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EDITORIAL

As We See It

Question: "In two messages you have pointed out the danger to the economy, if business takes undue profits or if labor demands too much wages. In connection with the oil industry, as a result of the Suez crisis, the oil industry has said that it has to increase prices, and many of them have. Has it come to your attention as to whether this is justified or an undue increase?"

Answer: (By the President) ". . . Now when I said business and labor must exercise their, must discharge their responsibilities, and exercise their authority in conformity with the needs of the United States, I wasn't merely asking them to be altruistic by any manner or means. Their own long-term good is involved, and I am asking them merely to act as enlightened Americans.

"Now, unless this happens, the United States then has to move in more firmly with so-called controls of some kind, and when we begin to control prices and allocations and wages, and all the rest, then it is not the America we know. Now, the reason that I am concerned about all this is that I believe any intelligent man can see the direction we will have to go, unless there is some wisdom exercised not only in government but throughout the whole economy."

* * *

The foregoing colloquy took place at the President's press conference on Wednesday of last week. Almost simultaneously, certain business leaders and labor spokesmen had some things to say on the same subject. Walter D. Fackler, economist of the United States Chamber of Commerce, expressed the opinion that "competitively no individual businessman can exercise the type

Continued on page 26

World Developments and Our Money, Capital Markets

By RAYMOND RODGERS*

Professor of Banking, New York University

Asserting "economic developments in the rest of the world are hastening the end of our boom," and that Middle East's impact on American business in 1957 has been underestimated by most executives and their economists, Banking Professor sets forth impact upon the Western European and U. S. economies and, in particular, evaluates its impact on our money and capital markets. Mr. Rodgers believes Reserve authorities made use of open market purchases to offset depressing influence of world developments on our economy, and opines Middle East impact will be greater on capital rather than money market. Forecasts declining capital expenditures and more vulnerable equity market.

Raymond Rodgers

Although international developments have a direct, and frequently heavy, impact on our internal political and economic conditions, few Americans are willing to face up to world realities. They feel they have problems enough at home without having to worry about issues and incidents halfway around the world! Through long practice, their defense mechanism has become so highly developed that a speaker who attempts to come to grips with international developments hazards a great deal. In fact, he runs the risk of being classified as an egghead, or a long-hair, or that most devastating of all characterizations, an internationalist!

Nonetheless, on the old theory that no one is entirely useless, as even the worst of us can serve as horrible examples, I propose to tackle this problem in direct manner. Paraphrasing the words of a popu-

Continued on page 26

*An address by Professor Rodgers before the 38th Mid-Winter Trust Conference sponsored by the American Bankers Association, New York City, Feb. 4, 1957.

The What, Why and When Of Federal Reserve Policy

By C. CANBY BALDERSTON*

Vice-Chairman, Board of Governors of the Federal Reserve System

Reserve official claims objectives of monetary and fiscal policies are the same, and emphasizes the importance of their coordination in terms of concerted action and timing to achieve an economy running at high speed, without overstraining capacity, in pursuit of economic progress with stable prices. Mr. Balderston opposes government controls and resort to the price inflationary route of bank credit to meet all credit demands. Prefers free markets and anti-inflationary weapon of accepting higher interest rate instead of real goods price rise. Advocates removing legal limits on mortgage and school bond rates.

C. Canby Balderston

During this past year, credit has been described as "tight." The "tightness" has stemmed from sharp gains in the aggregate demand for credit rather than from a diminution in its supply. Actually, the latter has increased a little over the year ago figure and has been used more efficiently. This is evidenced by the 8% increase during the year in the turnover of demand deposits. Even though it has been restrained, the supply of credit has not been reduced.

As the demand for credit has forged ahead of the supply, the influence of the resultant scarcity has been felt in both the bond and mortgage markets. In turn, it has affected residential construction and possibly school building, although the latter continues in large volume. The extent of the impact on industrial expansion is more difficult to judge, but it has been affected also.

Continued on page 28

*An address by Mr. Balderston before the Southwestern Conference of the Mortgage Bankers Association of America and School of Business Administration, Southern Methodist University, Dallas, Texas, Jan. 28, 1957.

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 34.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Westinghouse Electric Co.—Maurice S. Benjamin, Senior Partner, Benjamin, Hill & Co., New York City. (Page 2)

Radiation, Inc.—Edward K. Hobby, Director of Investment Research, F. P. Ristine & Co., New York City. (Page 2)

MAURICE S. BENJAMIN

Senior Partner, Benjamin, Hill & Co.
New York City

Members New York Stock Exchange

Westinghouse Electric Co.

It is my special wish, in the category of economics, that all of the stockholders of Westinghouse Electric will be around in the next few years to witness the results of the various experiments now taking place in the research laboratories at Westinghouse. No age has offered more promise or benefit to mankind than this era of Atomic Energy and Electronics. Westinghouse is the second largest company in these fields and first in many areas within them.

M. S. Benjamin

Another factor to consider is the two years of hardships caused by one of the longest strikes in the country's history. Every once in a while some calamity hits a leading industrial company. For example, the Iranian Oil crisis a few years ago depressed Standard Oil of New Jersey stock about 35%; also, the unexpected bad side effects of a single antibiotic product broke the 75-year old Parke, Davis & Co.'s stock about 35%. These unfortunate circumstances offered golden opportunities to the experienced investor.

Therefore, because of merit and timing I am picking Westinghouse Electric Co. stock as My Favorite Stock.

The company's latest earnings, just before the strike, were running over \$5 per share and the dividend payment was \$2.50. The stock was 85. Now the earnings for 1956 were 10 cents after 75 cents for "Lifo" inventory charges, the dividend \$2, and the stock 52½. Indications now point to a steady and fairly rapid recovery of the company's earning power. The order backlog seems to assure a capacity volume in most heavy items well into 1958; the defense business continues to be fairly substantial; in the atomic field, Westinghouse has become by far the leading factor; as to appliances, the company appears to have already regained its former share of the market in many instances, with promotional effort continuing in high gear. The total volume of business this year is expected to expand to a record \$2 billion from last year's \$1½ billion.

It is of interest to note that an important drawback to an even better earnings improvement at this stage is the continued effect of the "white sale" (business contracted two years ago at price concessions). The adverse effect of this factor on the company's profit experience is expected to reach a peak in the first half, but will taper off rapidly thereafter. Thus, the pattern of interim profits is likely to show a consistently rising trend, with the annual rate of earnings per share probably starting the year at around \$3 and ending it at about \$5. Finances are in good shape relative to foreseeable capital needs. (In comparison, General Electric is now selling at 52½ with 1957 earnings indicated at about \$2.75 vs. last year's estimated \$2.50; the dividend rate is \$2.) Net worth of Westinghouse is \$45 compared with \$12 for General Electric. Sales per common share outstanding are equivalent to \$100 in case of Westinghouse as against only \$34 for General Electric, indicating that there is a much greater leverage factor in favor of Westinghouse. This is of prime importance since it means that a purchaser of Westinghouse obtains \$1.60 of sales per dollar of market price versus only 68 cents of sales in the case of General Electric.

Reflecting the various disappointments and uncertainties appertaining to the Westinghouse situation in the last two years, the stock has been under selling pressure throughout this period, but it is noteworthy that its price behavior has been essentially sideways for over a year—a performance that has compared favorably with the recent downward price trend of many other leading equities, including General Electric. For one thing, the stock appears to have established a rather firm technical base marketwise; for another, investors are giving increasing recognition to the steady flow of tangible evidence pointing to the reestablishment of the organization's advanced position in many phases of the growing electronic and atomic fields. It seems to me that the stock is reasonably priced at this stage for sound investment and substantial capital appreciation.

A 10-Year Comparative Record

The following comparative General Electric-Westinghouse earnings record over the decade preceding the beginning of the latter's strike is highly interesting.

	GE	WX
1945	\$ .65	\$2.05
1946	.50	.65
1947	1.10	3.59
1948	1.43	3.88
1949	1.45	4.95
1950	2.00	5.36
1951	1.60	4.03
1952	1.75	4.23
1953	1.92	4.53
1954	2.30	4.78
Average annual earnings	\$1.47	\$3.04

EDWARD K. HOBBY

Director Investment Research

F. P. Ristine & Co., New York City

Members New York Stock Exchange

Radiation, Inc.

Radiation, Inc. is one of the fastest growing companies in the rapidly expanding fields of digital data processing and avionics. In the current fiscal year, which ends Aug. 31, sales may nearly quadruple. Volume is estimated at \$8.5 million, which will compare with \$2¼ million in fiscal 1956. What's more, earnings are also soaring. Net income could reach approximately \$400,000 to \$450,000 this year, or about 70¢ to 80¢ per share, depending on delivery of some contracts that are handled on a contract completion basis, up sharply from \$218,000, or 40¢ per share. The outlook over the foreseeable future, moreover, is for continued rapid growth. Volume of \$20 million or more is likely before 1960.

Edward K. Hobby

The company is concerned primarily with the design of high speed digital handling equipment, such as complete telemetry systems, data processing systems, recorders and associated units. These are used for testing aircraft, jet engines and guided missiles, the guidance and control of the latter, and wherever collection and handling of information at high speeds and extreme accuracies is required. Radiation is the recognized leader in this type of work, having produced highly advanced systems and equipment since its incorporation in 1950. Most of the company's products are for direct military application, although some is used for developing and testing commercial aircraft. Indicative of its pioneering position is the fact that Radiation equipment is being tested for use in the Earth satellite program.

Radiation's growth, as shown in the accompanying table, has been phenomenal. Its future, however, is even more promising, owing to the fact that digital systems are rapidly coming to the fore in the guided missile program because of their inherently greater accuracy and data handling capacity as compared with analog data units.

In regard to the statistical table, a most significant fact is that the company has always been operated profitably. Unlike many other young electronic engineering firms, which may be long on scientific talent but short on business acumen, Radiation appears to have struck a prosperous balance between the two. Perhaps the company's greatest asset, however, is its ability to attract top research and engineering personnel.

Despite an extremely tight market for scientists and engineers since the company's inception, Radiation has managed to expand its staff to more than 150, and hopes to increase this number to 200 during the present year. Proof of the calibre of the personnel attracted to Radiation is its new subsidiary, the Dikewood Corp., which was recently formed by two nuclear physicists formerly associated with the Sandia Division of the Western Electric Co.—Dr. Sheldon H. Dike and Dr. Walter D. Wood. Each has a stock interest in Dikewood, while Radiation maintains an 80% interest. This division will act as a con-

Continued on page 8

STATISTICAL TABLE
(000's omitted)

Year Ending Aug. 31	Sales	Pre-Tax Net	% of Sales	Net	Earned Per Share
1956	\$2,337	\$445	19.1	\$219	\$0.40
1955	1,805	379	21.0	187	0.34
1954	493	42	8.5	23	0.04
1953	296	46	15.5	17	0.03
1952	215	43	20.0	21	0.04
1951	128	13	10.2	10	0.02

Investing in the Aluminum Industry Today

By DONALD B. MACURDA*

Partner, F. S. Smithers & Co., New York City

Terming himself "an incurable optimist on the [aluminum] industry's long-term prospect," Investment banker details market penetration figures and notes aluminum's consistent increase in its share of the nonferrous market which has "all the prerequisites . . . for . . . increased demand . . . in the decades ahead." Mr. Macurda reviews aluminum stocks' market performance, which he believes should interest long-term investor or financial fund manager, and points out there are only 10 common stocks actively traded in world security markets. Doubts the industry is overexuberant in its demand projections, shows how quickly capacity can accommodate itself to demand changes without government aid, and explains "break-through" in auto, shipbuilding, building and construction and other fields.

The year 1956, like its predecessor 1955, was an outstanding one for the aluminum industry. Production and consumption, both in the United States and in the rest of the Free World, reached record heights as new uses were established and older markets more deeply penetrated. In the United States, these over-all gains were accomplished despite strikes, and without material dependence on government stockpiling calls or increased defense requirements. In the rest of the Free World, new records were achieved even though industry had to contend with rising nationalism, shortages in energy supplies, foreign exchange problems, and protective tariff barriers. It was a year when the industry more than ever was strictly on its own.

Donald B. Macurda

It was also a year of further price and wage increases; of imposition of inflationary controls; of substantial additions to raw material, chemical, smelter, and fabricating capacities; of new capital program announcements involving hundreds of millions of dollars; and of supply in several countries temporarily catching up with demand.

Stock Price Fluctuations

For the aluminum shareholder, it has been a year or rather heavy market weather. After an excess of investor enthusiasm moved aluminum stock prices to new and precarious heights in early 1956, these shares, along with other prime growth groups, subsequently have shown a persistent downtrend pattern, with cumulative losses from their highs exceeding 30%. It has been said that aluminum equities during the long bull market have advanced twice as fast as the market generally on the upside, and that they declined with the same relative rapidity during the present setback.

Despite this extra market velocity, aluminum stocks were still able to show respectable net gains in value for the year. Aluminium Limited registered a net advance in 1956 of 12½ points, or 11.6%; Aluminum Company of America common, a net gain of 4½ points, of 5.1%; Kaiser Aluminum & Chemical Corporation common, a net gain of 4¾ points, or 11.6%; and Reynolds Metals Company common, a net gain of 9¼ points, or 18.2%.

It could, of course, be argued that the year-end price is a rather arbitrary cut-off date, yet it is as good a vantage point as any to cast up the market accounts and measure the progress (or lack of progress) made. The fact is that the aluminum group of stocks, when viewed from a net gain viewpoint, either from year-end or mean yearly prices, have acquitted themselves with honor in the 1956 market place. On financial commentator, in reviewing the action of 35 major common stock groups last year, pointed out that 22, or 63% of these, wound up the year at a lower level, one remained unchanged, and only 12 were higher. Six groups were comparatively strong, and one of these was aluminum.

Now, for those who have seen their aluminum stocks lose 30% from the 1956 highs, this may be small comfort; but for the long-term investor or financial fund manager, the net behavior of this group through the close of 1956 was far more rewarding than would have been possible in most other sections of the market.

As to the problem of "Investing in the Aluminum Industry Today," I should first like to go back a bit in time so that a balanced perspective can be reached. For all of us, we sometimes become so concerned with immediate obstacles in the foreground, we forget the general terrain that is being traversed.

Tremendous Recent Production Growth

Metallgesellschaft (a leading European statistical organization), in its introductory remarks to its most recent annual issue of Metal

Continued on page 32

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

INDEX

Articles and News Page

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Florida Currents

By IRA U. COBLEIGH

Enterprise Economist

Delivering a few lines of comment on the two major electric utilities providing dynamos for dynamic Florida.

Having just returned from a seasonal sojourn to the seashore sands of sunny Florida, your correspondent is, once again, virtually awash with enthusiasm for the economic forward motion epidemic in this semi-tropical peninsular haven from diving thermometers and driving snow. Those eager beavers who whoosh down to Miami or Palm Beach from the North by plane in a paltry three or four hours miss the unfolding of the countryside which a train or car ride provides. There's the bustle of Jacksonville—railway, shipping, commercial and banking center with the ultra modern Prudential Building standing like a gigantic sentinel at the south as you leave. From there, your way may take you to the West Coast, St. Petersburgh with its curbless street crossings, Tampa and its annual salute to Gasparilla, Sarasota, home of Barnum and Bailey, Fort Myers and its fishing boats, comfortable Naples, the Tamiami Trail, and Key West, the Truman hibernating hideaway.

Ira U. Cobleigh

Or you might follow the East Coast down from Jacksonville, to historic St. Augustine, Bunnell where they make cement out of cochina shells; Daytona with its beach equally ingratiating to bathers and hot rodders; the Indian River orange country, Cocoa with the burgeoning Patrick Air Force Base, and 13,000 civilian technicians and workers "revving up" guided missiles; Vero Beach, the Dodger incubator, the lagoon-laden St. Lucie River, posh Hobe Sound, elegant Palm Beach, marina packed Fort Lauderdale and, of course, fabulous Miami, where swimming pools outnumber the telephone booths; and the promising platers and flaming flamingoes of Hialeah. Not to mention Orlando, the complete southern metropolis, mid state.

All this thriving, balmy geography, with its zooming land values, is the native habitat of about four million people, over 5,000 industrial plants, mountainous production of concrete blocks (of which most new houses are built), cattle (Florida is the second largest cattle grower), and rapidly expanding electronic, aircraft, and shipping enterprises — and, of course, tourists, 700 families a week are moving to Florida permanently. By no means are these all "65 plussers" coming to retire. Many are young couples, who find the climate, working and living conditions in Florida attractive. Florida is, in fact, one of the very fastest growing states in the Union; and growth is just fine for electric utilities in general, and for the two companies we promised you to talk about, in particular.

Florida Power Corp.

The first one we'll take up is Florida Power Corp., which now provides electric service to 190,000 customers in northwestern and central Florida in an area comprising roughly one-third of Florida. The large cities served are Clearwater and St. Petersburg. Gross revenues in the six year period 1950-55 doubled — from \$21 to \$42 million. Since 1946 generating capacity has been expanded from 117,828 k.w. to 580,000 by the end of 1956. All generating stations burn oil now but a proposed pipeline from Louisiana to Florida may bring in natural gas by 1958.

Many utility investors favor a high percentage of residential sales. Florida Power does quite well along those lines with about 45% of sales coming from this source. Moreover, average residential use (1955) was substantially above the national average of 2,751 kilowatt hours. The average home on a Florida Power Corp. line used 3,043 kilowatt hours in 1955, electricity being used not only for lighting, appliances, radios and TV's, but for water heating and cooking as well. The company has pioneered in the heat pump field, and sees a bright future for this unit which can either (and interchangeably) heat or cool a house electrically. Each such unit installed in a standard 5-room house should require \$150 to \$200 a year in current. Twenty-five hundred heat pumps are on stream now, and the company looks for new installations at the rate of 5,000 a year.

The balance sheet at Sept. 30, 1956 showed \$100 million in debt, \$23,500,000 in preferred stock and 2,558,127 shares of common now selling at 53, paying \$1.80 to yield 3.40%, supported by 1956 earnings of about \$2.90 per share.

Rapid expansion of plant has required six common stock issuances in the past decade. These have all been well received and even on these larger amounts outstanding, earnings and dividends have advanced satisfactorily. The present dividend is 50% higher than that paid in 1952.

Florida Power decided last year to sell its Georgia Power and Light property and the \$10 million realized on that should lessen the urgency for future financing.

With a custom of paying out 65-70% of net, stockholders here have received excellent dividend treatment over the years. The attractive territory, unusual rate of growth, modernity of property, and quality of management all indicate the progressive excellence of Florida Power common.

Florida Power & Light Co.

Moving over to the East Coast, we view another major rapid-growth utility, Florida Power and Light Co., which, for 1956, will gross around \$107 million, up from \$46 million in 1950. Florida Power & Light serves 432 communities principally on the East Coast including Daytona Beach, Fort Lauderdale, West Palm Beach, Hialeah, Miami and Miami Beach. In this area lies over one-third of the state's population, and its fastest growing communities. Residential consumption averaging 3,239 k.w. hours in 1955 is at one of the highest rates in the U. S.

Generating capacity is now almost at the million kilowatt level; and plans under way envision installed capacity of 1.9 million kilowatts by the end of 1960. Sixty-six million dollars will be spent on plant expansion in 1957 alone. The company dividend policy of retaining almost 50% of net has meant that about 40% of all construction costs in the five years (1951-5) were provided from internal sources.

At Sept. 30, 1956 long term debt stood at \$148.6 million followed by \$36.2 million in preferred. The equity, which represented 37% of the capitalization, rests in six million shares of common earning about \$2.50 per share. At the present earnings velocity of the company, this net figure should advance about 25c per share a year.

Cash dividends, as above mentioned, have been most conservative and are currently at the rate of \$1.28 per annum, which is twice the 1950 payout. There was a 2-for-1 split in 1955. Whereas many utility commons are valued for their stability of income and adequate yield, Florida Power and Light is more correctly viewed as a growth stock. At 46 this stock yields about 2.80% and sells about 18¾ times earnings. The fact that cash dividends have doubled in the past five years, however, is most encouraging to present and prospective shareholders.

In this brief report, stressing as it does the rapid growth in Florida and the highly residential character of the electric power demand, volumes more could be said. Six million tourists a year, who annually leave behind over a billion dollars in this prosperous peninsula, give a powerful fillip to its economy and cause indoctrination of tens of thousands of future permanent residents. The currents of Florida whether they are in the Gulf Stream, the St. John's River or the race at Sebastian Inlet are all favorable, and, for current investment, purchase and retention of shares in the purveyors of electric current we have outlined above might facilitate for you, in due course, a Florida vacation or even a contented retirement there.

Coffin & Burr Admitted to N. Y. S. E.

BOSTON, Mass.—Coffin & Burr, Incorporated, 60 State Street, 58-year old investment banking firm with offices in Boston, New York, Hartford, and Portland and Bangor, Me., has been admitted, effective Feb. 8, to membership in the New York Stock Exchange.

The firm is also a member of the Boston Stock Exchange, Midwest Stock Exchange, and American Stock Exchange (Assoc.).

Observations . . .

By A. WILFRED MAY

PROXY SOLICITATION GAPS

Intimations coming to hand that the Fulbright Committee (a subcommittee of the U. S. Senate's Committee on Banking and Currency) will at this session carefully consider the proxy policies being pursued by the Securities and Exchange Commission, along with the publicly-aired agitation stirring midst this company meeting season, make particularly timely the question raised in the following communication from a reader.

A. Wilfred May

DEAR MR. MAY:

I recently received a notice of the annual meeting of a large industrial company and noted Mr. Lewis D. Gilbert has submitted two very worthwhile resolutions which would have given some protection to stockholders who do not have the advantage of being on the inside as a part of management.

As you are, I am sure, well aware, the SEC places restrictions on the number of words a stockholder may use in support of his resolution. This is not unreasonable, PROVIDED management is also restricted to approximately the same number of words. In the instant case, however, management has taken nearly two pages to belabor Mr. Gilbert's resolution, using the timeworn arguments which to the non-thinking or uninformed stockholder appear reasonable.

I submit that both the stockholder and management should be limited to the same amount of verbiage.

If you can lend your weight to such cause, I believe you would be rendering highly constructive service.

LAWRENCE I. PEAK

California, Md.

This columnist is, indeed, well aware of this discrimination against the shareholder, and in fact, has recommended remedial legislation in testimony before a "Fulbright Committee."*

It must be realized basically that consideration of an effective support for a stockholder's proposal can, if at all, only be secured through the notice of meeting and proxy statements; and unless they are included therein, may be ruled out of order and denied all consideration.

Under the present rules, management is required to include in its material a stockholder's statement in support of any such proper proposal which it opposes. But such proposals—irrespective of their complexities and technicalities—are limited inflexibly to the negligible maximum of 100 words with which to educate the lay stockholder on the matter in question.

Contrastingly, there is complete lack of any restriction on the length of *management's* reply!

More of the Double Standard

Compounding the abuse of this "quantitative" discrimination is the persistent policy of the SEC, via the interpretation of its own rules, in insisting that the reply by management, *at any stage* in advance of its dissemination in the proxy statement, is for the information of the Commission only; and refusing to inform the proposer of the content; or to consult with him even when cautioned as to the possibility of the dissemination of misinformation.

It is generally assumed that the chief purpose of requiring a preliminary filing with the Commission five days in advance of the mailing to security holders is to enable the Commission to make sure that the statements made in the proxy-soliciting material are complete and true. Particularly where such statements relate to proposals advanced by minority stockholders, the one way in which the Commission can insure the truth and completeness of the comments made by the management in relation to such proposals is to permit the proponents of such proposals to become acquainted with them before the time of mailing. If the Commission does not follow such a policy, it creates a con-

Continued on page 16

*Cf. Stock Market Study (Corporate Proxy Contests). Hearings before a Subcommittee of the Committee on Banking and Currency; U. S. Senate, eighty-fourth congress on S. 879. part 3; pp. 1600 et seq., July 5, 1956.

Anatomy of the Price Inflation And Steps to Thwart Further Rise

By DR. JULES BACKMAN*
Professor of Economics, New York University

Breakdown of wholesale price index and factors contributing to price rise in past year or more by NYU Professor shows: (1) commodities most sensitive to price inflation are now only moderately higher than in 1950; (2) prices rose in those areas most stimulated by the boom; (3) we are not in a period of classic inflation reflecting Federal budgetary deficits or large money supply expansion—though increase in hand-to-hand money and demand deposits are pointed out; and (4) price rise is due to business boom and labor cost increases in excess of productivity gains. Professor Backman doubts President Eisenhower's appeal for labor and business voluntary restraints will succeed in keeping price down, and after decrying proposed alternative of wage-price fixing in peacetime, prescribes larger budgetary surpluses and more effective monetary steps so long as the boom continues. Believes wage-price spiral not fed by expanding monetary supply can lead to resource-unemployment instead of price rise.

Since June 1955, the wholesale price index has risen by 5.3%. However, there has been a wide variation in the behavior of individual prices and groups of prices. It is instructive to determine the areas of the economy which have experienced the greatest price rises as a background against which to evaluate the causal forces and the adequacy of proposed policies.

Jules Backman

I have prepared several tables which show the changes in wholesale prices since June 1955 and since December 1955.

Because of the seasonal price movement for many food and farm products, comparisons between June and December inevitably involve some distortion when allowance is not made for seasonal factors. When comparisons are made between the same months of successive years, this problem of seasonal price movements is overcome.

Table 1 shows the changes in wholesale prices by major industry groups from June 1955 to December 1956. The changes are arrayed in order of magnitude. The overall rise was 5.3% in the wholesale price index and 7.8% in the index for commodities other than farm products and foods during this period. The largest increases were recorded for metal and metal products (14.9%) and machinery and motive products (12.9%). It is interesting to note that within the machinery group, the rise for agricultural machinery, which deals with a lagging sector of the economy, was 7.7% while the increases in prices of construction machinery and electrical machinery, both areas of dynamic expansion, approximated 15%. The overall rise for fuel power and lighting materials was only 5.9%. This smaller than average rise resulted from the fact that one component, electricity, showed a small decline and another component, gas, was about unchanged. In contrast, coal prices rose 22.8% under the combined influence of sharply expanding demand and large increases in wage rates. Petroleum products rose 8.4% reflecting in part the Middle East situation.

At the other extreme, small net declines were shown for processed foods, lumber and wood products, and farm products.

An examination of Table 1 indicates that the major increases have taken place in those sectors of the economy which have been most stimulated by the boom or in industries in which labor costs are of greatest relative importance. On the other hand, in industries which have not done too well during the past year and a half, price rises have been nominal or nonexistent. These include tobacco manufacturers, textile products and apparel and the three areas of declining prices previously noted. This table underlines the importance of expanding demand and boom-time conditions in the overall price rise which has taken place.

A similar picture is shown in Table 2 which arrays the changes in major groups of wholesale prices between December 1955 and December 1956. We find the major increases in machinery and motive products, metals and metal products and structural nonmetallic minerals. Also included among the larger increases in 1956 were farm products and processed foods which advanced from the depressed levels of December 1955. Lumber and wood products (which were adversely affected by the decline of non-residential building, rubber and rubber products (which were adversely affected by the large decline in automobile sales), and textile products and apparel (which have experienced lagging markets) reported no change or declining prices in 1956. Another area with relatively small increases in prices was tobacco manufactures, which has been affected by the lagging sales of cigarettes partly as a result of the cancer scare. This is also an area of relatively low labor costs. Chemicals and allied products also involve relatively low labor costs.

By Economic Sector

Table 3 shows the breakdown of the wholesale price index by economic sectors. Between June 1955 and December 1956, the overall index for crude materials showed no change. However, when the important components of that index are examined, it is found that foodstuffs and feedstuffs declined 5½% in contrast to the rise of 7.2% for nonfood materials except fuel and a 13.9% rise in fuel. This latter increase reflected primarily the sharp rise which has taken place in coal prices.

The overall index for intermediate materials supplies and components rose by 7.3% in the past year and a half. The table shows that there was practically no change for food manufactures and that materials for nondurable goods manufactures rose only 2½%. The major rises in prices occurred in materials used in durable goods manufactures (10.1%) and for components for manufacturing (15.4%). Intermediate materials used for construction rose 7.1%.

The pattern for the finished goods was similar. There has been little change for foods and a rise of only 3.1% for other nondurable goods; in contrast, finished durable goods prices rose 6.4% and prices of producers finished goods rose 13.2%. This tabulation again indicates the relatively small price changes for the nondurable consumers goods in contrast to the sharp rises which have taken place in producers goods and for consumers durable goods. As the President [in his Economic Report] has noted, "Prices of investment goods and semi-manufactured materials and components rose quite rapidly, reflecting heavy pressure of demand relative to supply." (pp. 30, 32). A little later in the Report, reference is made to the continued rise in prices of producer finished equipment, "the demand for which was especially insistent." (p. 32). It seems clear that the areas which have been most stimulated by the boom show the largest price rises in contrast to the relatively modest price changes in other sectors of the economy.

It must be recognized that economic data of this type rarely yield a picture of perfect relationships. Nevertheless, it appears to me to be significant that the areas with the major increases in prices have been largely those in which the pressures of the boom have been greatest while the areas in which prices have lagged have been the areas in which economic activity has not been stimulated significantly. These data also suggest that a slowing down of the boom will be the most potent force to stop the price rise. To the extent that fiscal and monetary policies act to blunt the rate of advance in the boom areas, the overall rise in prices can be slowed down and then brought to a halt.

Sensitive Price Index

Table 4 shows the changes in the BLS spot primary index for three selected dates. The changes for each of the specific commodities is also shown. Such prices usually reflect inflationary pressures in our economy very promptly. At the slightest hint of inflation, they move upward sharply. Past experience has shown that the general wholesale price index and the consumer price index generally follow the movements of the sensitive wholesale price index, though not as sharply.

From 1939 through August 1945, the sensitive price index almost doubled as compared with increases of about one-third in the general level of wholesale prices and in retail prices. By 1948, the sensitive price index had increased to a level of 264% above prewar as compared with an increase of 112% in the wholesale price level and 76% in retail prices.

From June 1950 to February 1951, the sensitive price index rose more than 50% as compared with an increase of only 16% in the general wholesale price index and 8% in retail prices. When the substantial inflationary pres-

Continued on page 24

*Statement by Dr. Backman before the Joint Economic Committee of Congress, Washington, D. C., Jan. 31, 1957.

Foreign Trade Outlook for 1957

By WALTER H. DIAMOND*
Editor, McGraw-Hill "American Letter"
Economist, McGraw-Hill International Corporation

Booming U. S.-European trade, higher prices, distortions in normal marketing pattern, and effect of oil crisis on Europe are described by McGraw-Hill's international economist in analyzing the trade and economic outlook by country and region. The cold war tension arising out of the Middle East crisis and Russian satellite upheavals are expected to boost world trade in general beyond 1956's record high, and increase U. S. exports by 10% to $18.5 billion, and imports by 8% to $14 billion. Mr. Diamond envisions Austria, Belgium, Brazil and Canada to be the best markets for our exports; Western Europe's record $6 billion imports from U. S. will be maintained due to increased oil needs from Western Hemisphere; Latin America's gains at expense of Asia will increase their imports from U. S.; Africa will gain from Asian unrest; and French, Italian and British industrial production may be slowed by oil shortage.

America's foreign trade in 1957 will be inevitably linked to the momentous events occurring in the Middle East and in Eastern Europe. Until the Middle Eastern crisis erupted into actual military operations in the Suez Canal area, it had been anticipated that U. S. trade in 1957 would exceed the all-time peak of $29.8 billion reached in 1956 by only about $700 million. This was based on the premise that commercial exports would hold steady at last year's fourth quarter rate of $17 billion. Imports, on the other hand, were expected to rise less than 4% to $13.5 billion. Now it is certain that increased cold war tension arising out of the Middle East dilemma and Russian satellite upheavels actually will benefit world trade in general and will stimulate it even beyond the incredibly high levels of 1956.


Walter H. Diamond

Because of these unsettled conditions, the buying boom in raw materials and in manufactured hard goods will be intensified everywhere, including this country. Washington's decision not to reduce the levels of our armed forces and the probable increase in defense spending will mean greater U. S. Government purchasing of raw materials and heavy equipment. America's Allies in Europe are following suit. This artificial business activity throughout the West will have a tremendous impact on trade and balance of payments all over the globe. The upshot will be another 10% jump in U. S. exports to roughly $18.5 billion and an 8% gain in imports to more than $14 billion.

*An address by Mr. Diamond before the Foreign Trade Club of Providence, Rhode Island, Jan. 15, 1957.

Suez Crisis Changes World Trade

The year of 1957 is likely to go down in history as one in which the entire world trade pattern—and the commodity structure upon which it is built—were thrown completely out of kilter because of the blocking of the Suez Canal. West European countries will suffer great hardships as costs of their imported commodities will climb as much as 20%. Shipping shortages and longer routes around the Cape of Good Hope will be the main cause of increased prices. In addition, there is little hope of quashing the inflationary spiral which highlighted the 1956 European business scene. Repeated restrictive measures by most of the nations have been of little help so far.

Despite the credit controls imposed in the attempt to halt inflation, Western Europe bought $1 billion more from the U. S. in 1956 than in the previous year, or a total exceeding $6 billion worth of American goods. With petroleum and its by-products now one of the major problems in the world, Western Europe will be almost completely dependent upon Western Hemisphere supplies. American loans certainly will finance a good proportion of the payments. As a result, U. S. exports to Western Europe will remain close to last year's unprecedented level since increased oil shipments will compensate for reduced sales of machinery, tools, automotive equipment, steel, scrap and consumer goods.

Because of the shipping shortage and rising prices for manganese, tin, rubber, jute, hides, meat, vegetable oils and other raw materials from the Far East, Western Europe will rely more upon the U. S. and Latin America. Britain, West Germany and Italy will step up American imports of synthetic rubber. Coal from this country will become a vital link in European industry. But West Europe's steel production — the foundation of its economic progress — will be severely handicapped. Europe will not be able to depend on American steel to fill the gap because of shortages here.

France and England

However, within the general picture of booming U. S.-European trade and higher prices, it is important to consider how the distortions of the normal marketing pattern will further damage the economies of England and France. Estimates place the reserve losses for those two countries together at $500 million this year. The result is bound to cause some curtailment in purchases of U. S. Goods. Moreover, Paris and London may have to re-impose direct trade controls, revising the trend toward trade liberalization in Europe.

In spite of the oil crisis, a few countries in Western Europe should still register industrial gains. Austria is one of these. Continual liberalization of imports from the dollar area assures American exporters here of a growing market in Austria. Peak tourist earnings are reflected in increased gold and exchange reserves. The nation will make great strides in electric power expansion, chiefly due to World Bank loans, while more credits will be forthcoming. Austria's stabilizing boom will not be upset to any extent by Middle East tensions.

Prosperous Belgium

Effects of the Suez crisis probably will be felt less in Belgium than in any other Western European nation. Unparalleled prosperity of the past two years will hold. Heavy world demand for iron and steel, metallurgical products and coal will sustain the economy again in 1957. But gold and exchange reserves, up $100 million in the past year, will level off. Belgium's greatest asset again will lie in the Congo's endless wealth. Although Belgium is a highly competitive market, well designed promotion will pay rewards with larger sales. U. S. exporters can count on a 5% gain in business.

Bad weather and labor setbacks in Denmark early last year have been overcome. An element of stability is appearing on the Danish economic scene. The foreign exchange position is strengthening so that controls on dollar imports, which were liberalized twice in 1956, will be further loosened. But the oil shortage will prevent a stepped-up industrial output. On the other hand, Denmark's European neighbors will have to depend more on Danish farm products because of shipping shortages and longer routes of competitors. Denmark should continue to open new opportunities for American and European exporters in 1957.

A severe oil shortage will force an industrial slowdown in France. Auto production will suffer the most but the chemical and glass industries will also be hit. The U. S. can provide only 80% of French oil requirements. Imports will be curbed and tariffs will be raised. American industrial exports will drop but coal sales will gain. A freeze on dollar transfers is certain. While exchange reserves will continue to decline despite the $263 million credit from the International Monetary Fund. Moreover, the oil crisis will force France to reduce certain military expenditures. The franc will weaken in spite of a more rigid credit policy. Devaluation is certain if prices continue to rise.

Western Germany and Italy

Inflationary forces will not be as strong in West Germany as in

Continued on page 20

The State of Trade and Industry

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

Total industrial output for the country as a whole in the period ended on Wednesday of last week dropped fractionally but showed a moderate increase above the level of the corresponding week a year ago. Year-to-year gains in the production of electric power, steel, petroleum and food products took place.

New claims for unemployment compensation dropped 15,500 to 289,100 in the week ended Feb. 2, the United States Department of Labor reported.

New claims, judged an indication of the number of workers losing jobs during a given week, totaled 276,500 during the like span last year.

The agency also said the number of workers on jobless pay lists in the week ended Jan. 26 increased 24,700 to 1,749,600. This total compares with a year-earlier figure of 1,517,200, the Department stated.

Employment slipped and unemployment increased between mid-December and mid-January, both seasonally, according to a joint release of the United States Departments of Labor and Commerce.

At the same time, however, non-farm employment was the highest in mid-January for any January on record, the report stated.

According to the two agencies, employment in the week ended Jan. 12 totaled 62,890,000, down 1,700,000 from mid-December and nearly the same as the 62,891,000 of the like 1956 month. The agencies attributed the decrease on the usual sharp cutbacks in jobs after Christmas in retail and postal work. They also noted seasonal declines in construction and other outdoor work.

Unemployment rose almost 500,000 during the month to 2,900,000. The agencies called this increase about average for mid-winter.

The drop in total employment between mid-December and mid-January was the largest for that period since 1948-49. In January, 1949, employment slipped 2,020,000 under a month earlier.

In the steel industry this week, a release by "The Iron Age," national metalworking weekly states, that a sharp decline in steel demand is out of the question this year and that the recent easiness in demand for some steel products reflects a return to normal seasonal market influences, nothing more.

An "Iron Age" check of mills and major users suggest that the overall ingot rate will show a slight decline in second quarter. Mills now operating at above capacity may have to cut back to a less hectic pace, barring a sudden turn in international relations.

Here is how the steel picture shapes up for the year, according to this trade journal: First quarter, 96% of capacity; second quarter, 90% or slightly better; third quarter, 80 to 84%, the usual summer decline and the fourth quarter, 88-90%. Overall for the year, 88-90%.

The trend toward a normal buyer-seller relationship in sheet and strip reflects a growing tendency to reduce inventories. The automotive industry has taken the lead with automotive parts makers, appliances and warehouses not far behind.

Actually, states this trade magazine, steel business is good. Some mills continue to operate at above capacity. Incoming business is running in a range of slightly less than 90% up to 100% of shipments, depending on the company and its product mix. Mills heavy on sheet and strip capacity are feeling the trend more than companies with a better balance between heavy and light steel products and the plate, structurals and pipe markets are still running strong.

Near-record January-March auto production-employment was predicted for the Detroit area on Friday last, by "Ward's Automotive Reports."

"Ward's" said the upsurge stems principally from programmed high-level January-March output plus sales successes of Ford Motor Co. and Chrysler Corp. 1957 passenger cars, 40% to 45% of which are built in this area.

On a combined basis, Ford Motor Co. and Chrysler Corp. jumped to 50% of industry new car sales in January from 43% in the 1956 model year and have programmed their combined nation-wide January-March car output 30% over a year ago. "Ward's added this is equivalent to 92% of the first-quarter 969,000 unit level of record year 1955.

Ford Motor Co. alone is scheduling its United States January-March car output at 99% of the 556,712 completions netted in the first-quarter of 1955.

On a projected basis, "Ward's" noted, this means some 30% more Ford-Chrysler completions for the Detroit area in January-March, or 380,000-plus units, than last year at this time, plus the appropriate manpower and employment to handle such volume.

Such a bright prospect contrasts with the nation-wide first-quarter car outlook which at this time is being scheduled only 2% to 4% above year-ago levels.

Reflecting January sales strength, auto production in United States plants increased to 143,441 units last week from 136,308 a year ago, according to the statistical publication. Meantime, the daily rate of Jan. 21-31 new car sales increased 4% over Jan. 11-20 and 5% over Dec. 21-31.

Truck building numbered 22,917 last week and 24,659 a year ago. Last week's total was 23,093.

Ward's said the resumption of American Motors Corp. car output in its Wisconsin plants following the recent strike ac-

Continued on page 31

Currency Outlook—1957

By FRANZ PICK*

Publisher, Pick's World Currency Report

Prominent international currency expert, urging those engaged in export business to remember that currencies are made to lose in value, for the better working of our modern economic systems, salutes governments' notable progress in their subtle techniques of accomplishing depreciation. Offers condensed and practical survey of the principal "rubber-monies" of world trade; and individually analyzes Sterling, the European units, South America, and the Ruble bloc. Terms Deutsche Mark one of the world's best units. Maintains the smoothly functioning currency system within Russia is a "giant on clay feet," and Moscow must export gold to buy essential goods from the capitalistic West.

Export managers have a difficult task. You have to cope with endless obstacles. When you do have a buyer, he either will be reluctant or unable to provide the Dollars to pay for the goods. When he proposes to pay you in a currency other than Dollars, you generally run the risk of minor or major currency fluctuations. And very often, when the deal is apparently tightly closed in Dollars, the foreign government, controlling the imports of your customer, decides to suspend all Dollar payments for former, as well as for future, imports. Then you sit high and dry—either with blocked assets for past due exports or with deals that have been contracted for going down the drain, your frustrations or headaches becoming a permanent feature of your business life. I do not want to remind you of the complicated adventures with Colombia, Turkey, Spain, Egypt or other countries. Such things happen and will occur again. I want to make it clear that I have no patent medicine to hand out here and do not pretend to be in a position to solve your problems.

Franz Pick

But as many export questions are based primarily on currency conditions, I will try to briefly outline what the situation is at present and what, according to my strictly personal opinion, might evolve during 1957.

Let us begin with some harsh facts and eliminate rosy thoughts brought on by wishful thinking. To start with, you must grow accustomed to believe that currencies not only cannot remain stable in value, but have to be depreciated one way or the other. Governments have made excellent progress in techniques of accomplishing such results.

In earlier, or so-called classic days, governments, unable to cope with the constant shrinkage of their gold and Dollar assets, simply devalued their currencies. This legal method of state bankruptcy has caused many of you substantial losses, as was the case a few years ago when Sterling was devalued from $4.04 to $2.80, or, when Argentina, Chile, Paraguay and Uruguay devalued recently.

Today, rather than make such brisk declarations of failure, a more subtle and painless way is the rule. The uniform public relations techniques of nearly all monetary authorities in the world have arrived at an ideal sentence to use—"the rise of the cost of living." It is never stated that a currency declines in its purchasing power. That could stir up unrest. And now we live happily in the era of declining purchasing power, sometimes labeled inflation. We all have to pay for it. It is a rather costly pleasure. But it beclouds the real issue and the man in the street does not care to look through such clouds. Some day this technique will run into major troubles, but the time is not yet in sight.

This form of currency cancer has also infected the circulation system of our Dollar with monetary leukemia. The effect of it can be shown without using the microscope. The total U. S. debt, private and public, including that of all government categories, private corporations, insurance companies, individuals, etc., was about $800 billion at the end of last year. The purchasing power of the Dollar declined at least 3% during 1956. It therefore reduced the buying value of this debt by $24 billion or more, during the last 12 months. Computed in a rather popular way, this depreciation amounted to exactly $144 per head for each human being living in this country. I do not know what the figure will be for 1957.

Conditions in nearly every country on the globe are identical. In some countries they are much worse. Decline of purchasing power in England and many members of the Sterling Area has been much greater than that in the U. S. and many Western European, Asiastic and South American lands showed increases of from 8% to 27% of their cost of living in 1956. These depreciations, avoiding frank bankruptcies, do not make export business easier.

But having explained to you the illusion of currency value, if looked at from the strictly official parity of monetary units, we can proceed with the condensed and practical survey of the principal rubber-monies of world trade.

Sterling ranks first. Nearly 65% of the world's exports and imports are invoiced in Pound Sterling. Therefore, without any exaggeration, Sterling is the globe's most important currency. And whatever happens to the Pound, determines the fate not only of the European Payments Union, but also of the organization of the South American Multilateral Payments Clubs of Argentina and Brazil. Furthermore, no doubt remains that a Sterling devaluation would also be a terrible blow to the U. S. Dollar, which in the long run would have to align its value to every major cut of Sterling.

But in spite of Britain's political and financial difficulties, I do not believe that Sterling will be devalued in the near future. The Sterling position at present is not comparable to that of the Dollar, the Belgian or Swiss Francs or to the Deutsche Mark. England's gold and Dollar reserves, a little more than $2 billion, are smaller than the assets of the Ford Foundation on Madison Avenue. But the British have learned how to get along with little. They have the skill to do it and I believe, that in spite of all the weighty problems which confront it, the Pound will be able to be held at its present level of $2.78-$2.82.

The recent events, resulting from Suez, brought Sterling into a highly critical situation. In this emergency no time was lost in putting the limping Pound on its legs again. The International Monetary Fund advanced $571 million, the Export Import Bank, against the most solid collateral of British government owned U. S. listed securities, provided a $500 million credit and the crisis was settled. If there is no third World War, Britain's currency can continue to function and chances are that the Pound is going to harden in the near future. And if another crisis should arise, we will have to help England again. Not for reasons of philanthropy — but purely and simply for motives of self-interest.

We have learned—the hard way — that the Pound has become some sort of a mortgage on the Dollar. We cannot afford to lose the Sterling Area as a customer and are, for strategic and economic reasons, highly interested in maintaining our exports at their present level. A devalued Pound would play havoc with our foreign trade. Therefore it is a "must" for us to try to prevent a Sterling devaluation. And I believe we will do it. For this reason, I would consider Sterling commitments good during this year.

Another widely discussed currency is the **French Franc**. Here too I would like to venture my opinion of practical stability for the coming year. France has lost a substantial amount of her gold and Dollar assets, due to her expensive expedition to Port Said and the resulting expenditures of Dollars for American oil delivery. She drew $263 million from the International Monetary Fund, which will enable her to face her present and near-future commitments. And as devaluation of the Franc has been continuously discussed since 1949, people have lost millions of Dollars in unnecessary hedging against it. The French currency management, mastering all tricks within reach of good technicians, will continue to regulate the Franc's free market value over the domestic gold market. Whenever a Franc panic arises, people in Paris buy gold. When they push the gold price up high enough, the Central Bank sells some gold bars and a few hundred thousand gold coins. When the scare recedes, the gold price comes down. The Central Bank repurchases the gold it sold short and makes a profit. This game has been going on for more than seven years, during which period nothing has happened to the Franc, which fluctuates around 400 to the Dollar in its free or parallel market.

The Belgian and Swiss Francs, completely financially convertible, are hard currencies without any risk.

The **Deutsche Mark** has become, alongside these monies, one of the world's best units. Convertible for all purposes, it is backed to more than 100% in gold and Dollars. The currency administration is excellent and Germany is on the road to exporting capital for investment abroad.

The **Dutch Guilder**, though slightly depressed by declining gold and Dollar assets, is in no danger whatsoever.

The **Italian Lira** is stronger than a year ago, is very ably administrated by the Banca d'Italia, and is beyond any immediate danger. During last year's tourist season, greenbacks were listed at a small discount in Italy's free market.

The Scandinavian Units also are in good shape. Dominated by Sterling, they nevertheless fluctuate little and are in a better position than a year ago.

Not in such good condition are the:

Turkish Lira, mismanaged by politicians and surrounded by graft. While listed at an illusory official value of 2.80 Liras to the Dollar, the black market pays 10 to 11 Liras for greenbacks. It will take a long time and a substantial devaluation to improve Ankara's monetary conditions.

Spain's Peseta also is a unit of doubtful quality. Spanish currency management, based on illusions of grandeur, has created a bad record for itself. Even with really sizable U. S. help, Madrid has been unable to streamline the Peseta of at least 25 sub-varieties into a practical, well-functioning unit. Nobody knows who really makes the money from all the subsidies Spain gets. But the Dollar is worth about 51 Pesetas in the black market, against an official rate of 38.95 Pesetas and might continue to rise. The fact that fascistic rules do not favor currency, values cannot be mentioned in Spain.

Among the currencies of the Near East, the

Lebanese Pound has remained excellent and completely convertible. The units of Syria and Iraq have somewhat declined in value and will improve again when their oil exports are resumed at pre-Suez levels. The Famous **Saudi Arabian Riyal** lost in value in Beirut's free market but will

Continued on page 22

*An address by Mr. Pick before the Export Managers Club of New York, New York City, Feb. 5, 1957.

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.

Billions in Dividends—Discussion of stocks listed on New York Stock Exchange which have paid $8.3 billion in dividends in 1956—"The Exchange" Magazine, 11 Wall Street, New York 5, N. Y.—$1 per year. Also in the same issue is an article on **"Yardstock for Sound Management,"** and a discussion of the favorite stocks of readers of the "Exchange."

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

Forecasts of Stock Prices—24th annual appraisal of the outlook for business and stock prices given with trial subscription for three months to "Business and Investment Timing" at $10—Anthony Gaubis & Company, 122 East 42nd Street, New York 17, N. Y.

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

Life Insurance Stocks — Bulletin — Morgan & Co., 634 South Spring Street, Los Angeles 14, Calif.

Manual of Sugar Companies, 33rd Edition—Farr & Co., 120 Wall Street, New York 5, N. Y.—$3.

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.

New York City Banks — Breakdowns of Government Bond Portfolios and sources of gross 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.

Pittsburgh Bank Stocks—Comparative analysis—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Portfolios for Small Investors—In current issue of "Market Review"—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available are analyses of **Colgate Palmolive Co., Nickel Rim Mines, Ltd., Singer Manufacturing Co., Westinghouse Electric Corp.**, a review of the **Petroleum Industry**, and in the current issue of "Pocket Guide," lists of 20 stocks which have paid dividends for 50 years or more, common stocks for income growth and trading, selected bonds, preferred stocks and convertible bonds.

Petroleum Situation—Review—Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

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

Skin Diving for Oil—Information—Socony Mobil Oil Co., Inc., 150 East 42nd Street, Rm. 2400, New York 17, N. Y.

Two Tax Exempt Market—Discussion—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

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Aberdeen Petroleum — Report — General Investing Corp., 80 Wall Street, New York 5, N. Y.

Alexandria, La.—City Public Improvement Bonds—Circular—Scharff & Jones, Inc., 219 Carondelet Street, New Orleans 12, La.

American Pipe and Construction Company—Analysis—Security Adjustment Corporation, 16 Court Street, Brooklyn 1, N. Y.

Campbell Soup—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Chesapeake & Ohio Railway—Annual reports—Chesapeake & Ohio Railway, 3809 Terminal Tower, Cleveland 1, Ohio.

City and County of Denver Water Bonds—Bulletin—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Cleveland Trust Company — Memorandum — Prescott & Co., National City Bank Building, Cleveland 14, Ohio. Also available is a memorandum on **Resistoflex Corp.**

Crestmont Oil Company—Bulletin—Shearson, Hammill & Co., 520 South Grand Avenue, Los Angeles 17, Calif.

Eitel-McCullough, Inc. — Memorandum — Walston & Co., Inc., 265 Montgomery Street, San Francisco 4, Calif.

Emhart Manufacturing Company—Analysis—Parrish & Co., 40 Wall Street, New York 5, N. Y.

Fischer & Porter Company—Analysis—Boenning & Co., 1529 Walnut Street, Philadelphia 2, Pa.

General American Oil Company of Texas—Analysis—Blair & Co. Incorporated, 44 Wall Street, New Lork 5, N. Y.

Hooker Electro Chemical Company and subsidiaries—Annual report with six-year summary of the combined companies—Secretary, Hooker Electrochemical Company, 27 47th Street, Niagara Falls, N. Y.

John Hancock Mutual Life Insurance Company—Annual report John Hancock Mutual Life Insurance Company, Boston, Mass.

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

Montecatini Mining & Chemical Co.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

National Dairy Products Corp.—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

National Distillers Products Corp.—Bulletin—Bregman, Cummings & Co., 100 Broadway, New York 5, N. Y.

Newport News Shipbuilding and Dry Dock Co.—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

National Sugar Refining Company—Annual report—National Sugar Refining Company, 100 Wall Street, New York 5, N. Y.

Chas. Pfizer & Co.—Report—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are bulletins on **Cooper Bessemer** and **Great Northern Railway.**

Riverside Cement Co.—Memorandum—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Schield Bantam Company—Analysis—First Securities Corporation, 111 Corcoran Street, Durham, N. C.

Trane Co. — Memorandum — Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available is a memorandum on **United Aircraft Corp.**

Wachovia Bank & Trust Company—Analysis—R. S. Dickson & Company, Incorporated, Wilder Building, Charlotte 2, N. C.

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia will hold their 33rd annual mid-winter dinner on Friday, March 1 at the Bellevue-Stratford Hotel. Dinner at 7:30 p.m. (tariff $16). A member-guest luncheon will be held at 12 noon on March 1, also at the Bellevue-Stratford (tariff $3.50).

Reservations may be made with Thomas Suski, Eastern Securities, Inc., New York, or Andrew F. Pimley, Woodcock, Hess, Moyer & Co., Inc., Philadelphia.

Continued from page 2

The Security I Like Best

sulting agency for the electronics industry, specializing in analysis and evaluation of nuclear electronics and guidance and control systems for the guided missile program. Dikewood is expected to generate income of about $250,000 in 1957. Over the longer term, the division's prospects are enhanced by the outstanding reputation of its officers and the vast, unscratched potential in the type of work being handled. Incidentally, two other situations similar to Dikewood's are currently being pursued by the company.

Radiation's most important projects to date have been sponsored by the Air Force for the development of digital telemetering and automatic data handling systems. The company's basic telemetry system consists of two units: a transmitter placed at the source of the information desired, and the receiving and recording unit where the information will be compiled. Recording units, which accept data from the receiving unit for a permanent record, are capable of accepting, converting and plotting up to 24,000 binary words per second on a roll of electrosensitive paper no more than 12 inches wide. This apparatus is suitable for test and evaluation of military equipment, commercial aircraft and aircraft engines, plus a myriad of other uses requiring collection of many high-accuracy data points, such as the automation of complex manufacturing techniques.

Instrumentation is another major field of endeavor for Radiation. As a matter of fact, construction was just completed on a new 28,500 square foot building on a 320-acre plot adjoining the Pine Castle Air Force space and in the general area of the Glen Martin plant. In this regard, Radiation designs and installs instruments in aircraft and ground stations for testing and evaluating aircraft under special conditions. One such project involved the instrumentation, field service and evaluation of results obtained from test aircraft in a nuclear explosion. A current project involves the installation of communications and navigational equipment in B-57 aircraft for tests by the CAA. Also worthy of comment is the company's vital position in radar and antenna development for automatically tracking missiles and national defense purposes. Like most of its other projects, this work is of a highly classified nature.

Other important products designed and manufactured by Radiation include electronic test equipment, ranging from general purpose wavemeters to special purpose equipment of a classified nature; electronic checkout equipment for field and depot support of guided missiles and piloted aircraft (including complex preflight checkout of the guidance system employed in the U. S. Air Force's first operational guided missile); and in the design and development of circuitry and instruments in the ranges of audio, video, intermediate, radio and microwave frequencies. The company's test equipment is designed for checking and determining the performance of mechanical and electrical instruments, such as the amount of pressure required to activate a valve or bank a plane.

Company facilities include nine buildings located at three airports in Melbourne and Orlando, Florida. In addition to production plants, these provide such services as complete environmental tests, radar ranges, exposure test sites, radar trailers and a chemical laboratory.

Capitalization consists of 169,066 shares of class A common and 380,934 shares of management-owned common stock. Class A shares have a dividend preference of 30c per share, which are being paid on a 7½c quarterly basis. Both have equal voting rights. The common is convertible share for share into class A stock. No dividends have been paid on the common. Additional financing is likely before the end of the year.

In conclusion, Radiation, Inc. class A common is "my favorite security" because it is a well managed organization, the recognized leader in the field of digital data processing for guided missiles and aircraft and statistically undervalued in relation to other rapidly growing companies in the electronics industry. Currently selling in the Over-the-Counter Market at approximately 15 times estimated earnings for fiscal 1957, Radiation's stock appears cheap in comparison with other growth electric firms, which sell at ratios of 25 to 50 times earnings.

Enlightened Capitalism Today And Coping With Inflation

By JOHN L. GAUNT*

Vice-President, First California Company, Los Angeles

Recognized California investment banker-broker, in reviewing vital economic changes, counsels money should be put to work to prevent purchasing power loss during continuing inflationary trends by investing in real estate, raw materials, or into one's own business. Mr. Gaunt states "money is costing more every day and inflationary pressures continue to make its purchasing power decrease. To survive, business must make a profit." Author recounts better public understanding of profits' role as an incentive factor and as cornerstone of a free capitalistic enterprise system. Believes it is about time legitimate car dealers, major finance companies and banks undertake an organized effort to show buying public where and how to buy a car for "their money's worth."

If we go back to the second war with England—from 1812 to 1815, the textbooks tell us that wholesale prices exactly doubled. If we take an 1861 paper dollar—at the beginning of the war between the states — and follow it through to 1866, we learn that it dropped in purchasing power to 58 cents. If we take 1916 dollar and follow it through to 1920 - 21 we find that it dropped in purchasing power to 54 cents. You all know that the 1939 dollar by 1946 had sunk to 56 cents.

John L. Gaunt

Now this happened four times —once under the Federalists, once under the Republicans and twice under the Democrats. "Let him amongst you, who is without sin, throw the first rock!"

It can't be all politics. It must be something we always do — what? If we paid every bill as we went along in a war, with taxes levied to balance the budget at each year end, there would be little rise in prices; we do tax as high as we can, we come to the point where representatives would be defeated at the polls if taxes were any higher. Then we have to borrow from ourselves, so we sell government bonds. If we sold them to you and to me—people who have to dig down in the safety deposit box for cash, or write a check and reduce our bank account to get the bond — there would be little rise in prices. We do these things and still can't pay our way.

Now, here is where we get into trouble. Your tax authorities say, "Well if the people won't buy any more bonds themselves, we know where the money is, we'll sell bonds to the banks: I'll let you in on a secret. The banks don't have much money—most of the money down there is yours. Somewhere around $12 of yours and $1 of the bank's fund. So they sell $1,000,000 in bonds to Bank of America or Chase Manhattan. The government gets a deposit slip—an account is set up and the bank gets the bonds. No *money* changes hands. When the bank gets low on cash to meet pay-rolls, etc., it can borrow from Federal Reserve or even sell bonds to Federal Reserve — in either case back come those little flat packages of Federal Reserve notes—new and green.

Inflation and War

In some other ways, but chiefly in this way, the supply of money grows and grows as we fight a war. In 1940 we had in circulation in this country $9 billion in money; in 1950 we had $27 billion. That is *three times* as much money around. Bankers and economists add demand bank deposits as spendable money — they were about $30 million in 1940—and $92 million in 1950—again three times as much "check" money.

At the end of the 1940-1950 period, all of the factories in this country were making 170% as much manufactured goods as they did at the beginning.

All of the farms, mines and oil wells were growing, digging and pumping products (not made in factories) at about 135% of the 1940 rate.

Please remember I'm using a big piece of charcoal, not a fine pointed pencil, in all these computations.

Anyway, the average comes out somewhere around 152%, or one-and-one-half times what the old professor would have call "stoff" was being produced for sale at the end of the period.

Now here we have three times as much money chasing one-and-one-half times the "stoff." We scream our heads off, but we are still working in a competitive economy. So the balance was struck, one-and-one-half goes into three twice and the dollar price has doubled. It's that simple.

That is the story of inflation in language we can understand. That is why a Dodge car that costs $1,100 in San Francisco in 1940 had increased to more than $2,200 in 1950.

This simple story should be taught in every high school in the nation. The young generation could understand.

Now, if you had known this in 1940, how could you have preserved your money from the loss of 50% in its purchasing power?

(1) By buying raw materials—gold, copper, oil. For example in 1940 oil was $1.10 per barrel—in 1950 it sold at $2.33.

(2) Buy good real estate. A two bedroom house with hardwood floors and modern bath cost $8,000 in 1940. In 1950 the builders index was 219 vs. 104 or $17,-200 for the same house.

(3) Put the money to work in a well managed business — your own or one outside.

Remember this if you forget everything else I say today—

Yesterday's business was done in yesterday's dollar.

Today's business is done in today's dollar.

Tomorrow's business will be done in tomorrow's dollar.

1965 business will be done in a 1965 dollar—WHATEVER IT IS.

A steel company that produced one million tons of steel in 1940 and sold it at $60 a ton had sales of $60 million. If this company produced the same one million tons in 1950 and sold it at $120 a ton it had sales of $120 million. Consider this carefully. Their business did not double. The dollar shrunk 50%.

Money at Work As a Hedge

Suppose this company was able to maintain its margin of profit. Its net earnings would be doubled. If it paid the same relative dividend, the stockholder would receive twice as many dollars—his income doubled.

That is the theory. How does it work out in practice?

If you had bought the common stocks of the 10 largest corporations in 1940 (no expert like me to pick them out for you), you could have sold them in 1950 for more than twice what you paid for them. Their earnings would have been well over twice and the dividends much more than twice the 1940 figures.

Remember: Money at work in a growing, well managed business maintains its purchasing power.

I think we should turn around and take a brief look at **deflation.**

After the War of 1812, the Civil War and World War I, the dollar regained about half of its former purchasing power. It moved back to somewhere around 75 cents. Why did this happen?

The post-war busines cycle usually has three phases. The first is called the "post-war boom." That is the period when business makes a tremendous effort to catch up with the huge backlog of demand for civilian goods built up during the war — a period when it can sell almost anything it can deliver at peak prices.

The second phase is called the "post - war price readjustment squeeze." That is the period when the buyer becomes critical. He has everything he wants, or knows he can get it from a dozen competitors. Inventories build up and nobody comes to buy — at current prices. Then business must improve the usefulness or style of its product or cut the price—all of these things are pursued with speed and diligence. Volume dries up. Red ink appears on the ledger. This is the period of "agonizing reappraisal."

Finally, after a rough voyage, the product is right, the price is right, and we move into the third phase—"the resumption of normal growth." This is a period of sound, slowly expanding, healthy business, which lasts for a long period of years.

Panics do not follow great wars immediately. The Civil War ended in 1865. The postwar boom lasted two years. Prices were corrected in late 1866 and the panic of 1873 came eight years after the war. In World War I, we had 18 months of combat, 17 months of postwar boom. Then came the readjustment squeeze in 1920-21. And it was a "honey." Wheat dropped to 50 cents a bushel. Idle locomotives and cars were stored on hundreds of miles of main-line track. The stock market fell on its face—and government bonds, the 4¼s, dropped from 101 to 82 and one-half. That postwar readjustment squeeze is painful; it really hurts, but it doesn't last long. Prices seem to climb up, but they fall down. Business faced up to reality and in 15 months we were back to that normal healthy growth. You know those years as "the roaring 20's." Then the "crash." The panic came in 1929 —11 years after the war.

Why No Post World War II Deflation?

In World War II, we had 44 months of combat, about two years of postwar boom, but **no real price readjustment.** In late 1946, the stock market, following precedent and anticipating a let down, fell on its face. Here is what happened in 90 days. Good sound investment stocks that had not missed a dividend in 75 years (such as Chase Manhattan Bank) went down 25% and stayed there for two years. Businessmen's investments, good ones like General Motors—an outfit that nobody in 1946 would have said had caught up with demand—went down 40% and stayed there two years. Speculations, not "cats and dogs," but good ones, where the facts are available and you can pour your own drink according to the strength of your financial stomach (International Telephone) went down 75%. IT&T dropped from 30 and one-fourth to nine and one-fourth and stayed there two years.

The Dow Jones Industrial Averages went down from 212 to 161 and touched the same bottom three times in the next two years. The financial world waited with bated breath for the radical readjustment which never came. Why? Why, for the first time, did deflation refuse to appear?

(1) After World War I, we withdrew from the League of Nations and kept within our own borders. We ended all controls, all large government spending and left business to fight it out in the market place.

(2) We made an effort to pay our debts.

Most of us have forgotten an old fashioned Secretary of the Treasury — Andrew Mellon. He had a crazy idea that during good times, when everybody has a good job at high wages, we ought to save some money and pay our debts. He certainly would not fit into our modern idealogical world.

In 1917 this great country had no debt—except Panama Canal 3s that were self liquidating from canal tolls. At the end of the war, the national debt had reached $36 billion, at 3¾%, 4¼% and some at 4¾%. Do you know what that old Scotsman did? He made us pay that debt down to $16 billion. Then the New Deal came in and we started from there. By 1941 our debt had climbed to $51 billion. At the war end it stood at $255 billion.

From then on, instead of pulling in our belts and starting to pay debts, our economy received a series of inflationary hypodermic shots such as:

(1) Aid to Greece and Turkey.
(2) The Marshall Plan.
(3) The Korean War.
(4) NATO.
(5) Rearm ourselves.
(6) Rearmament of Germany.
(7) Point 4.

At every point when the economy showed signs of normal postwar shrinkage, it was given an inflationary shot of "government spending" — and away we went again. Today, 11 years after the war, the money in circulation stands at $30,700,000,000, 14% above the 1950 figure. The purchasing power of the prewar dollar, down to 56 cents at the end of the war, worked its way back to 60 cents during the minor deflationary period of 1947-1949 and then steadily sank to its present

Continued on page 30

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

Disappointing High Bank Rates And Alternative Credit Weapons

By PAUL EINZIG

Contending that the Bank rate weapon is largely ineffective and was not responsible for the economic improvement after 1952, British economist recommends lowering of abnormally high Bank rate to save extra Budget cost paid to foreign holders of sterling balances since it has not improved the terms of trade. Dr. Einzig trusts that cooperation, voluntary bank action, Treasury floating-debt consolidation will prevent unwanted credit expansion, even if Bank rate were lowered to 4%, and benefit balance of payment position. Author also recommends repaying IMF dollars borrowed in December to remove false feeling of security and basis for trade union higher wage demands.

LONDON, ENG. — Throughout January the City was confidently expecting a Bank rate reduction, in anticipation of which the Stock Exchange and sterling were very firm during the greater part of the month. But when Thursday followed Thursday without the announcement of a change following on the weekly meetings of the Court of the Bank of England, dealers, speculators and investors began to abandon hope. Towards the end of the month the markets developed a hesitating tone and government loans became distinctly weaker. Sterling, too, lost some of its earlier improvement, and the decline of Treasury bill rates came to a halt. When it became known that, so far from gaining gold in January, the Treasury had to part with some of its recently borrowed dollars to settle earlier deficits with the European Payments Union and to finance the import of dollar oil, and that there are to be no spectacular cuts in defense expenditure this year, hopes of an immediate Bank rate reduction were almost completely abandoned.

Dr. Paul Einzig

The Expected was Unexpected

When on Feb. 7 the reduction of the Bank rate from 5½ to 5% was announced, the decision came as a complete surprise. Even though commentators claimed that it was an "inevitable" technical consequence of the previous decline in market rates of discount, the attitude of the markets on the eve of the reduction certainly gave no indication that dealers, investors and speculators were anticipating the change. And commentators had put forward an impressive array of arguments to show why a change was not to be expected in the immediate future.

Foremost among these arguments was the deterioration of the Budget position and outlook. During the greater part of January the Stock Exchange was confident that cuts in defense expenditure and a general economy drive would enable the Chancellor of the Exchequer, Mr. Thorneycroft, to make appreciable tax reductions in his Budget. The publication of substantial Supplementary Estimates gave rise to second thoughts on the subject. In any case the weekly Exchequer returns showed that current expenditure was running considerably above estimates. It is true, the current deficit was largely offset by a reduction of Government capital expenditure. But from the point of view of the next Budget this is small comfort. For the cuts in capital expenditure are by their nature non-repeatable, while the rising trend in current spending is continuous.

Amidst the wave of optimism in January the authorities abstained from reducing the Bank rate, for fear of exaggerated psychological effects in the form of an accentuated boom. But now that the psychological pendulum has swung in the opposite direction it was considered safe to lower the Bank rate. Indeed the response of the markets was far from exaggerated. Most comments abstained from forecasting further Bank rate reductions in the near future, and the Stock Exchange acknowledged the change with a moderate rise. Sterling was slightly weaker, presumably because the lower Bank rate may have caused some withdrawals of funds transferred to London in connection with interest arbitrage operations.

From a technical point of view, the Bank rate cut may be criticized on the ground that sterling is not yet firm enough to justify it. Nor has the danger of inflation subsided. If the reduction of the Bank rate is followed by a relaxation of the credit squeeze, and if it is accompanied by a Stock Exchange boom, exaggerated wages demands would be pressed forward, and the rising wages-costs-prices spiral would become accentuated. It is true, shortages in fuel oil might cause unemployment or short-time working in some industries. But it would strengthen the bargaining power of workers in the coal industry, railways and some other industries.

Wants Bank Rate Cut to 4%

Nevertheless, the Chancellor was right in deciding in favor of lowering the abnormally high Bank rate. He would be right in following up this move by further cuts before his budget statement in April. For it has come to be realized that in conditions such as have existed in Britain during recent years, the Bank rate-weapon is largely ineffective. There was a revival of the cult of Bank rate-worship after the experience in 1952, when the increase of the Bank rate was followed by a speedy and spectacular improvement of the situation. But that was sheer coincidence. The improvement in 1952 was due, not to the disinflationary effect of the higher Bank rate, but to the change of the terms of trade in favor of the Sterling Area. There was no such change in the present instance, and the effect of the prolonged abnormally high Bank rate has been disappointing.

Official quarters are beginning to realize that in existing circumstances the high Bank rate means more trouble than it is worth. From the point of view of the balance of payments alone, the extra cost of dear money is estimated at something like £100 million a year compared with the cheap money period, as overseas holders of sterling balances receive higher interest. From the point of view of the budget the extra cost is well over £200 million a year.

Alternative to Bank Rate Weapon

The Bank of England, and the banking community will now have to do some hard thinking to devise ways by which credit conditions could be kept reasonably tight in spite of a lower Bank rate. Co-operation and voluntary action on the part of the banks, and a determined effort on the part of the Treasury to consolidate part of the floating debt, should make it possible to prevent an unwanted credit expansion even if the Bank rate were to be lowered to 4%.

Such a reduction would result in appreciable saving on the cost of the public debt. Together with appreciable cuts in defense expenditure, it should enable the Chancellor to make some tax concessions. At the same time, the balance of payments would benefit by the reduction in the interest payments to holders of sterling balances. This should go some way towards offsetting the effect of the withdrawals of foreign funds engaged in interest arbitrage. In any case, such funds are covered by forward exchange transactions, so that their withdrawal, while unfavorable for the spot rate, is favorable for the forward rate of sterling.

Repay Dollars to IMF

What really matters, however, is whether it will be possible to persuade the trade unions not to regard the lower Bank rate as a signal for another round of exaggerated wages claims. From this point of view it would be advisable for the Treasury to repay to the International Monetary Fund at the earliest possible moment the dollars secured from it in December. Even though the gold and dollar reserve now includes borowed dollars, its relatively high figure conveys a false feeling of security, which is more likely to influence trade unions in a wrong sense than it is likely to influence foreigners short of sterling in the desired sense. The latter have so far shown very little inclination for covering their short positions or replenishing their uncovered London balances. Although sterling may now be considered safe for some time ahead, there may have to be an appreciable improvement of the fundamental economic position before the gold reserve can be replenished out of the proceeds of a reflux of foreign funds to London.

Trucksess V.-P. of Studley, Shupert Co.

PHILADELPHIA, Pa.—Studley, Shupert & Co., Inc., investment counselors, announce that Herbert A. Trucksess has been elected a Vice-President of the Company. Mr. Trucksess has been associated with the firm for the past four years in various capacities.

Herbert A. Trucksess

With Western Securities

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — James W. Austin is now with Western Securities, Inc. He was formerly with Colorado Investment Co.

Joins Dale Hill Staff

(Special to THE FINANCIAL CHRONICLE)

PUEBLO, Colo. — Donald E. Black has become associated with Dale R. Hill and Company, 114 West Ninth Street.

From Washington Ahead of the News

By CARLISLE BARGERON

"Modern" Republicanism seems by way of taking a licking in its first set-to with the Democrats since November. It has been outsmarted in Texas where it had high hopes of capturing, next April 2, control of the Senate through the election of a Republican in a special Senatorial election. There are four or five Democrat candidates and one Republican. Under present law, unless it is rewritten before this article appears in print, the candidate receiving a plurality would win. On this basis the Republican strategists figured rightly that the Democrat candidates would divide the Democrat vote and the lone Republican would have an excellent chance. They determined to make an all-out campaign in his behalf.

Carlisle Bargeron

But the possibility of the law being rewritten, or the rules changed in the middle of the game, has been haunting them from the outset. The lower house of the Texas Legislature about a week ago passed a bill requiring that the winner of the April 2 election must receive a majority vote or else there will have to be a run-off. This would in all probability defeat the strategy and the hopes of the Republicans. Although Texas voted again for Eisenhower last November there are no indications at all that it has turned from its ancient Democrat moorings in the matter of members of Congress or state officials.

The proposed legislation for a change in the election laws is, as this is written, before the Texas Senate. What the Senate will do is problematical but the very fact that the question has been up in the air for the past several weeks has deterred the Republican strategists from getting underway. Amid Democrat charges that a huge slush fund was being sent into the State to elect the Republican, the Republican strategists have been afraid to do anything for fear it would insure passage of the legislation through the Senate. In the meantime the weeks have rolled by until they now have only about six weeks before election. The Democrats are serving their purpose, therefore, with the threat whether they pass the legislation or not.

It is doubtful if much of the vaunted Texas oil money is available to the Republican candidate at any rate. This oil money is conservative but it is unlikely that it wants to displace Lyndon Johnson as leader of the Senate which is what the election of a Republican Senator in Texas would do.

Aside from the Texas election, the mortality table has seemed to favor the Republicans' taking over control of the Senate within a few months. But even that has become of dubious worth. The two aged Democrat Senators upon whom the Republicans have counted and whose states have Republican governors and could be expected to name Republican senators in the event anything happened to the two incumbents, have bounded back with renewed vigor and on the other hand, a Republican, Langer of North Dakota—at least he calls himself a Republican—is seriously ailing at 70 in the hospital here.

There is no gain saying that the Republicans in Congress are downhearted and restless. Insofar as members of the House are concerned, there is a feeling that unless something heroic is done they will suffer a recession in the 1958 elections. One Republican House leader has told me, and I agree with him, that the Republicans will never again get control of the House unless they find some means of offsetting the influence of labor leaders in politics. These fellows are congenital Democrats and it is doubtful that if the Republican Party were to become completely prolabor that it would capture their allegiance. That is the reason that the talk about "modern" Republicanism which means essentially trying to outdo the New Deal falls upon so many deaf Republican ears in Congress. There has been considerable talk about the need of a Republican organization outside the party, sort of a counterpart of the Americans for Democratic Action and the Committee for an Efficient Congress, to offset the labor leaders' influence. It isn't a question of making the Republican Party anti-labor—not in the slightest—but simply one of not permitting a labor party to take over the government. There is no doubt about the need for such an organization.

Pacific Coast Exch. Salutes Frankfurt Mart

LOS ANGELES, Calif.—During ceremonies in Los Angeles and San Francisco Feb. 8 the Pacific Coast Stock Exchange joined in saluting the opening of the new Frankfurt (Germany) Stock Exchange.

At the Los Angeles Division of the Pacific Coast Exchange, Dr. Eduard Schneider, German Consul General, was guest of officers of the Exchange during trading floor ceremonies and at a special luncheon.

Frank E. Naley, Vice-Chairman of the Pacific Coast mart, greeted Dr. Schneider on behalf of the Exchange and extended his best wishes to the Federal Republic of Germany.

During Dr. Schneider's visit to the trading area, a copy of Pacific Coast Governing Board Chairman William H. Agnew's congratulatory cable to the Frankfurt Stock Exchange was flashed on the large trans lux tape. It appeared in San Francisco at the same time.

The message read: "The officers and members of the Pacific Coast Stock Exchange extended to the officers and members of the Frankfurt Stock Exchange their heartiest congratulations and best wishes on the occasion of the dedication ceremony of your new Exchange on Feb. 9."

The old Frankfurt Exchange had been destroyed during a bombing raid during World War II.

With Peters, Writer

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Kenneth E. Anderson is now affiliated with Peters, Writer & Christensen, Inc., 724 Seventeenth Street.


BUSINESS
CONFERENCE

LETTER TO THE EDITOR:

What Should Be Our Money Policy?

In agreeing that a 3% progression in the volume of money will *not* produce a 3% progression in the volume of production or achieve a desired price level, James A. Howe, Industrial Investment Director of Mutual of New York, in letter to the "Chronicle," suggests Federal Reserve adopt as a basic guiding principle consistent and regular increases in volume of reserves to "simply . . . provide a volume of money which is appropriate to the long time rate of growth actually occurring from time to time and reasonably anticipated . . ." with interim operations conducted as customary. The Mutual Life economist in pointing out that this course cannot be followed with mathematical precision, details factors causing policy-departures; advises reliance upon Federal Reserve judgment; and prefers large degree of autonomy for the Fed. Relates recession possibilities, regardless of excellent Federal Reserve policies, to investment and loan character behind bank deposits.

Editor, Commercial and Financial Chronicle:

Dr. Walter E. Spahr's article called "The Supply of Currency and Economic Activity" in the *Commercial and Financial Chronicle* of Dec. 27, 1956, ably points out that the relations between the volume of money and prices, industrial activity, the gross national product and the national income are variable. The relations between the volume of money and almost every other economic factor are also variable. There is often an interrelationship but it is likely to be very loose.

In practice the Federal Reserve authorities exert their influence primarily through their powers (which are not unlimited) to make available a greater or a smaller volume of member bank reserves. Thus, they encourage or discourage expansion of credits and bank deposits, but in neither case do they have power to compel a given result. The relations of loans and deposits to reserves are variable, and the effectiveness of the influence of actions of the Federal Reserve authorities varies with conditions.

It seems inevitable that they must address their major attention to the direction and degree in which they ought to influence the volume of member bank reserves, and thus to some extent the volume of loans and deposits, because this is their principal power, and they have no alternative.

Dr. Spahr ably points out many of the limitations of averages, indices and other statistical material, and the fact that there are many economic matters concerning which information is very vague. The lack of constancy in the economic relationships, and the limitations of knowledge seem to leave no reasonably reliable practical alternative to the Federal Reserve authorities but to influence the volume of member bank reserves on the basis of general concepts interpreted in specific terms by their own judgment.

What should these basic principles be?

Federal Reserve Basic Guides

It would be difficult to quarrel with the general idea that the volume of reserves and the volume of money should not expand too rapidly, because this will result in obvious inflation and all its very well known concomitants. Similarly, an insufficiently rapid rate of growth of either will not meet the proper needs of business for money, and will tend to restrict progress.

Although the course of production of goods and services has been highly irregular, growth has been characteristic of our economy from the beginning, and the prospective developments in our laboratories suggest that this characteristic will continue to prevail. Therefore, it appears that the normal course of the volume of reserves and the volume of money over the years must be upward, because an increasing volume of money will be necessary to finance growing business.

It next seems advisable to consider whether the volume of member bank reserves should grow more or less consistently at a rather regular rate, or should fluctuate irregularly with temporary changes in such volatile or potentially volatile items as prices, rate of turnover in money, degree of business activity, and accretions or diminutions in the gold supply. It seems reasonable to conclude that consistency and regularity are preferable to very much variability.

Reasonable consistency of growth of the volume of member bank reserves and money based on a longish term point of view seems likely to tend to discourage expansioin in credits and the volume of money so rapid and so prolonged that it is altogether out of line with any reasonable concept of the growth of productive power, or threatens a deterioration in the quality of loans that may lead to an uncontrollable spiral of liquidation. Such consistency of movement will also tend to discourage extremes of liquidation and contraction. We should emphasize that we have used the words "tend to discourage or encourage," and have not implied that the Reserve authorities have any absolute power to prevent either some degree of over-expansion or of liquidation.

Cannot Eliminate Business Cycle

It is impossible to conclude that even the best possible action by the Federal Reserve authorities can altogether eliminate cyclical movements of business activity or prices, and it is by no means improbable that periods of some liquidation and readjustment are not only unavoidable, but are actually essential to the maintenance of sound business conditions, and to attainment of the most rapid obtainable long-term rate of growth. However, it seems reasonable to anticipate that an able policy can assist in the mitigation of extremes, and tend towards consistency in the rate of progress.

A reasonably consistent policy as to the volume of member bank reserves connotes only small year-to-year changes therein. Banks and businesses can adjust themselves much more easily to small and more or less regular changes based on a known consistent policy than to changes which are larger, less regular and more uncertain.

Even if the Federal Reserve authorities should base their policy upon a concept of a long time rate of growth of production and of the need for money, which is merely intelligent but not ideal, banks and businesses could presumably adjust themselves to the situation with relative ease. If the Federal Reserve authorities' conception of the probable rate of growth is a little too small, it will not necessarily interfere with a more rapid actual rate of growth in production, provided, of course, that the concept is not altogether unreasonable. Nor would a slightly too liberal concept be seriously damaging.

Lack of Constancy

I quite agree with Dr. Spahr's belief that a 3% progression in the volume of money will not "produce" a 3% progression in the volume of production of goods and services. Nor will a 4% rate of progression or a 2% rate of progression in the volume of money necessarily result in a 4% or 2% rate of growth of production.

The ultimate source of progress is the creative activities of those whose ingenuity and enterprise result in better ways of making more and better products and services. The greatest contribution of America to political and social science has been the demonstration in practice, that a degree of freedom of opportunity for creative individuals and for groups of creative individuals, and a degree of security in these creative activities, greater than anywhere else in the world at any time, have produced the highest standard of living the world has ever seen. This has been accomplished by application of a doctrine of limitation, subdivision and balance of powers both within and without Government circles, such that these freedoms and opportunities could not be taken away.

It is, of course, possible to devote so much attention to scientific and material progress, or any particular aspect of living, that one does not lead a balanced life, but, on the whole, our material and scientific progress seems to have assisted in the creation of a more considerate and humane society than existed in the past. The possibilities of non-material cultural advances have been enhanced by material and scientific progress. The highest civilization is the result of advances on all fronts.

Aim of Reserve Expansion

The purpose of consistency and regularity of growth in the monetary factors is not the fatuous belief that such growth will "produce" a corresponding increase in production. The aim is simply to provide a volume of money which is appropriate to the long time rate of growth actually occurring from time to time and reasonably anticipated on the basis of the existing market surveys of industrial companies for the future, thus avoiding the interferences with progress which result from either too much or too little money.

The reserves of member banks are perhaps as basic as any other single factor to the over-all credit situation. Therefore, their movement on a consistent basis, well-coordinated with an intelligent concept of the longer term rate of industrial development and need for money, should exert a powerful influence in the direction of consistency of progress. But, as we have said before, this greater degree of consistency of progress does not mean the attainment of complete stability of the price level, or a perfectly straight line rate of growth of business. The realistic hope is merely to eliminate unnecessary extremes due to faulty money management.

At What Specific Rate?

The foregoing generalities are not sufficiently specific to serve as a concrete guide. If we conclude that a consistent volume of rate of growth of reserves is preferable to any other changes therein, at what specific rate should they grow, and must they grow precisely at that rate on the basis of a firm arithmetic formula?

History, I think, would tell us quite clearly that a rate of growth over a long period of 1% per year would be much too small for an economy like ours, and a rate of growth of 10% would be much too great. In the two decades before the first World War the gross earnings of the British Railways increased every year but one in each decade, and in neither decade did employment vary over 5.5%. For the period as a whole, the deposits of the joint stock banks grew at a compound rate in the neighborhood of 3½% annually. They did not recede appreciably in any year. After one short period of little change, they suddenly jumped around 10% in a single year but, thereafter, again grew slowly. During these 20 years, wholesale prices rose a little more than might be considered ideal, but all in all, it was a long period of unusually consistent advance and, at its end, conditions appeared to be rather sound. The reserves of the banks did not grow at quite the same rate as deposits, but a rate of progression of reserves of about 3½% per year compounded, had it existed, would seem to have served very well. During this period, money rates moved all over the map and the discount rate at one point reached 6%. This, however, served only to correct the gold situation and did not interfere materially with growth of deposits and business.

This experience seems to indicate that consistency in volume of credits and money is basic, and that rates may, as a rule, go wherever the pressure or lack of pressure for money dictates without disturbing progress seriously, provided that their movement contributes to consistency of the movements of the volume of credit and money.

Since 1947 our total deposits plus currency (excluding interbank deposits) have grown at an average rate of around 3% annually compounded. This period also has been one of relatively consistent progress. Prices are up some. The rate of turnover of money has increased, but, on the whole, the record is very gratifying.

"Quantitatively Intangible"

Since we grow faster than England, a higher rate of growth in deposits may be more appropriate to us. Perhaps projects in our laboratories will make 4% appear more appropriate sometime in the future. Now we are getting down to the fine point. Extreme changes and inconsistencies which tend to upset the monetary and business situation, on the basis of this or that fatuous hope or unrealistic concept that prices or the degree of business activity may be firmly controlled by monetary action, have been ruled out. The objective has been limited to supplying a quantity of money coordinated as well as possible with a reasonable concept of the need therefore from a longish term point of view. The problem has been narrowed down to something like a realistic par for the course, but here we run into more problems. What is the *exact* par for the course?

What is the "physical" volume of our production, and what is the volume of services? What is the volume of our business corrected for changes in prices, and at what rate is it growing and will grow over the years? These concepts are realistic enough, but they are quantitatively intangible, and incapable of accurate statement. It is quite clear that a gallon of gas today is not the same as a gallon of gas ten years ago. It will do more work. The 1957 automobile is a much more elaborate machine than one of ten years ago. How can one measure the production of women's hats in physical terms, when no two hats are alike?

Relying on Federal Reserve Judgment

Here, then, we have to come back to the final reliance, which must rest upon the judgment of the Federal Reserve authorities. They may call upon the ablest economists to do the best they can with the problem by the use of all the information and clues which they can dig up, not excepting the action of prices or any other factor, both to arrive at an initial concept, and then to keep it *au courant*, but judgment is still involved.

With this approach, however, it seems likely that the annual increment to reserves will be small enough so that it will not be unnecessarily upsetting either way. We can be sure that reserves, already adequate to support a full volume of business at a given price level, will not be inordinately increased overnight because business has temporarily receded, and prices have dropped, with the fatuous idea that the fall in prices will thereby be corrected and all will be well in the future; nor will we cut the volume of reserves drastically with the equally fatuous idea that less money is needed because the new price level is lower, and thus feed the flames of liquidation. It will be most unlikely that member bank reserves will be permitted to decline materially and that money rates will be raised when business is declining, as in 1931, thereby accelerating liquidation already under way; or that reserves all out of proportion to any reasonable concept of needs would be provided, as late in the 1930's, thus frightening businessmen so that they will not know whether or not to expect a wild burst of inflation (which did not come in the 1930's) and, therefore, feel that they cannot plan confidently. The concept of par for the course will at least be reasonable, and will, therefore, be entitled to the confidence and respect of business leaders and the public.

Having thus given some indication of the probable range of lines of growth representing par for the course, it is now necessary to consider whether or not in actual practice the volume of member bank reserves could reasonably be expected to adhere rigidly to any line which the authorities selected as appropriate, or whether departures from this line would sometimes be desirable or, if not desirable, unavoidable. Obviously, there will have to be departures from the selected line of growth in a number of circumstances, among which the following may be mentioned:

Factors Causing Change in Policy

(1) If war should break out and it is politically impossible to finance the costs thereof without the creation of more reserves than the standard contemplates.

(2) If Congress is unwilling to live within a budget which makes it possible to avoid inflation, and live within the projected program. Even if the Federal Reserve authorities are allowed a large degree of autonomy (which is certainly desirable), they still cannot go so far as to make it impossible to finance the conduct of Government. They may be very reluctant to have to cooperate with inflationary moves but cannot set themselves above Congress.

(3) If it is impossible to prevent inflationary increases in wages, that is, increases which are in excess of the increase in productive power per man, the Federal Reserve authorities will be placed in a very awkward position. They may be extremely reluctant to

Continued on page 40

Chicago Analysts Announce Programs

CHICAGO, Ill.—The Investment Analysts Society of Chicago has announced the following programs scheduled through June:

H. M. Horner, Chairman of the Board and Chief Executive Officer of United Aircraft Corporation, will address the group on Feb. 14 at their luncheon meeting in the Adams Room of the Midland Hotel. He will speak on United Aircraft and the aircraft manufacturing industry.

Feb. 21, 1957 — Invitational Luncheon and Plant Tour, Stewart Warner & Co.—Principal speaker, Bennett Archambault, President.

Feb. 28, 1957—Chicagoland Utilities Forum—

(1) *Luncheon Speaker, 12:15-1:45* — George R. Perrine, Chairman, Illinois Commerce Commission.

(2) *Company Forums, 2:00-4:30: Northern Illinois Gas Co.*—Marvin Chandler, President. *Commonwealth Edison Co.*—Willis Gale, Chairman of the Board. *Peoples Gas Light & Coke Co.* — James F. Oates, Jr., Chairman of the Board.

(3) *Reception and Cocktail Party—4:45-6:00*—We will be the guests of the participating companies.

March 7, 1957—Link Belt Co.—Robert C. Becherer, President.

March 14, 1957—National Cash Register Co.—G. A. Lowden, Financial Vice-President.

March 21, 1957 — Invitational Luncheon — Dayton Rubber Co.—A. L. Freedlander, President.

March 28, 1957 — To be announced later.

April 11, 1957—Whirlpool-Seeger Corp.—Elisha Gray, 2nd, President.

April 18, 1957—Shelby Cullom Davis & Co., New York—Shelby Cullom Davis, Insurance stocks.

April 25, 1957—Cerro de Pasco Corp.—Robert P. Koenig, President, or H. D. Starr, Vice-President and Treasurer.

May 2, 1957—Armstrong Cork Co. — Walter E. Hoadley, Jr., Treasurer.

May 9, 1957—Chrysler Corp.—F. W. Misch, Financial Vice-President, or H. F. Diegel, Comptroller.

May 16, 1957—Clark Equipment Co.—George Spatta, President.

May 19-23, 1957—National Convention, Cleveland, Ohio.

June 6, 1957 (Final Meeting)—*Monsanto Chemical Co.* — Charles Allen Thomas, President.

Wiesenberger to Admit

Arthur Wiesenberger & Co., 61 Broadway, New York City, members of the New York Stock Exchange, on Feb. 15 will admit G. Axel von Nolcken to partnership. Mr. von Nolcken, a member of the Exchange, has been active as an individual floor broker and in the past was a partner in Hecht & Co.

On Feb. 20 Arthur Wiesenberger will acquire a membership in the New York Stock Exchange.

With Carroll & Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Richard L. Cadieux, Joe Davis, Herman Enger, Minnie Enger, Fred T. Garner, Melvin R. Hansen, Leo J. McCarty, Jesse L. Nelson, Darrell L. Oaks, Lee L. Rubin and W. Howard Weakly have been added to the staff of Carroll & Co., Denver Club Building.

With M. H. Bishop

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Woodrus F. Horman is with M. H. Bishop & Co., Northwestern Bank Building.

Forms Denver Secs. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Duncan Cameron is conducting a securities business from offices at 1420 Mile High Center under the firm name of Denver Securities Company.

With Olympian Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John A. Epps has joined the staff of Olympian Securities, Inc. He was previously with Securities, Inc.

With L. W. Chamberlain

(Special to THE FINANCIAL CHRONICLE)

RED WING, Minn. — Ethel F. Munson has joined the staff of L. W. Chamberlain & Co., Inc., 315 East Avenue.

Boettcher Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Wilbur E. McCormick has been added to the staff of Boettcher and Company, 135 South La Salle Street.

Continuing Foreign Aid In the Years Ahead

By WILLIAM L. BATT*
President, World Affairs Council of Philadelphia

Mr. Batt, former SKF Industries President, reflecting upon chronic dependence on U. S. help and leadership, predicts American aid to foreign nations "is sure to be with us as far ahead as we can see." Construes our problem as one of determining how wisely and constructively such aid can contribute "most effectively towards a condition of world stability and peace." Author reminds those critical of our foreign aid, which in 1956 amounted to three-quarters of one percent of our national income, that two-thirds of such aid in 1956 was designed for our security, and reviews our success in helping Europe to become a "sound Keystone." Terms our private and public aid to Latin America an outstanding success, and urges greater aid without strings to the Far and Near East.

Nine years ago John J. McCloy, Chairman of the Board, Chase Manhattan Bank, and I opened this series of Forecasting Conferences. It may be helpful if I indicate briefly what our subjects were and our general approach toward them. I was the curtain-raiser then, and my subject was: "America's Responsibility as the World's Dominant Economic Power."

Wm. L. Batt

These were the main points to be made then, as I saw them:

(1) Where do we stand on the question of Aid for Western Europe?

(2) Is it in our interest to contribute materially to the rebuilding of the disordered economies of Western Europe?

(3) What is the measure of our willingness to interest ourselves in world problems?

Mr. McCloy's subject was "Europe's Hope for Recovery." He gave a brilliant analysis of the shocking drains of energy, trade and finance on the economies of Western Europe, and the simultaneous emergence of the United States and Soviet Russia as dominant world powers. He concluded with a strong plea for approval of the Marshall Plan—then only in the discussion stage on the floor of Congress—and the fullest possible use of all other financing media to the end that the rehabilitation of one of the two greatest production areas on earth might reasonably be assured. "The objective," said he, "is a worthy goal and I believe one within reasonable prospect of attainment."

And yet, almost ten years later—the same general problems still face this nation! Is America meeting her responsibility for world leadership? Is Foreign Aid still something demanding the support of the United States? Have our generous contributions of these last years been wasted effort? Is there to be no end to dependence on American help and American leadership?

Question of Foreign Aid

I shall confine myself to the Aid question since I have had a good deal to do with it in these years and it still seems to me to be a matter requiring the fullest possible understanding by every American.

It is, I think, a subject about which there is a great deal of misunderstanding, and this could be critical if, as I predict, the President should make American Aid a major plank in a long-range program intended to bring about some measure of stability in the middle Eastern picture.

In the first place, let us see if we agree as to what we are talking about when we refer to Foreign Aid and our approval or dislike of it.

Do we have in mind outright gifts in cash or kind directed primarily to emergency or distress relief? This is the simplest form of the aid problem—Hungary today is an example and I submit that our immediate response leaves no doubt of American generosity. But this kind of need is actually not large or an important part of the picture. No, these billions which we have spent abroad [in the past decade] are for something very different from that. But why not look at our expenditures for this past fiscal year as a specific illustration of the wide variety of items included under the heading of Foreign Aid. When I have concluded that review, it will be easier to see, I think, why there is so much confusion as to what our aid money has actually been going for.

Our Military Security

First as to the amount: actually, it was two billion, seven hundred million for the year 1956; a large figure but only three-quarters of one per cent of our national income, and most importantly, two-thirds of this total, went to countries whose military strength was a matter of vital concern to you and to me as a part of our own defense position. **One billion of this two billion seven of foreign aid for direct military assistance** and another billion plus, for economic activities directly related to maintaining those military establishments abroad! Korea, Taiwan, Vietnam, Pakistan and Turkey received the largest amounts of such defense support. How many of those so critical of our Foreign Aid program have understood that so much of it was for military purposes and for military purposes determined by our Congress as contributing to our own security, and I repeat, **our own security!**

For what would ordinarily be considered as Economic Aid—there we include technical cooperation—the Old Point Four so called—the various kinds of development assistance toward a higher standard of living—all of this runs to about five hundred million and most of that, about 60%, actually went to Korea and the Far East. Of course this pattern has changed over the nine years. In those earlier days, the Soviet menace had not yet shown itself, and the larger part of our aid was truly economic in form and purpose; most of it was directed toward Western Europe and those drastically disorganized trading areas to which Mr. McCloy particularly directed his attention. It was for their benefit solely, that the Marshall Plan was conceived and developed.

In '48, '49 and '50, the bulk of our aid expenditures was directed toward rehabilitating industry, agriculture, those public services such as electric power, railways and highways, and the larger continental countries—France and Italy receive the predominant share. Actually aid to Britain was ended in December of 1950 although there was reinstated later some aid directed toward increasing Britain's military contribution to Nato.

Marshall Plan Results

The point is that it was only in those early Marshall Plan days, that substantial aid to Western Europe was truly economic aid and directed toward the end of an improved standard of living of the people. Great results did accrue—let no one tell you to the contrary. Production everywhere was sharply accelerated; unemployed were put to work; consumer needs, so long starved by a destructive war and its aftermath, began to be satisfied and firmer hope for a normal life again appeared on every hand. Much of the credit for this revival properly belongs to help from America—not alone our help in supplying material things but even more importantly, our strong stimulus toward the acceptance of today's American philosophy of production and distribution.

The long-range significance of this last contribution should never be lost sight of. Europe's prewar economy had been one, too generally, of limited production and consumption goals; prices as high as the market would stand and wages as low; competition something to be avoided as wasteful and undesirable and the prime and only important objective of a business, the very largest possible return to the owner. One of the major objectives of the Marshall Plan was to help European businessmen see the folly of such policies; to show them how much America had gained from a philosophy of greater and greater productivity, shared in by all the elements of the economy that benefited by better business management. Goods priced so that the men who worked at making them, could also have them: the joint recognition by management and by labor, that the benefits resulting from increased productivity could and would be shared by all who had contributed.

I hope you will accept the conclusion that this philosophy, so common now to us in the United States, but so revolutionary in much of Western Europe, is really taking hold there in a measurable way, and much of the credit can be given directly to the formal efforts under Marshall Plan administration. And as such improved business methods raise the standards of living of a people, obviously, their consumption increases — they are better customers and make a corresponding contribution to an enlarged flow of world trade. When they have property to protect and some substantial future to which to look forward, they are less prone to listen to the wily promises from the East: to put it more concretely, a Western Europe on the way to a better life, is less prone to Communism. And just that has happened.

Sound Keystone Arch

France and Italy, in 1947 and '48 were in real danger of falling under some much greater degree of Communist domination. As far as an outsider can judge now, this risk is largely removed today. Productivity in France has had a remarkable upsurge: this will surely have a direct bearing on France's ability to compete with Germany and is already contributing to a better understanding between those two countries. Again a result, in part, from American Aid. This new interest in increased productivity on the part of Europeans is not local or spasmodic, I am sure. National productivity centers have been formed in all of the industrial countries of Western Europe and a European Productivity Agency has been set up by the Organization for European Economic Cooperation to deal with over-all problems and to provide a center for the exchange of information and experience.

For me to say that these institutions are sponsoring frequent plant visits and a matching of operating practices, will sound very inconsequential to an American, but to a European it is no less than an Industrial Revolution. It will have far reaching results of incalculable value to them and to us as well. This is in large part a direct result of American influence. It strengthens our military security far more effectively than many times the same amount spent directly at home: it gives promise to a far larger market for our goods over the years ahead and most importantly, it lays a sound Keystone for an arch of peace resting on that pivotal area.

Latin America and Far East

Now I have talked principally about the results of our aid in what is actually a small part of the world and that part made up of much the same kind of people we are. That was because we have done so much more then, and the need seemed so pressing. But any appraisal of the results of our aid program must not neglect two other and widely separated areas, the one Latin-America and the other, the Far East. As to the first, here we see United States Aid in its most varied aspects, for the longest period and in the most modest amounts. Religious groups, the Foundations, business organizations and finally Government, have, since about 1939, been putting in a steady stream of friendly help of one kind and another. Nothing very striking about it; many mistakes and many failures but, looked at as a whole and in terms of money and effort involved, our cooperative venture in the Latin American Aid program must be appraised as an outstanding success, and in many ways, a pattern for future programs in other undeveloped or less developed areas.

We know better now what may be expected to succeed and equally when we may look for failure. The National Planning Association, under a generous grant from the Ford Foundation, has spent some three years studying this field and charting the results country by country. Not only as seen by us, but most importantly, as seen by the citizens of each country themselves. There is developed from that study, a clear and unmistakable set of direction signals available to any who may be involved in the development and working out of an aid program, public or private.

Most particularly, officials of government should avail themselves of these studies, because it is in the planning and spending of large sums of public money, that the greatest mistakes can be made.

Far East Aid Is Small

One final area of aid effort must be considered before I conclude my remarks in this discussion. That relates to the Far East and is of particular significance, as we consider what we may face then and in the Middle East, from Soviet Russia. I remarked earlier that our expenditures for aid in the Far East had been small. Korea has had the most — three hundred million in 1956 with about the same going to the other countries in that neighborhood. Vietnam, Formosa, Laos, Cambodia and Thailand. Some of this, of course, directed toward strengthening the ability to resist direct Communist aggression as well as indirect infiltration. Some of it toward raising, if only a little, the shockingly low standard of living of the people. But here the amounts are so small—two or three million dollars per country for technical cooperation. One can never be too sure how effective this has been, in the way of extending American influence, for we have been so prone, in the Far East as well as in Europe, to make our aid dependent on such performance as we chose to tie to it. How reasonable this will seem to many of us—but how unwise it is! Try it on your own children and see where you get. A recent study of Foregn Trade by a very wise member of Congress, James P. Richards, concludes that some form of Foreign Aid Program has to be continued but must be carried on more objectively and without attempts to force others to agree politically with the United States.

Calls Nasser Another Mussolini

A test of the wisdom of our leadership in helping to rearrange and stabilize the desperately unsettled problems of the Middle East is likely to come very soon. What is to happen with Israel is no academic question; it is an issue seething with unresolved emotions and it will not settle itself. This arrogant Egyptian leader cannot too long be allowed to see himself as another Mussolini, unless the end of that sort of self-inflated egoism is burned into his consciousness.

Who can fill that seething vacuum of threatening portent except a sweeping program of vision and hope initiated by the United States? There is no solution that I can see.

Nine years ago tonight, Mr. McCloy and I said to you that the economic future of the Western World seemed to us to depend on the United States, and what the American people were willing to accept as their leadership responsibility.

I am unhappily compelled to renew that challenge, except to widen it to include all those countries outside the immediate confines of Soviet Russia itself. There are many lessons to be learned from the last decade, but the one I want to emphasize is that the greatest and most powerful nation in the world must accept the wide responsibilities for leadership that automatically go with that possession of power. Helping those who are in trouble, is one of them and that is why I say that Foreign Aid is sure to be with us as far ahead as one can see. Our problem is to determine how to use it wisely and constructively so that it may contribute most effectively toward a condition of world stability and peace.

[Ed. Note:—Mr. McCloy's remarks at the same conference appeared in the "Chronicle" of Jan. 24.]

*An address by Mr. Batt before the Tenth Annual Forecasting Conference of the Chamber of Commerce of Greater Philadelphia, Jan. 10, 1957.

Scherck, Richter Co. Wire to Reynolds

ST. LOUIS, Mo.—Scherck, Richter Company, 320 North Fourth Street, members of the Midwest Stock Exchange, have installed a wire to Reynolds & Co., Chicago.

With Allen Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Donald T. Baker, George E. Fischer, Bertram Giddings, Jr., Donald E. Hoffman, Wesley C. Kettlekamp, Jr., Philip M. Lorton, John F. McGrath, Louis J. Megas, Joseph A. Vento and Harry Y. Worl have been added to the staff of Allen Investment Company, Mile High Center.

Independent Retailer Today

By ROGER W. BABSON

Plight of independent retailer leads Mr. Babson to analyze his problems and offer several suggestions to improve his competitiveness. Author also scrutinizes the plight of "have" and "have-not" nations and looks for better international distribution.

I am concerned about the fate of the independent retailer in today's highly competitive markets. He is not keeping pace with chain store operators who spend large sums of money on new equipment, new lighting, intensive advertising and promotion.

Roger W. Babson

Independent merchants must pay just as much as the large chain operators for advertising space in newspapers and magazines. Often they must pay more proportionately for goods they stock because they cannot buy in such large quantities as the chains. Also, independent retailers are faced with increasing demands for higher employee wages and greater fringe benefits after these concessions are obtained initially by employees of big stores. Too many independent retailers have already succumbed to these pressures.

These chains have helped mightily, however, in bringing down the total cost of distribution. Their savings in buying, in window dressing and display, they share with their customers. They have made and are making a great contribution to the betterment of the American way of life.

What Independent Retailers Can Now Do

The independent merchant who prefers waiting on customers to waiting for his turn at golf has little to worry about. There always will be a demand for this personal attention on the part of certain customers. They are willing to pay for this personal attention as well as for credit and delivery. Of course, the independent merchant must be willing to advertise and secure a good location with plenty of show windows, always kept attractive. To believe, however, that he is destined to be pushed out of business by department stores or chain stores or mail order houses is a mistaken idea.

Retailers can further be helped by the plans of the **United Information Service,** with headquarters at 6 Maiden Lane, New York City. This service enables consumers to learn quickly (any time between 6 a.m. and midnight) where they can get any desired merchandise. This shortens the time between the consumer's reading of an advertisement and his getting into a retail store. Cutting this time in half has the effect of doubling retail sales. Furthermore, it enables a group of merchants to save the expense of keeping open evenings by cooperating to concentrate evening inquiries through one channel.

Importance of Distribution

The rapid rise of our country to a position of world power and the simultaneous expansion of our industrial economy give ample evidence that we can produce above and beyond our needs. The war needs of ourselves and our allies provided a challenge in production. Wealth in abundance, in the form of goods and services, we have learned to produce.

However, we have been practically standing still in distribution, except for the development of the chain "5 and 10" variety stores, the chain supermarkets, and the chain drug stores. There, however, is much more to be done.

Selling Our Goods Abroad

In addition to making plans for easier and cheaper movement of our production into our own domestic consumer channels, I forecast that we will also take steps to sell more American-made products abroad. These products are urgently needed in many parts of the world where disease is rampant because of food and other deficiencies. However, no plan has yet succeeded which would make surpluses in some nations available to needy people in other nations, **without upsetting the economic balance between individual countries or groups of countries.**

We must help solve the problem of the growing imbalance between the "have" and the "have-not" nations. Communism has made great strides in Europe, Asia, and Africa largely because Soviet leaders have been so successful in pointing to the "selfish and wasteful" living standards in the U. S. American movies shown abroad are largely responsible for this. Positive steps toward solving the problem of international distribution would thereby remove the greatest grievance upon which Communism feeds.

Steele, Dudichum Named by Del. Fund

PHILADELPHIA, Pa.—The appointments of Edward A. Steele, Jr. as administrative Vice-President and Charles H. Dudichum as

Edward A. Steele, Jr. Charles H. Dudichum

investment officer of the $47 million Delaware Fund were announced by W. Linton Nelson, President.

Mr. Steele came to the Fund a year ago from Curtis Publishing Company. He formerly headed his own automobile agency and was once connected in research, sales and administrative capacities with several leading firms in the Philadelphia area, including Scott Paper Co., Sharp & Dohme, Inc. and Procter & Gamble Distributing Co. A graduate and active alumnus of the University of Pennsylvania's Wharton School, Mr. Steele rose to the rank of Lt. Commander in the United States Navy during World War II. He is a member of the American Marketing Association and the Poor Richard Club.

Mr. Dudichum, who is also Treasurer of the Fund's national distributing company, Delaware Distributors, Inc., and Assistant Secretary-Assistant Treasurer of the Fund, joined the Delaware organization in 1952. Prior to that time, he was associated with several Philadelphia brokerage firms.

Mr. Nelson said these appointments, along with others which were announced recently, are part of a carefully-planned program which calls for an expanded executive staff to anticipate, as well as meet, the fast-growing Fund's increasing responsibilities. This program, he commented, will also assure a continuation of Delaware Fund's purposes and policies.

Emanuel Wolf Opens

(Special to THE FINANCIAL CHRONICLE)

WASHINGTON, D. C.—Emanuel Wolf is engaging in a securities business from offices in the Investment Building. He was formerly with Arthur M. Krensky & Co. and Bache & Co.

Four With Secs. Inc.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Leonard Bachmeier, Donald H. Carlsen, Arthur W. Larson and Phillip Massari are now affiliated with Securities, Inc., Farmer's Union Building.

THE MARKET . . . AND YOU

By WALLACE STREETE

The long bull market underway since at least 1949—there is still dispute over when it actually did get going — came to an end this week, at least to followers of some of the better-known stock market theories.

* * *

The specific demise was signalled when the industrial average dropped sharply through the support level that had stood inviolate on a handful of sinking spells all last year.

* * *

It is not the first "bear" signal in the long runup, however. In the fall of 1953 on general heaviness the industrial average dropped through a similar support level. But the signal was a false one and the "bear market" was confined to a one-day stand. The next day the list started uphill and never stopped until the industrial average had more than doubled.

* * *

The market this time was decidedly limp after the "signal" break which contributed that much more to the already large supply of pessimism around. The paramount question was where new buying, in volume, would be attracted. The consensus was that at the worst the area around 433, where the heavy selling after the President's heart attack was finally arrested, would be the outer limit of any further decline. There was even a fair share of doubt that the decline would be that steep.

* * *

The mitigating factor was a negative one, as is frequently the case in the stock market. In previous runups, such as those in 1946, 1937 and, the classic case, in 1929, the final stages were marked by rabid speculation that carried the low-grade issues to near-fantastic levels. That phase has never been reached in this runup.

Institutional Buying Awaited

Consequently, as the logic goes, there aren't many speculative excesses to be corrected and sooner or later the billion-dollar pressure in the growing mutual funds, pension funds, etc., which has to earn its keep will be hunting for bargains in the stock list. That leaves only the question of just where prices will assume bargain status in the eyes of the professional managers.

* * *

Little in the way of outright distress selling was apparent. Margin accounts seemingly were in pretty good shape, except in some of the low-priced issues which were getting to levels where house rules dictate a cash-only basis. Volume, while picking up markedly on the easiness, was still well under anything approaching any mass liquidation level. In fact, the most dour of all the facets was the depressed psychology rampant in the Street.

Some Steady Issues

There were many situations around where liquidation has been underway for months and these, logically, were able to resist the latest downpull. Texas Gulf Sulphur, for one, has been hovering within a couple of points of its low for the last half dozen years, offering a yield of 6.7%. It stood its ground valiantly. And to some of its followers, Texas Gulf Sulphur, the leading domestic producer and, in fact, in the world, offers an unusually high return for a quality issue.

* * *

Food shares have had little popular following throughout the market upturn and some in this group were able to put on a superior showing, National Dairy, for instance, was able to shrug off the worst one-day selling deluge in 15 months with a small plus sign and stand its ground with good success later. Sales have increased steadily in the postwar years, posting a record last year and anticipating a new record this year. Earnings have followed the same steady uptrend.

Good Value in a Defensive Issue

As the leader in the essential food field, National Dairy is usually listed among the defensive groups that continue high-level operations even if the economy does slack off a bit. Even in the latter stages of the market upturn, National Dairy wasn't able to post a peak as high as that reached in 1954, illustrating the neglect vividly. It has been available recently at only a shade under a 5% yield.

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Drug stocks weren't at all obvious among the casualties except for Bristol-Myers which had been hovering around its best price in a year and consequently was a bit vulnerable. A good share of its recent popularity traces to its successful promotion of Bufferin, although Bristol-Myers, like the other drug companies, has been expanding energetically and is far from a one-product company today. The company is an important one in both cosmetics and ethical drugs.

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Similarly Chas. Pfizer, once a moderate size producer of bulk chemicals, has grown into a leading producer of drugs and chemicals and a pre-eminent producer of the mycin drugs and the newer tranquilizers. Antibiotics which were its principal line not too long ago consequently are now contributing less than half of total sales.

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Shipbuilding shares, which lately have quieted down after being all the rage, were swayed to some extent by the market gyrations, although the benefits of the expanded oil tanker building program and defense work have yet to contribute materially to operating figures. Newport News Shipbuilding has the largest peacetime backlog in its history and the greater bulk of it is for commercial vessels in contrast to the periods when naval orders dominated the category.

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General Tire, only lately being appreciated for its missile and rocket work, was able to fight off the downpull with fair success. It is among the companies where the general agreement is for higher earnings this year than last despite over-all business conditions. Some estimates of what its missile business will contribute to this year's earnings justified most of the current market price with its other important operations available at little or no cost.

Chrysler Holding the Line

Chrysler, well depressed by last year's poor results, was a shining light in the motor group. Its new models seem to be going well and, in fact, helped boost earnings in the final quarter of last year importantly. Without this help it would have been an even more bleak report. So far this year the company's efforts to increase production, a clear hint of booming sales, haven't helped the issue turn into a market leader but have helped it hold the line with above-average success.

Cigarets Strong Post-Cancer Scare

Cigaret shares were among the other sturdy spots in the general heaviness, most issues well deflated long ago by the recurrent cancer scares. In this group are some of the higher yields for investment-grade issues, not the least being the above 7% return offered by Philip Morris and the well-past 6% yield in American Tobacco. The latter on the break this week was the sole plus sign among components of the Dow industrial average.

[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.]

Robert Horn Opens

SARASOTA, Fla. — Robert P. Horn is engaging in a securities business from offices at 5500 North Tamiami Trail.

Three With Palmer Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Henry G. Cournoyer, Aldo G. Fioravanti and John D. Lund are now with Palmer, Pollacchi & Co., 16 State Street.

J. Barth & Co. Admits Three New Partners

SAN FRANCISCO, Calif. — J. Barth & Co., members of the New York and Pacific Coast Stock Exchanges, announce that effective Feb. 1, Richard C. Van Houten, William Howard Brown and Eugene G. McMahon were admitted to general partnership in the firm. Mr. Van Houten and Mr. Brown will make their headquarters in the San Francisco office, 404 Montgomery Street; Mr. McMahon is in the New York office, 115 Broadway.

With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John C. Vose has been added to the staff of Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Continued from page 4

Observations . . .

dition most favorable to misleading shareholders, and of particular importance, stimulates unnecessary litigation.

A Double Hindrance to the Shareholder

Under present conditions, then, the shareholder is denied both equal space for telling his story; and equal opportunity for rebuttal or verification. And it must be remembered that this exists in a framework wherein management can exert vast additional pressures in support of its position; in contrast to the obstacles, including the shouldering of great expense, blocking the shareholder in the elaboration of his position.

The Readily Available Remedies

Equalization of the space provision can be easily attained by amendment of the Commission's rules—as simply by limiting the statements of *both* management and shareholder to *200* words.

The method of providing for equal scrutiny is rendered more uncertain by the less definite wording of the present relevant rules as well as the Commission's attitude toward their administration. It interprets its rules X-14A-6(e) covering "preliminary proxy material" as preserving the management answer for the information of the Commission only, and as affirmatively barring it from informing the proposer of its contents or from permitting him to examine it.

This writer strongly disagrees with this interpretation by the Commission of its relevant rule X-14A-6(e) which it bases on the ground of its clause barring public inspection." Surely consultation by the Commission with the maker of a proposal to insure the accuracy and completeness of management's answer, or even examination by the proposer, do not constitute "public inspection." In fact, such communication with the proposer is specifically provided for in the Commission's present rule, which states, as an exception to the "confinement of information to the Commission only" provision, that "the Commission may make such inquiries or investigation in regard to the material as may be necessary for an adequate review thereof by the Commission."

An Easily Available Remedy

However, if the Commission persists in its restrictive interpretation of the present rule, it should then amend par. D of Rule 240. 14a-8, which already orders the furnishing to the shareholder of a statement of management's reasons with respect to proposals intended to be omitted, to add a simple provision requiring the management also to furnish the shareholder proponent a copy of at least that portion of its preliminary copies of its proxy statement which contains the controversial material commenting on the shareholder's proposal.

If the Commission perseveres in excluding from its proposed proxy revisions provisions which are designed to assist the public stockholder in obtaining fair consideration and an adequate presentation of his proposals, it is justifying the criticism that its aims are negligently focused on its role as a mere watchful umpire in contest between two powerful intra-corporate groups, to the neglect of the scattered shareholders!

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The long-existing lack of reliable reference work dealing with the many problems, legal intricacies and new techniques resulting from proxy contests and threats of contests, as well as an over-all up-to-date compendium of the rules, is now fortunately filled by a volume, *Proxy Contests for Corporate Control, by Edward Ross Arannow and Herbert A. Einhorn; Columbia University Press (577 pp., $15).*** It will be useful to the lay investor as well as the lawyer.

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Reporting the Glamorous Hits and Ticks

Is the reportorial writing of ball game and Stock Market sessions similar in bearing little relationship to the actual events being covered? Asked this question by this writer at a press conference at the Overseas Press Club in New York, Tuesday, Al (Goody) Rosen, long-time star third baseman of the Cleveland Indians who has just retired from baseball to devote full-time to his customers' broker position at Bache and Company, carefully pleaded the Fifth Amendment in withholding a possibly incriminating reply.

**The book is in no way responsible for any of the thoughts expressed in this article. In fact, the main points we cover are either omitted from, or left editorially uncovered in, the volume.

There Has Been No Mandate to Encourage Tragedy of Inflation

By P. M. SHOEMAKER*
President, The Chamber of Commerce of the State of New York

N. Y. State Chamber of Commerce head advises those taking exception to increased impetus given to the "welfare state" and to spending instead of retrenchment to "impress upon our Senators and Congressmen . . . [need] to have economy in government . . . [and] anti-inflation action."

Recently, we have witnessed the strange picture of an Administration budget being attacked from within the Administration as being too high, and have seen the further spectacle of key Administration spokesmen, including the President himself, inviting Congress to cut the budget and thus curtail their own recommendations!


Perry M. Shoemaker

Impetus to Welfare State

A well known and conservative Washington Senator characterized it this week as "an abdication of responsibility." To many citizens, their apprehension over the size of the budget is equaled by concern over its confirmation of the "Welfare State," now but 20 years old, receiving its greatest postwar impetus.

More and more responsibility is proposed to be taken from the communities and the states. It is proposed that the Federal Government will pay $1.7 billion in a time of record prosperity for public assistance to some 5 million people. An additional $1.8 billion is added to Social Security payments to some 9 million people. This makes welfare costs for the one year some $14 billion, and statements by Secretary Folsom indicate that this is but a start.

Farm programs and veterans each are down for $5 billion, and aid for school building, one of the most dangerous Federal projects to be progressed in our lifetime, is proposed at a cost of $2 billion in the next four years. As the "U. S. News and World Report" said a few days ago, "A boom is on in all forms of welfare programs—it all appears to be free money."

Emphasis Is On Spending

A further increase is recommended in foreign aid. With interest payments alone taking ten cents of the Government's income dollar, emphasis is not upon retrenchment but upon spending more money. The bookkeeping budget for fiscal 1958, starting the first of July and amounting to almost $72 billion, is only part of the picture. It does not include the highway trust fund which will amount to almost $3 billion more. Actually, the cash taken from the pockets of United States' citizens and corporations will be about $86 billion in the next year. Cash to be paid out by the Government from this amount is expected to be about $83 billion.

If we, as businessmen, are not satisfied with this philosophy; if we are not satisfied with the prospect of continued high taxes, the probable increase of payroll taxes, then we, as individuals, must impress upon our Senators and Congressmen our determination to have economy in government; our determination to take reasonable anti-inflation action. By so doing we will impress upon the Administration that the last election was not a mandate to threaten the health of this country's greatest single resource, its business enterprise, by encouraging the tragedy of inflation.

As your President, I urge that you give this situation your own personal study and that you then make it your further responsibility to make known to your Senators and Congressmen whatever personal conclusions are the result of such review. This is not a political matter, it is too important to be either exaggerated or de-emphasized by partisan consideration. It is a matter affecting the not-so-distant future of every citizen in this country.

*A talk by Mr. Shoemaker before the N. Y. Chamber of Commerce, Feb. 7, 1957.

J. A. Hogle Installs Electronic Wire

SALT LAKE CITY, Utah—Instant and automatic priority handling of J. A. Hogle & Company customer orders by a new Western Union high speed communications system has been inaugurated from their Salt Lake City headquarters. The new fully automatic transcontinental system connects their 21 offices from coast to coast.

The electronic switching equipment flashes orders across the country at the speed of light, affording Hogle clients instantaneous communications with the major financial centers. Each of the 21 Hogle offices may communicate directly with any other office or use an "all station" simultaneous broadcasting or receiving hookup.

An important feature of the equipment is that it automatically segregates transmissions electronically, according priority to orders and flash traffic, thus insuring instant handling of customer orders. Routine traffic may be sent into the system but is automatically held at the switching center as long as there is priority traffic.

J. A. Hogle & Company are members of the New York Stock Exchange and other principal exchanges and have offices in the following cities: Salt Lake City, New York City, Los Angeles, Beverly Hills, San Diego, Riverside, Denver, Boulder, Idaho Falls, Pocatello, Butte, Missoula, Reno, Ogden, Provo, Spokane, Tucson, Long Beach, with correspondent offices in Boise, Twin Falls and Great Falls.

Form Life Stocks Inc.

DALLAS, Texas — Life Stocks, Inc. has been formed with offices in the Mercantile Securities Building to engage in a securities business. Officers are Truman K. Pennell, President; Ted D. Cobb, Vice-President and Secretary-Treasurer; and J. Wesley B. Taylor, Assistant Secretary-Treasurer.

Ross Securities Opens

BROOKLYN, N. Y.—Ross Securities, Inc, has been formed with offices at 1866 East Twenty-Sixth Street to engage in a securities business. Officers are Eugene Ross, President and Treasurer; and Reuben Ross, Secretary.

Sutro's Madison Ave. Branch Indicative Of Area's Potenial

It looked like a long pull to the stock exchange house of Sutro Bros. & Co. when they opened their new 625 Madison Avenue


W. D. Florscheimer Milton J. Beere

branch a few months ago. True, they expected the office to be a success. They set out to make it second to none in appearance, convenience and facilities. They invested a considerable sum in special equipment and services, but they did not envisage public acceptance so quickly as to make necessary the doubling of space and facilities in less than half a year.

Many parleys had preceded the opening of this swank uptown branch. Senior partner Walter D. Floersheimer and partner Harold Friedman were both determined to make this new branch the last word in stock exchange facilities.

One of the first steps was to engage one of the city's top interior decorators. The firm of Michael Saphier Associates, Inc. was given a free hand. Their only instructions were to make this Sutro branch the last word in luxury and modern decor. The result is a surprisingly beautiful office in which unusual blues and yellows predominate.

An intriguing and unique feature is the installation of customers' representatives in individual private offices. This enables their customers to enjoy complete privacy, while being able to see the quotation board at all times.

Trunk lines have been put into operation direct to the floors of the various exchanges. This means that executions are as rapid as in the company's downtown office.

Sutro's management thus made sure that the new office would appeal to the most fastidious of both sexes, and that it would serve both well. But they did not expect these features to be an overnight success!

They guessed wrong—but they didn't mind. Business was booming from the very beginning. Every inch of space is already being used. Within a few days work will start on a greatly needed expansion program. Office area will be doubled and the amount of business that can be handled will be multiplied many times over.

Just to give you an example of how things have gotten out of hand: The office started with eight customers' representatives. There are now 23. Shortly there will be 50. Unit sales, incidentally, are exceptionally high. Clients are interested in buying the better type of blue chip investments.

According to Milton J. Beere, Resident Manager, the office is drawing many customers from the great number of fine hotels and clubs that dot the immediate vicinity. "We also find that a great many women shoppers in the area tend to visit us out of curiosity. A great many of them come back to invest and to trade" said Mr. Beere.

The expanded area will include many additional private offices. It will have a special new business department designed to conclude arrangements for re-distribution of large blocks of stock, or for the raising of corporate capital. A research library and a private conference room are also in the new plans. Evening lectures will be conducted for beginners in the stock market.

Caters Especially to the Ladies

Last, but by no means least, there will be a department set aside exclusively for members of the fair sex. So many of the ladies have found this branch convenient that it was decided to make them completely comfortable.

They will have the use of a special large reception room, as modern and delightful in appointment as the finest Madison Avenue Women's Shop. Here they will have complete privacy. According to Mr. Beere, indications are that there will be a great deal of investment activity in that department. He says that the ladies are showing more and more interest in the stock and bond markets.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The appointment of Stanley A. Carrington, Joseph C. Cherry and Eustace B. Chapman as Assistant Vice-Presidents and John E. Isler, Douglas J. Smith and Samuel C. White, as Assistant Secretaries of **the United States Trust Company of New York** was announced on Feb. 6 by Benjamin Strong, President.

Mr. Carrington has been engaged in investment work since 1936.

Mr. Cherry has been associated with the investment department since 1937 and was appointed an Assistant Secretary in 1954.

Mr. Chapman joined the company in 1936 and has been associated with the investment department since that time. In 1951 he was appointed Assistant Secretary.

Mr. Isler joined the company in 1929, and has been associated with the income tax department since that time.

Mr. Smith has been associated with the service departments of the company since 1937.

Samuel C. White, a Dartmouth graduate, joined the company in 1928 and since that time has been associated with the investment department.

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City Bank Farmers Trust Company, New York, announced the promotion of John J. Kinsella and John G. Winslow from Assistant Trust Officers to Trust Officers.

At the same time the trust company announced the appointment of Daniel Firsty, Harold E. Melville and Jean-Louis Terry as Assistant Trust Officers.

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The appointment of Martin L. Stein as an Assistant Vice-President of **Manufacturers Trust Company, New York** is announced by Horace C. Flanigan, Chairman of the Board.

Mr. Stein joined Manufacturers Trust Company in 1951 as counsel to the Personal Loan department.

At present, Mr. Stein is assigned to Manufacturers Trust Company's legal department at the main office, 55 Broad Street.

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Members of the Quarter-Century Club of **The Dime Savings Bank of Brooklyn, N. Y.,** whose length of time in service at the bank total 2,325 years, held their eighth annual dinner on Feb. 5.

Twelve new members, who have in the past year completed 25 years of service, were welcomed into the Quarter-Century Club by George C. Johnson, President of the bank and Honorary President of the club. These new members include: Anita Mesterharm, George C. Strack, Thomas J. Keegan, William C. McGroarty, William T. Isaac, Thomas S. Sites, Melvin C. Small, Edgar R. Adrian, Christiana Jehle, Hubert J. Dierkes, Gerald J. Peffert and Edward Allen.

In his brief address of welcome, Mr. Johnson paid tribute to Seymour B. Wurzler, the oldest employee, who has been on the bank's payroll for 71 years.

Officers of the Quarter-Century Club elected are: Roy H. Shepherd, President; George Harned, Vice-President; George W. Stewart, Treasurer, and Frank Boakes, Secretary.

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George A. Mooney, Superintendent of Banks, has approved a charter for the **State Bank of Long Beach, New York** the first commercial bank to be authorized by the New York State Banking Department in 27 years, it was announced on Feb. 8. According to the department's Weekly Bulletin, published each Friday, the institution is capitalized at $1,300,000, the amount being evenly divided between capital stock and paid-in surplus.

The first board Chairman and President, respectively, will be Frank E. Karelsen and Frank W. Breitbach.

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The common capital stock of **The National Commercial Bank and Trust Company of Albany, N. Y.** was increased from $4,564,000 to $5,134,500 by a stock dividend effective Jan. 31 (684,600 shares, par value $7.50).

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Montgomery County Trust Company, Amsterdam, N. Y., was given approval to increase its capital stock from $200,000, consisting of 8,000 shares of the par value of $25 each, to $400,000, consisting of 16,000 shares of the same par value.

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The First National Bank of Owego, N. Y. increased its common capital stock from $100,000 to $150,000 by a stock dividend effective Jan. 31 (6,000 shares, par value $25).

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Lloyd W. Hemink was appointed a Vice-President of the **Marine Trust Co. of Western New York.**

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An increase in the common capital stock of **The Philadelphia National Bank, Philadelphia, Pa.,** from $17,652,083.33⅓ to $26,478,125 by a stock dividend effective Feb. 1 was authorized by the Comptroller of the Currency (2,647,812½ shares, par value $10).

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The Comptroller of the Currency authorized **The Conestoga National Bank of Lancaster, Pa.,** to increase its common capital stock from $600,000 to $900,000 by a stock dividend effective Jan. 28 (45,000 shares, par value $20).

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Edward J. Cade, Robert D. Franklin, David R. Houser and John A. Onsa were elected Vice-Presidents of the **First Pennsylvania Banking & Trust Co., Philadelphia, Pa.** William H. Barndt, William J. Boland, Joseph Gaev and John W. Hulton were named Assistant Vice-Presidents and J. William Blanc became a Trust Officer. Harry G. Bossert, Ann M. Donovan, Emerson A. Thomas and Theodore F. Voss, Jr., were elected Assistant Treasurers and John E. Renner and Florence A. Hoadley were elected Assistant Secretaries.

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Tilton H. Dobbin has been elected a Vice-President of the **Fidelity-Baltimore National Bank, Baltimore, Md.,** Hooper S. Miles, Chairman of the Board of Directors, announced on Feb. 8 following the regular meeting of the board. He will assume his new duties March 1.

Mr. Dobbin was Assistant Cashier of the **Baltimore National Bank,** a predecessor of the Fidelity-Baltimore National Bank, from 1936 to 1940, and 1945 to 1949. The intervening years were spent in service with the U. S. Navy. From 1949 to 1952 he was Assistant Cashier of the **Mellon National Bank, Pittsburgh, Pa.**

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The Colonial-American National Bank of Roanoke, Va., increased its common capital stock from $1,000,000 to $1,500,000 by a stock dividend effective Jan. 30 (150,000 shares, par value $10).

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The common capital stock of **The Winters National Bank and Trust Company of Dayton, Ohio** was increased from $7,000,000 to $8,750,000 by the sale of new stock effective Feb. 1 (875,000 shares, par value $10).

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The Farmers and Citizens Bank and Savings Company, Bucyrus, Ohio, has changed its title to **The Farmers Citizens Bankers** as of Jan. 18.

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The Huntington National Bank of Columbus, Ohio increased its common capital stock from $4,000,000 to $5,000,000 by the sale of new stock and from $5,000,000 to $6,000,000 by a stock dividend effective Jan. 25 (300,000 shares, par value $20).

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First Merchants National Bank and Trust Company of Lafayette, Ind., with common stock of $625,000; and **The Purdue State Bank, West Lafayette, Ind.,** with common stock of $150,000, were consolidated as of the close of business Jan. 31. The consolidation was effected under the charter of First Merchants National Bank and Trust Company of Lafayette and under the title **"Purdue National Bank of Lafayette."** At the effective date of consolidation the consolidated bank will have capital stock of $800,000, divided into 40,000 shares of common stock of the par value of $20 each; surplus of $825,000; and undivided profits of not less than $360,290.

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The National Bank of Logansport, Ind. increased its common capital stock from $350,000 to $525,000 by a stock dividend effective Jan. 31 (21,000 shares, par value $25).

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An increase in the common capital stock of the **City National Bank of Kankakee, Ill.** from $350,000 to $500,000 by a stock dividend effective Jan. 30, was authorized by the Comptroller of the Currency (5,000 shares, par value $100).

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By the sale of new stock **The National Security Bank of Chicago, Illinois,** increased its common capital stock from $1,400,000 to $1,700,000, effective Jan. 25 (70,000 shares, par value $25).

* * *

The common capital stock of the **First National Bank of Evergreen Park, Illinois,** was increased from $175,000 to $350,000, effective Jan. 22. $75,000 of the increase was made by a stock dividend and $100,000 by the sale of new stock. (14,000 shares, par value $25).

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The Fairfield National Bank, Fairfield, Illinois increased its common capital stock from $100,000 to $300,000 by a stock dividend, effective Jan. 22 (3,000 shares, par value $100).

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The Second National Bank and Trust Company of Saginaw, Mich. changed its title effetcive Feb. 1 to **Second National Bank of Saginaw.**

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The Zapp National Bank of St. Cloud, Minn., with a capital of $200,000 and a surplus of $439,932 was issued a charter by the Comptroller of the Currency, effective Feb. 1. The President is Edward A. Zapp. The bank operated as a state bank formerly under the title of the **Zapp State Bank.**

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Emmons W. Collins was promoted to Executive Vice-President of the **First & American National Bank, Duluth, Minn.**

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The Security National Bank of Sioux City, Iowa increased its common capital stock from $1,000,000 to $1,200,000 by a stock dividend effective Jan. 31 (12,000 shares, par value $100).

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The common capital stock of **The First National Bank of Manhattan, Kan.** was increased from $200,000 to $300,000 by a stock dividend effective Jan. 31 (3,000 shares, par value $100).

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The Comptroller of the Currency authorized the **City National Bank and Trust Company, Oklahoma City, Okla.** to increase its common capital stock from $750,000 to $1,000,000 by a stock dividend effective Feb. 1 (10,000 shares, par value $100).

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The First National Bank and Trust Company of Muskogee, Oklahoma increased its common capital stock from $500,000 to $700,000 by a stock dividend, effective Jan. 24 (70,000 shares, par value $10).

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The First National Bank of Fort Smith, Arkansas increased its common capital stock from $500,000 to $1,000,000 by a stock dividend, effective Jan. 25 (10,000 shares, par value $100).

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The Boone County National Bank of Columbia, Missouri increased its common capital stock from $100,000 to $350,000 by a stock dividend, effective Jan. 22 (7,000 shares, par value $50).

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Earl R. Muir, President, announced that **The Louisville Trust Company, Louisville, Kentucky,** at its stockholders' and directors' meetings declared a 100% stock dividend and a cash dividend of $1.20 per share, payable on Jan. 23 to stock of record Jan. 8.

The cash dividend is an increase of 10c per share over the amount paid the same month last year.

John W. Hardwick, Vice-President, was elected a Director.

All other Directors were reelected except Edward J. Miller and Jesse Rosenbaum, who asked that they not be reelected.

All officers were reelected except that Hubert Early, Albert V. Hamm and Gorman J. Roberts, who formerly were Assistant Trust Officers, were elected Trust Officers.

$200,000 of the Company's earnings were passed to Reserve.

Company's capital, surplus, undivided profits and Reserve now total $7,309,000.

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The National Bank of Commerce in Memphis, Tenn., increased its common capital stock from $1,250,000 to $1,500,000 by the sale of new stock effective Jan. 31 (150,000 shares, par value $10).

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The First National Bank of Clarksville, Tenn. increased its common capital stock from $250,000 to $300,000 by the sale of new stock and from $300,000 to $350,000 by a stock dividend effective Jan. 25 (7,000 shares, par value $50).

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Commercial and Industrial Bank, Memphis, Tennessee, Sterick Building, will establish its first branch at the northeast corner of Park and Shotwell by June 1, Edward E. Salmon, President, announced. The branch will handle all banking business.

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The common capital stock of the **Park National Bank of Knoxville, Tennessee** was increased from $1,000,000 to $2,000,000 by a stock dividend, effective Jan. 22 (200,000 shares, par value $10).

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Security National Bank of Greensboro, North Carolina increased its common capital stock from $2,250,000 to $2,500,000 by a stock dividend, effective Jan. 22 (500,000 shares, par value $5).

* * *

The National Bank of Brunswick, Ga. changed its title to the **First National Bank of Brunswick,** effective Feb. 1.

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The Comptroller of the Currency on Jan. 28 issued a charter to the **Dade National Bank of Miami, Fla.** with a capital of $1,200,000 and a surplus of $600,000. The President is William M. Preston.

* * *

First Atlantic National Bank of Daytona Beach, Fla. increased its common capital stock from $400,000 to $500,000 by a stock dividend effective Jan. 29 (50,000 shares, par value $10).

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The First National Bank in Lake Worth, Florida, was authorized to increase its common capital stock from $400,000 to $500,000 by a stock dividend, effective Jan. 22 (50,000 shares, par value $10).

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The Merchants National Bank of Mobile, Alabama was authorized to open a branch at 102 Saint Michael Street, Mobile, Alabama.

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The common capital stock of **The Midland National Bank, Midland, Texas** was increased from $1,000,000 to $1,500,000 by the sale of new stock effective Jan. 31 (75,000 shares, par value $20).

* * *

Edward J. Nolan, an oilman and former President and Board Chairman of the **Bank of America,** died on Feb. 4 at Houston, Tex. He was 68 years old.

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The First National Bank of Farmington, N. M. increased its common capital stock from $200,000 to $300,000 by a stock dividend and from $300,000 to $450,000 by the sale of new stock effective Feb. 1 (18,000 shares, par value $25).

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The common capital stock of **The Denver National Bank, Denver, Colo.** was increased from $3,000,000 to $3,500,000 by a stock dividend, effective Jan. 25 (350,000 shares, par value $10).

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Shareholders of **The Bank of California, San Francisco, Calif.** heard Edwin E. Adams, President, announce plans at the annual meeting for a two-for-one split of the bank's outstanding shares of capital stock and a proposed increase in the quarterly dividend. Elliott McAllister, Chairman of the Board, reported that the directors meeting immediately after the annual meeting, adopted resolutions authorizing the split and calling for a special meeting of shareholders, at a date which is later to be announced. The proposed change is also subject to the approval of the Comptroller of the Currency.

The directors plan to declare a quarterly dividend of 32½ cents per share on the new stock, as compared to 60 cents now being paid on the present stock. This represents an increase to 65 cents a quarter on the stock now outstanding.

When accomplished, the proposed split will affect the holdings of 2,970 stockholders. It will change the par value from $20 to $10 per share and will increase the number of outstanding shares from 598,200 to 1,196,400. The last division, a 5-for-1 split, occurred in October 1949.

Shareholders also approved plans for the bank's merger with **Modesto Bank & Trust Co., Modesto, Calif.** whose stockholders ratified the merger agreement last week.

The three offices of **Modesto Bank & Trust Co.** opened for business on Feb. 4 as offices of **The Bank of California, San Francisco, Calif.** The merger became effective at the close of business Feb. 1.

W. W. Giddings, formerly President of Modesto Bank & Trust Co. has become Vice-President of The Bank of California and Manager of the Modesto operation.

Edwin E. Adams, President of The Bank of California, stated that the addition of these offices, two of which are located in Modesto and the third in nearby Riverbank, California, brings the total number of The Bank of California offices to 13, serving 11 communities in California, Oregon and Washington. Eight of the 13 offices of the bank have been added during the past 30 months through mergers and the establishment of new offices.

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Harry E. Hudson, Vice-President of the Santa Monica Office of **California Bank, Los Angeles, California,** marked the completion of a full half century in banking on Feb. 1.

Mr. Hudson's record of 50 years of continuous banking service is unparalleled among the more than 2,900 members of the California Bank staff. He has served five terms as President of the Santa Monica Clearing House Association.

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Three new directors have been elected to the Board of Directors of **The First National Trust and Savings Bank of San Diego, California** at the annual shareholders' meeting, it was announced by Guilford H. Whitney, Chairman of the Board.

Those elected include: Milton F. Heller, Dr. Roger R. Revelle and Orien W. Todd, Jr.

* * *

William E. Blauer, retired Chairman of the Board of the **Bank of America,** died at San Jose, Calif. on Feb. 11. His age was 78.

Mr. Blauer was a member of the Executive Committee and a Director of the Bank of America.

* * *

National Bank of Alaska in Anchorage, Territory of Alaska, increased its common capital stock from $400,000 to $500,000 by a stock dividend effective Jan. 29 (10,000 shares, par value $50).

* * *

The National Bank of Commerce of Seattle, Washington was authorized to open a Branch at Pomeroy, Garfield County, Washington.

* * *

Edward Byron Ford, died at San Jose, Calif. on Feb. 12 after a long illness. He was 62 years old.

He had been President of the **Philippine Trust Company, Manila** and an Executive of the **Bank of the Philippines.**

* * *

Canadian Bank of Commerce, Toronto, Canada plans to offer stockholders in Canada 750,000 common shares at $30 a share. Rights, expiring May 17, will be at the rate of one new share for each five owned of record Feb. 15. Each new share may be paid for in ten equal instalments on the 17th of each month, beginning May 17 and ending Feb. 17.

* * *

The Canadian Bank of Commerce announced on Feb. 11 the opening of a second branch in London, England. The new branch is at 48 Berkeley Square. It will provide complete banking service, thus supplementing the facilities for travelers offered at the bank's original branch, which remains at 2 Lombard St.

Fitzpatrick Inv. Opens

LONGVIEW, Texas — Louis G. Fitzpatrick and E. S. Fitzpatrick have formed Fitzpatrick Investment Co. with offices at 107 Frances Drive, to engage in a securities business.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The refunding operation of the Treasury is now out of the way, although the cash payout by the Government was considerably larger than had been expected in most quarters of the money market. It seems as though there will have to be a continuation of the larger weekly offerings of Treasury bills for awhile in order to provide funds to replace the money which will be used to take care of the refunding cash-ins and the redemption of savings bonds.

The action of the Government bond market indicates that securities are continuing to move into strong hands, in spite of profit-taking which is in evidence now and then. The demand for the more liquid Treasury issues is as sizable as ever, with the longer-term bonds gaining in favor with those that have funds for investment. To be sure, corporates and tax-exempt issues still provide a better yield than comparable Government bonds.

Easing of Restrictive Credit Policy Indicated

The money market continues to reflect opinions that the very restrictive phase of the money tightening policies has been passed for the time being at least. This is being reflected in an improved demand for nearly all Government securities, even though certain of the intermediate-term issues are now competing with the new 3½% note that the Treasury used as part of the refunding for the February and March maturities. The 39-month note appears to have attraction for not a few investors in Government securities, with reports that savings banks and some deposit instructions have been important buyers of this new obligation.

To be sure, there is still a fairly sizable professional interest in the longer-end of the Government list but, in spite of this, the investment demand is expanding and this has been responsible in no small way for the improved tone which is evident in these securities.

Enlarged Buying in Long Governments

Although the most distant Government bonds are still a long way from being on a competitive basis as far as yields are concerned with corporate and tax-exempt obligations, there is an enlarging interest in the market for certain of the longer-term Treasury issues. It is reported that the 3¼% due 6/15/78/83, are being bought by pension funds, small insurance companies and out-of-town commercial banks that have large amounts of savings deposits. Also it is indicated that the shift from common stocks is bringing a fair amount of money into the 3¼s as well as the 3s. It is likewise evident that quite a sizable amount of equity money has been invested in the new 3½% notes, with foreign funds showing a preference for this security.

Cut in British Bank Rate, No Surprise

The decrease in the British Bank rate from 5½% to 5% was expected inasmuch as it was out of line with other money rates there. Also, it has been the opinion of many money market observers that the boom in England has passed its peak and with this would come an ease in money conditions in the British Isles. Also, as far as the inflation picture of the world in general is concerned, it seems to be the opinion of many economic advisers that it is losing its momentum and, if this turns out to be true, then the hardening in money rates will be coming to an end.

U. S. Boom Nearing End?

As far as the United States is concerned, there appears to be conflicting pronouncements as to what the future trend of business will be. However, there are some rather definite indications that economic conditions here are not as vigorous at the moment as had been predicted in the not-too-distant past. The supply of goods in many instances, has caught up with the demand and this has tended to take some of the steam out of the boom. Accordingly, if the boom is petering out here, and that would be a very healthy condition, then it will not be long before the pressure will be coming off the money market.

Reduced Money Demand for Tax Purposes

Naturally, there is likely to be a fairly sizable demand for money to meet the March 15 income tax payments, but it appears to be the judgment of many money market specialists that the need for funds to take care of these payments will not be nearly as large as they were in the Spring of 1956. This should not be an unfavorable development as far as Government securities are concerned, although this demand for money might have a temporary effect upon the buyers of Treasury obligations.

However, if money conditions are tending in the direction of ease, as they appear to be, any decline in quotations of Treasury obligations should be a buying opportunity.

McMahon, Lichtenfeld

McMahon. Lichtenfeld & Co. will be formed March 1 with offices at 25 Broad Street, New York City. Partners of the new firm, which will hold membership in the New York Stock Exchange, will be Jacob A. Lichtenfeld, member of the Exchange; Denis J. McMahon, Benjamin A. Leyton, Julius A. Lichtenfeld, and Alvin S. Rosen, general partners; and Evelyn Johnson, Sol Meyer and Morris Meyer, limited partners.

Form T. Levy Co.

ELIZABETH, N. J. — Theodore Levy & Co., members of the New York Stock Exchange, will be formed effective Feb. 21 with offices at 279 North Broad Street, Elizabeth, and 120 Broadway, New York City. Partners are Theodore Levy, Exchange member, and Emanual Stanton, general partners, and Charles Flom and Irving Coleman, limited partners. Mr. Levy has been active as an individual floor broker.

Wall St. Post VFW Essay Contest

Surrogate Samuel DiFalco will be the guest of honor at a luncheon to be given in connection with the Annual Essay Contest for Hospitalized Veterans, it was announced by Charles O'Brien Murphy, III, Pearson, Murphy & Co., Inc., Commander of Wall Street Post No. 310, V. F. W. The luncheon will be held at Whyte's Restaurant, 145 Fulton Street, New York City, on Feb. 26, 1957. The Post will present to Judge DiFalco a portrait of himself by Vincent Trotta, who each year does portraits of the prize winners.

C. O'B. Murphy III

The Essay Awards Competition at the hospitals has been a feature of the Post's program for more than eight years. Commander Murphy announced that in addition to the cash prizes for hospitalized veterans, this year's contest will be expanded to provide a prize for paraplegic veterans. Arrangements have been made with the Eastern Paralyzed Veterans Association for this phase of the contest.

Wall Street Post, which was formerly known as the Crossroads of the World Post, has been helped in its program by leading figures in the community who have served on its panel of judges. Judge DiFalco, has helped to organize the panel and has served as an Essay Contest Judge each year for the past six contests.

The title of this year's essay is to be "Citizenship—What It Means to Me." This title was selected by the Post after considering numerous subjects proposed by veterans at Kingsbridge V. A. Hospital. Last year's title, which was similarly chosen, was "How Can I Contribute to Better Community Living."

According to Heyman Rothbart, Chairman of the Essay Contest, the 1956 Panel will serve again as Judges of the 1957 contest. Among the active members are Charles H. Silver, President of the Board of Education; Rev. Laurence J. McGinley, President of Fordham University; Ed Sullivan; Drew Pearson; Hinson Stiles; Herbert Bayard Swope; and 22 judges led by Chief Justice Albert Conway of the New York Court of Appeals. The late Brigadier General Adolph Ochs Adler served as a panel member for many years.

Forms Melvin Scoville Asso.

SEATTLE, Wash. — Melvin J. Scoville has formed Melvin J. Scoville and Associates with offices in the White-Henry-Stuart Building to engage in a securities business. Mr. Scoville was formerly President of Nelson, Scoville & Co., Inc.

Associated with him are William F. Stone, Edwin A. Potter, James F. Kennedy, William F. Murdoch and Charles S. Weeks.

Continued from page 6

Foreign Trade Outlook for 1957

the other European nations. The Deutschemark will be one of the most stable currencies on the Continent. In fact, Bonn may profit from Britain's troubles and expand exports at the latter's expense. Imports of raw materials will be maintained at a high mark although there will be some switch to substitutes and to closer sources of supply. U. S. sales to Germany will remain at recent levels. German exports to Africa, Middle East and South America will gain substantially. Germany will pick up some of Asia's markets in these areas.

The Suez oil stoppage will retard the pace of Italian industrial production. But no severe crisis is anticipated. Industrial slowdown will be offset by expanded agricultural output. Italy will become self-sufficient in wheat and a reduction in agricultural imports will help improve her balance of payments. U. S. private capital investment will be stimulated by the new Foreign Investment Law. Exports to America will show at least a 5% gain but Italy's markets in other areas will be hit severely by import curbs necessitated by temporary European and Asian economic setbacks. Inflation will weaken the Italian lira. However, U. S. exporters can expect only a slight drop in sales as oil and coal purchases will offset most of the cut in non-essential buying.

Holland and Norway

In the Netherlands the economic and political difficulties of 1956 have not damaged postwar progress to any extent. Acute labor shortages and inflationary pressures will continue. The decline in gold and exchange reserves will halt as the import surplus is narrowed. Consumer goods purchases, which are the main cause of the import rise, particularly will be cut. Concern over the unfavorable trade trend will diminish.

Import controls in Norway will be relaxed again. Gold and exchange reserves are climbing, while productive capacity will be raised still further. Norwegian exports of metals and ores, up 44% in 1956, are becoming a key source of income. Paper and pulp demand is strong. U. S. sales will gain about 10% in 1957, compared with the 20% rise last year.

Portugal's imports of raw materials, foodstuffs, machinery, vehicles and consumer goods are rising. But Lisbon's increasing deals with the Soviet bloc are causing concern in the West. Communist countries are determined to grab this growing market. American exporters at last are making progress in this sometimes neglected land. In 1956 sales jumped 25%. Another large gain is anticipated this year as huge gold and exchange reserves scarcely have been dented.

Spain and Sweden

Spain is in the midst of a boomlet, thanks to heavy U. S. defense expenditures. Inflation is rampant and the sharp rise in cost of imported raw materials was responsible for a large trade deficit in 1956. Frost damage to crops spoiled traditional farm exports last year. But lead output will continue to expand. Nevertheless, the first signs of economic troubles are visible and caution is recommended, despite the present prosperity.

Rising trend of wages and prices in Sweden has upset the economy. Production is disappointing and will be impeded more by the oil shortage. Although demand for Swedish products, especially steel, grows in Latin America, sales to U. S. are declining. Tremendous expansion of the lumber industry in America is depriving the Swedes of a traditional dollar earner. Moreover, Washngton's farm surplus dumping policy and "Buy American" Act are having repercussions on the U. S. exporter. The latter is rapidly losing a foothold in this once easily cultivated market.

Switzerland and Turkey

Switzerland's recent membership in the General Agreement on Tariffs and Trade will inspire substantial cuts in duties. This action will result in expanding commerce, particularly with Latin America. The Swiss will not feel the oil shortage but will suffer from flight of capital to the Western Hemisphere resulting from the Suez tension. Bern's gold and dollar position still remains one of the strongest in the world. The U. S. exporter cannot be dislodged as the leading supplier of consumer goods because of Switzerland's preference for American products. Swiss will buy more goods from U. S. now that they are convinced Washington's hike on watch duties was far from disastrous.

The economic crisis in Turkey is improving slowly. More U. S. aid will be forthcoming but loans will be infinitesimal compared to needs. Austerity will prevail once again as licenses for machinery, automotive parts and other essentials will be limited further.

There is little doubt that the United Kingdom's industrial output will be reduced. Import controls will be tightened, while an intensive export drive will be launched in the dollar countries. Shipping shortages and import curbs overseas will cut auto exports, while the gold and dollar drain will continue. Sale of British-held U. S. securities will be stepped up and America will extend about $1 billion in aid. Sterling is temporarily protected by the strong "short" position resulting from recent postponement of pound payments. Although the currency will weaken, there is no chance of devaluation. Except for coal, oil and grains, U. S. exports to England will be cut substantially.

Latin America

Latin America will make extensive gains in 1957 at the expense of Asia. Exchange earnings of the Latin Republics in 1957 are likely to increase as much as $400 million so that purchases from the U. S. will rise 10% to $4.1 billion because of the distorted commodity conditions.

For instance, in addition to shipments of Venezuelan oil replacing part of Middle Eastern supplies, Bolivian tin will supplant Malayan and Indonesian. Brazil will sell more manganese, castor beans and vegetable oils to replace traditional Indian sources. Argentina and Uruguay will provide considerably more hides, beef and wool to Europe at expense of Australia and New Zealand. Latter two countries also will be unable to furnish traditional dairy products to England, which must now depend on Denmark and Holland more than ever. U. S. does not plan to interfere with the brighter cotton sales outlook for Brazil, Mexico and Peru by offering additional surpluses to European countries. Cuban sugar exports will improve. Mexico will ship more manganese and other minerals.

Latin America will have more dollars to spend in the U. S. not only from increased exports but also because the flow of private capital to Europe, Africa and Asia will be diverted to the Western Hemisphere. A substantial number of European businessmen already are seeking sanctuary for their money in the Latin Republics and Canada. American investors will lay out a record $2.2 billion of new capital and reinvested earnings in 1957. By far the bulk of this will go to Latin America.

U. S. companies, now in the second phase of an industrial revolution that consists of capital spending for plant and equipment abroad, like to invest in certain Latin American nations because of the high return. In Brazil, for example, net profits on capital average 35%, with the majority of American companies earning 50% and 60%.

More U. S. Economic Aid

World political instability will also help shift a large share of Europe's expected $1 billion revenues from tourists to Latin America and Canada. Gasoline rationing in many European countries will help to stimulate the change. Latin America will gain in other ways. It is bound to get considerably more financial assistance from Washington, which is pleased that the Latin Republics supported its Middle Eastern stand at the United Nations.

Despite contraction of wheat exports, world markets will absorb a larger volume of Argentine products. More economic aid from U. S. will also help improve Argentina's balance of payments and strengthen the peso. Loans to develop power facilities are a certainty once the negotiations with American and Foreign Power Co. are settled. Foreign exchange earnings will rise by at least $40 million as result of the Suez crisis. Imports of raw materials and of capital goods will gain substantially. Emphasis will be on rehabilitation of transport and power industries. U. S. exporters can count on another 15% jump in sales, while flow of private capital to Argentina from U. S. and Europe will also rise.

Boliva's tight dollar exchange situation will ease. That country's earnings from tin alone will increase by $50 million at expense of Far East nations as result of Middle East trouble. Western Germany will become a major bidder for Bolivian trade. Inflation remains the greatest worry but the International Monetary Fund will help stabilize runaway currency. Once these uncertainties are whipped, Bolivia will absorb much more foreign capital, especially in mining ventures. American shippers can look for steadily growing business in 1957.

Outlook for Brazil

In Brazil the trade and economic outlook for 1957 is better than any time in the postwar era. Chances are that Rio de Janeiro will surpass even the incredible $300 million trade surplus of 1956. Extra heavy demand for Brazilian manganese, iron ore, essential oils, rubber, rice, nuts and coffee as a result of Suez Canal blocking will mean an additional $75 million in exchange earnings. Key to Brazil's bright future has been a 17% increase in exports and a similar reduction in imports. Moreover, the world is consuming more coffee than ever. Brazil's share of all markets for coffee is now running at 44%, compared with only 33% a year earlier. Inflow of capital to Brazil from America, Europe and Japan will be the largest in the world outside of Canada. Financial experts say Brazil's "future has arrived." But on the gloomy side are Brazil's short oil supplies, inflation and need for exchange devaluation, none of which will make much headway in 1957. U. S. exports are rising once again and should be up another 20% in 1957. By the end of this year American sales will have practically made up the 50% drop registered in 1955.

The Chilean exchange situation is improving. Peso should strengthen as copper output expands and inflationary pressures abate. New economic reforms are working well. Foreign capital is being encouraged, while taxation will be simplified. U. S. companies will lay out nearly $100 million for expanding copper and nitrate production. Drafts will continue to be paid more promptly. U. S. exports are gaining rapidly but optimism still should be tempered somewhat. Italian and German competition is on the upswing. Multilateral payments mechanism consisting of U. S. and seven South American Republics eventually will aid Chile considerably.

Austerity will be the watchword in Colombia during 1957. Imports will drop sharply as all efforts will be made to reduce the $300 million backlog to American exporters and $60 million arrears to the Germans. The peso should settle down around seven to the dollar. Revised exchange regulations resorting to the old system of certificates will contribute to more currency stability. Official devaluation is likely sooner or later. Government will have better control of exchange earnings but the backlog cannot be paid off without dollar loans for at least two years.

Costa Rica is ending one of the most prosperous years in her history. Present coffee crop is beyond expectations, while highway construction and World Bank loans are a spur to the economy. The first real oil find in Central America, which was made in Costa Rica, stimulates much enthusiasm. Imports from U. S. will gain another 5% although trade with England also will expand.

Demand for Sugar

Unsettled conditions in the world are sending Cuban sugar prices upward. They will remain at peak levels even though U. S. will increase import quotas again. Cuban producers cannot keep up with European demand. In contrast to a year ago, relatively little Cuban sugar is going to Russia. West Germany can take much more than 300,000-ton annual allotment. Consumer demand in Cuba will be strong as U. S. and European exporters compete for growing soft goods, electrical, hardware and machinery markets. American exports will enjoy a sharp rise. New oil fields are being discovered continuously to boost optimism. More than two dozen oil rigs are now in operation.

Although Ecuadorean exports jumped about 70% in 1956, the financial situation remains grave. Little immediate improvement is foreseen. But collection payments will be accelerated. Imports will deteriorate further to conserve exchange while more development loans to Ecuador are likely.

The outlook in Guatemala is promising. Exports and imports are expanding steadily while exchange holdings have increased substantially. U. S. fruit companies will pay higher taxes and make larger investments. Guatemala is destined to become one of the best Central American markets for you in the future.

An excellent harvest will ensure the continuing boom in Mexico. Exports and imports will set new records. Mexican purchases of industrial equipment will be stepped up. European and U. S. private capital investment in chemical and manufacturing industries will expand. PEMEX will enjoy its best year. But the mining industry may suffer from falling metal prices. Peso will be strong but will not be revalued upward. Britain will launch a new trade drive in Mexico. Gold and exchange balances will top the $500 million mark in 1957. Higher duties will curtail purchases from U. S. slightly but encourage more licensee arrangements with Mexican firms.

Peru's Credit Rating

Peru's prospects for a slowly expanding market are encouraging. Trade deficits will continue to be counterbalanced by new foreign investments, especially in mining and oil. But petroleum output must be stepped up considerably or the country will eventually become a heavy importer of oil. Peru's credit rating will remain one of the highest in Latin America and the sol will strengthen further. U. S. exports will not be increased to any extent although competition from Europe will be less keen.

The situation in Uruguay is improving slowly. This Republic now has a favorable trade balance. Gold and exchange reserves will hold steady although wool sales will be up because of Suez blocking. Triangular deals will continue while more loans from U. S. are certain.

In Venezuela another record year is in prospect. Production of oil will increase and U. S. firms will invest $200 million more in addition to $400 million of capital received from new oil concessions in 1956. Iron ore shipments are rising rapidly. Construction boom will be sustained. Europe will also depend on more Venezuelan oil as well as U. S. supplies. Imports from America will expand another 10%. Payments on drafts will be stepped up but intense competition for this desirable market dictates heavy promotion.

African Gains

Africa will also register substantial gains this year at Asia's cost. Its resources of uranium, cobalt, copper, manganese and other minerals will be in greater demand than ever as the U. S. Government steps up its stockpiling program. Again the Belgian Congo will remain one of the most promising areas in the world for expanding trade. Demand for consumer goods will increase another 20% in 1957. U. S. businessmen should make personal visits to the Congo to cultivate this frequently neglected market. The Congo's gold and dollar reserves will be bolstered by an additional $200 million of foreign investment this year.

In French Equatorial Africa a great reservoir of manganese and other ores will bring this African territory into focus during 1957. U. S. steel companies plan huge outlays to develop manganese. One American firm envisions a $200 million expenditure. France is investing $800 million annually while Portugal has a six-year program involving substantial spending for industrialization.

South African business activity will reach new heights as result of the use of bunkering facilities required for the long shipping haul around Cape of Good Hope. Both expanding consumer markets and substantial profits lure American investors. Import liberalization will proceed on schedule. South Africa will buy at least 10% more from the U. S. in 1957 but stepped-up promotion in this growing market will be required.

Middle East Sales Down

The Middle East will lose at least 25% of its annual earnings in 1957, or roughly $250 million, if the Suez Canal is blocked for six months as expected. That means U. S. sales to that area will fall by an equal amount. Once the military situation in the Middle East has stabilized, Washington will step up economic aid to that area.

Iran is the only nation in the Middle East where trade will hold at present levels. Shipments to

Iran on a draft basis will continue to be accepted. All other transactions to this area will be on letter of credit. A sharp reduction in Iraq's dollar earnings because of oil sabotage will mean an extensive cut in purchases from the U. S. and Europe. American exports to Israel, which have averaged more than $200 million a year, of course are due for a substantial decline because of defense expenditures. Nassers cotton for arms deals have mortgaged the Egyptian economy to Eastern Europe for the next 20 years.

Foreign Aid to Far East

Financial assistance to the Far East, particularly to the French colonies, will decline this year. This reversal of the post-Korean War trend will contribute toward a sharp dip of 20% in U. S. exports to Asia. The drop will be aggravated by the decrease in earnings because of the longer shipping routes. However, Japan will be the single improved Far Eastern market for American exporters since she will capture some of Britains best customers in South Asia. Once these markets are lost, it will be difficult for the British to regain them.

Australia's distorted balance of payments position will become more critical in 1957. Sales of hides, meats, dairy products and wool are bound to lose out to European and Latin American competition. Shipping shortages and longer routes around the Cape of Good Hope necessitated by the Suez situation will cost Australia $30 million. But internal prosperity will remain, although tight import restrictions will cause some curtailment of production. The greatest promotion campaign in Australia's history to attract American investors and capture U. S. markets can be expected. Canberra's austerity will hold purchases at a bare minimum. Japan will occupy a position of exceptional importance as far as Australian exports are concerned.

Inflation in India

Inflation will be India's main problem. Suez crisis will impair export markets and raise import costs. Second Five-Year Plan may be endangered by rising prices and the deteriorating foreign exchange position. However, increased U. S. economic aid and the larger flow of American and European private capital to India will prevent a crisis. New Delhi will seek to moderate inflation by selling its holdings of raw materials on the domestic market. But this will cut into foreign exchange earnings. Trade with Japan will be stepped up while the competitive position of U. S. exporters will be improved by the closing of the Canal. Nevertheless, India will cut its imports from U. S. by about 40%.

Suspension of traffic through Suez will force Indonesia to return to Japan for its supplies of industrial materials. Trade with other Southeast Asian countries and with Communist China will increase. Oil revenues will rise but Europe will cut consumption of Indonesian materials by at least 15%.

Japan Faces Competition

Japan's economic boom will be maintained unless there is an international recession. Prosperity will be bolstered by expansion of trade with Communist China and the Russian bloc. Steel shortage and rising prices may hamper sales of ships and capital goods. Japanese trade with Southeast Asia and Middle East will show substantial gains. In other areas Japan will have to face more vigorous British, German and Italian competition. Exports will total about $2.4 billion while imports will reach $2.8 billion. But balance of payments will be favorable and exchange earnings will rise slightly. The yen will be strong. Increasing U. S. curbs on imports of Japanese textiles will force Tokyo to seek new sources for cotton.

The surge in world shipping and construction of vessels will improve Parkistan's earnings from fiber. But this will be more than offset by higher costs of imports. Karachi's industrialization program will be hampered by a hike in freight rates, shipping shortage, rising costs and inflation.

Stability and gradual growth will characterize the Philippine economy in 1957. Economic ties and trade with Japan will be strengthened through a larger inflow of reparations goods. The foundation will be laid in 1957 for the industrialization of the Philippines. Peso will be firm. Favorable world sugar and fiber markets will improve Philippine foreign exchange earnings but copra shipments will weaken. U. S. exports will drop another 10%.

Canada Is Our Best Customer

America's best customer in 1957 will continue to be Canada. However, U. S. sales, up 30% in 1956, will be at a much slower pace. The tremendous flow of money into Canadian oil and uranium ventures from the States will help to offset another $1 billion trade deficit in 1957. A steady stream of European refugee funds, which will find a haven in Canada, will also contribute toward maintaining the present wide premium of the Canadian dollar over U. S. currency. Middle East crisis accentuates the urgency to develop Canadian oil deposits. Canada's Gross National Product will reach a new peak while astute monetary and fiscal measures will continue to combat inflation, the country's major problem. However, the huge and consistent unfavorable trade balances could lead to trouble once Suez is reopened unless imports are cut.

Many American exporters will find new markets in 1957. Since the revolts in Eastern Europe are basically economic, the U. S. will be prepared to spread its aid program to the Iron Curtain satellites. Farm surpluses will be the main source of assistance as the White House will get Congress to remove the ban on sales of agricultural products for local currency to some Communist nations. Trade will follow aid, as it always has.

Trade With Soviet Satellites

A new American foreign policy, engendered out of the Middle East debacle and uprisings in Eastern Europe, will be slanted toward more trade with the Soviet satellites to reduce their dependence on Moscow. (Poland's exchanges with Russia, for example, amount of 65% of her total). After this will come increased commerce with Red China. This easing of controls on exports of nonstrategic goods to the Communist world could well be the second most important trade pattern established in 1957 after the distorted commodity structure caused by the Suez blocking.

In appraising the American trade outlook for the immediate future there is one potent factor to be remembered in the planning ahead. It cannot be overlooked that the "free world" entered the Middle Eastern crisis in excellent economic shape. Last year foreign nations added $2 billion to their gold and dollar reserves. They will garner another $1 billion in 1957. A continued high level of American economic aid, huge military spending abroad, the tourist boom, and unparalleled private investment overseas assure these nations of $17.5 billion of income from the U. S. Add to this a savings of $2 billion from American farm surplus goods plus sales to this country of $14 billion and the 1957 export outlook has to remain in a strong position.

Prosperity Requires Raw Materials

At the same time, continued prosperity at home guarantees a record inflow of raw materials. They are needed to keep the wheels of production going for defense, capital expenditures, industrial and school construction, and the $33 billion highway building program. Gross National Product and personal income are certain to set new marks again in 1957. With more money in the consumer's pocketbooks, imported goods from abroad are rapidly becoming a necessity, not a luxury as in the past.

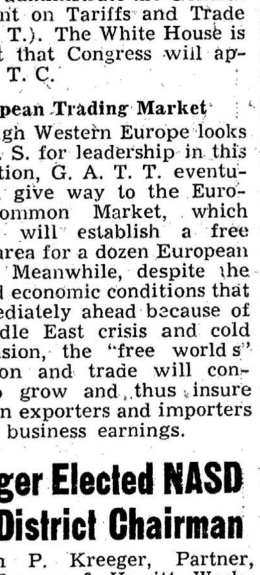
Reelection of President Eisenhower and a Democratic Congress promises to continue generally a liberal trade policy. However, more tariff hikes are in the offing. There is no doubt that the Republican Administration has taken a few steps of protectionist character. Tariff boosts on watches, bicycles and woven textiles in the past two years are examples. But the Fairless Committee set up by Eisenhower to promote trade will recommend lower tariffs to counterbalance reduced aid over the long term. It will also ask for U. S. membership in The Organization for Trade Cooperation (O. T. C.), which is designed to administrate the General Agreement on Tariffs and Trade (G. A. T. T.). The White House is confident that Congress will approve O. T. C.

European Trading Market

Although Western Europe looks to the U. S. for leadership in this organization, G. A. T. T. eventually will give way to the European Common Market, which someday will establish a free trading area for a dozen European nations. Meanwhile, despite the unsettled economic conditions that lie immediately ahead because of the Middle East crisis and cold war tension, the "free world's" production and trade will continue to grow and, thus insure American exporters and importers of peak business earnings.

Kreeger Elected NASD District Chairman

Joseph P. Kreeger, Partner, Jones, Kreeger & Hewitt, Washington, D. C., was elected Chairman of District Committee No. 11 (District of Columbia, Maryland, North Carolina, Virginia and West Virginia) of the National Association of Securities Dealers.



Joseph P. Kreeger

Ludwell A. Strader, Strader & Co., Inc., Lynchburg, Va., was elected Vice-Chairman.

Schenck Bros. Formed

ORLANDO, Fla.—J. E. Schenck and L. V. Schenck, Jr. are engaging in a securities business from offices at 221 Depot Place under the name of Schenck Brothers.

Form El Paso Management

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—The El Paso Management Company has been formed with offices in the Mining Exchange Building. Partners are James E. Rouse, Robert L. Kirchner, Lawrence V. Cotton and William T. Eckhart. Charles L. Fouch is also associated with the firm.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Has not the time come to consider a shift of funds from the fire-casualty insurance stocks to those of the leading life companies?

The "growth" idea, when it hit the life stocks, really did a thorough job on them for not only were the stocks of widely known, old companies run up, but every manner of obscure life stocks participated in the big inflation of market values in these issues. In a great majority of cases, yields were ignored entirely, and the stocks were purchased by many investors who were not interested with current yield so much as with long-term appreciation. But the fever ran too high, and even quality stocks ran far ahead of what could reasonably be considered to be the rate of growth.

For example, much of Travelers Insurance's spectacular rise could be attributed to the persistant rumor that a big split was to be ordered; and, finally it was split in what was in effect a 25-for-1 break-up. However, this added nothing to the intrinsic value of the shares, except for what effect came about as a result of the stock then being available, pricewise, to many more investors than it was at prices over $2,000 a share.

The life stocks did not remain at their tops. As an example, the split Travelers, which sold at a high of about 120, slumped to just below 70; Connecticut General's 1955 range was 620-402 (unsplit stock); Kansas City's 2000-1190, and down to 1090 in 1956.

But at present levels for the better grade life stock they appear to be good values. Premium volume has kept up, and the investment markets have played into the hands of these companies, as in cases where they are permitted to invest in common stocks their commitments have been modest (Travelers about 4% of total assets; Connecticut General about 2%, to mention two leaders of top quality). However, they are big investors in bonds, and the markets for these have moved much in their favor.

Life stocks will give growth over a period, but if the growth factor is recognized as being considerably short of the spectacular there will be fewer disappointments. Added to the factors already mentioned is another, the life companies' low mortality rates in an era of wonder drugs and new methods in medicine. This is in an improving trend and is one of the important long-term factors that justify attention to these stocks.

On the other hand, the fire-casualty issues are faced with enough adverse factors to prompt one to pause before investing in them right at this juncture. First, fire losses continue to rise. Those for December 1956 were $96,485,000, according to the estimate of the National Board of Fire Underwriters, or nearly 20% above the like period in 1955. For the year 1956 they were 11.8% higher than 1955; and we have had newspaper accounts of several bad burnings in the past few weeks.

A large proportion of the 1956 annual reports that are appearing show large statutory losses versus profits in 1955. Aetna Insurance (consolidated) just announced a loss of $8,000,000; the two America Fore parent units also rang up a big turn-over from statutory profit in 1955 to loss in 1956. As losses continue bad not only in fire lines but in casualty, we have no assurance that 1957 will better the 1956 showing by much.

Then the present rates are, in the light of experience, inadequate; but as rates are not easy to change on short notice it is probable that what increases are granted will not be on a wholesale basis. Rate changes generally require several years' experience behind them, and, generally speaking, present rates have not been in effect long enough.

Whereas asset valuations felt the upward pressure of equity market prices in 1954 and 1955 and enabled the companies holding large blocks of common stocks to report enormous increases in valuations for those years, 1956 will not add to valuations anything like these amounts. And many authorities are far from enthusiastic about the outlook for equity markets in 1957. As a large proportion of the fire companies utilize common stocks in their portfolios any bear trend in equities will be widely felt.

Certainly bond-investing companies, including the lifes, are in a favorable position now from an investment point of view. Nor will it avail the equity holders to attempt to switch into bonds, for declining stock markets will not readily absorb large blocks of common stocks, and the attempts at liquidation could well be somewhat concerted. If the companies are frozen in in a serious decline it will probably require the use of convention values as was done in the early 1930's.

Form Fund Corporation

MINNEAPOLIS, Minn. — Fund Corporation has been formed with offices at 425 Marquette Avenue to engage in a securities business. Officers are Truman E. Anderson, President; Norman Terwilliger, Vice-President; John R. Goetz, Secretary, and William N. Lunberg, Treasurer. Raymond N. Plank and Charles C. Arnao, Jr. All were formerly with Anderson-Plank-Arnao.

Form J. P. Howell Co.

MONTCLAIR, N. J. — J. P. Howell & Co., Inc., has formed with offices at 460 Bloomfield Avenue to engage in a securities business. Officers are Joseph L. Provenzano, President; Theodore Howell, Vice-President; and Elsie Cavicchia, Secretary-Treasurer.

Continued from page 7

Currency Outlook—1957

recover, when Arabian oil again flows to Western Europe. The **Israel Pound** has survived the recent political events in good shape. It can maintain its present level.

Among the Asiatic currencies, the most important one, **India's Rupee**, is under substantial pressure. The new five year plan is very ambitious and New Delhi has lost substantial amounts of her currency reserves, which declined to a very low level. American credits will help, but not enough, and India will have to fight to maintain the Rupee's present value.

The Japanese Yen has made a good recovery. Tokyo manages it well and does everything to improve her currency, which still is listed at a discount of 11% to 12% in the black market. This discount will probably narrow during the year and the Yen will come nearer to convertibility.

More salient to the thinking of most of you are the South American currencies. Let us review them in alphabetical order:

Argentine Peso, after an excellent recovery, has started to decline again. Financially freely transferable, it functions without black markets and there are plans to free its foreign trade from all restrictions. Buenos Aires might continue to have some difficulties, but the long range outlook is good. One good crop can improve the whole picture. Politics, still an important factor, present many problems, but they will be straightened out and the country, yet to recover from Peron and his corruption crowd, will continue to improve her position.

The Boliviano, South America's worst currency, has been stabilized with U. S. credits and skill. The era of socializations seems definitely closed. A long and hard road to economic recovery has started. The country is poor, but has excellent long range possibilities. Chances are that conditions, after getting worse, might improve again. People with courage can take risks there.

Brazil's Cruzeiro has shown relative stability. It is not yet out of the woods, but the long range outlook in Brazil is amazingly good. Foreign trade, now based on Brazil's multilateral payments agreements, has majorly improved and reduced a lot of fraud by eliminating most of the annual production of tons of false documents. The Central Bank has a good cushion of Dollar reserves. Coffee prices are high. Domestic industrial production is increasing daily. Only half of Brazil's population wear shoes and know of toilet paper. Fantastic economic developments are not only possible, but certain. The government, still unable or unwilling to reduce some 130 official varieties of the Cruzeiro, nevertheless tries to cope with conditions, but does not have the courage to proceed with a real currency reform. It will have to do so one day. Until then, the Dollar in Brazil will fluctuate within a range of 65 to 75 Cruzeiros and Rio will remain a good customer of the U. S.

Chile's Peso, freshly stabilized since April, 1956, has been reasonably firm and continues to cling to its official value. The country, ruled by an old dictator and his cronies, is potentially rich. But to increase her industrial output is a long range task, and not an easy one. But here, too, currency prospects are reasonably good.

Colombia, on a monetary sick bed and under a dictatorial regime, is a case of complete misadministration of currency. The dictator, owing his power to the military alone, has to reward that clique for his job, making him the richest man of the country. Last year, Colombia spent about half of her export receipts of $500 million for the import of military hardware. Such expenses, sheerly unbelievable, were made mostly at the expense of U. S. exporters, who simply did not get paid, and torpedoed the Peso. The official value of the Dollar in Bogota, listed at 2.50 Pesos, was rated up to 7.15 Pesos in the black market and now fluctuates at 6.65 Pesos. The country owes about $180 million to American exporters, who will wait quite some time to get their money. These receivables will not be lost and plans have just been formulated for a system of repayment, backed by U. S. private banks.

Colombia is potentially a very rich country. Its needs for industrialization are great and its domestic markets could grow for decades. Investments in Colombia have excellent long range prospects. But there is the rule of the dictator and the army, who traditionally are more interested in their jobs and their power than in the quality of their currency, which must be devalued.

Ecuador's Sucre has shown a decline of value during recent months. Dollar assets of the Central Bank have been dwindling and the Dollar rose to a historic high in the country's free markets. Here too it will be difficult to avoid a devaluation.

Paraguay's Guarani, the object of a recent devaluation, has improved slightly in free markets. The administration is eager to hold its level, but will have a hard time to do so.

Peru's Sol, one of South America's best managed currencies, will remain stable and presents no risks at present.

Having reviewed most of the capitalistic monetary units, you certainly expect to hear some facts on the currencies of the collectivistic countries. There the picture is not as rosy as the governments try to present it. Let us start with

The Ruble. Officially worth 25 U. S. cents, it can be bought outside the Soviet Union for about 3½ cents. This is not exactly a glorification of Marxistic monetary efficiency. Moscow has not yet used the word of hoodlums for the currency dealers abroad who deal in her banknotes. The value of the Ruble, immaterial for foreign traders, might improve again in the world's free markets, but Russia will continue her tight system of currency control and conduct her imports on a Sterling or Dollar basis. And as she has enough gold—about $7 billion or more—not much will happen to her monetary set-up under the present administration. Its major drawback is located in the propaganda field. There the Ruble cannot be used as a showpiece, because everybody abroad would laugh. And, according to an old French proverb, it's only ridicule that kills!

If the Ruble were freed from its draconic restrictions, and if people in the Soviet Union would be given the freedom to buy and to own foreign currencies and maintain accounts or deposits abroad, not much of the Ruble's value would be left.

Therefore, in spite of all Soviet power, which to deny would be a great mistake, the smoothly functioning currency system within Russia can only be compared with a giant on clay feet.

The famous Ruble Bloc, which only a year ago seemed to be a strong organization that inspired respect in many Western countries which were dealing with the U.S.S.R. and its Satellites, today exists only as a propaganda item. Only a few days ago, I learned from former high-placed Satellite officials, that there has never been a clearing organization covering a multilateral trade and payments system between Moscow and the Satellites. There were only bilateral trade agreements, dictated by the Soviets to the colonized territories. And the latter had to deliver their products at arbitrary low Ruble-parities, but could get Soviet products only at rather high Ruble quotations.

When the first revolt in Poznan, Poland, started in June of last year, little was known about these facts. Since then much water has flowed down the Volga and Dnieper. The blood bath in Budapest took place and the currencies of Poland and Hungary went to pieces. So too went their foreign trade and the whole system of dictatorial currencies of the Satellite world. Let us have a look at the remnants:

The **Soviet Ruble**, as already mentioned, has a free market value of only 14% of its official rate. Moscow, deprived of many important deliveries from its Polish, Hungarian and East German Satellites, has to export gold in order to buy essential goods from the capitalistic West.

The **Hungarian Forint**, without buyers outside Hungary, presently has a nominal free market value of only about 7% of its illusory official rate.

The **Polish Zloty**, officially worth one Ruble, or 25 U. S. cents, can be bought in free markets at only ¾ of an American penny, or at 3% of its former splendor.

The **Czechoslovak Koruna**, officially labeled at about 14 cents, can be bought in Switzerland or in Austria with less than 2 cents, having lost about 86% of what it was believed to be worth.

The **Rumanian Leu**, no sparkling jewel itself, today has a free market value of 16½% of its official rate.

Of the **Bulgarian Lev's** theoretical parity, only 15% remains in free market value.

The **Ost-Mark** has an official rate of 45 U. S. cents. But in West Berlin you can buy it for about one U. S. nickel, or 11% of its enforced rate.

These very dry figures, expressions of cold truth, are not a splendid certificate of any accomplished economic mastership of the collectivistic dogma. There has been no propaganda efficient enough to make people believe that these facts do not exist. On the contrary, black currency markets are flourishing in all Satellite countries and many officials there frequent them for their own protection of savings. Corruption in many of these lands also can better all records of such achievements that have been established in South America. And that, believe me, is not exactly an indication of spreading selfishness as ordered by communistic theory.

These signs of currency decadence and of weakening colonial power of Moscow, as welcome as they are for contemplation, are nevertheless rather dangerous events. Currency debasements, whether under communistic or capitalistic rule, always expropriate people. Expropriations lead to hidden or open revolts. Revolts create—in diplomatic language—what is called a political vacuum. Moscow's highly intelligent rulers are aware of such problems. They will not give in easily, as Hungary's tragic case teaches us.

Therefore, as bleak as the Soviet and Satellite currency problems may look at the present moment, it is more than probable that Moscow will try to stem the tide of disintegration of their colonial empire and its currencies.

We are going to watch interesting events in the monetary world, which never stands still.

And only those among you who follow the trends closely and who do not believe what their provincial bankers or brokers tell them, will be able to make the decisions that avoid losses.

This is about the best advice that I can give you. Do not forget that currencies are made to lose value. If they were not, our modern economic systems could not work as well as they do. But they do not all lose their worth at the same time. And for the non-believers of official embellishments of monetary situations, there is always time to change from the menaced into the non-menaced units. The only thing necessary is some knowledge or the best available advice. I confess that such information is difficult to obtain outside the borders of Manhattan.

Form J. Thomas Co.

PALM BEACH, Fla. — Jerry Thomas & Co., Inc., has been formed with offices at 238 Royal Palm Way to conduct a securities business. Jerry Thomas is President and Treasurer.

Los Angeles Bond Club Appoints Chairmen

LOS ANGELES, Calif. — Looking forward to expanded activities in 1957, The Bond Club of Los Angeles has completed the appointment of all committees, Bond Club President William D. Witherspoon, of Witherspoon & Company, Inc., announced on Feb. 11.

Bond Club Committee Chairmen for the year will be as follows: Program, William S. Hughes, of Wagenseller & Durst, Inc.; Entertainment, Mark Davids, of Lester, Ryons & Co.; Finance, Allen D. Harper, of Pacific Mutual Life Insurance Co.; Attendance, Bernard J. Johnson, of Bateman, Eichler & Co.; Publicity, David C. Pearson, of Bingham, Walter & Hurry, Inc.

With Goodbody Co.

(Special to The Financial Chronicle)

DETROIT, Mich. — John L. Meier is now connected with Goodbody & Co., Penobscot Building.

Wages, Productivity and Inflation

First National City Bank, impressed by record high factory hourly wages reached in 1956, warns, however, inflationary forces must be contained, and examines two forms of concern over wage-price inflation; i.e., adverse effect on capital outlays, and conflict between full employment and price stability.

Joining the U. S. Chamber of Commerce and the AFL-CIO in hailing the achievement of $2 an hour average factory workers' earnings, for the first time, in 1956, the "Monthly Bank Letter" of the First National City Bank of N. Y. is remindful of the difference between "real and illusory gains," and, after adjusting for price changes concludes, "the [wage] record represents substantial progress, and the figures become still more impressive when measured against those of the twenties."

The February "Bank Letter" examines the forces responsible for the solid advance, and finds that it is "encouraging to note AFL-CIO acceptance of rising productivity as the basic source of labor gains, notwithstanding that featherbedding and other restrictive practices by some unions have often done violence to this principle. There is no denying that union pressures have spurred management to seek ways of offsetting higher wage costs by increased efficiency. The essential point, however, remains: the money to pay the higher wages would not have been there but for the huge investments in labor-saving and cost-cutting equipment.

"As estimated by the National Industrial Conference Board last November, the capital invested per manufacturing production worker in early 1956 amounted to nearly $14,000, about double the '46 figure. In a similar study in October, the New York Stock Exchange calculated that for 19 out of 20 manufacturing industries, the capital invested per full-time employee increased more than 50% between 1947 and '55. In the same period wages paid in these industries scored sharp advances, with 12 of the 20 groups showing rises in average earnings per employee of more than 50%.

Wage Inflation

"There is ground," according to First National City Bank, "for genuine satisfaction in these achievements of the American economy in making possible higher real wages and an improved standard of living. Given a continuation of the advance in general economic efficiency that helped to raise wages to $2 an hour, there is no reason why the $3 goal envisioned by the Chamber of Commerce and the AFL-CIO should not, in good time, be realized.

"But this goal will be meaningful only if the inflationary forces are contained. In the view of many, the major inflationary threat today, both in our domestic economy and abroad, arises not from the fiscal and monetary policies of governments but from the upward wage pressures of powerful trade unions. This concern over 'wage inflation,' prompted by repeated rounds of wages and price increases, manifests itself in two forms.

"First, such concern is rapidly becoming the foremost worry of businessmen for the months immediately ahead. With over-all business activity levelling off and competition growing, more and more enterprises are finding profit margins squeezed. They are wondering how far this will go and, how much it will affect expansion plans.

"Such worries are hardly allayed by recent statements of some labor leaders as to the further wage and fringe benefit demands with which industry may expect to be confronted. Walter Reuther, President of the United Automobile Workers, announced in December he planned to 'wallop' the auto industry next year for the 'biggest wage increase' in his union's 21-year history. Early in January, David McDonald, President of United Steelworkers of America, said his union was considering going after 'some form of shorter hours with no loss in pay.' One of the 'possibilities' he mentioned was an extra three-to-four-month paid vacation every five years for each union member.

"Nor can reliance be placed upon the comfortable assumption suggested in the AFL-CIO quotation cited above that union wage pressures will spur management to more cost-saving expenditures, restoring profit margins and providing a sustaining flow of business to the capital goods industries. This might be true up to a point, but as explained in the President's Economic Report:

"In some cases, declining profits tend to accelerate capital outlays, as businesses seek to reduce costs through installation of more efficient productive facilities; in others, capital outlays are adversely affected, as lower profits reduce both the incentive and financial ability to maintain or augment these expenditures."

Reconciling Inflation and Employment

"The second form of concern over wage inflation has to do with the longer-range problem of reconciling price stability with full employment. More and more, the conviction has been growing that, with governments everywhere committed to full employment, we are in an age of inflation in which a persistent upward trend of wages and prices and a decline in the purchasing power of money are inevitable. This is a dismal prospect for those who must live on fixed incomes or savings, as many know from bitter experience.

"How the conflict between full employment and stable money will be resolved has become one of the major issues of our time. It involves questions not only of the value of our money, but also—because of the tendency of inflation to provoke government intervention and direct controls—of the kind of society in which we want to live."

Inv. Dealers of Canada Announce Courses

TORONTO, Can. — The Investment Dealers Association of Canada announces that their Correspondence Course "How to Invest Your Money in Securities" has been translated into French and under the title "Comment Placer Votre Argent en Valeurs Mobilieres" is available to mmeber firms and employees at a price of $10 per copy. Orders should be sent to L. F. Almond, Regional Director of the Association, 132 St. James Street, West, Montreal.

Three lectures on aspects of the law as it affects the securities business will be given in Toronto Feb. 27 with W. L. Somerville, Vice-President of Toronto Stock Exchange, speaker; March 7, W. N. Duggan, Registrar, Ontario Securities Commission, speaker; and March 14, D. R. C. Harvey, Q. C., Daly, Thistle, Judson and Harvey, speaker.

The Association is also sponsoring courses in "How to Invest Your Money in Securities": in Hamilton, Ottawa, Norwich, Montreal, and Halifax in 1957.

Continued from page 5

Anatomy of the Price Inflation And Steps to Thwart Further Rise

sures anticipated as a result of the Korean war failed to take place, sensitive prices began to reverse their rise. In fact, currently, the index is only moderately higher than in 1950.

What has happened to these prices in the past year and a half? Since May 31, 1955, the overall index has risen only 3.5%. In the past year, the rise has been 2.6%. Table 4 shows the wide diversity in price changes for the individual products. Of the 24 products shown in the tabulation, nine were 1 lower in January 1957 than in May 1955 and one was unchanged in price; 14 commodities had increased in price. The largest increase was for steel scrap which advanced 90.6%; it has since declined a little. At the other extreme, cocoa beans recorded a decline of 35.3%. Half of the commodities showed changes within a range of plus and minus 6%.

Uneven Price Behavior

A similar pattern of diversity of price behavior is shown for the past year. From Jan. 10, 1956 to Jan. 10, 1957, 10 commodities declined and one was unchanged in price. The extreme changes were a price increase of 50.6% for hogs and a price decline of 28.2% for copper scrap. It is interesting to note that sensitive prices like copper scrap, lead scrap, and rubber have actually declined during the past year despite the general rise in the price level. This is not the behavior one would expect under conditions of general price inflation. These declines are explainable, however, in terms of the reduced level of activity which characterized the automobile industry and residential building in 1956. It is the pattern of behavior that would be expected during a boom which has an uneven impact upon the economy.

Factors Contributing to Price Rises

What factors explain the creeping price rise which has been taking place during the past year and a half? Is this a rise which is due to the same type of factors which resulted in the explosive rise of World War II and the early postwar years? How does it differ from that earlier rise and do these differences have any significance in the outlook for prices? It is important to keep in mind that this price rise does *not* result from large government budgetary deficits with an accompanying expansion in bank credit or from a large increase in money supply, including deposits and currency. The rise *does* reflect a combination of the business boom and increases in labor costs in excess of the gains in productivity.

I should like to review each of these factors briefly. It is important to understand the nature of the price rise and the basic pressures which are operating, if we are to formulate proper public policy.

The Federal Budget

During the fiscal years 1955-56 and 1956-57, the Federal budget is estimated to be in the black. The regular budget will show a surplus of a little less than $2 billion for each year. The cash surplus is in excess of $3 billion in each year. During this period the Federal debt is being reduced by modest amounts. This is clearly a picture of a Federal budget which is *deflationary, not inflationary*. This is a budgetary situation which is in sharp contrast to the huge deficits and accompanying tremendous rise in public debt which characterized World War II and the first postwar year with the accompanying large inflation in prices. The President has properly pointed out that the budgetary surplus "prevented additional strains on the economy." (p. 40)

Money Supply

The total money supply was increased by only about 1% in 1956. Total demand deposits showed little change despite an $8 billion increase in commercial bank loans because this was offset in part by a liquidation of investments, particularly government securities, and because of the rise in time deposits. Under conditions of capacity operations in key sectors of the economy, a larger rise in currency and demand deposits could only have meant further pressures on the price level. The Report emphasizes the heart of the problem when it concludes: "A large overall expansion of bank credit would not have resulted in a significantly higher national output, but would instead have led to a greater rise in prices." (p. 40)

Again we have a sharp contrast with the World War II situation. From the end of 1940 to the end of 1945, total demand deposits and currency outside the banks rose by 141.8% (from $42.3 billion to $102.3 billion). This tremendous increase in money supply was a potent factor in the large war and postwar rise in prices. It is encouraging that we are not experiencing any significant rise in money supply in the current situation. This is due in large measure to tighter monetary policy which the Federal Reserve Board has appropriately instituted.

Money has been passing from hand to hand at a faster rate. According to data compiled for demand deposit turnover by the Federal Reserve Board, there was an increase of 6.6% in New York City, 5.7% in six other large cities, and 6.8% in 337 other reporting centers in 1956 as compared with 1955. Since the New York City totals are influenced by the volume of security trading, the totals outside New York City are usually considered a better guide to turnover related to general business activity. This greater turnover of bank deposits has reflected first, the growth of bank loans which usually create very active deposits and second, the business boom with the accompanying spirit of confidence. While the total supply of demand deposits has shown little change, that total has been used more intensively.

The Business Boom

One characteristic of a boom is the shortages which develop in some sectors of the economy. The 1956 boom in plant and equipment expenditures created pressure on many of the durable goods industries. One evidence of this pressure is the large backlog of unfilled orders which accumulated in the durable goods industries as the affected industries operating at capacity could not fill all orders promptly. Unfilled orders in the durable goods industries increased from $52 billion at the end of 1955 to about $59 billion at the end of 1956 despite the rising volume of deliveries during the year. In the latter part of the year, the steel industry operated at capacity and could not meet all demands. As I noted earlier, these areas of shortage experienced the largest price rises during the past year and a half. In fact, the price rise reflects largely the pressures generated by a business boom.

Increases in Labor Costs Greater Than the Gains in Productivity

Increases in average hourly earnings and various fringe benefits have been of major magnitude during the war and postwar years. The increases in labor costs have exceeded by a wide margin the gains in output per manhour. The result has been a sharp rise in unit labor costs throughout the economy during the war and postwar years. The period since mid-1955 has been marked by a further rise in hourly earnings of substantial proportions.

In the 18 months following June 1955, average hourly earnings in all manufacturing industries rose by 9.6%; the increases for durable and nondurable goods industries were about the same.

Average Hourly Earnings

	June 1955	Dec. 1956	Per Cent Change June 1955-Dec. 1956
All Manufacturing	$1.87	$2.05	+9.6
Durable Goods	1.99	2.18	+9.5
Nondurable Goods	1.70	1.86	+9.4

The increase of 18 cents an hour in earnings does not measure the entire rise in labor costs. In addition, there has been a considerable increase in the so-called fringes during this period. Overall estimates of the magnitude of these higher fringe costs are not available. Illustrations include: supplementary unemployment benefit plans which cost 3 to 5 cents an hour and liberalization of pension and welfare provisions. Clearly, total hourly labor payments including fringes have increased by more than 10% —and in many industries by considerably more—during this year and a half of price rises.

During the past 12 months, average hourly earnings have risen by 6.2% in manufacturing industries and total labor costs per hour by an even larger proportion because of the increase in fringe benefits.

Average Hourly Earnings

	Dec. 1955	Dec. 1956	Per Cent Change Dec. 1955-Dec. 1956
All Manufacturing	$1.93	$2.05	+6.2
Durable Goods	2.06	2.18	+5.8
Nondurable Goods	1.74	1.86	+6.9

To the extent that output per manhour has risen, the unit labor costs of a company or industry have risen less than indicated when attention is devoted to labor payments alone. How much has productivity risen during this period of a year and a half? Although precise estimates are not yet available, a rough approximation may be made on the basis of available data for production and manhours.

In manufacturing, manhours in 1956 appear to have increased fractionally for production workers and a little more for nonproduction workers. During the same period, the Federal Reserve Board index of production of manufactures increased by 2.8%. These data suggest a rise in productivity in manufacturing industries of no more than 2% in 1956. Average hourly earnings were 5.3% higher in 1956 than in 1955 ($1.98 compared with $1.88). In addition, fringe costs rose. Labor Commissioner Evan Clague reported at a National Industrial Conference Board meeting last year that "Insofar as later quarters in 1955 were concerned, there was some indication of leveling out [in productivity] in the latter part of the year." Thus, since mid-1955, it appears that increases in labor costs, including wages and fringes, have far outstripped the gains in productivity in manufacturing industries. The result appears to have been a rise in unit labor costs in excess of 5%.

Gross national product rose from $387.4 billion at annual rates in the second quarter of 1955 to $413.8 billion in the third quarter of 1956, an increase of 6.8%. In real terms, the rise was about 3%. During the same period, total employment increased by about 2%. Thus, for the entire economy, the rise in productivity appears to

TABLE 1

Changes in the Major Groups of the Wholesale Price Index June 1955—December 1956

	June 1955 (1947-49=100)	December 1956 (1947-49=100)	Per Cent Change
Metals and metal products	132.6	152.4	+14.9
Machinery and motive products	127.1	143.5	+12.9
Pulp, paper, and allied products	118.3	127.9	+ 8.1
Commodities other than farm products and foods	115.6	124.6	+ 7.8
Hides, skins, and leather products	92.9	99.4	+ 7.0
Nonmetallic minerals, structural	123.7	131.3	+ 6.1
Fuel, power, and lighting materials	106.8	113.1	+ 5.9
Furniture, other household durables	115.2	121.4	+ 5.4
Rubber and products	140.3	147.9	+ 5.4
All commodities	110.3	116.2	+ 5.3
Miscellaneous	89.1	91.6	+ 2.8
Tobacco manufactures and bottled beverages	121.6	123.6	+ 1.6
Chemicals and allied products	106.8	108.3	+ 1.4
Textile products and apparel	95.2	95.6	+ 0.4
Foods, processed	103.9	103.1	— 0.8
Lumber and wood products	123.7	120.9	— 2.3
Farm products	91.8	88.6	— 3.5

SOURCE: U. S. Department of Labor, Bureau of Labor Statistics.

TABLE 2

Changes in the Major Groups of the Wholesale Price Index December 1955—December 1956

	December 1955 (1947-49=100)	Dececmber 1956 (1947-49=100)	Per Cent Change
Machinery and motive products	133.0	143.5	+7.9
Farm products	82.9	88.6	+6.9
Metals and metal products	143.9	152.4	+5.9
Foods, processed	98.2	103.1	+5.0
Nonmetallic minerals, structural	125.4	131.3	+4.7
All commodities	111.3	116.2	+4.4
Commodities other than farm products and foods	119.8	124.6	+4.0
Fuel, power, and lighting materials	109.3	113.1	+3.5
Furniture, other household durables	117.3	121.4	+3.5
Pulp, paper, and allied products	123.6	127.9	+3.5
Miscellaneous	88.8	91.6	+3.2
Hides, skins, and leather products	96.7	99.4	+2.8
Chemicals and allied products	106.6	108.3	+1.6
Tobacco manufactures and bottled beverages	121.7	123.6	+1.6
Textile products and apparel	95.6	95.6	[illegible]
Rubber and products	151.0	147.9	—2.1
Lumber and wood products	125.1	120.9	—3.4

SOURCE: U. S. Department of Labor, Bureau of Labor Statistics.

TABLE 3

Wholesale Price Indexes by Economic Sector June 1955, December 1955, and December 1956

	June 1955 (1947-49=100)	Dec. 1955 (1947-49=100)	Dec. 1956 (1947-49=100)	—Dec. 1956 From— June 1955	Dec. 1955
All commodities	110.3	111.3	116.2	+ 5.3	+ 4.4
Crude materials:					
Total	96.2	89.9	96.2	0	+ 7.0
Foodstuffs and feedstuffs	89.7	75.8	84.8	— 5.5	+11.9
Nonfood materials except fuel	107.7	114.9	115.5	+ 7.2	+ 0.5
Fuel	102.9	110.1	117.2	+13.9	+ 6.4
Intermediate materials, supplies and components:					
Total	115.7	119.4	124.2	+ 7.3	+ 4.0
Total materials and components for manuf'ing	117.1	120.9	125.9	+ 7.5	+ 4.1
Materials for food manufacturing	100.0	94.8	100.1	+ 0.1	+ 5.6
Materials for nondurable goods manufacturing	102.4	103.7	105.0	+ 2.5	+ 1.3
Materials for durable goods manufacturing	137.2	144.7	151.1	+10.1	+ 4.4
Components for manufacturing	128.2	137.5	147.9	+15.4	+ 7.6
Materials and components for construction	124.2	129.0	133.0	+ 7.1	+ 3.1
Finished goods:					
Total	110.6	111.5	116.0	+ 4.9	+ 4.0
Total consumer	106.5	106.1	109.2	+ 2.5	+ 2.9
Foods	102.1	98.3	101.8	— 0.3	+ 3.6
Other nondurables	107.4	108.7	110.7	+ 3.1	+ 1.8
Durables	115.1	118.1	122.5	+ 6.4	+ 3.7
Producer	127.1	132.9	143.9	+13.2	+ 8.3

SOURCE: U. S. Bureau of Labor Statistics.

TABLE 4

Daily Index Numbers and Spot Primary Market Commodity Prices May 31, 1955, Jan. 10, 1956, and Jan. 10, 1957

	May 31, 1955 (1947-49=100)	Jan. 10, 1956 (1947-49=100)	Jan. 10, 1957 (1947-49=100)	Per Cent Change to —Jan. 10, 1957 From— May 31,'55	Jan. 10,'56
GROUPS—					
All commodities	89.0	89.8	92.1	+ 3.5	+ 2.6
Foodstuffs	86.2	74.8	83.3	— 3.4	+11.4
Raw industrials	90.8	101.8	98.6	+ 3.6	— 3.1
Livestock and products	62.9	58.5	66.7	+ 6.0	+14.0
Metals	105.4	129.3	122.2	+15.9	— 5.5
Textiles and fibers	84.2	80.2	85.3	+ 1.3	+ 5.6
Fats and oils	65.3	62.9	71.8	+10.0	+14.1
COMMODITIES—					
Burlap, yd.	$0.115	$0.106	$0.116	+ 0.9	+ 9.4
Butter, lb.	.571	.574	.594	+ 4.0	+ 3.5
Cocoa beans, lb.	.365	.310	.236	—35.3	—23.9
Copper scrap, lb.	.350	.415	.298	—14.9	—28.2
Corn, bu.	1.461	1.248	1.345	— 7.9	+ 7.8
Cotton, lb., 14 mkt. avg.	.336	.339	.334	— 0.6	— 1.5
Cottonseed oil, lb.	.141	.119	.144	+ 2.1	+21.0
Hides, lb.	.132	.155	.140	+ 6.1	— 9.7
Hogs, 100 lbs.	18.750	11.750	17.700	— 5.6	+50.6
Lard, lb.	.122	.108	.153	+25.4	+41.7
Lead scrap, lb.	.082	.092	.085	+ 3.7	— 7.6
Print cloth, yd.—					
Spot and nearby	.187	.206	.186	— 0.5	— 9.7
Most distant contract	.188	.195	.188	0	— 3.6
Rosin, 100 lbs.	9.200	9.600	9.700	+ 5.4	+ 1.0
Rubber, lb.	.318	.422	.344	+ 8.2	—18.5
Steel scrap, ton	32.000	51.000	61.000	+90.6	+19.6
Steers, 100 lbs.	23.000	21.375	22.375	— 2.7	+ 4.7
Sugar, 100 lbs.	6.000	5.850	6.400	+ 6.7	+ 9.4
Tallow, lb.	.062	.072	.069	+11.3	— 4.2
Tin, lb.	.915	1.064	1.012	+10.6	— 4.9
Wheat, bu.—					
Kansas City	2.462	2.150	2.330	— 5.4	+ 8.4
Minneapolis	2.471	2.325	2.335	— 5.5	+ 0.4
Wool tops, lb.	1.815	1.555	1.950	+ 7.4	+25.4
Zinc, lb.	.125	.140	.140	+12.0	0

SOURCE: U. S. Bureau of Labor Statistics.

have been less than the long term annual rate of gain of 2%.

On the basis of these data, it appears that during the past year and a half of creeping price advance, wage increases plus fringe benefits outstripped significantly the gains in productivity. The President emphasizes this point on page 34 of the report where he concludes that for 1956, "only a very small gain in overall productivity is indicated . . . the smallness of the 1956 gain contributed to the rise in unit labor costs and, in turn, to the increase in prices."

No Explosive Inflation

There is virtually unanimous agreement among economists that labor cost increases in excess of gains in productivity will result in pressure for higher prices as the President has pointed out.

This brief review of the forces affecting prices during the past year or more indicates that the President is on sound ground in his conclusion that:

"The combination of heavy demands from the investment goods sector of the economy, rising labor costs, and renewed advances in prices of many raw materials resulted in price increases for a broad range of semi-manufactured materials, components, and supplies. And these price increases became cost increases to producers of finished goods, many of whom were also experiencing rising labor costs." (p. 32.)

It is important to keep in mind that a price rise attributable to these factors will not have the same spiraling effect as an inflation flowing from monetary and fiscal factors. This is not the background for an explosive inflation. It is the background for a further modest price rise so long as the boom persists.

Policies Proposed to Limit Further Inflation

To limit further inflation, the President emphasizes three areas of attack.

(1) Voluntary limitation of wage and price increases by labor and business leaders.

(2) Monetary policy.

(3) Fiscal policy.

1

Voluntary Limitation of Wage and Price Increases

In his Report, the President suggests that, "Specifically, business and labor leadership have the responsibility to reach agreements on wages and other labor benefits that are fair to the rest of the community as well as to those persons immediately involved. Negotiated wage increases and benefits should be consistent with productivity prospects and with the maintenance of a stable dollar." There can be little quarrel with this objective. Wage increases in excess of gains in productivity result in higher unit labor costs, which create pressure for price rises.

Nevertheless, we must recognize that many key sectors in the economy are not free to apply this proposed standard in 1957. For many important industries, including automobile, steel, electrical equipment, railroads, meat packing, agricultural implements, and coal, wage increases for 1957 and in some cases for 1958 have already been incorporated in contracts. BLS reports that 5 million workers are covered by long term contracts which were negotiated in 1955 or 1956. While this is but a small proportion of the labor force, it does cover most of the "key wage bargains."

In many of these industries, the negotiated wage increases are scheduled to be 6 or 7 cents an hour. In addition, provision usually is made for further adjustment in wages if the cost of living should rise. The cost of living adjustments are made quarterly in some industries, such as automobiles, and semi-annually in other industries like iron and steel. In most instances, the contracts provide for an increase of one cent an hour for every half point increase in the consumers' price index. Further advances in the consumers' price index seem probable in 1957. If the rise in the index should be two points, it will mean a wage increase of four cents an hour in most of the industries I have listed. If the increases in living costs are larger, the wage increases will be correspondingly greater. In addition to these contract provisions for wage changes, some contracts provide for additional fringe benefits to become effective in 1957.

In light of these contract provisions, we already seem assured of an increase in wage rates of 4% to 5% in 1957. Past experience indicates that the wage adjustments in these key areas will be a very potent force in determining wage increases in other sectors of the economy where contracts still remain to be negotiated. Under these conditions, it is impossible for industry and labor to exercise the restraint called for by the President unless they were to reopen the existing agreements and negotiate smaller wage increases. Since the probability of such an action is completely nonexistent, it is clear that not much can be done through voluntary restraint insofar as wages and other labor costs are concerned during 1957.

The Report also emphasizes that "businesses must recognize the broad public interest in the prices set on their products and services." (p. 3) The ability of industry to hold down its prices is not unrelated to what happens to labor costs. With an average wage increase of 4 or 5% likely in 1957 and the probability that productivity will increase by a much smaller percentage, many industries will be subject to a further rise in unit labor costs this year. Under those conditions, I question whether the President's appeal for voluntary restraint to hold down prices can be attended by much success.

I suspect that we will experience a further price rise of several per cent in 1957 largely as a result of the rise in labor costs and a continuation of boom time conditions. If the boom subsides later in the year, as some anticipate, then the pressure on prices should also subside.

The President warns that ". . . failure to accept the responsibilities inherent in a free economy could lead to demands that they be assumed by government, with the increasing intervention and loss of freedom that such an approach inevitably entails." (p. 3) In other words, the failure of voluntary restraints could lead to wage fixing and price fixing by government. I would like to state categorically that I am completely opposed to any such program to limit price and wage rises in peacetime. Such a program is foredoomed to failure and can only result in disruptions to production, impairment of incentives, and an ever widening area of controls which will create worse evils than the control program is designed to overcome.

The effort to limit price and wage increases by exhortation has never succeeded in the past and will be no more successful under current conditions.

I believe that better results can be obtained through monetary and fiscal policy.

2

Monetary Policy and Fiscal Policy

Although the President gives considerable emphasis to monetary and fiscal policy, he states that

"To depend exclusively on monetary and fiscal restraints as a means of containing the upward movement of prices would raise serious obstacles to the maintenance of economic growth and stability. In the face of a continuous upward pressure on costs and prices, moderate restraints would not be sufficient; yet stronger restraints would bear with undue severity on sectors of the economy having little if any responsibility for the movement toward a higher cost-price level and would court the risk of being excessively restrictive for the economy generally." (p. 44).

Any restraint exercised through monetary or fiscal policy, however modest, will inevitably hurt some groups who will be quick to react as we have seen in the past year. This is unavoidable regardless of what policies are adopted. And it is also possible that some groups who have little responsibility for the spiral will be adversely affected by such restraints. But to state the problem in these terms is to give only a partial picture. What happens if these restraints are not imposed and prices are permitted to spiral? Then the burden falls on the large groups who live on fixed incomes (pensioners, dependents of those in the armed forces, widows, and similar groups) and on those whose incomes do not and cannot keep pace with an inflationary price rise (government employees, teachers, ministers, and many white collar groups).

Unfortunately, there is no best policy in the sense that no one will feel its effects. There is only a "least worst" policy in the sense that its adverse effects will be kept to a minimum. In these terms, the alternative to hurting some groups who do not or may not contribute to the inflation is to hurt still larger groups who do not contribute to the inflationary pressures.

Do we seriously believe that we are really making every effort to combat inflation on the fiscal front when government spending continues to rise and new programs of spending are being initiated? It is true that it is expected that the Federal budget will be in balance even with the enlarged spending, but isn't this the time when even larger budgetary surpluses should be built up as a compensation for the boom in the private economy?

Do we seriously believe that we are making every effort to combat inflation on the monetary front when mortgage credit, consumer credit, and bank credit continue to expand at near record rates? And is mortgage credit excessively restrictive with the present low down-payments and 30-year maturities for mortgages? The Federal Reserve Board "has leaned against the wind," to use Mr. Martin's descriptive phrase, but it certainly hasn't leaned far enough to be in danger of falling over.

If stronger fiscal and monetary restraints are required to halt an inflation, they should be imposed. The evils attending inflation are more serious than those attending strong anti-inflation policies.

Conclusion

The rise in prices has reflected the cost push exerted by increases in labor costs in excess of gains in productivity in a business boom which has made it relatively easy to pass these cost increases on to the buyer. There is an understandable concern with the problem of inflation. However, we are not in a period of classic inflation reflecting either Federal Government budgetary deficits or large expansions in money supply. So long as the Federal budget remains in the black and monetary policy prevents a sharp expansion in money supply, there is little likelihood of a runaway price inflation. Unless the wage-price spiral is fed by an expanding money supply, it is more likely to lead to unemployment of resources as they are "priced out of the market" than to a major price inflation.

To the extent that monetary and fiscal policy are used to blunt the boom, one of the major factors contributing to price advances will be modified or eliminated. But there will still remain the problem of excessive increases in labor costs. Little can be done in the wage area in 1957 because "key wage bargains" already have been reached. But we must look to the future if we are to prevent a repetition of the current situation. President Eisenhower has pointed squarely to the proper goal in this area in his statement that: "Negotiated wage increases and benefits should be consistent with productivity prospects and with the maintenance of a stable dollar." (p. 3). But this objective will only be achieved if management in major industries firmly refuses to agree to labor cost increases in excess of national productivity gains and if the public is educated to understand the dangers which arise when labor cost increases exceed these amounts.

LETTER TO THE EDITOR:

What Budget Surplus?

Reader Haines supplies data showing President's "Budget Message" contains instead of an excess of receipts of $3 billion in 1958, an estimated deficit of $5.6 billion.

Editor, Commercial and Financial Chronicle:

In the January 24 issue of the "Chronicle," you published the President's Budget Message from which I have selected the following for comment:

	Estim. Receipts (Billions of $) 1957	1958
Individual Income Taxes	38.5	41.0
Corporation Income Taxes	21.4	22.0
Excess of Receipts	3.5	3.0

At the time of the preparation of the Budget Message, the collections of corporation taxes was at the $21.4 billion level. However, the Treasury collection of corporation taxes lags about six months or more behind the corporation accrual of taxes and for two successive quarters the trend has been downward with the corporation accrual being about 8.3% lower than the level of six months ago.

In the five years 1955 through 1959 corporation taxes are gradually being placed on a partially current collection basis in such a manner that by 1960, fifty percent of corporation taxes are to be paid in 1960 and the balance in the following year. This has resulted in corporations paying 110% of their Federal income tax liability each year during this five-year period. I think it would be only fair and reasonable to reduce the Federal estimate of corporation tax receipts by 9.1% to adjust for this temporary dislocation.

The trend of individual income tax collections is the same as for corporation except to a lesser degree. With the trend of corporation tax accruals in a downward trend, I think the President has over-estimated the collections for individuals. So for the 1958 estimate I would use the 1957 estimate less 5%.

Making these adjustments, instead of an Excess of Receipts in 1958 of $3.0 billion, I would estimate a deficit of $5.6 billion.

C. H. HAINES

136 Goden Street
Belmont 78, Mass.
February 8, 1957.

Many Questions, But No Answers

"In addition to the testimony of Secretary Dulles, it is common knowledge that our two strongest allies, Great Britain and France, have been grievously wounded by our policies in the Middle East and in the United Nations. Not since the turn of the century have our relations with the other peoples of the free world been so strained — so unsatisfactory. Nations in whose behalf we have spent billions of our treasure are now indifferent, if not hostile, to our policies.

J. W. Fulbright

"I have seen no reasonable explanation of why Great Britain and France, the two greatest beneficiaries of our foreign aid program, should want to deceive us.

"It is clear that in hastening, or even permitting, the collapse of the British influence in the Middle East, vast new burdens are to be thrown upon our own sorely strained budget and upon our armed services. Already we read of British plans to withdraw their support of Jordan, of the cancellation of orders for fighter planes, and of a revival of talk of withdrawing her troops from Germany.

"The seriousness of our present circumstances, according to the Secretary's own statement, necessarily raises a question as to the validity of our policies."—Senator J. William Fulbright

We think a great many questions have been raised as to the validity of our (foreign) policies— and not only by recent events or as to recent policies, either — but we are far from sure that a partisan debate would do much to remedy the situation.

Continued from first page

As We See It

of restraint which will control inflation" and "no individual labor leader or union can be expected to exercise effective, voluntary anti-inflationary restraints."

The National Association of Manufacturers, meanwhile let it be known that, in its opinion, businessmen have had no choice but to raise prices since higher wages without corresponding increase in productivity has so raised costs that profit margins are no longer satisfactory. Then came Mr. Meany, President of the American Federation of Labor and Congress of Industrial Organizations, with the assertion that maintenance of full employment this year requires more consumer buying, and hence more consumer income and higher wages.

There is, of course, little that is new in any of these observations. The tragedy of the situation is found in the obvious fact that the President — with all respect be it said—has apparently learned nothing from history, either ancient or quite modern, of such situations as these and forgotten nothing of the ready remedies so regularly prescribed by the easy reasoners among the politicians and the "advanced thinkers." To his credit, he would accept their prescription with reluctance, but the fact remains that he seems to suppose that it can in some way or other cure the infirmities that he finds afflicting the economy.

We do not agree by any means with Mr. Meany about what is needed to keep industry going at top speed, but his argument (now so widely made by politicians and others of influence with the rank and file) is a convenient and probably effective defense of a course the labor monopoly is determined to follow. We are not prepared to express any opinion as to whether all price increases that have taken place have really been "forced" upon industry. What we are certain of is that they have not been arbitrary—or they could not have been made to "stick" in a competitive economy. They seem to us to be precisely what we had to expect in light of the salient elements in the current situation. The truth is, so it seems to us, that, all things considered, we may be thankful that prices are not higher than actually is the case.

The Facts

The true inwardness of the situation is this. Since early 1933, sometimes quite consciously and with determination, sometimes with indifference to consequences, and sometimes having convinced ourselves that old-fashioned natural forces no longer operate, we have been pursuing public policies which invite what is commonly termed inflation. Throughout most of the New Deal years prior to World War II, higher prices were avowedly one of the major objectives of the Federal Government. During the war inflationary forces were built up on a massive scale, although held in check temporarily or better said, perhaps, obscured by controls of one sort or another which could be exercised after a fashion in times of all-out war. Following the end of the conflict, fear of a serious depression was so great and so widespread that no thought of holding inflationary forces in check was entertained. A real explosion was probably prevented by lack of confidence in the course of affairs in Washington. At any rate, loose fiscal and credit policies continued without interruption for long years.

Time came, of course, when in all conscience the utter recklessness of earlier postwar years had to be at least modified. During the past year or two, a more rational management of credit and the like has been in effect. The budget though far too large is in balance. So far, so good. The fact of the matter is though that the fiddler is demanding his compensation for many past years of unfortunate performance. So enormously had the volume of credit outstanding become before the current "tight" money policy developed that a good deal of it was not in very active use. When further credit became more difficult to obtain, and when demand for goods and services continued almost feverishly, owners of bank deposits began to put their funds to more intensive use.

This latter change in behavior is clearly revealed in the bank debit figures published by the Federal Reserve. In 1949 demand deposits in New York City turned over some 27.9 times in the course of the year; the rate has been rising almost continuously ever since, and by 1956 reached the level of 46.1. It had risen only to 34.4 in the year of President Eisenhower's first election to office. The increase is somewhat less spectacular in other centers but is nonetheless very substantial—from 20.9 in 1949 to 29.0 in 1956 (six other financial centers) and from 15.9 in 1949 to 21.9 in 1956 (337 other reporting centers). Once inflationary fires get out of control they are not easily extinguished by such programs as higher discount rates and more restricted credit creation by the Federal Reserve authorities.

Futile Demand

Now, of course, in a situation like this it is futile merely to call on business and labor to be "reasonable." It is particularly futile so far as labor is concerned for the simple reason that it has been permitted—nay, encouraged—through the years to build up a tight monopoly. Merely to call upon monopoly not to exercise the power it possesses for its own advantage is never effective, whether that monopoly be in the field of production and trade or in the field of labor, and it is not likely to be in the future. To be perfectly frank about it, the President is likely to find it futile to ask businessmen to ask lower prices than their customers willingly pay—certainly not when such lower prices cut seriously into profits. Whatever one may think of the rights and wrongs of them, such courses of action in situations like those now existing simply do not work.

And, it is a good thing that they do not work. Prices (and wages are the price of one kind of service) have important functions to perform. The President would do well to take another look.

Continued from first page

World Developments and Our Money, Capital Markets

lar movie: When you speak of this—and you will speak of it—be kind!

The Middle East Crisis

Now, we have at hand a red-hot international development which can be analyzed to demonstrate the heavy and continuing impact of such developments on our economy and our money and capital markets. So far, the reaction of both businessmen and consumers to the tragedy unfolding in the Middle East has been quite sluggish and of little consequence, although its economic significance, to say nothing of its political danger, probably equals that of any other happening of our time. This may sound like an extravagant statement, but it is made in all seriousness.

Any interference with the flow of oil, our modern energy, is bound to be serious in an oil-hungry world. This is particularly true of the flow of oil from the Middle East, as it is vital to the economies of Europe. In fact, just before the crisis, Middle East oil production had soared to 3,800,000 barrels daily, or almost one-half of the production of the entire Free World other than the United States. But the blocking of the Suez Canal and the sabotaging of the Iraq Petroleum pipelines in Syria cut off 85% of the normal transportation facilities for moving that oil from the Middle East to Western Europe.

Despite heroic efforts of all concerned, particularly the American oil industry and our government (to say nothing of our long-suffering taxpayers!), there remains a deficit of 15 to 20% of Western Europe's normal oil requirements.

Western European Industry Depends on Middle Eastern Oil

Western European industry depends on Middle Eastern oil to a much greater extent than is generally realized. The ratio of oil consumption to total energy utilized in 1955 ranged from 9% for Germany through 13% for the United Kingdom to 44% for Sweden, and the ratios have undoubtedly risen since then. But the importance of oil to European industry is considerably greater than these percentages indicate, as it powers the newer and more modern plants, i.e., the low-cost producers.

In addition to the shortage of some 500,000 barrels a day in the supply of oil, Western European industry has the problem of higher prices. Now this isn't a question of the oil industry's taking advantage of Europe's extremity, as some would have you believe. It's just the old problem of supply and demand!

It will help you to understand some of the competitive forces which are at work if you will keep in mind that the distance from the Persian Gulf to Western Europe via Suez is greater than from the Gulf of Mexico to Europe, and that the present emergency route around the Cape of Good Hope is 5,000 miles longer than the Suez route! With shipping rates soaring, a 5,000-mile longer haul, and a decline of 40 to 45%, or some 1,700,000 barrel a day, in Middle East production, higher prices due to cost and supply factors are inevitable.

Even more important than the higher prices, from the standpoint of the economies of the various countries, is the fact that a large part of the Western Hemisphere oil must be paid for in dollars. As a result, a dollar shortage again threatens the stability of some of the leading European currencies, as you can see from the drastic steps which are being taken to protect them.

Impact of the Crisis on Europe

On an over-all basis, it is clear that the boom in Europe has been blighted. The shortage of dollars, the shortage of oil, the shortage of certain raw materials, and the shortage of shipping space, including cargo space to carry manufactured products to overseas markets, make a slowdown inevitable.

In an effort to help meet the shipping shortage, the United States Maritime Administration is releasing at least 18 tankers out of the "mothball fleet," more properly known as the national defense reserve fleet. In addition to the tankers nearly 50 steamship companies have applied for the release of more than 200 regular ships to haul grain, coal, and other government-sponsored cargoes to Europe.

In an effort to cushion the impact of the dollar shortage, England took several important steps. She arranged to call on her full quota of $1,300,000,000 in the International Monetary Fund, and immediately drew down $561 million of the amount. She arranged a $500-million line of credit with the Export-Import Bank of Washington, available for the purchase of United States goods and services, including, of course, oil. (The interest rate is 4½%, payable semi-annually!) She also asked the United States and Canada to cancel the payment of more than $100 million in interest due on loans on Dec. 31, 1956. In addition, import duties on gasoline and other petroleum products were increased, higher income taxes were threatened, and the Chancellor of the Exchequer announced that, as a first requisite for restraining domestic demand in the face of the Middle East crisis, the policy of credit restraint, "which has played so important a part already, must be firmly maintained and if need be strengthened."

These steps taken by Britain are indicative of those which will, to a greater or lesser extent, have to be taken by the other countries of Western Europe. As you have no doubt observed, they all have a direct impact on our economy and on the United States Treasury, and thus on our money and capital markets.

Accentuates Economic Weaknesses

Certain aspects of the impact of the Suez developments on Western Europe warrant specific analysis. In summary fashion, these are:

(1) **Inflationary pressures will be reduced,** although the immediate effect on oil and other commodities which came through the canal will be inflationary. Gasoline rationing, which has become widespread in Europe, has reduced the demand for automobiles. This, in turn, affects the industries which supply the automobile manufacturers. Other industries which depend on gasoline, such as trucking, and newly established factories which generally require oil for their operations, are also adversely affected. The resulting decline in business activity increases the ranks of the unemployed; and even a moderate rise in unemployment reduces the inflationary pressures which have plagued all the countries of Europe in recent years. Putting it in other words, with the oil supply reduced and with the necessity of economizing on power, it is inevitable that the demand for all kinds of durable consumer goods — for which the market in Europe has been considerably broadened since World War II — will be materially reduced. This, in turn, will reduce the demand for credit and the revenues of the governments.

(2) **Imports will be under pressure.** Since oil, next to food, is the most important import in European countries, it is obvious that they will do their best to curtail other imports, particularly from the dollar area; i. e., the United States and Canada. At the same time, in order to support their gold and dollar reserves as much as possible, they will make every effort to sell more goods to the United States and Canada. But this is more easily attempted than accomplished. In recent years, all European countries have tried continuously to increase their exports to the dollar area, but it is indeed a slow process. It follows that the necessary adjustments will have to be made more in the curtailment of imports than in the increase of exports.

(3) **Gold and dollar reserves will decrease,** despite the strenuous efforts which will be made to protect them. Moreover, in Britain, for example, the need for even tighter foreign exchange control will further postpone the day of free convertibility of sterling into dollars. Similar dollar exchange difficulties will plague most of the other countries of Europe.

(4) **More government control is inevitable.** Tightened foreign ex-

change control, with its licensing requirements and restrictions, will further increase the power of the European governments over imports; and this will certainly hurt international trade.

(5) **Integration of Free Europe into a common market has been hastened.** The economic crisis set in motion by Middle Eastern developments practically assures the adoption of the proposal for the integration of France, West Germany, Italy, Belgium, the Netherlands and Luxembourg into a "common market," with immediate reduction, and ultimate elimination, of tariffs. Even Britain may be forced to join in a wider zone of limited free trade through partial "integration" with the group. As selected preferential treatment is the heart of the idea, and we are not members, the common market, too regardless of any beneficial long-run effects, is bound to bring further pressure on the 25%, or some $4 billion, of our exports going to Southern and Western Europe.

As this analysis indicates, the Middle Eastern crisis has accentuated the economic as well as the political weakness of Great Britain and Free Europe. Inevitably, the standard of living will be lowered. Inevitably, the level of business activity will be forced down. Inevitably, the overall effect on the economies of Europe will be deflationary.

Adverse Impact on the American Economy

Such adverse economic developments in Great Britain and Europe are of great economic importance to the United States. Although the total volume of exports will go up because of the increase in oil and coal shipments, exports of other raw materials, agricultural products, and manufactured goods will necessarily decline. Moreover, the uncertainties arising out of the crisis will undoubtedly have a considerable psychological impact on American business. As no one knows how long the difficulties will last, or whether they will become even more aggravated, or how far reaching their impact will prove to be on the European economies, a spirit of caution, whether in buying an automobile, a house, or new plant and equipment must be expected.

Any such reappraisal of the business outlook will adversely affect not only the plans of management for expansion, but also the attitude of consumers. Clearly, a decline in exports of certain types of manufactured goods from the United States, particularly if accompanied by an increase in imports from Europe, coming at a time when productive capacity in most of our industries has caught up with demand — and some industries are actually suffering from overproduction — will have a disproportionately adverse effect on the level of business activity, on employment, and on the margin of profits. These developments will, in turn, bring pressure on the market price of equities and thus, ultimately, on the plans of management for capital expansion, and the plans of consumers for personal consumption.

The possibility of a further devaluation of some of the leading European currencies constitutes a further element of weakness. Such devaluation would, at least temporarily, reduce the price of European products and increase the price of American products in terms of the depreciated currencies and, thus, would bring further pressure on business activity in this country.

As for the direct financial costs, probably the less said, the better. Whether we like it or not, we must assist Britain and Western Europe in order to maintain a strong united front against Russia and the Cold War the lords of the Kremlin are again waging. Putting it more bluntly, we have to help our allies to protect our investment of more than $60 billion — since 1946 alone — in their economic security and military strength. Now, the new military-economic aid program for the Middle East calls for the expenditure of still more American money in that part of the world!

While the direct impact of these developments on our standard of living defies measurement, there are many evidences that it is indeed heavy. To use but one indication, the average increase of 29 cents a barrel in the price of crude oil, if applied to our entire domestic consumption of nine million barrels a day, will cost consumers $2,610,000 each day, or close to $1 billion for the year, even if the additional mark-up in the manufacturing and distribution process is disregarded.

Careful weighing of all these factors forces the conclusion that the Middle East developments will have a much greater impact on American business in 1957 than most executives and economists have anticipated in their forecasts. In short, economic developments in the rest of the world are hastening the end of our boom; and it now looks as if it will come to an end much sooner than was expected as late as four weeks ago.

Now that the impact of world developments on our economy has been set forth in true and exhausting professional fashion, through the use of the Middle East crisis as an object lesson, let us attempt to evaluate its impact on our money and capital markets.

Impact of Middle Eastern Developments on Our Money Market

Middle Eastern developments, in addition to their effect on gold reserves and dollar balances in the international money market and their effect on the shortages of materials, also have a very important influence on the credit policies of our Reserve authorities. For example, in December, when the latest offering of Treasury bills was sold to yield 3.2%, that was taken by most observers as a certain indication that the discount rate would be boosted from 3%. Historically and traditionally, whenever the bill rate is higher than the discount rate for any length of time, the discount rate is increased. But this was not done in December. Instead, the Reserve authorities, through open market purchases, reduced the bill rate until it was in line with the discount rate, and thus made an increase unnecessary.

While they were naturally not unmindful of the complaints on tight money, and undoubtedly did not want to hazard an adverse psychological influence on Christmas trade, they were also fully aware of the depressing influence world developments would have on our economy. Clearly, they did not want to take any action which would increase that threat and, furthermore, which might have to be reversed in the near future.

Impact of Middle Eastern Developments on Our Capital Market

Middle Eastern developments will have an even more basic impact on our capital market than on our money market. To mention but a few of the effects in 1957:

(1) Capital expenditures by our oil industry, which reached a record level of $5.5 billion in 1956, will increase in the United States, Canada, and Latin America.

(2) Capital expenditures by American oil companies in the Middle East will decrease.

(3) Capital expenditures of American industry, other than oil, will probably fall below their current level. (Of course, developments other than the Middle East crisis will contribute to this.)

(4) The life expectation of the boom has been shortened, and its end has become more certain.

(5) The equity market, despite notable exceptions, has been made more vulnerable.

(6) The bond market will be the "residuary legatee" of these developments.

Now, in closing, one final comment lest you think that these Middle Eastern developments have been magnified beyond their economic importance. For further proof of our vital interest, let us take a look at the Middle East itself.

As you know, oil is the lifeblood of our modern industrial and social economy. Unfortunately, without Middle Eastern production there just isn't enough oil in the Free World to meet our needs. But the known oil reserves of the Middle East were in excess of 150 billion barrels at the end of 1956. Moreover, and even more significant, the know reserves increased 25 billion barrels during the year.

Need more be said to demonstrate the vital importance to the Free World of developments in the Middle East?

NASD Committee Posts Announced

Appointment to various NASD committees was announced by Frank L. Reissner, chairman of the board of governors, who also is chairman of the executive committee and a member of the finance committee.

Dale F. Lunch, Berwyn T. Moore & Co., Louisville, was named chairman of the legislation committee.

Other appointments as committee members follow:

Edward H. Austin, Austin, Hart & Parvin, San Antonio, Texas, executive.

Jo M. French, Blyth & Co., Los Angeles, executive.

Wallace H. Fulton, NASD executive director, executive, finance and information.

Howard H. Fitch, Barret, Fitch, North & Co., Kansas City, Mo., finance and legislation.

Edmond E. Hammond, Paine, Webber, Jackson & Curtis, Boston, finance and legislation.

Edward J. McKendrick, Johnson-McKendrick & Co., Minneapolis, finance and information.

Francis M. Brooke, Jr., Brooke & Co., Philadelphia, national business conduct and legislation.

Arthur A. Christophel, Reinholdt & Gardner, St. Louis, national business conduct.

Thomas G. Foster, Merrill Lynch, Pierce, Fenner & Beane, national business conduct.

Joseph J. Muldowney, Scott & Stringfellow, Richmond, national business conduct and legislation.

Donald L. Patterson, Boettcher & Co., Denver, national quotations.

Farl F. Waterman, Farl F. Waterman & Co., Seattle, legislation and information.

Alexander Yearley, IV, The Robinson-Humphrey Co., Atlanta, legislation.

Seth Szold Joins Stein, Roe & Farnham

CHICAGO, Ill.—Seth L. Szold has joined Stein, Roe & Farnham, Chicago investment counselors, as an account executive, it has been announced.

Mr. Szold was previously Vice-President and Treasurer of the Ringwood Chemical Co, Ringwood, Ill.

A graduate of the University of Chicago, Mr. Szold was also formerly Secretary and head of the Research Department of J. M. Dain and Co., Minneapolis investment bankers. Prior to service in the U. S. Navy during World War II, he was associated with Stein, Roe & Farnham as a research analyst.

Public Utility Securities

By OWEN ELY

Pacific Gas & Electric Co.

Pacific Gas & Electric Company is the second largest electric-gas operating utility, with revenues for a recent 12 months' period approximating $465 million—a gain of about 8% over the previous period. At the current rate of increase it looks as though the company might eventually overhaul Consolidated Edison, whose recent revenues of $517 million reflected a gain of 6%. Pacific Gas & Electric's revenues have increased 190% since 1945 while Con Edison's gained 73%.

Pacific Gas & Electric furnishes electricity and gas throughout most of northern and central California, an area with an estimated population of 6,250,000. The company on Sept. 30, 1956 had 1,736,188 electric customers and 1,438,322 gas customers; about 88% of the latter were also electric customers. Revenues are about 65% electric, 34% gas and 1% water and steam.

The company owns and operates 13 steam generating plants and 58 hydro plants. Dependable capacity last year approximated 4,673,000 kw, including 359,400 kw available from two new generating units. Last summer's peak load was 4,025,000 kw, so that an ample reserve (including firm purchased power) is maintained. Work is progressing, or will start soon, on 850,000 kw of additional capacity.

Electric revenues are about 33% residential, 20% commercial, 25% industrial, 14% agricultural and 5% sales to other utilities. Residential rates average about 2.74c per kwh vs. a national average of 2.64c. Annual residential usage of 2,616 kwh compares with a national figure of 2,751 kwh.

Nearly all the supply of gas is natural gas, manufactured gas being used only to supplement supplies during periods of peak demand. Propane gas is distributed in four communities. During the 12 months ended Sept. 30, 1956 about 68% of the company's supply was out-of-state gas purchased from El Paso Natural Gas Company, and approximately 32% was California gas purchased from others. The company's peak day sendout during the winter of 1955-56 was 1,486,800 Mcf, and during the 12 months ended Sept. 30 total sendout (plus company use) was 382,836,000 Mcf.

The cost of oil and gas is an important factor in the company's earning power. Oil price increases in 1955-56 increased the cost of fuel oil used in the company's generating plants, and also raised the cost of gas purchased from certain California producers under contracts containing fuel oil price escalator clauses. The company estimates that if these price increases for both oil and gas had been in effect during the 12 months ended Sept. 30, operating expenses would have increased by nearly $12 million while the company would have benefited by $2.3 million increased revenue resulting from automatic rate adjustments for gas and electricity. The company on Dec. 17, 1956, filed an application with the California Public Utilities Commission to remove the present ceiling from the fuel oil escalator clauses in certain of these gas rate schedules; if authorized, this change in the rate schedules will result in estimated added annual revenue to the company, based upon estimated sales for 1957, of $6,920,000.

If this adjustment is obtained, the pro forma annual net increase in costs would be equivalent to about 8c a share on the common stock; if not received, the decline in earnings works out at 27c a share.

Pro forma capitalization as of Oct. 31, adjusted to reflect the recent sale of $35 million first and refunding mortgage bonds, was as follows:

	Millions	%
Long-term debt	$863	47
Preferred stock	350	19
Common stock equity (17,069,000 shs.)	622	34
	$1,835	100

The company's earnings have been on the low side during the post-war period from a regulatory point of view. The per cent earned on invested capital (as reported by Standard & Poor's) dropped from 5% in 1945 to 4% in 1949 (in which year the $2 dividend was covered by only a small amount). The ratio gradually rose until 5.6% was earned in the 12 months ended Sept. 30, 1956, but with the higher cost of fuel it is probably now in a downtrend.

Common stock earnings have been diluted as the result of regular emissions of common stock during each of the years 1947-1954 inclusive, and during the postwar period the number of shares has increased from 6,261,000 to 17,068,000. Presumably these increases were designed to take care of the company's growth, since the equity ratio (which dropped from 32% in 1945 to 24.9% in 1949) is now about 34%. Share earnings remained within the range of $2-$3 for many years, but in 1955, with the benefit of a rate increase, they broke through the $3 barrier reaching $3.32. With the aid of cold weather in early 1956 they again increased to an estimated $3.40 for 1956. A $2 dividend rate was maintained as a "fixture" during 1937-52 but has since been raised to $2.40. At the recent price around 49 the stock yields 4.9% and sells at 14.4 times earnings.

Howard, Weil Admits Two Partners

NEW ORLEANS, La. — Admission of two additional general partners into the New Orleans investment securities firm of Howard, Weil, Labouisse, Friedrichs and Company, 222 Carondelet Street, members of the New Orleans Stock Exchange, was announced by G. Shelby Friedrichs, a partner in the firm.

The new partners are Frederick Hunter Collins, Jr., of New Orleans, and Thomas Cleaves Holmes, Jr., of Monroe.

Mr. Collins, President of Longino and Collins, Inc., from 1952 to 1954, has been with Howard, Weil, Labouisse, Friedrichs and Company since 1954, Friedrichs said. Prior to being admitted as partner, he served as a sales representative.

Mr. Holmes, who has been in the investment business since 1947, was Resident Manager of the Monroe, La., branch of the investment house prior to being made a partner in the firm. In his new capacity, he will continue to have charge of the Monroe office.

The election of the two men brings to seven the number of partners in the firm. Others are Alvin H. Howard, John P. Labouisse, Walter H. Weil, Jr., Paul T. Westervelt and G. Shelby Friedrichs.

Continued from first page

The What, Why and When Of Federal Reserve Policy

The mounting demand has come from a variety of sources — governmental as well as private. The government has had to buy planes, ships and missiles that require many of the same materials used in the building and equipping of plants for private industry. Corporations, in turn, have competed with those individuals who desire new houses, cars, and household durables. As a result, inflationary pressures have centered largely in metals and metal products; these pressures are not confined to this country alone, but are world wide.

During this boom, the Federal Reserve Index of Industrial Production has been at or near capacity levels and there has continued a substantial expansion of plant capacity. This tremendous expansion has been superimposed upon an economy that was already using many of its resources to the full. The resultant competition for scarce materials, labor and credit has caused the prices of all of them to rise. By the end of 1956, wholesale prices had pushed above those of mid-1955 by about 5½% and consumer prices by about 3%.

The Objectives of Monetary and Fiscal Policy

Even though my topic is Federal Reserve policy, it would be naive to discuss the objectives of monetary policy apart from those of fiscal policy. Fiscal policy, embracing as it does, debt management, Federal budgeting, and Federal taxation, is probably as potent in helping to stabilize the economy as is monetary policy. Their objectives are two-fold:

(1) To foster orderly economic growth and sustain employment at consistently high levels.

(2) To maintain the financial equilibrium of the economy, both internal, by protecting the purchasing power of the monetary unit, and external, by keeping international payments in balance. The last of these is currently of much concern to Britishers.

Why Money Has Been Tight

The statement of objectives may be expressed in another way: to keep the economy running at high speed without overstraining its capacity. Only thus can our nation achieve economic progress in the form of more jobs and more goods combined with a dollar of stable buying power. To do this, a continuous stream of transactions must be kept running much like the stream of traffic on a crowded highway. This highway stretches ahead as an inviting path for future generations provided the current economic traffic does not become snarled.

However, there is now pouring into the road more economic traffic than the present road capacity will permit to move forward at one time. Too many people want too many things too fast — steel, cement and labor. As a nation we are trying to buy more goods than can be produced, trying to spend more than our incomes, trying to borrow more than we save. If we should succeed, the result can only be higher prices, and . . . we would suffer inflation with its destruction of savings and its injury to those dependent on them. The latter now include not only the traditional widows and school teachers whose incomes are fixed, but the millions of wage earners and citizens building up pension rights, other fringe benefits, and life insurance equities.

To prevent inflation, we must avoid spending more than we earn through production. In a free economy, we do this by making money and credit as scarce, relatively, as the goods people want to buy with money and credit. This means that the price of money—the interest rate—goes up rather than the price of goods. Credit is allocated in the market place to those borrowers who are willing to pay the higher price of money. The weaker demands for funds are set aside and with them some of the demands for goods.

General inflation in the prices of real goods is therefore avoided by accepting instead a price rise for the money used to buy these goods. We do this through governmental supervision of the total supply of money and credit, to keep it in harmony with the economy's capacity to produce real goods.

In this country, the Congress has made the Federal Reserve trustee over the total supply of money and credit. Its obligation as trustee is to carry on its work free from partisan political pressure on the one hand or private business pressure on the other. Specifically, its role is to regulate the reserves available to commercial banks so that bank credit may contract and expand in accordance with the fluctuating needs of the economy.

At the same time the allocation of the available supply of money and credit is left to the competitive forces of the market. In this way decisions of individual borrowers and lenders stand as the basis for making the best use of the economy's resources.

Monetary Instruments

The tools used for general monetary control are the well-known three: open market operations, rediscount rates and reserve requirements. These have been listed in the order of their refinement. The first two have the delicate touch of the chisel or plane; the last, the cruder power of the broadaxe. In addition to these general controls, there are those described as selective or direct. The only one now in effect in this country is the control over stock market credit that is exercised by the Federal Reserve Board under authority from the Congress. This particular form of selective control is easy to administer because of the limited number of those affected, the self-government imposed by the Exchanges upon their members, and the self-discipline of banks and brokers in adhering to the Board's regulations.

However, during the war many nations, including our own, adopted other forms of selective control over imports, foods, and critical materials. One cannot criticize a country for resorting to such controls in emergencies, but these selective controls appear to have provided only a partial answer. Even when supported by war-time patriotism their success was limited, and in the end they did not prevent inflation. Despite the policing of the multitude of enterprises and of private citizens, the purchasing power of the monetary unit suffered eventual loss anyhow. It seems clear to me that it is not possible to stop with just a little rationing, or a little price and wage control. Once embarked upon, such governmental controls tend to spread until they cover most of the economy and most citizens.

It is little wonder, therefore, that countries began to shake off this harness of detailed control by government as soon as free markets were functioning again. Since such markets enable individuals to determine for themselves what they need and what they will buy and at what price, they give people the satisfaction of using their own knowledge, judgment and initiative. Such freedom is important even if many spending decisions be unwise. Moreover, these processes of the free market place are the only ones consistent with the private enterprise system.

Coordination and Timing of Monetary and Fiscal Policies

Coordination of monetary policy with fiscal policy is not easy. Take the problem posed for both the Treasury and the Federal Reserve at the time the discount rate was raised in November, 1955. For some months, business confidence had been mounting. It was evidenced by the rise of industrial orders and of loans, by rising stock prices, by business plant expansion, by a scarcity of steel, cement, and glass, and by increasing prices of many important industrial materials and products. Then came the economic uncertainties stemming from President Eisenhower's illness in late September. That these uncertainties dissolved in the sober reflections of businessmen seemed to be indicated when the McGraw-Hill survey of capital additions forecast an overall increase of 1956 plans over 1955 of 13%. The return of ebullience plus high seasonal demand for loans caused the Federal Reserve Banks, with the approval of the Board of Governors, to raise their discount rates in November even though the Treasury faced a refunding in December of over $12 billion. The Federal Reserve action, necessary as it was, made a more difficult problem for the Treasury in refinancing its maturing obligations in December. The action had to be taken at an unpropitious time despite some risk of unsettling the market for government and private securities.

So far we have discussed coordination in terms of concerted action through maximizing the mutual assistance of monetary and fiscal policies. We turn now to another aspect of coordination: proper timing. Timing difficulties tend to hamper the effectiveness of fiscal measures as stabilizing tools more than that of monetary measures. Fiscal policies have a less direct and immediate influence than do monetary policies upon such causes of disequilibrium as inventory accumulation and the excessive use of mortgage or consumer credit. Fiscal decisions, since they are necessarily long in the making, may come at just the wrong time to improve business stability.

For monetary authorities, the most fundamental problem of timing is to foresee changes in the business climate in order to make compensatory action before the figures actually prove its necessity. Promptness of action is imperative if the anticipated results are not to be reduced unduly by the time lag between changes in monetary policy and their effect on business activity. If the authorities wait until the figures demonstrate beyond question that further credit restraint or stimulation is needed, the action may lose its effectiveness, in whole or in part. But the perils of action based on judgments in advance of confirmatory information are obvious!

Of the monetary tools, open market operations are responsive in the extreme. Buying and selling can be modified from day to day, and even from hour to hour, to adapt to fluctuations in the tightness of the money markets, and still work in the direction of economic stability. Open market operations, flowing from the instructions of the Open Market Committee, have the sensitivity of an automobile accelerator.

Discount operations are also responsive and sensitive, even though discount rate changes are only made from time to time to adjust to changes in levels of market rates. Discount rate changes signal a recognition on the part of the Reserve System that a significant change has occurred in supply-demand conditions in the credit market. Open market and discount operations are closely related functionally—so closely related in fact, that they are basically supplemental tools. Each affects the other and each reinforces the other.

Economic Progress That Is Balanced

It is my purpose to examine in somewhat more detail what economic progress means. I have defined its goal as follows: to foster orderly economic growth and to sustain employment at consistently high levels. In still shorter words, it is to provide more jobs and more goods combined with a dollar of stable buying power, which implies that there can be no economic equilibrium unless the dollar is stable. The key words here are "orderly," "sustain," and "consistently." It is important to have as high a rate of growth as the economy is willing and able to maintain steadily, but there is no rate that the Federal Reserve is attempting to impose on the economy, nor could Federal Reserve policies by themselves assure the attainment of a fixed rate of growth.

The swings are accentuated by imprudent decisions. A management that expands merely to keep up with the competitive Joneses, without careful market analysis, or provision of the necessary financing is a contributor to unbalancing credit demand. So is a company that uses up its normal working capital to pay dividends or to build up inventories, or to postpone going to the capital markets and then finds itself without funds to pay taxes.

The problem is to secure balanced steady economic growth at high employment levels. In the past the economy has tended to grow in spurts. It has responded rapidly to new technology and new resources and then paused to "catch its breath." Or it has resorted to the excessive use of credit followed by a breakdown of the credit structure. This stop-and-go process has often proved costly in many ways—unemployment, lost incomes, and the indiscriminate injustices of inflation. The Federal Reserve seeks to eliminate those imbalances that are caused by money and credit.

Stable economic growth with full employment is essentially a process of maintaining an appropriate balance between productive capacity and consumption. The recent story of the beef cattle industry furnishes an excellent example of the distinction between investment spending and consumption spending and of the need to keep the two in balance to avoid booms and busts. During World War II, consumer income was rising while much consumer spending including that for meat was' limited by rationing. When the latter was discontinued after World War II, everyone wanted meat and its price started to rise. As it rose, so did the price of cattle, and the raising of beef cattle became more profitable. Ranchers expanded their herds, and many newcomers, including "main street cowboys," entered the business.

With his understanding of the operation of the cattle business, my colleague Governor Shepardson interprets what happened as follows: A cow herd of a given size will produce just so many calves per year. Out of that calf crop a certain number must be saved for replacements in the breeding herd. Others are saved for herd expansion. The rest are available for consumption. If the rate of herd expansion is to be increased, it reduces the number available for current consumption. Moreover, the enlarged breeding herd will not result in increased production until after two or three years because of the biological time requirement for reproduction and for growth to a profitable age for slaughtering.

From 1949 through 1951 competing demands for animals for current consumption and for herd expansion forced prices higher and higher. Each rise in prices stimulated new producers to enter the field, and the cow population increased 25%. At the same time, rising consumer prices cut the consumption per capita from 68 pounds in 1947 to 55 pounds in 1951, a shrinkage that was masked and offset by the higher demand for breeding stock.

By 1951, the increased production from the enlarged herd began to reach the consumer market and prices started to break. By 1952, widespread drought increased the marketings and accentuated the slide. Prices that had risen 50% in two years fell by one-half in the next two. Cows that cost $300 in 1951 dropped as low as $100 by 1953. By now, these ruinously low prices have so stimulated consumption, from the low level of 55 pounds per capita in 1951 to 83 pounds last year, that prices have finally stabilized and turned upward after a most painful and costly readjustment.

Production Ahead of Consumption

If consumption is to expand, then productive facilities must first be increased. This involves saving, which diverts resources from consumption. When the economy is operating at full capacity, neither investment nor consumption can be expanded further simply by inflating the flow of money with additional bank credit. Unless capacity or productivity are increased, additional credit will only result in the bidding up of prices. Until recently, for example, the real limit on the amount of new housing that might be built in any year depended not so much on the need for better homes, or the market demand, or even the availability of financing, but on the supply of men and materials that could be drawn into residential construction. With all the other demands for labor and building materials impinging on the market, easier financing facilities could only result, and in fact did result, in increasing building costs.

It is not the task, nor is it within the power, of the Federal Reserve to supply new savings for investment in housing or in business plant and equipment, or for the financing of the construction of schools and roads. Savings for these purposes can only come out of current income that is not spent for consumption, because only through such saving are physical resources of men and materials released for investment.

Fed Takes Macro View

Federal Reserve policies, even if properly attuned to the cash holding desires of the public, cannot always assure continued growth and stability. The maintenance of equilibrium requires the delicate balancing of an intricate structure of consumption and investment involving a great multitude of goods and services. No master mind can direct with assurance the smooth functioning of this complex mechanism. The forces of the market and the price system must be relied upon to direct and attract the flows of money and of goods and of services into appropriate channels and to keep them moving. There are bound to be obstructions and hindrances and slowdowns from time to time.

As I mentioned earlier, the Federal Reserve is concerned primarily with total production and total incomes in the economy, and only indirectly with component parts. Orderly growth for the economy as a whole does not and cannot mean uniform rates of growth for all industries simultaneously. Improved living standards grow out of new technology and resources that generate new demands and shift production away from older industries. Among individual industries, there is a continual process of birth, growth, and decline. From this evolutionary process emerges growth in total output, in productivity, and in the standard of living. Such changes in industrial structure should be facilitated rather than obstructed so that production can grow fastest in the areas where demand is greatest. Mobility of resources is essential to a healthy economy, and to orderly economic growth.

Stable growth in the economy as a whole is consistent with considerable instability in individual types of demand. A decline in government spending can be offset by a rise in private demand; an expansion in business investment spending can be offset by a decline in residential construction; higher investment in steel can be offset by lower investment in auto manufacturing. This is the phenomenon of the past half decade that has been described as a rolling adjustment. Different types of demand take turns acting as the driving force in the economy, and at all times total demand is more or less equal to total capacity.

Inflation Types

There are actually two types of influence at work here. On the one hand, there is the competition among businesses and consumers, as well as governments, national, state and local, for shares of the total credit and goods available in the economy. To the extent that demand slackens in one of these sectors, there can be an increased flow to other sectors. This is the rolling sustained growth that we have been observing.

On the other hand, there is a mutual interdependence of demands: high consumer demand generates high business investment demand, and business investment generates income to stimulate added consumer demand. And, more to the point, a drop in investment demand, whether from an excess of investment relative to consumption in some important area or from the lack of adequate financing, can tend to drag down consumer demand by reducing incomes. This is the cumulative response to movements in individual industries that gives rise to booms and depressions.

Stabilizing Influences

With the chance for such cumulative responses ever present, what may sustain the continuous rolling adjustments at high levels in the future? There are several possibilities. One of these consists of time lags in cumulative reactions. Take the extraordinary consumer spending of 1955 that helped to produce the 1956 rise in capital investment. If this investment boom was a response to the preceding boom in consumer spending, it was delayed until after the consumption growth had tapered off. This 1956 business investment may, in turn, have surged ahead at an unsustainable rate and now be susceptible to some slackening while consumption continues to expand.

A second stabilizing influence consists of postponable demands. These have marginal status in tight credit markets, but stand ready to absorb funds when credit eases. Recent residential construction is an example of this type of demand, partly because of the relatively fixed yields available on mortgage credit, and partly because of the sensitivity of home buyers to mortgage terms. State and local government construction is also in this category, because of its relatively high sensitivity to the cost of borrowing. Some long-time business commitments, such as those for utility expansion, may also be influenced by interest costs. In the tight credit markets of 1956 some of these weaker demands for funds were squeezed by the strong ones originating in business plant expansion. Tight money markets attracted additional funds, but these were not sufficient to meet the total demand. As a result, most of the growth in total output in 1956 flowed into business investment, which expanded at a rate that cannot be expected to persist indefinitely.

In this situation, the deferred housing and school needs, important and desirable as these needs are, stand as latent supports for the economy until such time as business investment slackens. When that time comes, it may be of critical importance that such latent demands be available. Still other developments, such as the Federal highway program or another boom in expenditures for consumer durables, may support the economy. All of these demands contribute to the reserves essential for maintaining stable growth. In brief, then, the Federal Reserve objective is to help maintain stable levels of total demand in the face of continuing fluctuations in its different segments. The total demand target is determined by the capacity of the economy and moves along a growth trend line established by the economy itself.

That we must rely on rolling adjustments among the segments of the economy to produce stability out of instability creates problems of its own. Mr. Stephen Taylor of the Board's staff has observed that although some instability within the demand structure is inevitable, the uneven competitive strength of different segments makes the variation in the total wider than may be necessary. Moreover, the turns of the wheel expose us to risks of cumulative reactions degenerating into recessions.

Avoid Inflation Route

The solution is not to be found in supplying sufficient bank credit to meet all credit demands, both strong and weak. That route leads to outright inflation with all its hardships and indiscriminate evils. Rather the answer is to be found in making free markets work. A large step toward this end is to remove institutional rigidities, such as legal limitations on interest rates payable on mortgages and school bonds. If free markets are combined with sound monetary and fiscal policies, the long-term social gains from the economy depend upon the quality of the decision making of business and labor officials and of consumers.

The alternative to free markets is to resort to government subsidies, guarantees and tax benefits. These may shelter preferred groups and meet apparent social needs, but we must not forget that each time we use them, we subtract from the credit, materials, and labor available to others who must rely upon the free market. The greater the amount of special shelter provided by government, the more difficult becomes the situation of those not so protected. In a free society, it is axiomatic that not everyone can be sheltered. It is understandable, therefore, that free markets should be looked upon as the central feature of our private enterprise system.

First Boston Group Underwrite Phillips Petroleum Offering

The Phillips Petroleum Co. is offering its common stockholders rights to subscribe for $171,720,200 of 4¼% convertible subordinated debentures, due Feb. 15, 1987, at 100% on the basis of $100 principal amount of debentures for each 20 shares of common stock held of record at the close of business on Feb. 7, 1957.

A group headed by The First Boston Corp. will purchase any unsubscribed debentures at the termination of the offer on Feb. 25, 1957.

The debentures will be convertible into common stock at $50 through Feb. 15, 1967, at $55 through Feb. 15, 1972, and at increasing prices thereafter. They will also be redeemable at the option of the company at 104¼% for those redeemed prior to Feb. 15, 1962, and at declining prices thereafter. The debentures are entitled to an annual sinking fund commencing in 1968 sufficient to retire not less than 93% of the issue prior to maturity.

The net proceeds from the sale of the debentures will be used in part to repay bank loans totaling $86,000,000, due in 1958, and the remainder will be added to the company's general funds to be available for capital expenditures and other corporate purposes. It is anticipated that estimated 1957 capital expenditures will be covered by cash generated from operations after dividends and the remainder of the proceeds from the sale of the debentures.

Phillips Petroleum Co., ninth largest oil company in the country, is a diversified, integrated enterprise engaging in virtually every phase of petroleum industry operations and many related petrochemical activities in the United States. It also operates oil and gas producing properties in Canada and Venezuela.

The company has paid regular quarterly dividends on its common stock since 1921 with the exception of the years 1931, 1932 and 1933. During 1956, dividends of 37½ cents a share (adjusted for the two-for-one stock split in June, 1956, were paid on March 1 and June 1, and dividends of 42½ cents a share were paid on Sept. 1 and Dec. 1. A dividend of 42½ cents a share has been declared payable March 1, 1957.

For the nine months ended Sept. 30, 1956, Phillips Petroleum reported total income of $760,071,000 and net income of $71,570,000, equal to $2.08 per share. This compared with total income of $660,405,000 and net income of $65,189,000, or $1.90 per share, for the same period of 1955.

With Norman Dacey

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—John M. Reinhardt has been added to the staff of Norman F. Dacey & Associates, 114 State Street.

Coburn, Middlebrook Adds

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Jack J. Miller has become affiliated with Coburn & Middlebrook, Inc., 100 Trumbull Street.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — David Robbins has become connected with Walston & Co., Inc., 111 Pearl Street.

With Income Funds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Samuel W. Tator, Jr. is with Income Funds, Inc., 152 Temple Street.

Securities Salesman's Corner

By JOHN DUTTON

Know Your Customer's Limitations As Well As His Objectives

One of the most important things to keep in mind if you are interested in developing a clientele of middle-bracket and medium sized investment accounts is to *have an understanding with yourself* as well as with your client as to just what you can *reasonably* accomplish in the investment of his available funds. Let us look at the situation realistically.

Assume you are a conscientious salesman of securities representing a firm that serves the general public in your area. You may confine your activities to the solicitation of business from banks and institutions and possibly a limited number of large accounts. If so, what I am suggesting here does not apply. But if you have a retail clientele of individual investors you may have a few large clients, and the rest of your business probably generates from a cross section of hundreds of individual investors and speculators. There will also be a number of one or two-time transactions with people during the year which come along as a matter of course.

The larger proportion of your business, however, will come from many smaller investors, retired people, younger people trying to save for the future, speculators who want to try for capital gain on a venture basis, and many others who own some securities which they have acquired for some reason, but probably have forgotten what it was.

Most People Need a Hard, Head-on Exposure to Reality

One of the most constructive things you can do for anyone is to sit down with them and have a heart to heart talk with them about their financial planning both for the present and the future. Enough cannot be said regarding the tragic waste of assets and hard earned savings that takes place both in good times and in bad by people who have never been brought face to face with *what they want from their investments and what they can reasonably expect to accomplish.*

The first step is to gain the confidence of your client. You must impress on him that he should talk it out with you. If he has saved $25,000 and he has 20 years of reasonable expectancy of working and earning ahead of him he has a vastly different problem than if he were 60 years of age with the same limited investment potential. But these cases, and many variations just like them, involving investment funds ranging in size from $5,000 to several hundred thousand are brought before securities men every day. There are middle-aged working women who need to invest a small fund to increase their income now or later, and there are retired individuals with small nest eggs of from $50,000 upward.

There are professional men who have been slaving away for the past 15 years in this country, some of them earning from $15,000 to $35,000 or more a year, who have saved very little and who are looking ahead to the future with a great deal of trepidation. The living standards they have had to keep up, and the terrific injustice of the penalizing income tax, have brought these people to such a pass that many of them are trying to solve their problem by gambling in real-estate syndicates, oil deals, speculative cat-and-dog common stocks, and they are doing it without know-how and with almost a certain possibility of further loss. It's a gambling game pure and simple, with the odds stacked against these foolish and worried individuals.

Challenging Situation

If you could keep this picture in mind and if you are in the *investment* business you know that the situation is challenging and serious. The public just does not know what they can do with their savings. They don't know what they can achieve (under careful and conservative guidance and direction) and what they cannot accomplish. You can't make people rich if they have only $25,000 to invest. You can help them go broke though if you try and speculate with this fund on a foolhardy basis. You can help a man achieve a reasonable goal. You can produce more income than 3% for a retired couple who needs income *now.* And you can do this without putting their capital at great risk. You can do it over a period of years with their help, understanding and cooperation.

You can sell a man speculative stocks that have a reasonable potential for capital gain if you know, and he knows, the risk involved and whether or not he is in a position to assume it. But if you are going to sell stocks to people that have no plan and no understanding of what they should buy, how much, and *why they are buying it,* you are going to make some commissions (and possibly some large ones) but you are sooner or later going to be placed in a position that will be embarrassing with these people.

Let's face it—you can obtain 5% today if you are careful—you can even find some good growth stocks and if you buy them at the right time (and this is not easy) and you watch them carefully after you have bought them, and you have the emotional willpower to resist the swings of fear and optimism that come to some people when they see the market moving upward or downward as it does, then you can possibly make some capital gains. But if you sell an investor a stock where the objective is long term capital gain, make sure he understands *why* and knows what he is doing. Get down to cases where you can with people and become an advisor to them. This means knowing them well enough to become their confidant and also being able to *sell them* the kind of program that they can reasonably expect will give them better income either now or later.

Conclusion

It is possible that among your accounts you may have many people who would welcome a conference on their entire situation regarding their financial plans for the present and the future. Times are unsettled and the future is *always hazy* for those who don't know where they are going or how they can get there. There is a tremendous opportunity in this field for securities men who know how to call a spade a spade and make it stick!

With Cruttenden, Podesta

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Helen R. Gitlitz is now associated with Cruttenden, Podesta & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Continued from page 9

Enlightened Capitalism Today And Coping With Inflation

51 cents under the pressure of government spending and the national debt rising to $275 billion.

Where are we now?

I am sure this background material should be in your mind. It shows us that the ruinous fires of inflation are still burning. Unchecked, they will continue to burn and destroy the savings of our people by placing a premium on debt. The public, management and labor must beware of drifting into insolvency.

Anti-Inflation Program

What to do?

First and foremost we should begin to pay our debts—public and private. A few years ago, a Vermont Savings Bank president shocked the assembled bankers at Atlantic City by saying "We can and should pay off the entire national debt in the next 25 years." You cold hear the backs of the benches creak all over the place. Then he did what few public speakers ever do. He added, "and this is how it can be done!" Our service charge on the national debt now is $6.5 billion. That is of interest. If we could raise that to $13.5 billion—only $7 billion more per year—at first, a lot goes for interest and a little for principal; later, a little goes for interest and a lot for principal—the amortization tables show that the debt would vanish. "And," said the old banker, "who dares to say that we couldn't squeeze another $7 billion out of a $70 billion budget?"

We still hear talk about this subject but no real beginning has appeared.

As long as the deadly threat of Soviet Russian military action remains, it will be politically inept to cut government spending here and defense and abroad for allied support.

The Administration and the Federal Reserve seem to be trying to maintain the strength of the dollar—with some success. Money rates were completely managed for 20 years—from 1933 to 1953. Long term interest rates on government bonds were frozen at 2½%. Banks could, in general, borrow or sell them at par or better.

Then after the 1952 election, early in 1953, price support on the bonds was withdrawn in an effort to see what Government credit was really worth in the open market. Over a period of some six months, Government 2½s dropped from 101 to 92½, a 3¼% basis and settled there. Old man public himself, uncoached—thought the price was right. The Government even sold several billion of new 3¼s at par for refunding purposes. As you know, all other interest rates on the various grades of credit are based on the government rate. These rates started up.

Frantic screams came into the Treasury and the Federal Reserve from all over the country. Bankers, businessmen, farmers, labor leaders said, "if you don't let up, you'll push us into a money panic and you fellows will be out of Washington for 75 years instead of 25." It worked.

In a little while, the bid went back into the market and, by the middle of 1955 the 2½s went back from 92½ to 101 and the new long-term 3¼s rose to 110½.

Last summer, Federal Reserve began a series of quick boosts in the rediscount rate. Government bonds began to sag and at December, 1956, those 2½s were back down to 87½ and the 3¼s were down to 97½ — somewhere around a 3.35% basis—and in a free market.

Business Needs Profits to Survive

The intent was plainly to tighten up on all credit for expansion and speculation and to sharply pinch back poor credit risks. The shoe is tight. Other rates increased accordingly until a few months ago we saw Southern Pacific first mortgage bonds offered at 5¼% and Texas Eastern Gas Transmission notes offered at 5½%. Savings and Loan institutions had to move up to 4% to compete. Savings banks will probably be compelled to move up to 3%.

The moral is this—your money is costing more everyday and inflationary pressure continues to make its purchasing power grow less.

To survive, business must be sure it makes a profit.

The rest of this discussion—against the foregoing background material—will be a discussion of why a business must make a profit, and the moral rightness of a legitimate profit in a free enterprise economy.

By definition, "Profit is the end result of the selling price less the cost of production merchandise. It is also the end result of effort and time spent in rendering service — for a fee." That covers both parts of the automobile business.

Let's go back for a moment to the homely truth of the old professor — in discussing the profit motive. He walked in, waited for deep quiet, and began, "If you forget everything I shall say this whole year through, remember these words, for they are the truth.

"What Should Be" vs. "What Is"

"The mainsprings of all **extraordinary** human activity are selfishness — and greed. What makes one man come home from the office and spend the hours until midnight searching for prospects for the morrow? It is because he is a good citizen, a fine father, a wonderful husband? No!

"What makes a mechanic come home from the shop, wolf down his dinner, and work in the garage until midnight, trying to invent a gadget? Is it because he is a good neighbor, a faithful employee of good character? No! It is because **he thinks** that, by that extra work, **he can get something** for himself, for his wife, for his children. And when you operate a business or the national economy on any other premise, your conclusion is bound to be wrong —because your premise was wrong in the first place."

We were all young. Ideals were in the foreground. One young Quaker from Philadelphia got up and said, "Doctor, that is the brutal doctrine of materialism. It will destroy the life of any-one or any nation that follows it."

Another quiet youngster said, "Doctor, that's all wrong. What about my duty to the aged, to the sick, to the very young? Where is your place for spiritual values?"

The shaggy old doctor stood silent for a long moment. Then very quietly and with great patience, he said, "Shush, children." (He had called us men when we came in there.) "I am not telling you **what should be**—I am telling you **what is!**"

At the time, I felt the statement was bold and brutal. But as the years wore on, I came to realize that he set forth the philosophy of his generation.

Profit is the cornerstone of a free capitalistic enterprise system. It is the incentive factor, the driving force that causes business to overcome difficulties, solve its problems, and **continue to grow.**

Problems to Be Solved

The problems are many:

(1) You must find a product or a service that fills an economic need.

(2) If this product is to compete for the public's money, it must have quality, style, and be priced right. Research is the key to all these—and **research costs a lot of money.**

(3) Sales promotion must present the product or service to the public vigorously and constantly. **Sales effort and advertising cost a lot of money.**

(4) The public taste is very fickle, management must be aggressive and far-seeing to keep pace with change and not be caught napping. Only expensive research can be the answer. It is the key to bigger profits.

(5) The working force must be kept happy. This means satisfactory pay and benefits. Every quality product or service reflects the skill and experience of satisfied workmen.

That adds up to a lot of problems.

I have not mentioned the unpredictable and continuous changes that characterize the world we live in. Uncertainty is the rule, not the exception. The proprietor must face new inventions, international upsets, new products, new political developments, new raw materials, and scientific advances.

He must worry about tax policies, government spendings, and strikes.

If he can do all these things and wind up the year with his costs below his sales, he makes a profit. If he doesn't make a profit, he can't do all these things next year. The sheriff will come and get him.

Let me stress right here that the chief factor in long-term profits is beyond the businessman's control. Large profits are easy in the rising leg of a lusty boom. In a serious depression, top-flight management may come out with substantial loss. That is why I saw fit to inject a discussion of the business cycle into this talk.

Profit's Role Is Better Understood

The automobile business, as other businesses, has gone through 11 years, the postwar boom, with only a slight price readjustment squeeze in 1947-49 and then, sparked by the Korean war and huge government defense expenditures, moved right over into the long phase of sound expansion. Normally, this could last well into the middle 1960's.

So make a profit while you can —make hay while the sun shines. Remember, "there will come a day." Either a sharply greater threat from Russia or a convincing release of tension could trigger off a long deflation.

Is it a sin to make a profit? Now how about the moral justification of profits in a free economy. **Is it a sin to make a profit?**

It is true that big profits meet with some resentment in the public mind. But I think vastly less than in earlier years. I think it is a holdover from some rather ugly phases of corporate greed that developed in the latter part of the last century and the early years of this one.

I think most informed people would admit that there was considerable "dirty work at the crossroads" in the period when the transcontinental railroads were flung across the nation. In the period of "rugged individualism," I fear that a close examination would reveal dark fingermarks on the throats of strangled competitors as the oil industry approached monopoly.

Almost as a child, I taught school in a little town in the soft coal regions of Pennsylvania. The good women of the town furnished me with a revolving fund of $3,000 to buy shoes for miners children who came to school barefoot in January. I was horrified to hear a mine owner, watching wretched, hungry men pass by, remark, "we close up in November so we can hire 'em for less in April." Out of those conditions came the United Mine Workers of America—perhaps out of that human suffering came the willingness of coal miners to support John L. Lewis, right or wrong, for half a century.

As a student in New York, I well remember hearing the head of a great steel company in Carnegie Hall, in a purple-faced peroration, shout, "The steel corporation simply could not exist on less than a 12 hour labor day."

Perhaps it was in those days that the public mistrusted big business and came to regard profits as sinful. I am happy to say, those days are long gone.

The world moves on. What a far cry to the philosophy of modern corporation management.

The modern corporation head really feels and openly proclaims that labor is his partner. Most labor leaders feel and finally act on the same theory, though most of them remain silent on the subject in union circles.

More and more corporations have profit sharing plans where up to 15% of net earnings before taxes are available for the plan. They have incentive pay, health and hospitalization insurance and paid vacations.

Changed Times

Too often management is to blame that its employees and the public still don't realize that these are changed times.

My own business is an outstanding example. For a century and a half the investment banking and brokerage business operated in silence. The public could think what it pleased. Then one day we realized that was stupid. We realized that if you asked the man in the street what the stock market was, he was likely to reply, "That is where they gamble in stocks." We were shocked. People do gamble. You can gamble on anything that changes. Back in the 1920's we used to publish the exact number of snares traded on the New York Stock Exchange each day. It would read 3,265,793 shares. Then we found that the biggest "numbers" racket in New York was paying off on the last three figures. Horrified, we dropped the last three figures. Now it reads **piously** 3,265,000 shares. I suppose nowadays they are paying off on the middle three figures.

So we woke up. Now we have an extensive advertising campaign and numerous lecture courses given by our keenest minds to teach the public that the stock market is the market place where the ownership of the corporations of the United States changes hands. We explain to them that free enterprise also means that any man, who will save the money, can quickly become **one of the owners** of any business he may choose. He may invest as little as $40 a quarter.

I think most of you know that many companies give monthly dinners to their foremen. The steaks are good. The top officers come too. Along with a picture on some plant problem, they have a talk aiming to make every foreman conscious of the fact that he and his men work for a profit-making outfit. These men are encouraged to buy a share or more in the business with their own money—to follow the quarterly earning figures, company news and annual reports.

When I went to talk to the Douglas Aircraft group, the big Irish President of the group got up to introduce me. He held up a framed certificate for one share of Douglas that he kept hung above his desk. He had in big letters at the bottom: "Show a little more respect. You are standing in the presence of one of the owners of this business."

Some of the most intelligent questions I have heard on the subject of stock ownership came from the foremen of Douglas, North American and Kaiser Steel.

How much better it is for them to realize that the Bank of America is owned by 200,000 people, Standard Oil of California by 120,000 people, American Telephone by 1,400,000 people, and General Motors by 540,000?

What a changed world! These people don't regard corporate profits as a sin. They spend their share—the dividend every three months.

Maybe there is a germ of an idea for your men when you get back home. Why not have an educational program for your men to make them profit conscious and company minded? They can increase your profits. If your outfit is small, team up with other dealers. You have a common problem.

While we are talking about education, it might help in solving or at least in easing two of your problems:

(1) Overtrading

(2) Nothing down and five years to pay

To the layman, sitting at home, watching television, anyone is foolish to pay money for a car. He should do some pitchman a favor—walk down and take one for a gift.

People have good sense when properly informed. It seems to me about time the legitimate car dealers who have a fortune invested in plant, the major finance companies and the banks consider an organized common effort to show the buying public where and how to buy a car and be sure to get their money's worth. On nationwide television, the first panel discussion might well be "What kind of a contract did you pay for your car?" or "What did I really pay for my bargain?"

You might consider a booklet to sell for a dollar—"You should know how to buy an automobile. You will buy $25,000 worth in your working lifetime."

Conclusion

(1) Inflationary pressures are eating away the purchasing power of your dollar.

(2) Rising interest rates make it necessary for your capital to earn more.

(3) After 11 boom years with little deflation, capital risks are rising.

(4) You must earn substantial profits in good years to stand losses in bad years.

(5) To earn a legitimate profit is a virtue not a sin.

(6) Enlightened capitalism believes it is very good business to:

- (a) Have a quality product.
- (b) Render good service for fair price.
- (c) Spend enough on research to keep your place in a world of constant change.
- (d) Tell the customer the truth about your product, service and credit terms.
- (e) Arouse your workers' interest in your business as a profitable enterprise by incentive pay, profit sharing plan and his investment in the automobile business.

We can't close without a final session with our rugged old professor. We had Communists in those days. It was a free forum. Anyone could air his views. When a radical would get up and start to rave, the old man would turn his head toward the window and sit frozen until the voice of protest had died down. Then he would turn toward us and resume his lecture as though nothing had happened. To him, "nothing had happened." Until the last day—

He walked in, looked us over and began quietly, "You know something. Sometimes even I, capitalist that I am, think that maybe some form of socialism or collectivism or Bolshevism or Communism — might be the best thing for all of us—if we could bet God Almighty to come down and run the thing. In the first place, only He would be smart enough to know how. In the second place, He would be honest. He wouldn't steal from His own customers. In the third place, He has no relatives to put on the Board of Directors."

"Unfortunately, gentlemen, His services are not available. And so, for my short lifetime — and your long lifetime — some way, some how, you and I will have to learn to get along with the politicians, the crooks and the relatives."

Norfolk & Western Ry. Equipments Offered

Halsey, Stuart & Co. Inc. and associates are offering today (Feb. 14) $2,910,000 of Norfolk & Western Ry. 3⅝% equipment trust certificates, maturing semi-annually Aug. 1, 1957 to Feb. 1, 1972, inclusive.

The certificates, second installment of an aggregate not exceeding $14,160,000, are priced to yield from 3.50% to 3.75%, 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 98 Diesel electric locomotive units estimated to cost $18,909,000.

Associates in the offering are—Baxter & Co. and McMaster Hutchinson & Co.

New Incentives for Irish Industry

The Irish Government has introduced new incentives to encourage the erection of factories and the expansion of exports of manufactured goods, according to Donal Scully, U. S. representative of the Irish Industrial Authority, New York City.

Under a new Act entitled The Industrial Grants Act, 1956, grants may be made towards the cost of factory buildings, up to a maximum of two-thirds of the cost, where the establishment of a new industrial undertaking will benefit the national economy by replacing imported goods, giving substantial employment or leading to an export trade. The maximum grant under the Act is $140,000.

In the less developed areas of West and Southwest Ireland, grants may be given under earlier laws which are still in force. The grants in West and Southwest Ireland may be as much as the full cost of the factory site and buildings and half the cost of the plant and machinery.

New tax concessions have also been introduced. A new manufacturing company can get a remission of half of the taxes payable on the profits of its export business up to Sept. 30, 1961.

Another tax concession is given in regard to coal mining. A reduction of 50% is given in the taxes payable by coal mining businesses started after Sept. 30, 1956. This concession will operate until 1967.

Improved depreciation allowances for taxation purposes on factory buildings and machinery have also been introduced in Ireland to encourage investment in industry.

Continued from page 6

The State of Trade and Industry

counted for most of the past week's car-volume gain. General Motors Corp. took 48.1%, Chrysler Corp. 19.9% and Ford Motor Co. 29.3% of last week's scheduled passenger car assembly.

Steel Production Scheduled This Week at 96.5% of Capacity

Even though some forms of steel are easier to get, prices generally will not be cut, "Steel" magazine stated on Monday last. In fact, they are on the uptrend, mainly through revisions of extras, it noted.

If competition for steel orders becomes particularly severe, the metalworking weekly said that producers may absorb some freight charges. They did this in 1954 during the steel inventory recession to hold the line on prices.

Producers point out that raw material cost increases set off by the round of steel wage boosts last summer are still going on. Steelworkers received another upward nudge in wages the first of this year as a result of the rising cost of living. Their contract calls for this automatic adjustment. Next July 1, they will get another increase.

Steel tonnage moving at premium prices is probably exaggerated. Sellers offer it to the highest bidder so it becomes known to several potential buyers before the deal is completed. Most industry sources suspect foreign steel is the major offender. Usually, the sellers are vague as to where the material comes from.

The publication pointed out that the absence of an abnormally high level of steel inventories also argues against a general reduction in prices. Still in short supply are heavy plates, structural shapes, large diameter line pipe, oil country tubular goods and nickel-bearing stainless steel.

Also refuting steel price cut possibilities, continues this trade journal, is the expectation of an over-all steel consumption that will equal, if not exceed, the record.

Bolstering the belief of a high level of business is the backlog of orders for durable goods. If new orders ceased entirely, and this won't happen, there are enough orders on the books to keep production running into mid-June, "Steel" states.

In contrast to the general uptrend in the prices of steel-making materials is the price of scrap. It continues its descent from record levels.

At the peak reached in December, "Steel's" price composite on steelmaking grades registered $66.17 a gross ton. In the week ended Feb. 6, it was $55.17, down 83 cents from that of the preceding week. It is still above the year-ago level of $50.33.

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 96.5% of capacity for the week beginning Feb. 11, 1957, equivalent to 2,469,000 tons of ingot and steel for castings, as compared with 97.1% 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 96.4% and production 2,467,009 tons. A year ago the actual weekly production was placed at 2,433,000 tons or 98.8%. 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 Continues Lower Trend the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 9, 1957, was estimated at 12,019,000,000 kwh., according to the Edison Electric Institute. This was a further decrease from the week before.

The past week's output dropped 303,000,000 kwh. below that of the previous week; it increased 676,000,000 kwh. or 6.0% above the comparable 1956 week and 2,097,000,000 kwh. over the week ended Feb. 12, 1955.

Car Loadings Declined in Week Ended Feb. 2, 2.7% Below the Preceding Week

Loadings of revenue freight for the week ended Feb. 2, 1957, declined 17,773 cars or 2.7% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Feb. 2, 1957, totaled 647,972 cars, a decrease of 33,017 cars or 4.8% below the corresponding 1956 week but an increase of 12,193 cars, or 1.9% above the corresponding week in 1955.

U. S. Automotive Output Continued Upward Trend the Past Week

Automotive output for the latest week ended Feb. 8, 1957, according to "Ward's Automotive Reports," held to the higher trend of the week before.

Last week the industry assembled an estimated 143,441 cars, compared with 140,411 in the previous week. The past week's production total of cars and trucks amounted to 166,358 units, or an increase of 2,854 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 3,030 cars, while truck output declined by 176 vehicles during the week. In the corresponding week last year 136,308 cars and 24,659 trucks were assembled.

Last week the agency reported there were 22,917 trucks made in the United States. This compared with 23,093 in the previous week and 24,659 a year ago.

Business Failures Show Moderate Declines

Commercial and industrial failures declined to 287 in the week ended Feb. 7 from the postwar high of 320 in the preceding week, Dun & Bradstreet, Inc., reports. However, the toll was considerably higher than the 236 a year ago and the 238 in 1955. Compared with the prewar level, failures were 10% below the 318 of the similar 1939 week.

Failures with liabilities of $5,000 or more dipped to 250 from 258 last week, but considerably exceeded the 205 of this size a year ago. Among small casualties, with liabilities under $5,000, a sharp drop to 37 from 62 in the previous week occurred, although the total remained slightly above the 31 in 1956. Liabilities in excess of $100,000 were incurred by 25 of the failing concerns as against 26 last week.

Wholesale Food Price Index Registered An Easier Tone Last Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., dipped somewhat the past week to stand at $6.13 on Feb. 5, compared with $6.16 a week earlier. This level was 3.9% higher than the $5.90 of a year ago.

Commodities quoted higher last week included lard, cottonseed oil, cocoa and rice. Lower in price were flour, wheat, corn, rye, oats, barley, beef, sugar, potatoes, steers and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Scored Steady Declines to Close Past Week Noticeably Lower

Declining almost steadily in the past week, the daily wholesale commodity price index closed at 293.72 on Feb. 5. The lowest index so far in 1957, this was moderately below the 298.28 recorded in the preceding week and the 280.62 a year ago.

Grain prices tumbled somewhat last week, with noticeable decreases in wheat and rye.

Reports of improved growing conditions resulted in increased selling of new crop wheat.

Corn prices fell slightly as stocks continued to expand. Receipts of corn in Chicago totaled 2,935,300 bushels in the week ended Jan. 31, compared with 2,796,700 bushels a week previously. Barley and oat prices dropped and it was noted that oat shipments from Chicago were 15% smaller than in the previous week. Soybean prices dipped in fairly active trading, although export buying was high. Purchases of soybean oil were at record levels and trading in soybean meal was fairly brisk. Volume on the Chicago Board of Trade climbed last week. Average daily purchases of grain and soybean futures totaled 50,000,000 bushels, compared with 43,000,000 in the preceding week and 40,000,000 bushels a year ago.

Rice prices advanced and buying of both packaged and bulk rice was substantial.

In view of the limited supply, trade observers thought that there might soon be further price increases for rice. Sugar prices softened in both domestic and foreign markets. Coffee prices rallied toward the close of the week, recovering some of the previous losses.

The demand for hogs slackened last week and prices fell somewhat. While hog receipts expanded, they were smaller than last year. The volume of cattle for sale on Monday was the smallest for any Monday since October. Prices for steers and heifers climbed moderately. While veal and calf prices fell at the end of the week, receipts rose above those of the previous week. A slight rise in lamb receipts and prices occurred. Lard prices dipped slightly but exceeded those of a year ago.

There were rather sharp fluctuations in cotton prices a week ago.

Mill price fixing and some buying attributed to reports of drought in the Southwestern Cotton Belt helped to stabilize prices.

Cotton exports this season are expected to total about 6,500,000 bales, about three times larger than export volume last season. Exports of lint cotton, as reported by the New York Cotton Exchange, amounted to 275,000 bales last week, comparing with 215,000 bales a week earlier and only 5,000 bales a year ago. With the exception of print cloths, trading in cotton gray goods was rather slow. Wool fiber used in December was 6% higher than a year ago; for 1956 as a whole, wool fiber consumption was 5% higher than in 1955.

Trade Volume In Latest Week Held at Level of Preceding Week

Although consumer purchases of furniture and women's apparel climbed last week, sales declines in major appliances, television sets and food products held total retail volume at the level of the previous week.

The total dollar volume of retail trade in the period ended on Wednesday of last week was unchanged to 4% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England, West North Central and Mountain—2 to +2; Middle Atlantic —3 to +1; East North Central —1 to +3; South Atlantic +3 to +7; East South Central and Pacific Coast 0 to +4% and West South Central +4 to +8%.

There was an upsurge in the buying of women's Spring apparel with the most noticeable gains in suits and millinery. A substantial rise in the call for women's Winter coats and dresses occurred, but volume in sportswear remained at the level of the preceding week. Best-sellers in men's apparel were white dress shirts, sportswear and slacks. Although interest in overcoats and suits was sluggish, volume slightly exceeded that of a year ago.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Feb. 2, 1957, increased 4% from the like period last year. In the preceding week, Jan. 26, 1957, an increase of 2% was reported. For the four weeks ended Feb. 2, 1957, an increase of 3% was recorded. For the period Jan. 1, 1957 to Feb. 2, 1957, a gain of 2% was registered above that of 1956.

Retail trade sales volume in New York City last week rose 2% to 4% above the like period in 1956, according to trade observers.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Feb. 2, 1957, showed an increase of 3% above the like period of last year. In the preceding week Jan. 26, 1957, an increase of 7% (revised) was reported. For the four weeks ending Feb. 2, 1957, an increase of 5% was registered. For the period of Jan. 1, 1957 to Feb. 2, 1957, the index recorded a rise of 4% above that of the corresponding period in 1956.

Continued from page 3

Investing in the Aluminum Industry Today

Statistics, included a number of exceptionally thoughtful and pertinent observations on the long-term demand for nonferrous metals. It pointed out that the production and consumption of these metals up to the end of the 18th century were, by comparison with present-day figures, very low. Less nonferrous metal was produced in that whole period of several thousand years than in the 1945-1955 decade. From 1800 to date, the production and consumption of these metals has increased 230-fold as compared with the three-fold increase in world population. In the year 1800, consumption of the five leading nonferrous metals (aluminum, copper, zinc, lead and tin) per head of world population was about 1.3 pounds. By 1955 that figure had risen to 10.4 pounds per capita.

These figures include people in all the world's undeveloped areas as well as those in countries which, subsequent to the beginning of the Industrial Revolution, have become highly industrialized. Moreover, the population of the former is more than double the latter, and continues to increase at a more rapid pace, yet the long-term per capita gains in world use of nonferrous metals are still readily discernible in the two per capita figures. Data for steel and the additive metals, no doubt, would also show important net per capita gains.

Increased Demands Ahead

Other worthwhile observations can also be made regarding long-term metal trends. First, most of the past expansion and consumption has evolved from the industrialization of a dozen nations. Second, in nearly every decade since 1900, most metals have shown progressive gains in average per capita consumption. Finally, and most important, during the balance of this century, major progress can be expected in the industrialization of the undeveloped countries, with an attendant rise in metal use. We need only look to the new industries rising in the countries south of our own borders, measure the regimented progress of the U.S.S.R., or study the underlying causes of ferment in Asia or Africa, to realize that other peoples are on the march. Expanding populations, the awakened demands for better living standards, all the prerequisites exist for an increased demand for metals in the decades ahead.

Where does aluminum fit into this long-term picture? This all-purpose structural material, in recent years, has been consistently increasing its share of nonferrous metals consumption. Aluminum's proportional penetration, based on Metallgesellschaft figures of total nonferrous metal consumption in 1955, is given below by major industrial countries.

1955 Per Capita Consumption of Nonferrous Metals*

Country—	Total Nonferrous Consumption (Lbs. per Capita)	Aluminum Consumption (Lbs. per Capita)	Per Cent Aluminum
United States	64.6	21.6	33.7%
United Kingdom	58.6	12.6	21.5
Belgium	57.3	8.8	10.3
Sweden	49.4	9.3	18.8
Canada	48.3	12.3	25.5
Switzerland	42.8	15.9	37.1
Federal Republic of Germany	40.3	7.5	18.6
France	28.9	5.5	19.0
Netherlands	21.2	2.9	13.7
Italy	13.4	2.9	21.6
Japan	7.9	1.1	13.9
U.S.S.R.	14.6	4.0	27.4

*Aluminum, lead, copper, zinc, and tin.

The first 11 industrial countries listed above in 1955 showed average nonferrous metal consumption of 41 pounds, of which 11 pounds, or 26.8%, represented aluminum. You will note that the first seven countries mentioned consumed in 1955 from 40 to 65 pounds of nonferrous metal per head, and yet the percentage of aluminum penetration varied from a low of 10% in Belgium to a high of 37% in Switzerland. Even the United States, the greatest single aluminum market in the world, accounting for approximately 50% of the world market and with only 6% of the world's population, ranked below Switzerland in the relative amount of aluminum used on a per capita basis. The actual pounds of aluminum consumed per capita in the first seven countries listed varied from 7.5 in Western Germany to 21.6 pounds in the United States. In most of these countries, including the remaining four listed, consumption of copper per capita still ranks ahead of aluminum, despite the latter's favorable price position, whether considered from a weight or volume basis.

Should Reach Higher Per Capita Level

It can be concluded from these market penetration figures that aluminum's proportion of total nonferrous per capita consumption in the United States should at least reach the level of Switzerland's. It might also be remarked that primary aluminum consumption in our domestic market is still too low in relation to steel—per unit of four people, 86 pounds versus 5,600. In the other free world countries, major gains in the use of aluminum can be confidently expected in the years ahead. Beyond the 12 industrial countries listed (including U.S.S.R.) lies the rest of the world with a population of nearly 1.84-billion, consuming only 1.8 pounds of nonferrous metal per head and ⅓ of a pound of aluminum. Only a very modest increase in living standards or industrialization there would jump the consumption of all metals tremendously.

It is these long range factors, plus the inherent qualities of the metal and its relative price appeal, that have made aluminum manufacture so attractive to industry and investors alike. The current expansion program, the third in a series of major building periods in the domestic aluminum industry since World War II, is distinguished from its immediate predecessor in that the new facilities for the most part are not based on government supports in the form of guaranteed markets and/or accelerated amortization for tax purposes. It simply reflects the industry's own confidence in its future.

The question that concerns us most, of course, is whether the industry is being overexuberant in its appraisal of aluminum demand in the years immediately ahead. The combined plans for expansion of the older companies in the field and the newer entrants, if carried out according to original schedules, would mean that the industry must develop new volume markets or adopt stretch-out programs to avoid temporary overcapacity. Recent announcements indicate that the industry is now adopting both policies, driving for new markets and deferring some smelter capacity. The latter is not too difficult to accomplish. Aluminum is produced in pot-rooms consisting of rows or lines of electrolytic cells. If overcapacity is threatened, it is relatively easy to defer adding as many lines; or, conversely, if demand becomes stronger than anticipated, construction can be accelerated rather than deferred.

Review U. S. A. Capacity Plans

At the present time, Aluminum Company of America has an installed capacity of 792,500 short tons of primary aluminum; Reynolds Meals Company, 488,500 tons; Kaiser Aluminum & Chemical Corporation, 434,500; and Anaconda Aluminum Company, 60,000; a total of 1,775,500 tons. Thus, primary aluminum capacity in the United States is presently divided on a percentage basis as follows:

Per Cent of United States Primary Aluminum Capacity

Aluminum Co. of America	45%
Reynolds Metals Company	27
Kaiser Alum. & Chem. Corp.	24
Anaconda Aluminum Co.	4

The first three companies mentioned are now in the process of adding additional capacity, and two newcomers, Olin Revere Metals Corporation and Harvey Machine Company, are also entering the field. Total primary capacity at the end of 1957, if present indicated schedules are adhered to, will amount to 1,978,000 tons, at the end of 1958 to 2,273,000 tons, and at the end of 1959 to 2,652,000 tons. These figures already reflect substantial stretching-out of earlier building programs, with completion dates reset from six months to an indefinite period ahead. They might also be reduced somewhat by the closing-down of some high-cost uneconomic production.

In summary, it now looks as if 202,500 tons will be added to primary capacity in the United States in 1957, 295,000 tons in 1958, and a very tentative 379,500 tons in 1959.

Company production schedules, the best measurement of potential supply, show even smaller amounts may be available. These latter figures adjust for the length of time added lines will be in during the year and the time it takes to bring new pot-lines up to maximum production. For example, there are no domestic additions to primary capacity scheduled for the first quarter of 1957, only 27,500 tons in the second quarter, 31,250 in the third, and 143,750 in the fourth.

The following tabulation shows scheduled primary production plus estimates of net imports and old scrap recovery, or total primary supply, as compared to estimated primary demand (the latter based on the long-term growth in aluminum consumption at the rate of 7¼% per year, or doubling every 10 years).

Estimated Primary Aluminum Demand and Supply in the United States

(Short Tons)

	Estimated Domestic Demand	Scheduled Production	Net Imports	Old Scrap	Total Primary Supply	Excess or Deficit (—) Supply
1955	1,844,700	1,565,700	196,500	76,400	1,838,600	—6,100
1956	1.925.000	1,679,400	243,000	78,000	2,000,400	75,400
1957	2,064,000	1,751,500	300,000	75,000	2,126,500	62,500
1958	2,214,000	2,076,000	300,000	75,000	2,451,000	237,000
1959	2,374,000	2,464,000	300,000	75,000	2,839,000	465,000
1960	2,546,000	2,524,000	300,000	75,000	2,899,000	353,000

Sees No Oversupply

These figures support the premise that the primary aluminum industry faces no real oversupply problem in 1957 or 1958. The higher figures for 1959 and 1960, as mentioned previously, contain very tentative additions to new capacity which can be deferred in the event that aluminum consumption does not increase faster than the projected 7¼% per annum. If a 10% rate of increase were used, there would be no excess primary supply based on present production schedules.

The Business & Defense Services Administration forecasts of total aluminum supply and demand in the United States, which include secondary production, showed possible excess supply over consumption of 200,000 tons in 1956, 100,000 tons in 1957, 250,000 in 1958, 375,000 in 1959, and 150,000 tons in 1960, after allowance for annual gains in aluminum distribution in excess of 10% per annum. Again the question of oversupply in the immediate years ahead becomes academic when viewed against the background of the puts that can be made to the government stockpile.

Possible puts to the stockpile during 1957 and 1958 should more than take care of any indicated excess supply in those 2 years. It is estimated that the industry could still put over 1 million tons to the stockpile if necessary before the contracts expire in 1958 and 1959. Obviously, no such volume of metal will be made available. Beyond these dates, a new agreement would have to be negotiated in the event the government wanted to build up to its original stockpile objectives. While no figures are available, it could be surmised that only one-half of the original long-term stockpile objective, somewhere in the neighborhood of 2½- to 3-million tons, has been acquired. The short-term goal was reached last spring. One company thus far in 1957 has put 25,000 tons to the stockpile, another plans to review its inventory position monthly, and the third major company has indicated that it has no present intention of putting metal to the government. With only a modest amount of new capacity being added until the fourth quarter, the likelihood of heavy puts until late in the year (and possibly not then) appear small.

Foreign markets show a more diverse pattern. In some, supply and demand appear to have come temporarily into balance; in others, metal imbalances continue. Many of the industrial countries, lacking adequate or cheap power resources, must turn increasingly to Aluminium Limited and/or to outside areas for their mounting aluminum needs. Furthermore, the new smelter capacity being added outside North America, or capable of being financed over the next several years in such areas, cannot hope to match local growth in aluminum use. The latter has been advancing at a faster per annum pace than in the United States.

Auto "Break-Through"

What chances are there of the aluminum industry's breaking into new volume markets? Industry spokesmen are confident that it can be done. They point out that for the first time since World War II ended, a free and continuing supply of metal is available for new market use. Sales forecasts of the various companies show projected increases in consumption in 1957 of 7 to 12% over 1956, assuming that general business activity continues at the rate of growth of the past few years. Most of the year-to-year gains are expected to develop after the first quarter.

One of the most promising opportunities for a "break-through" into volume levels is the transportation field, particularly passenger car applications. Approximately 21% of the domestic aluminum market is accounted for by transportation in all forms, of which auto parts account for approximately 12%, aircraft 8%, and railroad equipment 1%.

In the automotive field, manufacturers of trucks and trailers consume substantial quantities of aluminum. Its consumption in domestic passenger car manufacture, however, until recently has been at relatively low unit levels compared to the use of other materials. The rising interest in aluminum passenger car applications reflects a number of underlying factors, including: the growing concern of automobile manufacturers with the problem of weight, as additional gadgets, conveniences, and other sales points are added; the increasing availability of aluminum for the automotive market; the strong competitive price position of the metal; and major gains in aluminum manufacturing techniques and technology. The weight appeal of aluminum can be realized from the fact that only 40 pounds are needed to replace more than 115 pounds of heavier metal in the average car.

Aluminum Company of America's second annual automotive survey indicates, on production forecasts of a 6,500,000 passenger car year, that 1957 models should consume 15.6% more aluminum per car than was actually used last year. On this basis, it is estimated that new car manufacture will require 130,000 tons of aluminum during 1957—a new all-time high. Alcoa now estimates that the average 1957 car will use 40 pounds of aluminum, as compared with 34.6 and 29.5 pounds respectively on 1956 and 1955 models. With some high-priced models using from 125 to 255 pounds of the light metal, the above estimate of average per car use in 1957 could prove to be conservative.

Automobile Uses

Where is aluminum used in your car? The largest single application is automatic transmissions, now accounting for 41.1%. Engine components account for another 32.6%, power brakes and steering take 7.3%, trim 13.2%, and miscellaneous uses make up the remainder. Aluminum trim in natural and color finishes has found quick acceptance, the 30-million pounds currently earmarked for this purpose representing a gain of 80% over 1956. A substantial portion of the aluminum flowing into the automotive market is represented by die castings. New models average 17.7 pounds of die castings, as compared to 15.7 and 12.3 pounds respectively on 1956 and 1955 cars.

This expanded use occurred and was engineered into passenger car design before aluminum came into free supply. It seems very likely that 1958 and 1959 models will use substantially larger amounts, with a major "break-through" in terms of tonnage used a real possibility.

For example, one aluminum manufacturer has designed an aluminum wheel and brake drum which would add some 70 pounds per car and effect important weight savings. The die cast aluminum engine-block, previously announced, is moving steadily through the testing stage towards the production line. This one-piece block weighs only 43 pounds, or 130 pounds less than a conventional gray iron block, and reportedly can be produced at 10% lower cost.

In the United Kingdom and France, the automotive industry is already one of the major markets for aluminum. It is estimated that the automotive market in the United Kingdom in 1955 alone absorbed some 19% of available aluminum supply. Use per car in Britain already averages around 116 pounds, while the more expensive models like the Jaguar use up to 182 pounds.

Shipbuilding and Railroads

Abroad, therefore, the direction of any break-through is more likely to occur in the older forms of transportation: railroad and steamship. Shipping yards the world over, based on tonnage in place or on the books, will be busy building new ocean liners, tankers, intercoastal and other types of ships well into the 1960's Now that the initial prejudices and technical difficulties of using aluminum on ships has been overcome, a growing volume of aluminum should flow into shipbuilding, particularly for superstructures. Aluminum is already proving itself in this field through economies of maintenance and attendant savings in fuel through lessened deadweight hauling.

The use of aluminum by the railroad transportation industry is very noticeable in such countries as Switzerland, France, and the Netherlands, and can be expected to be used in larger volume in Western Europe. Rolling stock on the British railway systems, particularly freight cars, is in bad condition; and the British Government can no longer defer purchase of new equipment. While the British iron and steel industry can be expected to obtain a very substantial part of such replacement demand, it also offers the aluminum industry in Britain a challenging market for substantial quantities of metal.

Aluminum in Aircraft

It has been estimated that less than 10% of aluminum production finds its way into aircraft production in the United States, 3% of which is for military aircraft. The industry believes that it will take 10 years before it loses its military aircraft market to other metals. Approximately 14% of domestic aluminum production is being used for defense, a market which seems likely to hold for the next several years in view of present world tensions.

Building and Construction Uses

The No. 1 market for aluminum, exceeding the transportation field, is building and construction. Here, the aluminum industry has been making spectacular inroads, through curtain wall construction, color-finishes, insulation, air conditioning, windows, sidings, and the like. Air conditioning presents a strong future market for aluminum in that only 5% of the small homes in the United States are so equipped, five-million apartment buildings are in need of it, and many office buildings are still to be converted over to it. Aluminum Company of America has recently started an intensive development program for new and better aluminum residential building products. Alcoa is convinced that a reasonable use of the aluminum building products now available could put 1,200 to 2,000 pounds into a new home, as compared with the 50 to 100 pounds in 1955. To implement the program, it is erecting, through independent builders, 50 model homes at strategic locations throughout the United States during 1957 fully utilizing aluminum building products, and has commissioned one of the nation's foremost residential architects to help with design.

The aluminum industry is also looking hopefully to the nation's multi-billion-dollar highway construction program for added volume. Not only aluminum guard rails, light standards, highway signs, but also structurals for construction of land bridges for separation of local from through traffic are being considered or are in use.

Order books of both primary and secondary producers indicate that requirements of manufacturers of electrical goods and appliances are steadily increasing. Some estimate that present requirements will double by 1960. More aluminum is finding its way into power transmission and distribution lines, into packaging, and even into small motors. In short, the increasing requirements for aluminum over any extended period appear to be general, and possible break-throughs in several fields could result in substantially higher levels of demand.

Incurable Optimist

For these reasons, I find myself an incurable optimist on the industry's basic long-term prospects. This is not to say that the industry will be immune to occasional dips or pauses in its forward momentum, but these only provide opportunities for the alert investor to acquire aluminum equities at attractive price levels. There are only 10 common stocks of integrated aluminum companies actively traded in world security markets. Three of these are domiciled in the United States, and one each in Canada, Britain, France, Italy, Switzerland, Japan and India. Actually the list is smaller when safety of principal is taken into consideration. By far the largest and most progressive of these companies are the ones located on the North American Continent. A summary of estimated earnings for 1956 and 1957, together with indicated annual dividend rate and yield, is as follows: The earnings estimates for 1957 are based on the assumption that all of the metal produced will be sold and, accordingly, should be regarded as maximum forecasts for the current year.

Estimated Per Common Share Earnings and Indicated Dividend Rates of the Four Major North American Producers

	Estimated —Earnings— 1956	1957	Current Price (2-1-57)	Current Price x 1957 Estim. Earns.	Indicated Annual Div. Rate	Yield %
Aluminium Limited	$5.75	$7.82	$120½	15.4	$2.40	1.99
Aluminum Co. of America	4.32	4.64	86⅞	18.7	1.20	1.38
Kaiser Alum. & Chem. Corp.	*2.35	*2.65	41½	15.7	0.90	2.17
Reynolds Metals Company	4.00	4.84	54¾	11.3	0.65	1.19

*12 months ended May 31 of the following year.

Railroad Securities

By GERALD D. McKEEVER

Minneapolis, St. Paul & Sault Ste. Marie

Net income of the Minneapolis, St. Paul & Sault Ste. Marie for 1956 made a new high by a good margin. Subject to possible year-end adjustments which may be published by the time this story appears, it is estimated that the "Soo" earned something between $3.75 and $4 last year as against $3.35 in 1955 and the next best result was registered in 1951 with earnings of $2.60 per share. It is also to be noted that the 1956 record was solidly achieved, rather than by means of a reduction in maintenance outlay which has been at least a highly questionable expedient to bolster earnings in so many other cases. While the rate of maintenance in 1956 ran about a point under that of the previous year, this was because of an increase of about 15% in revenues. The actual outlay for the year was about $1 million more than for the previous year and in November of last year, in which revenue showed a very small decline, the rate of maintenance was stepped up to 41.9% as against 33.6% for the 1955 month. This was the main reason for the operating deficit reported for last November and for the deficit of 16 cents per share as against net income of 48 cents per share for November 1955.

Last year's result might conceivably have been better had it not been for the steel strike which for almost a month all but halted the movement of iron ore which ordinarily represents almost 5% of the freight revenues of the "Soo." This traffic, however, does not swing the balance between a good year and a bad one for this road. For the "Soo" it is a matter of the volume of grain movement which contributes some 30% of the road's freight revenues and 1956 was a good year in this regard. It should also be noted that when we speak of "freight revenues" of this road, we mean the greater part of total revenues since passenger revenues represent the minor factor of around 2% of the total.

The 3,324 mile "Soo" extending northwest into North Dakota from Superior, Wis., and the Twin Cities is controlled by the Canadian Pacific and is its largest separately operated subsidiary. The "Soo" in turn operates the Wisconsin Central which extends southward from the Twin Cities to Chicago via Duluth. These two roads together afford access to Chicago for the Canadian Pacific, and the 1948 traffic agreement between the latter and the "Soo," and which superseded the less favorable 1940 arrangement, not only lengthened the haul for the "Soo" on traffic interchanged with the parent road but also gives the "Soo" a better rate per car. About 45% of the traffic of the "Soo" is received from connecting carriers.

The banner results of 1956 were achieved from new peaks in revenues and traffic, revenues having topped 1955 by about 15%, as mentioned earlier. However, the "Soo" has outdistanced both its Northwestern District and the Class I average in both traffic and revenue trends in all recent years with the exception of 1953. Fully dieselized since early 1955, the "Soo" is now a fairly low-cost operation, its Transportation Ratio having declined to 34.8% in 1955 as a result of dieselization as compared with 38.3% for 1954 and 39.1% on the average for the 1951-54 period, and the Transportation Ratio for the first 11 months of 1956 was the same as the 34.8% for the 1955 year. Also, the overall efficiency measure of gross ton-miles per freight train-hour showed a 55% gain for the 1947-55 period and the "Soo" is lightly capitalized with only $9,200 of bonded debt and $19,000 of stock per mile of road.

In spite of all these favorable points, the stock of the "Soo" is classed among the speculative rail equities as evidenced by the market appraisal of less than five times estimated 1956 per share earnings at the current price of about 18½. As a result, it produces the exceptionally high yield of over 8% based on total dividend payments of $1.50 per share in 1956, and which included extra payments of 25 cents on each of the two semi-annual payments dates. Similar action is expected for the first 1957 payment which should be declared about the middle of this month for payment on March 31.

Based on earnings alone it would seem fair to expect that the total payment for this year would at least equal the $1.50 per share of 1956 since earnings for that year which, due to reorganization terms, determine the dividend for the current year, are expected to prove to be higher than those of 1955 out of which the 1956 dividend was disbursed. Cash and working capital are admittedly moderately lower, but not significantly so. Cash items as of last Nov. 30 were down about $800,000 and working capital was down only a little over $900,000.

The reasons of the speculative classification of "Soo" stock are principally the heavy dependence of the road on grain conditions and on farm income and purchasing power and, as a result, its irregular record of earnings. Net income for 1953, for instance, amounted to only 84 cents per share, but it should not be overlooked in this connection that this was largely due to heavy maintenance expenditures that now seem to be under better control due to complete dieselization and other capital improvements.

Another factor in the low rate of capitalization of earnings evidenced in the price-earnings multiple of less than "five times" is that dividend payments will probably be held at a low level relative to indicated "available" earnings for some time because of capital needs. Late last year the road announced plans for an $8.1 million freight car construction program, for instance. Although the "Soo" has been on the "plus" side in its freight car hire account for several years, only about 25% of its car fleet has been added since the end of World War II. Furthermore, the "Soo' is a light road, laid largely with 90 lb. rail. This indicates the probability of a long range replacement program in order to gain fuller efficiency from high-speed heavy train capabilities of diesel operation and the road also contemplates a yard and bridge improvement program. Thus while defined or indicated "available" earnings are within about 15 cents of reported earnings as far as reorganization indenture terms are concerned, the portion of net that can actually be paid out to stockholders may be considerably less for some time.

For the more conservative investor, the "Soo" first mortgage income 4½s due in 1971 should have considerable appeal at the current price of about 83, at which the yield to maturity is about 6¼%. While payment of interest on this issue is contingent on the availability of earnings, it has the first call on such earnings, and the interest charge on this bond together with the road's small fixed charges was covered about 6½ times in 1956 and 4½ times on the average for the previous five years. Furthermore, interest is fully cumulative, and this $6.3 million issue is secured by the first mortgage on the entire mileage of the road and on all other assets now owned or hereafter acquired.

L. A. Investment Course Sponsored by Exchange

LOS ANGELES, Calif.—Something new has been added to the Montebello Community Investment Course to be presented Feb. 19 through March 26 by the Los Angeles Division, Pacific Coast Stock Exchange, it was announced by Course Chairman Lewis J. Whitney, Jr.

The comprehensive investment educational series, to be held at Montebello High School Auditorium, will feature two panel discussions, he said.

On March 12, Mr. Whitney, of Dempsey-Tegeler & Co., and Alfred B. Post, of Shearson, Hammill & Co., will discuss securities analysis, while on the final evening of the course, March 26, a full panel comprised of all previous lecturers will conduct a panel on "Investment Policy in 1957."

The series will also include the following lectures:

Howard D. Dawson (Morgan & Co.) "Securities, Types and Origins," Feb. 19; W. G. Paul (President, Los Angeles Division, Pacific Coast Exchange), "Securities Markets and their Operations," Feb. 26; William G. Williams, Jr., (Dean Witter & Co.), "Market Behavior," March 5; and Dr. John C. Clendenin (UCLA), "What are Common Stocks Worth?", March 19.

Among the sponsors are the Montebello and Bell Gardens Chamber of Commerce, Kiwanis, Lions and Rotary Clubs of Montebello and Lions and Rotary Clubs of Bell Gardens.

Further information is available at Montebello Unified School District Adult Education Dept., 2100 W. Cleveland Avenue, or at the Exchange, 618 So. Spring St.

Joins Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—H. Russell Bracken is now with Goodbody & Co., 217 South Church Street.

With United Secs. Co.

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — Arnold S. Marks has become affiliated with United Securities Company, Southeastern Building.

Joins Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — William H. March is with Reynolds & Co., 221 South Church Street.

With Garrett-Bromfield

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — James R. Cleaver is now with Garrett-Bromfield & Co., 650 Seventeenth Street, members of the Midwest Stock Exchange.

Joins Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert W. Elmer has joined the staff of Harris, Upham & Co., 740 Seventeenth Street.

Wayne Jewell Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Forrest L. Thomas has been added to the staff of Wayne Jewell Company, 818 Seventeenth Street.

With Barclay Inv. Co.

CHICAGO, Ill.—Robert S. Johnson has become affiliated with Barclay Investment Co., 208 South La Salle Street.

Hess Inv. Adds

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill. — James G. McFarland is now with Hess Investment Company, 721 Maine Street.

Joins Columbine Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — C. Edward Ashley, William G. Chambers, LeRoy A. Duke, Douglas L. Duncan, Lavon H. Duncan, Harold S. Ellms, Dean S. Foltz, Gilbert L. Hill, W. Horace Palmer, William H. Schneider, and Howard B. Stewart are now with Columbine Securities Corp., 1780 South Broadway.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Aid Investment & Discount, Inc.
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. **Offering**—Expected today (Feb. 14).

• **Allied Resources Fund, Inc. (2/25-28)**
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 on or about Feb. 27, 1957, on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on or about March 14. **Price**—To be set on Feb. 25. **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**—To be determined by competitive bidding. Probable bidders: White, Weld & Co. and Drexel & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. **Bids**—To be received at Room 1730, 165 Broadway, New York 6, N. Y., up to 11 a.m. (EST) on Feb. 27.

• **Anaconda Co., New York (2/15)**
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.

★ **Appalachian Electric Power Co. (3/19)**
Feb. 13 filed $29,000,000 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.; Eastman Dillon, Union Securities & Co. and Kuhn, Loeb & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11 a.m. (EST) on March 19 at the office of American Gas & Electric Service Corp., 30 Church St., New York 8, N. Y.

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) being 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. Statement withdrawn.

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.

• **Barden Corp., Danbury, Conn. (2/19)**
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. (2/20)**
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.

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. (2/15)**
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., 120 Elm St., 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.

★ **Central & South West Corp.**
Feb. 11 filed 600,000 shares of common stock (par $5). **Proceeds**—To repay bank loans and to purchase additional common stocks of Central Power & Light Co., Public Service Co. of Oklahoma and Southwestern Gas & Electric Co. **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).

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.

★ **Cessna Aircraft Co.**
Feb. 4 (letter of notification) 500 shares of common stock (par $1). **Price**—$40 per share. **Proceeds**—To go to Getto McDonald, the selling stockholder. **Office**—5800 Pawnee Road, Wichita, Kan. **Underwriter**—Harris, Upham & Co., Wichita, Kan.

★ **Cessna Aircraft Co.**
Feb. 5 (letter of notification) 2,550 shares of common stock (par $1). **Price**—$39 per share. **Proceeds**—To go to Dwane L. Wallace (President), who is the selling stockholder. **Underwriter**—Francis I. du Pont & Co., Wichita, Kan.

★ **Cohen (Harry) Merchandising Corp. (2/20)**
Feb. 5 (letter of notification) 30,000 shares of 6% participating preferred stock. **Price**—At par ($10 per share). **Proceeds**—For retirement or exchange of $100,000 6% subordinated debentures; to open new stores; and for working capital. **Office**—134-01 Atlantic Ave., Jamaica, L. I., N. Y. **Underwriter**—None.

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 uled to be received up to 11 a.m. (EST) on March 5 at City Bank Farmers Trust Co., 2 Wall St., New York, N. Y.

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 and Power Co.**
Jan. 24 filed 927,598 shares of common stock (no par) being 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. Warrants will be mailed on or about Feb. 15. **Price**—$16.50 per share. **Proceeds**—For construction program. **Underwriter**—None.

• **Consolidated Edison Co. of New York, Inc. (2/26)**
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.

★ **Cornwells Industries, Inc.**
Feb. 7 (letter of notification) 25,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Address**—State Road, Cornwells Heights, Pa. **Underwriter**—None.

• **Danly Machine Specialties, Inc. (2/19)**
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.**
Jan. 16 filed 328,630 shares of common stock (par $7) being 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**—$42 per share. **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.

★ **Equipment Finance Corp.**
Feb. 5 (letter of notification) $300,000 of 6% 10-year bonds to be offered to present stockholders and to individuals engaged in the farm equipment business in N. C. and S. C. **Price** — At par (in denominations of $1,000 each.) **Proceeds** — For working capital. **Office** — 1026 South Blvd., Charlotte, N. C. **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.

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.

★ **Food Town, Inc., Washington, D. C. (2/18)**
Feb. 1 (letter of notification) 100,000 shares of 8% convertible preferred stock. **Price**—At par ($3 per share). **Proceeds** — To open and equip two new supermarkets. **Office**—20 "O" St., S. E., Washington, D. C. **Underwriter**—Rudd, Brod & Co., Washington, D. C.

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.

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.

★ **General Public Utilities Corp. (3/11)**
Feb. 6 filed 646,850 shares of common stock (par $5) to be offered for subscription by common stockholders of record March 8, 1957, at the rate of one new share for each 15 shares held; rights to expire on March 29, 1957. [Each holder of less than 15 shares will, in lieu of the warrant otherwise deliverable to him, receive the cash equivalent thereof.] Subscription warrants are expected to be mailed on or about March 11. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for further investments in domestic subsidiaries. **Underwriter** — None. Merrill Lynch, Pierce, Fenner & Beane, New York, will act as clearing agent.

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 for working capital. **Office**—41 Stukely St., Providence, R. I. **Underwriter**—Bruns, Nordeman & Co., New York, N. Y.

★ **Hilo Electric Light Co., Ltd., Hilo, Hawaii (3/5)**
Feb. 7 filed 51,380 shares of common stock (par $20), of which 45,320 shares are to be offered for subscription by common stockholders of record March 5, 1957 at the rate of two new shares for each seven shares held; rights to expire on or about April 6, 1957. Any unsubscribed shares plus the remaining 6,000 shares to be offered to employees, and the balance, if any, to the general public. **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for expansion and construction program. **Underwriter**—None.

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

Continue don page 36

NEW ISSUE CALENDAR

February 14 (Thursday)
New York, Chicago & St. Louis RR. ---- Equip. Trust Ctfs.
(Bids noon EST) $6,420,000

February 15 (Friday)
Anaconda Co. ---- Common
(Offering to stockholders—underwritten by Hallgarten & Co.) 1,734,865 shares
Cargo Cool Corp. ---- Common
(Fred Kaufman Co.) $300,000
Security Electronics Corp. ---- Common
(Foster-Mann, Inc.) $263,750
Trans-Gulf Offshore Drilling, Inc. ---- Common
(Dallas Rupe & Son, Inc.) $1,400,000

February 18 (Monday)
Arnold Altex Aluminum Co. ---- Preferred & Common
(Scott, Horner & Mason, Inc.) $1,399,840
Food Town, Inc. ---- Preferred
(Rudd, Brod & Co.) $300,000
New England Power Co. ---- Bonds
(Bids noon EST) $10,000,000
Sperti Products, Inc. ---- Debentures & Common
(Smart, Clowes & Oswald, Inc.) $745,300
Tower Acceptance Corp. ---- Class A Common
(S. D. Fuller & Co. $1,000,000

February 19 (Tuesday)
Barden Corp. ---- Common
(Shearson, Hammill & Co.) 146,160 shares
Danly Machine Specialties, Inc. ---- Common
(A. G. Becker & Co. Inc.) 150,000 shares
Inter-County Telephone & Telegraph Co. ---- Common
(Central Republic Co. Inc.) 25,000 shares
Southern California Edison Co. ---- Bonds
(Bids 8 a.m. PST) $37,500,000

February 20 (Wednesday)
Barnwell Offshore, Inc. ---- Debentures & Common
(Bear, Stearns & Co.) $2,600,000
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
Loyal American Life Insurance Co. ---- Common
(Offering to stockholders—to be underwritten by J. H. Goddard & Co., Inc. and Thornton, Mohr & Farish) 230,000 shares
Merchants Acceptance Corp. ---- Class A
(Offering to stockholders—to be underwritten by G. H. Walker & Co.) 44,518 shares
Morningstar, Nicol, Inc. ---- Common
(Lee Higginson Corp.) 100,000 shares
New England Electric System ---- Common
(Exchange offer—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co. to act as dealer-managers) 819,000 shares

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)
Allied Resources Fund, Inc. ---- Common
(Fund Corp.) 400,000 shares
South Carolina Electric & Gas Co. ---- Common
(Offering to stockholders—to be underwritten by Kidder, Peabody & Co.) 336,085 shares

February 26 (Tuesday)
Consolidated Edison Co. of New York, Inc. ---- Debs.
(Offering to stockholders—underwritten by Morgan Stanley & Co. and The First Boston Corp.) $55,087,300
Illinois Bell Telephone Co. ---- Bonds
(Bids 11 a.m. EST) $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
Missouri Portland Cement Co. ---- Common
(Blyth & Co., Inc.) 101,233 shares
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) 549,334 shares

March 5 (Tuesday)
Columbus & Southern Ohio Electric Co. ---- Bonds
(Bids 11 a.m. EST) $16,000,000
Hilo Electric Light Co. ---- Common
(Offering to common stockholders—no underwriting) 51,380 shs.
Lone Star Gas Co. ---- Preferred
(Offering to common stockholders—underwritten by The First Boston Corp.) $19,483,400
Stuart-Hall Co., Inc. ---- Common
(White & Co.) about 40,000 shares

March 6 (Wednesday)
Jorgensen (Earle M.) Co. ---- Common
(Blyth & Co., Inc.) 350,000 shares
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 noon EST) $50,000,000

March 13 (Wednesday)
Southern Co. ---- Common
(Offering to stockholders—bids 11 a.m. EST) 1,507,304 shares

March 14 (Thursday)
Ann Arbor RR. ---- Equip. Trust Ctfs.
(Bids to be invited) $1,860,000
Wrigley Properties, Inc. ---- Common
(Offering to stockholders of ACF-Wrigley Stores, Inc.—to be underwritten by Allen & Co.)

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
Chicago, Burlington & Quincy RR. ---- Equip. Tr. Ctfs.
(Bids to be invited) $7,500,000

March 20 (Wednesday)
Baltimore Gas & Electric Corp. ---- Common
(Offering to stockholders—to be underwritten by The First Boston Corp.) approximately 580,000 shares
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 21 (Thursday)
Southern Ry. ---- Equip. Trust Ctfs.
(Bids to be invited) $5,540,000

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 3 (Wednesday)
Columbia Gas System, Inc. ---- Common
(Bids to be invited) 1,500,000 shares

April 11 (Thursday)
Mississippi Power Co. ---- Bonds
(Bids 11 a.m. EST) $6,000,000

April 15 (Monday)
Baltimore & Ohio RR. ---- Equip. Trust Ctfs.
(Bids to be invited) $3,585,000

April 23 (Tuesday)
Minneapolis & St. Louis Ry. ---- Equip. Trust Ctfs.
(Bids to be invited) about $2,700,000

May 6 (Monday)
Cincinnati, New Orleans & Texas Pacific Ry. ---- Equip. Trust Ctfs.
(Bids to be invited) about $2,000,000

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

Continued from page 35

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 up to 11 a.m. (EST) 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 185,000 shares by Financial General Corp. on a basis of 1⅔ shares of International common stock in exchange for one share of Financial common stock. Equity and Financial are to receive the 185,000 shares each of International common stock in exchange for all the outstanding shares of common stock of Investors Financial Corp. and Group Equities, Inc. International has been informed that 142,000 shares of Equity common owned by Fremont Corp. will be tendered in acceptance of the Equity exchange offer. **Underwriter**—None.

International Duplex Corp., San Francisco, Calif.
Dec. 21 filed 500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To equip and establish five super launderettes and for working capital. **Underwriters**—Names to be supplied by amendment.

Jacobs (F. L.) Co.
Oct. 4 filed $3,000,000 of 6% convertible debentures due Nov. 1, 1966. **Price**—100% of principal amount. **Proceeds**—To pay short-term loans and for working capital. **Underwriters**—McLaughlin, Cryan & Co. and Gearhart & Otis, Inc., both of New York. **Offering**—Date indefinite.

★ Jorgensen (Earle M.) Co., Los Angeles, Calif. (3/6)
Feb. 11 filed 350,000 shares of common stock (par $1), of which 100,000 shares are to be for account of the company and 250,000 for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—Together with $4,000,000 bank loans, to repay short-term bank loans incurred for working capital. **Business** — Warehousing and distribution of steel and aluminum products. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif., and New York, N. Y.

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.
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.

★ Lone Star Gas Co. (3/5)
Feb. 13 filed 154,834 shares of cumulative convertible preferred stock to be offered for subscription by common stockholders of record March 5, 1957 on the basis of one share of preferred stock for each 40 common shares held; rights to expire on March 25. **Price**—At par ($100 per share). **Proceeds**—Together with other funds to repay bank debt of $20,000,000 incurred for construction program. **Underwriter**—The First Boston Corp., New York.

● Loyal American Life Insur. Co., Inc. (2/20-25)
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.
Jan. 18 filed $12,281,100 of convertible subordinated debentures due Feb. 1, 1977, being 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**—100% of principal amount (flat). **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Lehman Brothers and Goldman, Sachs & Co., both of New York.

★ Manning, Maxwell & Moore, Inc. (3/1)
Feb. 8 filed 71,390 shares of common stock (par $12.50) to be offered for subscription by common stockholders of record March 1, 1957 at the rate of one new share for each 10 shares held; rights to expire on March 13. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Clark, Dodge & Co., New York.

★ Mason Mortgage Fund, Inc., Washington, D. C.
Feb. 8 filed $1,000,000 of 8% note certificates. **Price**—At par (in denominations of $250 each). **Proceeds**—For investment. **Underwriter** — None. Offering to be made through officers and employees of this company and of its affiliate, Mason Mortgage & Investment Corp.

● Merchants Acceptance Corp. (2/20)
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 36 loan offices of company's subsidiaries or to open or acquire additional offices. **Office** — Worcester, Mass. **Underwriter**—G. H. Walker & Co., Providence, R. I.; 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.

● 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. Statement effective Feb. 1.

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.

★ Minnesota Power & Light Co. (3/11)
Feb. 8 filed $12,000,000 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.; 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.

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.

★ Missouri Portland Cement Co. (2/27)
Feb. 7 filed 101,233 shares of capital stock (par $12.50). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Office**—St. Louis, Mo. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

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.

National Fidelity Insurance Co.
Nov. 30 (letter of notification) 33,000 shares of common stock (par $1.25) to be offered to stockholders on the basis of one share for each seven shares held. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—314 Pine St., Spartanburg, N. C. **Underwriter**—None.

National Old Line Insurance Co.
Nov. 15, 1955 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office** — Little Rock, Ark. **Underwriter** — Equitable Securities Corp., Nashville, Tenn., and New York, N. Y. **Offering** — Indefinitely postponed.

New Brunswick (Province of)
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 (2/20)
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.

★ Northwest Financial Corp.
Feb. 6 (letter of notification) 70,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($4 per share). **Proceeds** — To pay off notes issued in acquiring the shares in subsidiary companies and for working capital. **Office**—4000 Montgomery Drive, Santa Rosa, Calif. **Underwriter**—None.

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.

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.

★ Paradise Valley Country Club, Inc.
Feb. 6 (letter of notification) $300,000 of first mortgage sinking fund 5% bonds due Jan. 1, 1969. **Price**—At par (in denominations of $500 and $1,000 each). **Proceeds**—To build a club. **Office**—Scottsdale, Ariz. **Underwriter**—None.

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.
Jan. 16 filed $171,720,200 of 4¼% convertible subordinated debentures due 1987 being 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**—100% of principal amount (flat). **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.

★ **Plymouth Fund, Inc., Miami, Fla.**
Feb. 5 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Plymouth Bond & Share Corp., Miami, Fla. Joseph A. Rayvis, also of Miami, is President.

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.

★ **Princeton Research Park, Inc.**
Feb. 11 (letter of notification) 19,360 shares of common stock (no par). **Price** — $12.50 per share. **Proceeds**—Together with other funds, to construct office building for occupancy by Opinion Research Corp., the estimated cost of which is $550,000. **Office**—44 Nassau St., Princeton, N. J. **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.

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**—To be received up to 8 a.m. (PST) on Feb. 19 at 601 West 5th St., Los Angeles, Calif.

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.

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.

● **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. **Offering**—Expected soon.

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. (2/18-21)**
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.**
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**—$156 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. **Offering**—Expected today (Feb. 14).

● **Trans-Gulf Offshore Drilling, Inc. (2/15-20)**
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. **Office**—Houston, Tex. **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.

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.

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.

★ **Ward Leonard Electric Co.**
Feb. 11 (letter of notification) a maximum of 300 shares of capital stock (par $4). **Price**—$10 per share. **Proceeds**—To stockholders entitled to receive fractional interest in 10% stock dividend. **Office**—115 MacQuesten Parkway South, Mount Vernon, N. Y. **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.

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 Photo Equipment Co.**
Feb. 5 it was reported company plans early registration of about 200,000 shares of common stock, part for company and part for selling stockholders. **Underwriter**—Lehman Brothers, New York.

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.

★ **Ann Arbor RR. (3/14)**
Bids will be received by the company on March 14 for the purchase from it of $1,860,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.; Baxter & Co.

★ **Baltimore Gas & Electric (3/20)**
Feb. 8, Charles P. Crane, Chairman of the Board and President, announce that the next financing will probably take the form of an issue of approximately 580,000 shares of common stock which are to be offered for sub-

Continued on page 38

Continued from page 37

scription by common stockholders of record March 15 on the basis of one new share for each 11 shares held. Subscription period would probably extend from the latter part of March into early April. **Underwriter**—The First Boston Corp., New York. **Registration**—Expected on Feb. 28.

★ Baltimore & Ohio RR. (4/15)
Bids are expected to be received by the company on or about April 15 for the purchase from it of $3,585,000 equipment trust certificates to be due annually in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ Chicago, Burlington & Quincy RR. (3/19)
Bids are expected to be received by the company on March 19 for the purchase from it of $7,500,000 equipment trust certificates due in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Chicago & North Western Ry. (2/27)
Bids will be received by the company, at Room 1400, 400 West Madison St., Chicago 6, Ill., up to noon (CST) on Feb. 27 for the purchase from it of $1,335,000 equipment trust certificates to be dated March 15, 1957 and to mature in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Cincinnati, New Orleans & Texas Pacific Ry. (5/6)
Feb. 5 it was reported that the company plans to issue and sell around May 6 $2,000,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Cleveland Electric Illuminating Co.
Nov. 12 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds in the Summer of 1957. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Dillon, Read & Co. Inc.; Blair & Co. Inc., and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; White, Weld & Co.

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.

★ Columbia Gas System, Inc. (4/3)
Feb. 13 it was announced corporation plans to issue and sell to the public 1,500,000 shares of common stock (no par). **Proceeds**—For financing construction work of subsidiaries. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co. **Bids**—Expected to be received on April 3. **Registration** — Statement expected to be filed shortly.

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.

★ Consolidated Natural Gas Co.
Feb. 11 it was reported company plans to issue and sell, probably in June $25,000,000 of 25-year debentures and an additional $25,000,000 of debentures in the Fall. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan, Stanley & Co. and the First Boston Corp. (jointly).

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.

★ Denver & Rio Grande Western RR.
Feb. 11 it was reported company plans to issue and sell in May or June about $5,000,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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. **Registration** — Expected Feb. 18.

● First National Bank of Middletown, Ohio
Feb. 5 this bank offered 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 Telephone Corp.
Feb. 5 it was reported company plans to issue and sell, probably in June, $40,000,000 of convertible debentures. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York; and Mitchum, Jones & Templeton of Los Angeles, Calif.

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.

★ Illinois Power Co.
Feb. 7, the directors approved, subject to stockholder approval, an increase in the authorized serial preferred stock (par $50) from 1,000,000 shares to 1,600,000 shares. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp., both of New York.

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.
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.

★ Minneapolis & St. Louis Ry. (4/23)
Bids are expected to be received by the company on April 23 for the purchase from it of $2,700,000 equipment trust certificates to mature annually in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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).

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.

★ Pennsylvania RR.
Bids are expected to be received by the company late in February or early in March for the purchase from it of from $7,000,000 to $8,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ Pittsburgh Railways Co.
Feb. 5 it was announced that the 540,651.75 shares of common stock of this company held by Standard Gas & Electric Co. will be sold on a rights offering to Standard Gas stockholders at the rate of one share of Pittsburgh Rys. stock for each four shares of Standard Gas common stock held. Standard Shares, Inc., the holder of 45.6% of the common stock of Standard Gas has agreed to exercise the rights to which it will be entitled and, in addition, has agreed to purchase, at the subscription price, all the shares of Pittsburgh Rys. stock not subscribed for by the public stockholders. The subscription period will run for a period of not less than 21 days. **Price** — $6 per share, less any dividends paid on the Pittsburgh Rys. stock after Oct. 19, 1956. **Proceeds**—To Standard Gas & Electric Co. **Underwriter**—None.

★ Portland Gas & Coke Co.
Feb. 1 was reported company plans offering, probably first to common stockholders, of additional common stock later this year. **Underwriting**—May be on a negotiated basis.

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. **Registration**—Expected about Feb. 21.

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 Ry. (3/21)
Bids are expected to be received by the company on March 21 for the purchase from it of $5,540,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 issuance of senior securities and possibly equity securities and $40,000,000 from an existing bank loan agreement. Early registration of $40,000,000 to $50,000,000 is expected. **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).

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. (3/14)
Feb. 11 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 held as of record on or about March 12, 1957, with rights to expire on or about March 28. **Price** — $2 per share. **Proceeds**—To develop locations principally for use by the parent company, which may include individual locations, warehouse sites and shopping centers. **Underwriter**—Allen & Co., New York. **Registration**—Expected shortly.

Our Reporter's Report

The pace in the investment market, new issue as well as in the seasoned list, has quieted down noticeably but is viewed in bond circles as doing decidedly well considering the behavior of stocks in the last fortnight.

Though demand has simmered down a bit, observers find that people are not backing away from bonds as they have been in the case of equities.

And what is quite as reassuring, there has not been any appreciable build-up in dealers' shelf stocks of corporate obligations. Moreover, several substantial "layoffs" of stock against "rights" purchased in the open market by bankers have kept that end of the business moving.

By and large, however, the potential buyers of new investment securities appear to have adopted a "watch and wait" attitude toward the market presumably to get a line on what money will do in the weeks ahead. If it behaves the same way as since the turn of the year, buyers could take heart.

There is even a tendency in some quarters to look for the Federal Reserve to modify its current policy of firmness "over the next six months" to give an assist to business.

Meanwhile, the market and underwriting bankers can look forward to another relatively quiet period in the week ahead with only a smattering of sizable issues due up for bids.

Let's Not Delay

Foresight appears to be paying off handsomely for bankers handling the "standby" on the rights offering of 4,379,758 shares additional of Socony-Mobil stock to the company's shareholders.

The sponsoring syndicate has been making recurrent "layoffs" of the stock against "rights" purchased in the open market. The group has just completed its fifth such operation this week at a price of $49 a share.

Shares are available to holders of record Jan. 30 in the ratio of one new share for each 10 held at $45½. Considering the recent behavior of the equity market, the group has been doing well in its anticipatory operations.

Another Big "Rights" Deal

There was some disposition to look for a possible postponement of Anaconda Co.'s big "rights" offering because of market conditions. But last minute indications were that the operation would be carried through on schedule.

As a matter of fact, dealers and brokers who are participating in the business were busy signing up at the offices of the syndicate managers late yesterday. Because of the size of the group, two separate signing periods were necessary.

The 1,734,865 shares are to be offered to holders of record as of today in the ratio of 1 share for each 5 held. Rights are due to expire on March 5.

Slack Continues

There will not be any appreciable pickup in new issue business in the week ahead. Thus, wherever dealers may have bits and pieces around from previous offerings they will be able to put in more work in that direction.

The calendar shows only two issues actually up for bids, the largest, slated for Tuesday, being Southern California Edison Co.'s $37.5 million of 25-year first and refunding mortgage bonds.

On Monday New England Power Co. will accept bids for $10 million of 30-year first mortgage bonds which will put it in funds to liquidate outstanding short-term obligations.

Continued from page 12

What Should Be Our Money Policy?

abandon sound policy, and to let labor hang itself through inflation arising from excessive increases in wages, but a political situation could thereby be created which would be beyond their capacity to control. They might have no alternatives but to impose a degree of restraint which would cause an otherwise unnecessary recession, or to accede to some degree of inflation; and, unfortunately, what may appear to be at first a small degree of inflation may gradually become increasing and, finally, very disturbing inflation. It is very difficult if not impossible to keep inflation small and gradual.

Rise in Unsound Credits

(4) If unsound credits should begin to appear in large sections of the economy, and threaten to lead ultimately to an extreme degree of liquidation, they might have to forego temporarily what would otherwise be considered normal increases in reserves, and cause reserves to stand still or grow at a rate much slower than the standard. They would be in the unenviable position of having to choose the lesser of two evils.

(5) A change in the attitudes of banks towards borrowing at the reserve bank might at least temporarily take the control of the volume of reserves out of the hands of Reserve authorities, especially if open market holdings were very small, and leave them with only advancing money rates as a means of checking over-expansion of credit.

(6) Extremely high money rates might tend to produce trouble in the sterling area or elsewhere abroad. Although domestic conditions are entitled to primary consideration, foreign conditions cannot be altogether disregarded.

(7) Foreigners hold vast quick claims against our gold reserves, and in theory could draw out a vast portion thereof. This contingency does not seem to be regarded as very likely but it could conceivably cause trouble, and it is possible that we are not well enough set up to handle such a contingency without distortion of member bank reserves.

(8) Seasonal requirements for money, tax payments and Government refinancing operations call for temporary changes in member bank reserves. In this article the discussion is limited to year to year problems, and no attempt has been made to deal with intermediate needs. It has been presumed that these interim operations would go on as has been customary, regardless of longer range policy.

(9) Changes in customs as to the use of money, or developments which tended to improve efficiency in the use thereof, such, for example, as shorter delivery times, should be taken into consideration.

(10) Changes in the legally prescribed minimum ratios of reserves to deposits would require suitable adjustment.

(11) Sometimes when business declines and goods begin to move more slowly, inventories tend to pile up momentarily because many commitments to buy are already outstanding. Money has to be obtainable to make it possible to meet these commitments.

(12) Finally, it is always more or less difficult to get effective political support for the execution of any restraint however necessary. Whenever it is discovered that money costs more, that credit is less readily available, and that a more or less excessive rate of expansion is likely to be curbed somewhat, there are always voluble protests, exaggerated predictions of disaster, and alluring but fatuous schemes for perpetual advance without any readjustments whatever.

Federal Reserve Independence

This is always a difficult problem, and at best is likely to lead to a policy of too little and too late. This is one of the practical reasons for a large degree of autonomy for the Federal Reserve authorities. They can, to some extent at least, be made the scapegoat, and politicians more directly in touch with protesters can to some degree pass the buck to the Reserve authorities. In 1907 business expansion ran hard up against the then inflexible limits on the power of banks to lend more. As the rate of movement of goods receded somewhat, and inventories accumulated because of then outstanding commitments, not another cent could be borrowed. It became impossible in many cases to find enough money to meet the outstanding commitments and pay help. Hence, the "money panic" which required temporary measures to correct. This experience was one of the developments which led to establishment of the Federal Reserve System with its greater flexibility.

The excitement of this era abated 50 years ago, and our minds seldom run back so far. When we look at the available indices of industrial production in order to see how severe the effects of the "panic" really were, we find only a small dip in industrial production—one that is quite insignificant as compared to the valley of the depression of the 1930s. If the reins are slackened as soon as the horse has settled down a bit, and he appears ready to trot along at his best traveling gait, a policy of too much too quick restraint is less damaging than a policy of too little and too late. At least this is what the comparative records of 1907 and 1929 seem to indicated.

No Narrow Mathematical Precision Here

It is clear that the selection of a regular line of rather consistent and regular increases in the volume of reserves from a longish point of view as par for the course does not mean that such a course can under all conditions be followed with mathematical precision, but under conditions other than those of war or some of the other particularly extraordinary conditions, it seems reasonable to suppose that departures from the par course could be held within rather narrow limits, and that money rates would tend to become firmer or easier in accordance with the direction or degree of the departure. Such a general concept of central banking theory does not signify that Federal Reserve policy should follow a narrow, purely mathematical concept not subject to constant review in the light of actual developments, or disregard any of the realities, but it appears likely to give the best practically attainable results in our present state of knowledge. It is probable that the less the Federal Reserve authorities have to depart from the par for the course, by reason of the exigencies of government finance or for any other reason, the better the net results will be.

These concepts do not, as we have said before, promise a degree of stability in the general price level or in business activity which are impossible of actual achievement, but they do seem to offer a realistic promise of avoiding some of the extremes which have resulted in the past from misconceptions and false hopes as to the possibilities of monetary actions, and which have impeded business. It is possible that other measures based on the same fundamental concept may in the future make it possible to bring about a closer coordination of the movement of deposits with the ideal movement of member bank reserves outlined herein.

Money Managed in the Past

Some people object to any sort of "managed money," apparently in the belief that at some time in the past, the volume of money was free of any conscious control, and its supply was determined entirely by "natural causes," and that money rates were similarly determined. No such time ever existed. The volume of money has always been managed by fiat, legally prescribed formulae, or in some other way. Even the old gold system was managed in some degree by determination of the permitted ratio of deposits to gold and by setting the gold content of coins, and neither of these were inviolate. In most wars, and even at other times, both have been changed. Governments will not prescribe a fixed formula and give up all rights ever to change it.

An object of the gold standard was really an orderly progression in the volume of money. We are simply suggesting that the same objective be reached much more directly and simply. The best that one can do is to hope to persuade governments to follow sound policy, and if they will examine history with sufficient care, they will find it in their own best interests to permit themselves to be so persuaded. The suggested degree and policy of money management seem unavoidable, as limited as is practically possible, and as free as possible of the danger of unsubstantiated experiments. On the other hand, money management based on a belief that a given price level and/or degree of business activity may be indefinitely maintained by more radical and less consistent changes in member bank reserves, or by changes less well coordinated with a scientifically estimated need for money on a smoothed curve standard, may very well be disliked on the basis of history and reason.

Praises Federal Reserve

In recent years the Federal Reserve authorities seem to have done extremely well, not only in the matter of policy but also in publicizing the nature and significance of their policy in terms as simple as possible, to the end that it may be clearly known, widely understood, and receive the maximum attainable support.

Even with this excellent policy, however, they may not be able wholly to prevent a material recession at some point. In recent years bank loans have expanded much more rapidly than the volume of goods produced and the volume of deposits. To what extent business has become dependent on this abnormal rate of increase in bank loans is not entirely clear. It will at some time have to abate, because very noticeable inflation would otherwise result. After every recent war there has been at some time a very serious period of readjustment. In the 1930s there were many causes for the severe decline, not the least of which were unsound foreign, security and real estate loans created in the 1920s. Many of these conditions do not appear to be present today. But it is not impossible that other changes in the character of bank assets had an influence in the 1930s, and may have some influence in our nearby future.

Investment and Loan Created Deposits

During wars bank assets tend to take on an investment character, that is, a large portion of the assets come to be invested in government bonds, and the portion represented by loans strictly of a current self-liquidating character recedes. After the war is over, a reverse tendency sets in, with the result that the proportion of assets of an investment character declines, and the proportion of short current loans increases. Therefore, bank loans tend to increase, as we have seen them do recently, much more rapidly than the volume of money. Presumably the deposits created by current loans also turn over more rapidly than the deposits created by bank investments. When these processes have reached such a point that the rate of bank lending must diminish, and the volume of loans must move in closer correlation to the volume of deposits, a recession sets in. Had the economy become adjusted to a situation in which the rate of expansion of bank loans and deposits was well coordinated, we could believe that the policy which we have outlined would result in the successful avoidance of marked recession.

Until, however, the rate of current lending and volume of money have been more closely coordinated over a considerable period, it may be that even the present policy will not be as fully successful in mitigating recession as it would under conditions more remote from the effects of past wars. If this proves to be true, it will not be because the policy is unsound, but because there is no practical way of doing any better job until the investment portion of bank assets has become less significant, and the correlation of current loans and deposits has been established on a more permanent and usual basis—the word "usual" being used as descriptive of the situation found to exist among banks after the effects of war have been virtually completely eliminated, and a long period of peace has occurred.

JAMES A. HOWE
Industrial Investment Director
Mutual Life Insurance Co. of N. Y.
173 Parsonage Road
Greenwich, Conn.
Jan. 27, 1957

Graham Elected NASD District Chairman

James S. Graham

ST. PAUL, Minn.—James S. Graham, Allison-Williams Co., St. Paul, Minn., was elected Chairman of District Committee No. 4 (Minnesota, Montana, North Dakota and South Dakota) of the National Association of Securities Dealers.

Mr. Graham succeeds Morlan H. Bishop, M. H. Bishop & Co., Minneapolis.

Dreyfus Fund assets crossed the $10,000,000 mark on Jan. 4. Assets Dec. 31 were $9,972,747 compared with $5,639,306 a year ago. Share value went up 11.2% to $9.43 including 72.12 cents a share profits. Shareholders increased 4,916 to 7,135. 533,383 shares sold and 93,819 cashed in. Unrealized appreciation increased 1,039,783. Investment income amounted to 21 cents.

Mutual Funds

By ROBERT R. RICH

Mutual Funds to Double in Four Years

America's open-end mutual funds should have $20 billion in total net assets and more than four million shareholders by four years from now, according to Emerson W. Axe, economist and President of the Axe-Houghton mutual funds.

For 1957, Mr. Axe foresees sufficient business activity and personal income to provide a firm basis for new high records in mutual fund sales and assets. "It seems probable," he said, "that any recession in business, if indeed there is one, will be mild."

In support of his long-range forecast, Mr. Axe offered a fact and figure appraisal of the spectacular growth of these investment companies since 1940. Total net assets, he said, rose from $448,000,000 on Dec. 31, 1940, to $9,046,431,000 on Dec. 31, 1956.

"They have practically doubled every three and a half years since 1941," he continued. "This is a remarkable rate of growth not equalled by other forms of investment or savings and indeed equalled or surpassed by few other industries.

"In the decade which ended Dec. 31, 1955, for example, the net assets of all mutual funds in the United States multiplied 6.1 times. In the same period, savings and loan associations increased their assets 4.4 times, life insurance companies doubled their reserves, mutual savings banks increased their assets 1.8 times and commercial bank time deposits increased 1.5 times.

"A continuance of this rate of increase should enable the mutual funds to reach the $20 billion-mark in total net assets by the end of 1960."

Mr. Axe found the ever-widening ownership of mutual fund shares fully as remarkable. "The number of mutual fund shareholders in the United States," he said, "has increased from 296,000 on Dec. 31, 1940, to 2,518,049 on Dec. 31, 1956. It has tended to double every year since 1941."

These totals, he explained, do not allow for duplications—"and it is a well-known fact that many shareholders own shares in more than one fund.

"Net assets per shareholder have also increased sharply," said Mr. Axe—"from $1,513 on Dec. 31, 1940, to $3.593 on Dec. 31, 1956, also not allowing for duplications."

Mr. Axe called attention to the new all-time high records in gross and net sales of mutual funds in 1956.

He found the moderate deceleration in the rate of increase shown by mutual funds in 1956 (total assets rose $1,208,907,000 during the year) as "probably attributable to the Middle East crisis, which caused a decline in the general level of security prices, and substantial price declines in high-grade fixed-income securities owing to the rise in interest rates.

"The moderate slowing of the rate of increase," he observed, "marks only the third time since 1941 that anything of this kind has occurred. Furthermore, since then, the total net assets of the mutual funds have never shown a decline from the end of one year to another despite the substantial declines in the general level of security prices in 1946 and 1953."

Hudson Fund To Change Name, And Sponsor

James W. Maitland, President of Hudson Fund, Inc., announced that the stockholders of this $7,000,000 Mutual Fund will be asked to approve changing the name to Fiduciary Mutual Investing Company, Inc. at the annual shareholders meeting on Feb. 28, 1957. Coincidentally, Mr. Maitland said that shareholders of the Fund will be asked to approve continuation of the Investment Advisory Agreement with Fiduciary Trust Company of New York, as Principal Investment Advisor, and to approve a new agreement with Hemphill, Noyes & Co., as Underwriter and Associate Investment Advisor.

They will also be asked to re-elect five directors of the Fund who have served during the past year and to elect two new directors, Messrs. Claude F. Leaman and Walker W. Stevenson, Jr., both partners of Hemphill, Noyes & Co., investment bankers and members of The New York Stock Exchange.

Mr. Maitland further stated that Television Shares Management of Chicago, investment manager and sponsor of the Television - Electronics Fund, Inc., has withdrawn as principal underwriter for Hudson Fund.

Pennroad Buys

In 1956, the $101 million Pennroad Corp. bought back 121,900 of its own shares for a cost of $1,840,557, an average price of $15.10 a share, or 24% below applicable net asset value a share.

FIF Begins Scheduled Training Program for Fund Salesmen

The mutual fund industry's first regularly scheduled training course for dealer salesmen has been established here by FIF Investment Associates, Eastern distributors of Financial Industrial Fund.

"It is not only the first such training program to run on a fixed, permanent schedule, but probably the first to require a written examination," Charles E. Bacon, President of the sponsoring firm, said yesterday.

The course, consisting of six two-hour evening sessions, will be held during the first two weeks of each month, throughout the calendar year. It will be limited to 50 salesmen, and will get underway next week at FIF's 500 Fifth Avenue offices.

At present, over 125 dealer organizations in the Eastern United States are eligible to assign salesmen to the FIF "school," with the number expected to double by the end of the year.

Results of a three-month trial run of the program indicate maximum registration will continue indefinitely, Mr. Bacon said.

"We've had to defer applications for each of the abbreviated experimental sessions to a later date," he reported, "and, although they're not eligible, salesmen from as far away as New Mexico have applied."

Robert Sutphen, General Sales Manager of FIF Investment Associates, is acting as coordinator of the program and Herbert Johnson, Vice-President, as a lecturer.

According to Mr. Sutphen, a nominal fee of $1 is charged each registrant which he — not the dealer—must pay out of his own pocket.

"Actually," he explained, "the dollar goes for coffee breaks during sessions. Our only reason for making the charge is to give the salesman the feeling he has a stake in the course and an obligation to himself to get the most out of it."

The FIF program will put substantial emphasis on both Federal regulations dealing with the sale of mutual funds and the National Association of Security Dealers' Statement of Policy.

The curriculum balances these essentials of the trade with a thorough grounding in basic selling techniques and a detailed study of the history and background of the mutual fund industry.

"With this type of balanced curriculum," Mr. Sutphen said, "the serious student should be ready to begin his field work as soon as he becomes formally registered as a mutual fund salesman.

"Our principal goal is to provide the dealer with a completely equipped selling organization so that he can devote more time to either sales production or administration, or both."

Absolute requirements for "passing" the course are 100% attendance, assigned supplementary reading and successful completion of the final examination. The examination covers the entire curriculum and is "a deadly serious business," Mr. Sutphen said. Those who pass it receive a wallet-sized certificate of satisfactory completion.

"The flunk-outs," he continued, "may either repeat the course or return to the dealer for personal instruction. We recommend one or the other of these steps but, of course, leave it up to the dealer to make the final decision."

Mr. Bacon said initial response to the program has been "terrific," and gave four reasons for dealer enthusiasm:

(1) The regular, monthly scheduling of courses enables him to assign his men to sales training methodically and according to need.

The balanced curriculum of regulatory data, fund industry background and fundamental salesmanship "livens" the lectures and gives the salesman a fuller understanding of what is expected of him.

(3) The examination requirement offers the dealer an accurate yardstick with which to measure his man's potential for, and interest in, producing important results.

(4) By reviewing the Statement of Policy and the SEC regulations, the course buoys the dealer's confidence that his salesman will adhere to both "the letter and the spirit" of laws and restrictions designed to protect the public interest.

Fund of Canada Share Value Up to $32

Net assets of New York Capital Fund of Canada, Ltd. on Dec. 31 totaled $27,879,299, equal to $32 a share on 871,312 outstanding shares, according to the Fund's annual report for 1956. The per share net asset value compared with $28.54 at the end of the preceding year.

The fund's investments in equity securities had a value of $23,347,814, which represented 84% of total net assets and was made up of shares of 54 companies, including 12 companies operating outside of Canada. The balance of net assets was in short-term liquid holdings, 11%, and other priorities, 5%.

Major group holdings of equities were oil and gas shares, 18.39% of net assets; metals and mining, 17.15%; utilities, 10.94%; food and merchandising, 9.46%; paper,

Continued on page 43

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. 17	§96.5	*97.1	96.4	98.8
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 17	§2,469,000	*2,485,000	2,467,000	2,433,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 1	7,422,050	7,395,500	7,416,700	7,081,200
Crude runs to stills—daily average (bbls.)	Feb. 1	¶8,202,000	8,189,000	8,290,000	8,068,000
Gasoline output (bbls.)	Feb. 1	27,162,000	26,850,000	28,209,000	26,139,000
Kerosene output (bbls.)	Feb. 1	2,825,000	2,487,000	2,899,000	2,814,000
Distillate fuel oil output (bbls.)	Feb. 1	14,615,000	14,333,000	14,468,000	13,535,000
Residual fuel oil output (bbls.)	Feb. 1	8,687,000	8,702,000	8,745,000	9,341,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 1	196,351,000	193,248,000	187,167,000	182,656,000
Kerosene (bbls.) at	Feb. 1	24,622,000	25,619,000	31,194,000	20,357,000
Distillate fuel oil (bbls.) at	Feb. 1	100,389,000	*106,490,000	132,942,000	84,230,000
Residual fuel oil (bbls.) at	Feb. 1	38,212,000	39,531,000	42,731,000	38,570,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 2	647,972	665,745	561,519	680,989
Revenue freight received from connections (no. of cars)	Feb. 2	629,877	632,757	527,274	661,733
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 7	$428,491,000	$406,802,000	$376,052,000	$539,907,000
Private construction	Feb. 7	269,307,000	223,012,000	166,108,000	399,292,000
Public construction	Feb. 7	159,184,000	183,790,000	209,944,000	140,615,000
State and municipal	Feb. 7	128,060,000	154,370,000	132,697,000	107,774,000
Federal	Feb. 7	31,124,000	29,420,000	77,247,000	32,841,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 2	8,775,000	*10,170,000	7,415,000	9,755,000
Pennsylvania anthracite (tons)	Feb. 2	573,000	531,000	326,000	623,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 2	94	96	93	90
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 9	12,019,000	12,322,000	12,327,000	11,343,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 7	287	320	256	236
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 5	5.622c	5.622c	5.622c	5.174c
Pig iron (per gross ton)	Feb. 5	$62.90	$62.90	$62.90	$59.09
Scrap steel (per gross ton)	Feb. 5	$53.83	$55.50	$60.63	$49.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 6	33.600c	35.500c	35.550c	43.900c
Export refinery at	Feb. 6	31.225c	33.200c	33.275c	45.575c
Lead (New York) at	Feb. 6	16.000c	16.000c	16.000c	16.000c
Lead (St. Louis) at	Feb. 6	15.800c	15.800c	15.800c	15.800c
‡Zinc (delivered) at	Feb. 6	14.000c	14.000c	14.000c	14.000c
Zinc (East St. Louis) at	Feb. 6	13.500c	13.500c	13.500c	13.500c
Aluminum (primary pig. 99%) at	Feb. 6	25.000c	25.000c	25.000c	22.500c
Straits tin (New York) at	Feb. 6	102.250c	102.750c	99.875c	99.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 12	92.59	91.98	90.19	95.88
Average corporate	Feb. 12	96.23	95.92	95.16	107.98
Aaa	Feb. 12	101.14	100.81	99.20	111.62
Aa	Feb. 12	98.73	98.25	97.47	109.97
A	Feb. 12	96.23	96.23	95.77	107.98
Baa	Feb. 12	89.23	88.95	88.67	102.80
Railroad Group	Feb. 12	95.16	94.86	93.97	106.39
Public Utilities Group	Feb. 12	96.54	96.38	96.38	108.34
Industrials Group	Feb. 12	96.85	96.54	95.01	109.42
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 12	3.10	3.15	3.32	2.81
Average corporate	Feb. 12	3.99	4.01	4.06	3.28
Aaa	Feb. 12	3.68	3.70	3.80	3.08
Aa	Feb. 12	3.83	3.86	3.91	3.17
A	Feb. 12	3.99	3.99	4.02	3.28
Baa	Feb. 12	4.47	4.49	4.51	3.58
Railroad Group	Feb. 12	4.06	4.08	4.14	3.37
Public Utilities Group	Feb. 12	3.97	3.98	3.98	3.26
Industrials Group	Feb. 12	3.95	3.97	4.07	3.20
MOODY'S COMMODITY INDEX	Feb. 12	419.7	424.2	434.6	407.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 2	370,583	234,936	**135,504	405,935
Production (tons)	Feb. 2	276,706	282,631	**102,280	291,570
Percentage of activity	Feb. 2	94	96	**75	101
Unfilled orders (tons) at end of period	Feb. 2	471,744	380,684	**454,359	651,772
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Feb. 8	111.03	111.13	110.78	107.08
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. 19	1,527,496	1,564,230	1,231,451	1,450,274
Dollar value	Jan. 19	$76,462,431	$77,553,576	$62,131,961	$75,474,442
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 19	1,076,150	1,078,221	1,087,570	1,049,864
Customers' short sales	Jan. 19	10,855	8,315	4,481	4,229
Customers' other sales	Jan. 19	1,065,295	1,069,906	1,083,089	1,045,635
Dollar value	Jan. 19	$53,947,979	$52,253,290	$52,588,609	$53,324,873
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 19	246,970	214,180	281,890	266,490
Short sales	Jan. 19	------	------	------	------
Other sales	Jan. 19	246,970	214,180	281,890	266,490
Round-lot purchases by dealers—					
Number of shares	Jan. 19	652,290	699,070	446,220	604,600
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. 19	584,780	613,210	417,840	373,180
Other sales	Jan. 19	12,277,650	11,829,160	11,383,590	11,529,320
Total sales	Jan. 19	12,862,430	12,442,370	11,801,430	11,902,500
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 19	1,491,160	1,595,140	1,492,610	1,418,910
Short sales	Jan. 19	242,290	285,740	234,210	212,650
Other sales	Jan. 19	1,384,090	1,481,530	1,131,440	1,419,160
Total sales	Jan. 19	1,626,380	1,767,270	1,365,650	1,631,810
Other transactions initiated on the floor—					
Total purchases	Jan. 19	314,310	349,050	307,430	267,550
Short sales	Jan. 19	31,500	22,700	19,000	23,740
Other sales	Jan. 19	384,460	343,700	258,410	340,510
Total sales	Jan. 19	415,960	366,400	277,410	364,250
Other transactions initiated off the floor—					
Total purchases	Jan. 19	579,442	528,371	582,665	565,580
Short sales	Jan. 19	98,570	139,950	83,090	55,920
Other sales	Jan. 19	581,957	558,625	584,129	599,217
Total sales	Jan. 19	680,527	698,575	667,219	655,137
Total round-lot transactions for account of members—					
Total purchases	Jan. 19	2,384,912	2,472,561	2,382,705	2,252,040
Short sales	Jan. 19	372,360	448,390	336,300	292,310
Other sales	Jan. 19	2,350,507	2,383,855	1,973,979	2,358,887
Total sales	Jan. 19	2,722,867	2,832,245	2,310,279	2,651,197
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 5	116.8	116.9	116.3	111.9
Farm products	Feb. 5	88.9	89.4	88.2	84.7
Processed foods	Feb. 5	104.4	104.3	103.5	98.7
Meats	Feb. 5	83.3	82.9	80.3	72.2
All commodities other than farm and foods	Feb. 5	125.1	125.2	124.7	120.2

*Revised figure. ¶Includes 769,000 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. **Five days ended Jan. 5, 1957.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Dec. 31:			
Imports	$260,627,000	$277,461,000	$251,682,000
Exports	329,315,000	295,077,000	210,400,000
Domestic shipments	13,443,000	15,381,000	8,950,000
Domestic warehouse credits	213,114,000	183,954,000	54,125,000
Dollar exchange	1,859,000	9,700,000	16,742,000
Based on goods stored and shipped between foreign countries	148,399,000	142,870,000	99,781,000
Total	$966,757,000	$924,443,000	$641,680,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of December (in millions):			
Total new construction	$3,370	$3,800	$3,258
Private Construction	$2,472	$2,666	$2,435
Residential building (nonfarm)	1,202	1,313	1,279
New dwelling units	1,060	1,145	1,160
Additions and alterations	102	126	88
Nonhousekeeping	40	42	31
Nonresidential building (nonfarm)	768	794	679
Industrial	270	271	223
Commercial	272	288	270
Office buildings and warehouses	128	131	109
Stores, restaurants, and garages	144	157	161
Other nonresidential building	226	235	186
Religious	73	75	62
Educational	46	48	44
Hospital and institutional	32	31	27
Social and recreational	25	27	20
Miscellaneous	50	54	33
Farm construction	90	103	98
Public utility	402	445	369
Railroad	34	36	30
Telephone and telegraph	75	80	72
Other public utility	293	329	267
All other private	10	11	10
Public Construction	898	1,134	823
Residential building	27	30	21
Nonresidential building	311	338	286
Industrial	33	36	30
Educational	200	210	186
Hospital and institutional	23	28	20
Other nonresidential building	55	64	50
Military facilities	108	118	97
Highway	250	420	263
Sewer and water	100	110	80
Public service enterprises	32	36	22
Conservation and development	56	66	44
All other public	14	16	10
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of December:			
New England	$15,309,815	$27,884,812	$18,640,840
Middle Atlantic	73,991,725	121,633,524	67,236,029
South Atlantic	34,875,947	30,956,562	27,425,666
East Central	70,965,271	87,525,427	70,988,203
South Central	61,387,779	74,577,168	59,894,159
West Central	17,593,663	27,755,203	21,888,227
Mountain	15,900,479	27,295,395	16,435,783
Pacific	96,331,149	92,174,770	66,582,711
Total United States	$386,355,828	$489,803,866	$349,091,618
New York City	49,355,515	74,795,675	45,121,585
Outside New York City	337,000,313	415,008,191	303,970,033
CONSUMER PRICE INDEX — 1947-49=100—Month of December:			
All items	118.0	117.8	114.7
Food	112.9	112.9	109.5
Food at home	111.2	111.3	107.9
Cereals and bakery products	127.4	127.0	123.9
Meats, poultry and fish	98.0	98.8	94.6
Dairy products	111.3	111.1	107.7
Fruits and vegetables	117.4	115.8	110.7
Other foods at home	114.2	115.2	113.7
Housing	123.5	123.0	120.8
Rent	134.2	133.8	131.1
Gas and electricity	112.0	111.8	111.5
Solid fuels and fuel oil	136.1	134.3	128.0
Housefurnishings	104.1	103.8	103.4
Household operation	124.8	124.5	120.7
Apparel	107.0	107.0	104.7
Men's and boys'	108.6	108.4	106.1
Women's and girls'	100.3	100.4	99.1
Footwear	126.4	126.2	118.8
Other apparel	92.2	92.1	91.1
Transportation	133.1	133.2	127.3
Public	174.1	173.4	157.3
Private	123.3	123.5	117.8
Medical care	134.7	134.5	130.2
Personal care	121.8	121.4	117.9
Reading and recreation	109.3	109.0	106.8
Other goods and services	123.3	123.2	120.6
COPPER INSTITUTE—For month of Dec.:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	103,089	*99,513	104,098
Refined (tons of 2,000 pounds)	129,839	132,970	145,423
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	99,594	114,524	139,512
Refined copper stocks at end of period (tons of 2,000 pounds)	120,645	116,516	61,554
COTTON GINNING (DEPT. OF COMMERCE)—			
As of Jan. 16 (running bales)	13,097,798	------	14,373,438
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of December:			
All manufacturing (production workers)	13,329,000	*13,368,000	13,451,000
Durable goods	7,807,000	*7,813,000	7,838,000
Nondurable goods	5,522,000	*5,555,000	5,613,000
Employment indexes (1947-49 Avge.=100)—			
All manufacturing	107.8	*108.1	108.7
Payroll indexes (1947-49 Average=100)—All manufacturing	171.1	*168.3	163.7
Estimated number of employees in manufacturing industries—			
All manufacturing	17,134,000	*17,160,000	17,027,000
Durable goods	10,039,000	*10,033,000	9,886,000
Nondurable goods	7,095,000	*7,127,000	7,141,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of December:			
Weekly Earnings—			
All manufacturing	$84.05	$82.42	$79.71
Durable goods	91.34	*88.99	86.52
Nondurable goods	74.03	*73.26	70.30
Hours—			
All manufacturing	41.0	40.6	41.3
Durable goods	41.9	*41.2	42.0
Nondurable goods	39.8	*39.6	40.4
Hourly Earnings—			
All manufacturing	$2.05	$2.03	$1.93
Durable goods	2.18	2.16	2.06
Nondurable goods	1.86	1.85	1.74

Continued from page 41

Mutual Funds

8.24%; life insurance, 5.49%; pipelines, 5.27%, and others, 8.81%.

Net income of the fund for 1956 was $608,111, net realized profits on sales of securities were $395,633 while unrealized appreciation on investments increased $2,157,324, resulting in a total unrealized appreciation of $6,271,814 at the end of the year.

The report described as "remarkable" Canada's increase in physical output of goods and in total output of goods and services. The report said that "in 1956 Canada again enjoyed an outstanding rate of growth. The value of the total output of Canadian goods and services is estimated to have been about $30 billion, 11% higher than the $26.8 billion of 1955, which in turn was 10% higher than in 1954. In the United States in 1956 the gain in the gross national product was about 5½% as against an improvement of 8% in the preceding year.

The basis for the upsurge in Canada in 1956, they continued, was a record level of commercial and industrial capital expenditures, whereas in 1955 residential construction was the feature. "Capital expenditures amounted to about $7.5 billion, or roughly one-quarter of the gross national product. Not since early in the century has this factor accounted for so large a proportion, and it is hard to find any other industrialized free-enterprise society which has devoted so large a portion of its total activity to develop and diversify its economy.

"From what is presently known of capital investment plans, it would appear that in the coming year capital expenditures will continue at a high rate, probably showing an increase over 1956 levels, even though residential building is likely to show a significant decline.

"In addition it seems reasonable to assume larger expenditures for personal consumption, as the labor force is expanding and wages are rising. Nonagricultural employment increased about 5% in 1956. The industrial labor force is growing not only from the natural increase in population but also by shifts from farm to nonfarm employment and through immigration. The natural increase in Canada's population is 2% per annum, a higher rate than in the United States, and including the net inflow from overseas the overall growth approaches 3%."

Wisconsin Fund increased its total net assets to $11,634,065 for the year ended Dec. 31, 1956 from $10,644,941 the previous year, according to the annual report released today.

Net asset value per share was $5.42, equal to $5.86 a share after including the 44 cents capital gains distribution made Jan. 31, 1956. This compares with $5.84 a share at 1955's year end. Four quarterly dividends totaling 20 cents a share were paid in 1956 from investment income, compared with 19 cents in 1955. From profits on sale of its portfolio holdings the fund also passed on $560,326 to shareholders as a capital gains distribution of 26 cents a share in January 1957.

Investors Group Canadian Fund Crosses $100 Million In Year

Total net assets of Investors Group Canadian Fund Ltd., most recently organized of four mutual open-end investment funds sponsored and managed by Investors Diversified Services, Inc., rose to $107,677,081 (Canadian) as of Dec. 31, 1956, a gain of $56,037,278 or approximately 109% over the preceding year-end total of $51,639,803 (Canadian), Joseph M. Fitzsimmons, chairman of the board and president of the fund, announced in the company's second annual report. The report is the first, however, to cover a full year's operation, inasmuch as shares of the fund were offered initially to the public in May 1955, Mr. Fitzsimmons pointed out.

Net asset value of shares of the fund increased approximately 16% to $5.85 (U. S. dollars) per share at the year end, compared with $5.06 (U. S. dollars) per share at the close of 1955. Total market value of the investments held by the fund on Dec. 31, 1956 exceeded cost by $5,704,694 (Canadian), compared with $1,267,304 (Canadian) at the close of 1955.

Number of shares outstanding increased during the past year from 10,211,428 to 19,177,199, and the number of shareholders from 30,000 to 44,000. Investors Group Canadian Fund Ltd. is now the largest Canadian fund distributed in the United States, the report stated.

Net investment income for the year 1956 amounted to $1,471,381 (Canadian), compared with $391,611 for the preceding year. Commenting on these figures, Mr. Fitzsimmons, in his letter to shareholders, said: "As a matter of comparison, it should be borne in mind that income for 1955 was sub-normal, since the fund was in a period of organization and operated for only eight months."

In accordance with the fund's stated policy, net income is not distributed in dividends, but is held and invested in additional securities for the benefit of shareholders. Total accumulation of net income retained for reinvestment amounted to $1,552,250 at the year end.

Investments of the fund during the past year show that in pursuance of the fund's objectives, continued emphasis was placed on purchases of Canadian securities with promise of future growth. Common stocks constituted 85.62% of invested net assets, and senior securities which are convertible into common stocks or carry equity-sharing rights accounted for 5.48%. Cash and other net assets amounted to 8.90%.

Diversification of investments by industry groups, at market values, as of Dec. 31, 1956, was as follows: Petroleum and natural gas 21.47%; mining and metals 18.25%; public utilities 11.55%; pulp, paper and lumber 10.88%; banks 9.41%; merchandising 5.50%; steel and fabricators 4.42%; installment finance 3.45%; automobile and parts 2%; building 1.95%; railroad and railroad equipment 1.51%; others .71%.

D. G. Recommends Electric Stocks

The poor price action of electronics and electrical equipment stocks during the past 18 months suggests a buying opportunity for long-term growth, according to Distributors Group, Inc., sponsors of Electronics and Electrical Equipment Shares of Group Securities, Inc.

In a memorandum to investment dealers, Distributors Group points out that even the stocks of acknowledge growth industries do not move up consistently or "in a straight line"; that even they have their periods of hesitation and consolidation. Suggesting that the best time to buy such growth groups is when they have *not* done well, the bulletin confirms Distributors Group's own conviction that the long-term growth from such stocks appears still to be unquestioned.

Personal Progress

Richard W. Grimm of Marshfield, Mass., has been named Assistant to the Manager of the Bond Department of Keystone Custodian Funds. For the last three years Grimm has been in charge of the bond department in the Boston office of the New York Hanseatic Corp. Previously he had worked at Brown Brothers Harriman & Co. and duPont, Homsey & Co.

DIVIDEND NOTICES

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Denizens of this capital city are watching with baited breath the progress of Washington's latest case of Second Term Egotitus. This is a rare ailment. Of all the bipeds who inhabit the Earth, only Presidents of the United States who are elected to second terms of office by large majorities are afflicted. It is not a physical illness of any kind. It operates only to inflate the egos of its victims, and to destroy self-critical judgment.

Its diagnosis is simple. It is plainly established when the victim thinks a large electoral majority and his own omniscience are one and the same thing. While the occurrence of the disease is necessarily so rare that there is an absence of authentic medical information, the best available word is that it is incurable.

However, the disease does not destroy the physical health of the victim. It just works to warp constantly the judgment of the victim until such time as he destroys his popularity and hence excises most of his ego. This operation is performed in the end by the victim himself.

Washington's most recent case was that which hit Harry Truman, the poor underdog until he fooled most everybody and won handsomely in 1948. From that time as far as Harry was concerned, nobody knew anything else from nothing but Harry. Eventually the gentleman from Missouri went dejectedly back to Independence, and has been trying to build up his ego ever since.

The symptoms:

(1) The Inaugural address. This address was devoted exclusively to pledging without seeming limit the resources of all the taxpayers for the job of promoting a just world peace based on moral law. Nobody much has as yet codified world moral law or cited a peace that was "just" except in the eyes of the victor as he imposed it on the conquered. Plainly, however, the gods put Mr. Eisenhower in the White House at this critical juncture, in order to save the world.

Mr. Eisenhower also pledged without stint, the resources of the taxpayers to help improve the standards of living of peoples everywhere, no matter how far distant they may live from the United States.

The Budget

(2) Then came the budget. Taking all the background factors into account, this portends a budgetary expenditure of $77 to $78 billion in the ensuing fiscal year with an enormous deficit unless the inflationary boom bails out the Treasury.

Mr. Eisenhower tolerantly allowed George Humphrey, his Secretary of the Treasury, to say that Congress should cut the budget, so long as Mr. Humphrey did not express an idea, and he did not, where some money could be saved.

As a matter of fact Mr. Eisenhower justified the large expenditures as reflecting things which the "people demanded" and deserved. As has been pointed out, the only demanding people have been prospective recipients of government benefits and the President of the United States. His demands for new areas of Federal expenditure have been insistent and continuous.

"Fiscal Control"

(3) Nevertheless, the President insisted throughout his various messages to Congress that the Federal Government WAS exercising "fiscal control" and that labor and business should likewise do their part. A solid conviction of self-righteousness is one of the other tell-tale signs of Second Term Egotitus.

(4) The victim of Second Term Egotitus develops an emotional impatience with those who disagree with him or stand in his way.

Thus Mr. Eisenhower made it plain in his Economic Message (p. 44) that he does not think the Federal Reserve should continue to avoid manufacturing bank credit sufficiently to stop price-cost inflation because that bears down too harshly on "small business" and housing.

Furthermore, since he is "exercising fiscal control" as he averred, if labor does not be reasonable in its wage demands and if business does not forego the temptation to fatten its profits by raising prices, then "the United States" will crack down with price and wage controls, the President said.

The oil industry should simply turn off one spigot and turn on another, it is so very simple, and get that 500,000 barrels daily to western Europe that this area needs to sustain its economy.

Remake Party

(5) A final symptom is the decision of the President to remake the Republican party regardless of the wishes of either the other party leaders or the rank and file who constitute the party. The President has said sufficient in his recent press conferences as to suggest that both Paul Hoffman in his preelection article in "Collier's" and Robert J. Donovan in his "Saturday Evening Post" piece several weeks ago, hit right on the target what the President is thinking.

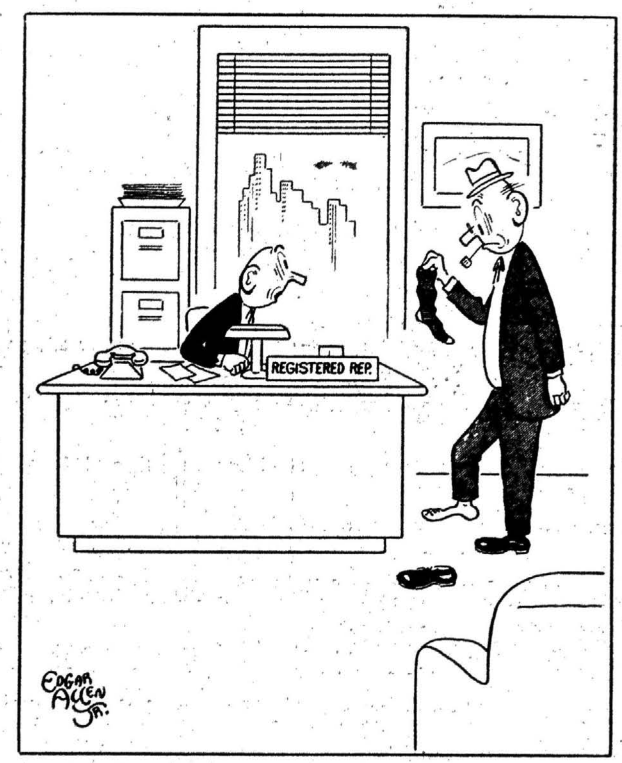
* * *

Just below the surface, recent Presidential stands are full of tremendous promise for a revolutionary change in the whole political line-up in this capital. These changes have not jelled, but change seems to be inescapable.

(1) The President's policy of first committing BOTH the Congress (including his party) and the Government of the United States to a new and broad program without advance consultation has been used more forcefully since January of this year than ever before. And it is causing more real irritation with the President than ever before.

The first example, of course, was the "Eisenhower Doctrine." This was fed to the press by the State Department on a Saturday for Sunday papers. Leaders of neither party had been consulted in advance. This has been the most irritating arrogation of policy since early in his Administration the President decided to continue the Excess Profits Tax without first consulting Congress.

BUSINESS BUZZ



"No, no, Mr. Corncob — I said your STOCKS need changing!"

Feel Committed

Members of Congress thus are confronted with the alternative of repudiating the President on a major foreign policy to which he committed himself without consulting them in advance, or going along.

There is also much graver skepticism expressed about the "Eisenhower Doctrine" in private than even in public. It is one thing to ACT to protect the Western World's interest in Middle East oil. It is another to formally resolve in advance in Congress to fight to keep Russia out of her own back yard.

(2) Price Control. The initial reaction to the President's spontaneous press conference outburst that "the United States" would impose direct controls, is that nothing could be farther from happening.

Sentiment in Congress, after both parties have played this issue in the past for political profit, is to lay off. They believe that the country would not stand for price controls (wage controls seldom affected the unions much) short of a war economy.

On the other hand, if Eisenhower is self-righteous on this issue, he may press it. There is an outside possibility that if he presses it Democrats would have some fun. What fun, one cannot tell until the time comes. It might be considered profitable to empower the Administration to control prices and destroy its popularity. It might be equal fun to use this issue as an excuse to turn around to a more conservative side.

Avoids Cabinet Consultation

In sounding off for controls, the President again had not consulted his Congressional leaders in advance. The great majority of the Republicans in Congress are way out on the limb against controls.

From the yelps which Commerce Secretary Weeks made the next day, it became clear that the President had not cleared the controls pronouncement either with his Cabinet or close advisers.

This is something new added. During his first term, the President consulted closely with his official family although not with Congress. Sherman Adams was not away, because he was seen at the local theatre. This is suggesting here a new wisecrack. "There is a new occupant of the White House, and he is Eisenhower."

(3) Another thing which the President's new vigor suggests is that sooner or later the Democrats must agonizingly re-appraise their political merchandise.

Democrats made a basic assumption early in the Eisenhower Administration. They looked at the President's many recommendations for welfare programs and his modest initial appropriation requests for same. They looked upon the business men around the President and just decided Eisenhower really couldn't mean it.

So the Democrats when Eisenhower proposed a dollar of spending, just doubled and redoubled it a few times, and accused the Administration of being tenth-hearted toward the welfare state.

The new budget must give them pause. If they are going to double and redouble Eisenhower's bid, there may be such inflation that there will not be, in a manner of speaking, a country left in which they can compete with "modern Republicanism" for office.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

COMING EVENTS

In Investment Field

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.

Business Man's Bookshelf

Forecast of Stock Prices — 24th annual appraisal of the outlook for business and stock prices — included with three months trial subscription to "Business and Investment Timing"—$10—Anthony Gaubis & Company, 122 East 42nd St., New York 17, N. Y.

Fortunes in the North—Mining & Metal Stock Letter reporting on issues with interesting potentials, risk speculations, etc. — Included with 5-week trial subscription to Mining & Metal Stock Letter for $1.00—Spear & Staff, Inc., Dept. M-15, Babson Park, Mass.

Manual of Sugar Companies, 33rd Edition—Farr & Co., 120 Wall Street, New York 5, N. Y.—$3,

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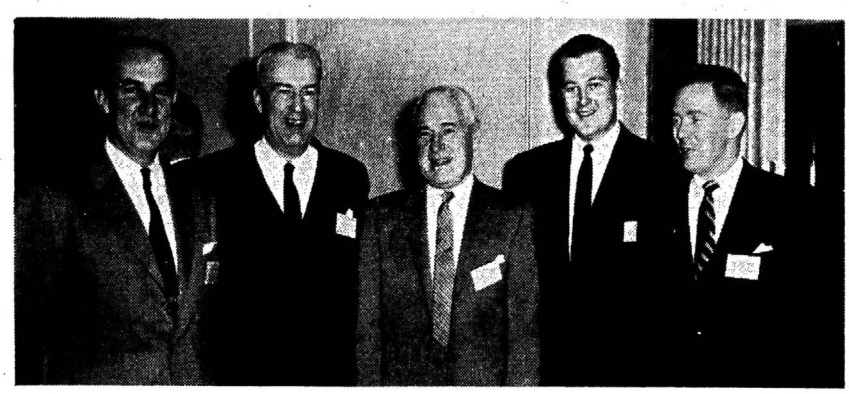

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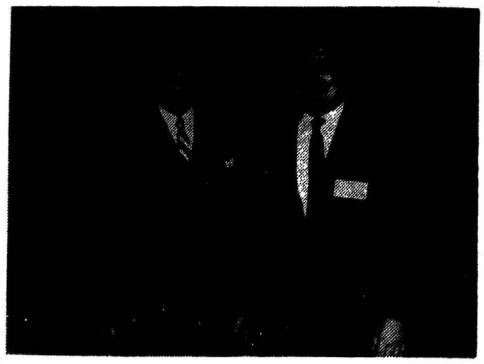

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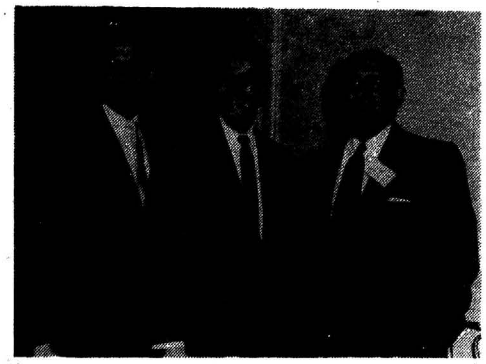

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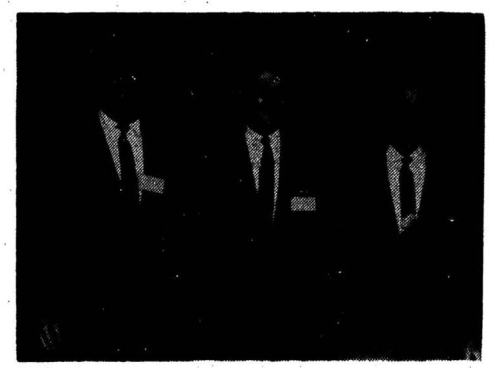

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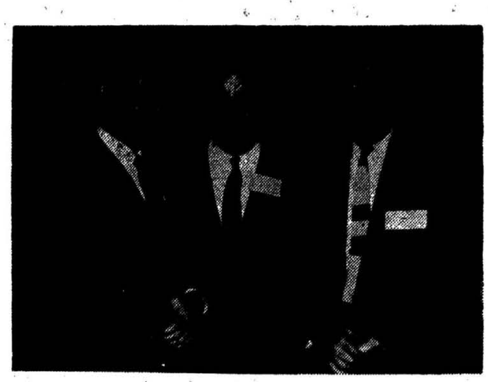

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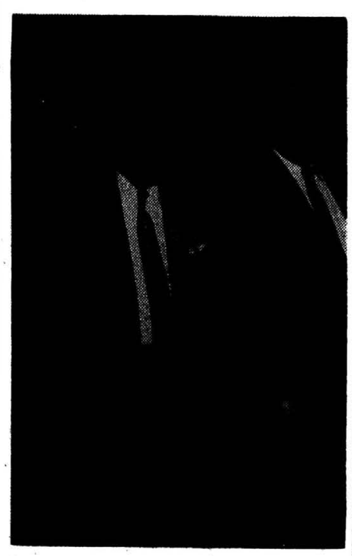

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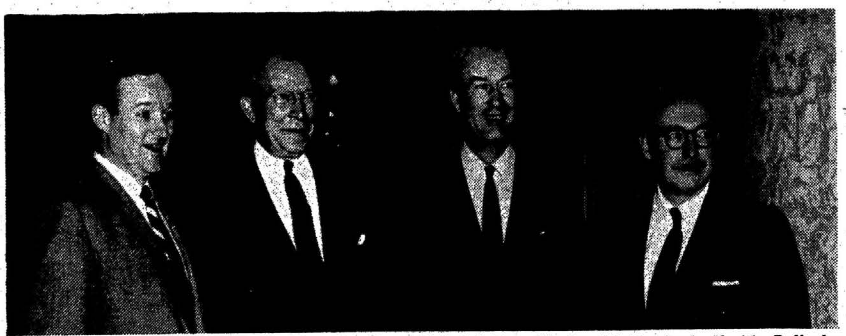

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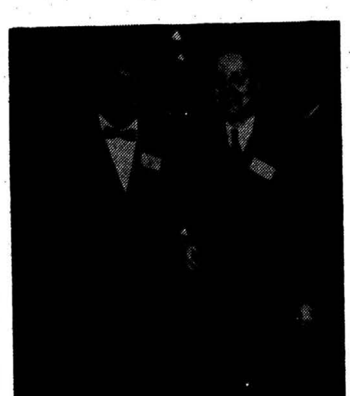

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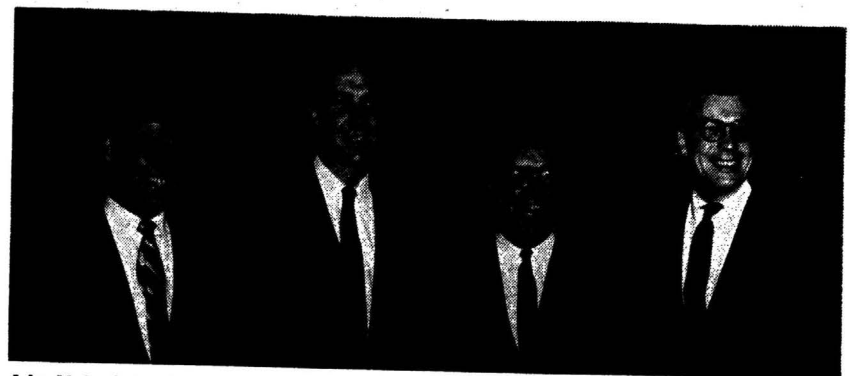

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