown, W. Va. —paper.

Our Reporter's Report

The corporate new issue market proved readily up to the rather substantial task put upon it this week, especially yesterday when it encountered a rush of offerings.

The situation was eased no little by the reported reawakening of interest on the part of large-scale institutional investing interests such as the major pension funds and insurance companies.

They had been more or less out of the new issue picture in recent weeks and showed a disposition to do little more than sit on their hands and let the general picture unfold itself.

But, while these elements had done little on the buying side, it was noted also that more important perhaps, they had not been important sellers in either the bond or stock markets in the interval.

The investing fraternity had a rather wide range of choice by way of the new issues which ran the gamut from a large secondary in staid Aluminum Co. of America shares through the aircraft manufacturing and air-conditioning industries and included an issue of uranium mining bonds and stock offered as units.

Earlier in the week an issue of Public Service Co. of Oklahoma bonds had gone well and a substantial "layoff" of Socony-Mobil's huge stock offering was made by bankers "standing by" on that "rights" offering.

Yields Taper Off

Watching the market from day to day the scope of the recovery in the new issue section is likely to escape the average observer. But viewed over a period of several weeks the comeback has been impressive.

The market has been edging up steadily and has stepped off a recovery which has reduced yields an average of around ½ of 1%, or from 4.90% to a 4.30% basis. In the interval, it is noted, yields on stocks have been marked up about ½ of 1% on the average.

The recovery has been evident also in the seasoned bond market though in a somewhat lesser degree. Here the rebound has been from around a 4.25% basis to a 3.60% to 3.75% level.

Taking a "Breather"

New corporate offerings will taper off sharply next week, presumably due to the banking holiday as Lincoln's Birthday is observed in many areas. And again the bulk of the business on schedule is of the negotiated variety.

Largest of the several issues likely to reach market is Trans Canada Pipe Line's $75 million of 30-year, subordinated debentures plus 3,750,000 shares of $1 par common stock which will be offered in units of $100 of debentures and five shares of stock. Of this about $31,250,000 of securities will be sold in the U. S.

Anaconda Co. has 1,734,865 shares of additional stock slated for offering to shareholders, while bankers are due to open books on $12,281,100 of R. H. Macy & Co. convertible debentures. Potomac Electric Power Co. has $30 million of debentures due up for bids while Nickel Plate Railroad will offer $6.4 million and Norfolk & Western takes bids on $2.9 million of equipment trust certificates.

No Serious Retreat

Although a few corporations have altered expansion plans for this year a bit, there does not appear to be any general slowing down judging by the steady calls being made on the money market.

Consolidated Edison Co. of New York now is readying its $55 million of convertible debentures since receiving stockholder approval this week. Holders as of Feb. 25 will be able to subscribe for $100 of debentures for each 25 shares held on that date with rights expiring on March 15.

United Gas Corp. has registered to issue $35 million of first mortgage and collateral bonds, to have a 20-year maturity. And South Carolina Electric & Gas Corp. is projecting an offering of 336,085 shares of additional common stock to be offered to holders in the ratio of one new share for each 10 shares held.

Montgomery, Scott Branch

GREENWICH, Conn. — Montgomery, Scott & Co. have opened a branch office in the Smith Building under the management of Peyton A. Randolph. Mr. Randolph has been a partner in Randolph & Agnew.

Joins Lee Higginson

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Stanley C. Snow has become associated with Lee Higginson Corporation, 50 Federal Street.

S. E. Dunn Adds

DETROIT, Mich. — Fred M. Roberts has become affiliated with S. E. Dunn & Co., 500 Griswold St.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — This capital is about to witness the seeming paradox that something "which can't happen here" is in fact about to happen.

This is a full-scale investigation by a special Senate Committee, of labor racketeering. It is now reported that the special committee is really going to do a thorough job on organized labor and that its embarrassing questions will not be confined only to the sweet-smelling Teamsters Union.

Hitherto organized labor has been the pampered baby of both political parties. Even Eisenhower has been seeking to try to appease Big Labor by backing its demands for some debilitation of the Taft-Hartley Act.

Until recently, no one seriously dared to tackle the supposedly politically omnipotent labor movement. A few years ago a House subcommittee trailed some of the practices of the Teamsters Union around the country in public hearings, but this created a comparatively minor flurry because no one in a leadership position was ready to make a frontal assult against even the Teamsters.

Last year a Senate Labor subcommittee did quite a job on abuse of pension funds by union managers. This, however, was not a frontal assault on the citadel of labor. There was political profit in protecting the funds of the rank and file.

This motive was also allied with the motives of Big Bureaucracy in government, which dearly loves to regulate a nice chunk of multi-billion dollar investment funds left unregulated. Furthermore, the Federal Government is flirting outlandishly with all pension funds, seeking to tease or cajole them into financing government-insured housing loans, extra-budgetary financing for military housing and public buildings, farm mortgage loans, and a host of other objectives dear to political hearts, which need only money. Regulation just might help this objective to be reached.

Memories of 1932

One would expect even the purest of Big Labor boys to fight to the death against a general inquiry into labor racketeering, especially when one of the current objectives of some organized labor groups is to debilitate the Anti-Racketeering Act, directed against union labor.

Persons with long memories could tell Big Labor that no matter how innocent may be such unions as the United Auto or United Steel Workers of racketeering practices, an exposure by a Congressional Committee day after day, week after week, of mal-practices in other unions is bound to create the unthinking public impression that all organized labor is a racket.

It may be that the current crop of labor leaders was not around in the early 1930's, when the stock market and banking inquiries created the like uninformed impression that the entire commercial and investment banking world consisted of a lot of people totally irresponsible to the customers whose money they took on deposit or for investment.

Those Senate inquiries softened up the securities business for the present strait-jacketing through the SEC. It is obvious that the commercial banking world has not even yet recovered sufficient pugnacity to speak out against the raids of government.

In the process the cleanest investment houses got tarred along with the worst in the "when did you stop beating your wife" line of committee questioning.

Origin of Inquiry

So far as the record shows, the idea for investigating labor racketeering originated with Senator John L. McClellan of Arkansas, high in rating as a conservative and responsible gent. As for what is NOT on the record, this correspondent is not at this time in a position to report. There is a high security in the secrecy of motives for this thing, and the security is better protected than the Pentagon protects the secrets of guided missiles.

It might be noted that John McClellan is not particularly bothered in Arkansas by the walking delegates. It also might be noted that the Government Operations Committee of which McClellan is Chairman, has about as much inherent jurisdiction over this subject matter as the Banking Committee has over the Armed Services.

Politicians Irked

On the other hand, if it just happened that some of the Democratic leaders were irritated at the brash sense of political power flamboyantly displayed on all occasions by the Walter Reuthers, et. al., they might sick onto organized labor a Senator whose home balliwick is proof against union reprisals and whose state and political views cannot possibly give him the slightest ambition for the 1960 Presidential nomination.

McClellan would fit that bill perfectly, being rated besides as an exceedingly able hombre.

A good many politicians of both parties are beyond question irritated no end with the way labor slings its weight around. One of the physical causes of that irritation consists of the ornate headquarters palaces the big unions have erected in Washington for the enhancement of their egos.

One of the most ornate of these palaces, complete with telephones in the bathrooms, is the headquarters of the Teamsters Union, right across a park from the Senate Office building. By coincidence, it is the Teamsters Union which is benefiting from the first of the inquiries into labor racketeering. Another sheer coincidence is that Dave Beck, the Teamsters' boss, backed Eisenhower for reelection.

Goldwater's Part

Another factor in stirring up sentiment to have a go at the Big Labor boys is Barry Goldwater of Arizona, a comparatively young and as thoroughgoing a conservative as is extant in the United States Senate. Goldwater has been hitting at the unions for months. He is able. His thrusts have hurt. He has helped call attention to labor racketeering, and when something gets illuminated publicly, it is always easier to investigate.

(Goldwater, incidentally, is a man to watch. If "modern Republicanism" fails to provide perpetual bread and circuses and the country ever gets satiated therewith, Goldwater is one of the few men who has kept his skirts clean, not being in a position to have to plump politically, as does Bill Knowland, for the Eisenhower New Deal.)

Teamsters Help

Chronologically the next thing that happened was when the Teamsters, called before McClellan's Government Operations Committee, refused to give. As for political grounds, the Teamsters were right in saying the GO Committee has no jurisdiction. As a legal defense, however, the Teamsters had ahold of vapor.

On the other hand, if the predominant mood of the Senate and its leadership was to avoid offending precious Big L Labor, tongues would have wagged that the Teamsters were right and John McClellan had better climb off.

McClellan was backed, despite the decision to create a special committee consisting of members of the Senate Labor and Government Operations Committees. This latter was fixed up not merely to resolve a legal objection. It looked like a better arrangement. The committee consist roughly of some members relatively free from Labor reprisals and a few put there who are avowedly 200% friends of Labor and can watchdog the rights and interests of organized labor.

Regardless of the complexities of motives, however, it was the forthright thumbing of the nose at McClellan by the Teamsters which provided the final push to put this thing across.

"Business Racketeering Too"

For the record, it would appear that the committee was charged with investigating business rackets also, as well as labor rackets, to save the face of labor. Actually, most of what are literally known as rackets require the cooperation, often willingly, often under labor coercion, of business management.

"Thieves" Fall Out

Actually none of the foregoing factors explain why it is possible for the first time since the sit-down strikes in the auto factories to have a promised all-out investigation of labor racketeering.

What competent labor observers say is that certain gentry in organized labor have been aiding and abetting the idea of a charge by the Congress into labor racketeering. Such gentry are associated with the CIO.

It is with respect to the Teamsters and certain other and older AF of L unions that there have been the most frequent and persistent charges of racketeering. The marriage of the AF of L and the CIO has obviously not been harmonious. Some of the younger, especially rantin' and rarin' type of CIO leaders. chafe at the bonds of matrimony.

Thus, the investigation of labor racketeering will be made possible only because it is covertly backed by a powerful segment of organized labor itself. Labor is grievously divided.

The motivation is both offensive and defensive.

Offensively a discrediting of a couple or more of the old AF of L craft unions would give the ambitious boys, they hope, a chance to come out on top and take over control of labor.

Defensively, Beck's Teamsters aim to organize trucking so completely that they can throttle any commerce that moves on streets and highways. If the Teamsters should achieve such an objective, they would go a long way toward making every other union dependent upon them, and subordinate.

[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

"Schultz? — Oh, we just don't want to create the impression one single family is running the whole works!"

COMING EVENTS

In Investment Field

Feb. 8, 1957 (Boston, Mass.)
Boston Securities Traders Association 33rd annual dinner at the Hotel Bradford.

Feb. 14, 1957 (Chicago, Ill.)
Bond Club of Chicago 46th Annual Meeting at Sheraton-Blackstone Hotel.

Feb. 21, 1957 (Milwaukee, Wis.)
Milwaukee Bond Club annual dinner at the Wisconsin Club.

March 1, 1957 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual Mid-Winter Dinner at the Bellevue-Stratford Hotel (to be preceded by a luncheon and reception).

March 8, 1957 (New York City)
New York Security Dealers Association 31st anniversary dinner at the Biltmore Hotel.

March 8, 1957 (Toronto, Canada)
Toronto Bond Traders' Association 25th anniversary dinner at the King Edward Hotel.

Mar. 18-20, 1957 (Chicago, Ill.)
American Bankers Association 11th National Instalment Credit Conference.

April 21-23, 1957 (Dallas, Tex.)
Texas Group of Investment Bankers Association annual meeting at the Statler Hilton Hotel.

May 6-7, 1957 (Richmond, Va.)
Association of Stock Exchange Firms Board of Governors meeting at Jefferson Hotel.