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EDITORIAL

As We See It

The question of requiring disclosure of the terms and operations of welfare, pension and related plans has once again come into the limelight with the introduction in the United States Senate of a proposed measure designed to protect beneficiaries. The precise provisions of any law that may be finally adopted this year remain for the future to disclose. Comment upon the terms of any such legislation can appropriately await their final determination. It may, however, be said at once that if major scandals do not sooner or later develop in this area with or without Federal interference, it will be remarkable. No movement which attains such proportions so quickly as pensions, welfare funds and the like, and involving the collecting, investing and distribution of such mammoth amounts of money, is likely to escape growing pains.

The administration of these plans is in many cases, possibly in a majority of cases, in the hands of those fully experienced in the handling of funds belonging to others and in carrying out the terms of arrangements made in advance. The provisions of many of these plans are, however, unlike other ordinary business contracts, and in numerous instances administration at important points is fraught with special difficulties and rests in hands more experienced and skilled in other matters. Beneficiaries, moreover, are by and large not in a position to protect their own interests. In practical effect their participation is often not voluntary but compulsory. They often know only what dictatorial, paternalistic and, upon occasion, racketeering union officials choose to tell them. The situation is made to order for

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Boom Without "Zest"

By DR. MELCHIOR PALYI

Concluding that our "expansion will be rapidly approaching its financial limits," Economist Palyi observes that the rate of growth slowed down in 1956, promises to slow down further, and that the "flattening out" may lead to temporary stoppage or actual reversal. The noted analyst dissects the rapidly growing illiquidity of our financial institutions and points to the deterioration in the quality of loans in the rush of satisfying credit demand. Finds paradoxical that government spending of about $114 billion brings little comfort to those who see in it a method to sustain prosperity.

The boom seems to be roaring (or rolling) over from 1956 to '57 without as much as a seasonal letdown. The economic barometers are geared, one and all, for a bigger and better year. National income, gross and personal, is to rise another 4% (5% last year) to reach some $410 billion and $320-odd billion, respectively. Exports are to be boosted by 5% or more. Sales of automobiles and other consumer durables are to pick up, private capital outlay to increase by 7%, total construction by 5%. Steel ingot output should better the 1955 record of 117 million tons by 3 million tons; and so on. "Fabulous" prospects, one (academic) prognosticator labelled them.

Dr. Melchior Palyi

Of course, all predictions are predicated on certain presumptions, such as: there will be no war and no peace, no lengthy strikes in leading industries, no upset in the structure of world market prices, no major change in the fiscal, monetary, military and welfare policies of the national and local authorities, nor in the grandiose expansion plans of business (which may be trimmed); and that the consumer will go on spending and saving on the pattern as heretofore, notwithstanding rising wage bills and living costs. Admittedly, the rate of expansion slowed down last year and is likely to do so again. But

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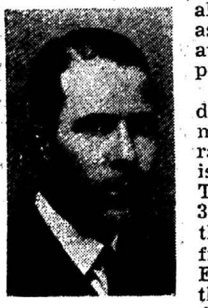
Are Price-Earnings Ratios Likely to Change in 1957?

By RALPH A. ROTNEM*

Partner, Harris, Upham & Co., New York City

After outlining encouraging and discouraging factors affecting 1957 price-earnings ratio, and refining the simple ratio, Mr. Rotnem concludes, in part, we are not as yet at the extreme overvaluation that existed in 1929, and that any market adjustment will not be as severe as in 1929-32 or 1937-38. Sees future stock buying taking place at above pre-World War II average price-earnings ratio; believes decline to 390-420 area would invite good accumulation; and expects faith in Government's ability to control the business cycle will create speculative excesses and severer and longer declines.

Price-earnings ratios have been one of the most popular tools for measuring the relative attractiveness of individual stocks. Perhaps there is also some value in using such a ratio as applied to the general market averages, as a guide to investment policies.



Ralph A. Rotnem

That some puzzling trends are evident when we use the ordinary method of figuring price-earnings ratios on the general market averages is apparent from a study of Chart II. The ratios averaged higher in 1930-31-32 than they did in 1929 in spite of the fact that the market declined 86% from its 1929 peak to its 1932 low. Earning power also cost more in 1938 than it did in 1937 in spite of a decline of 53% in stock prices. Some sources explain that such trends are normal because we should capitalize earnings at a lower rate when they are high and at a higher rate when they

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*Text of an address by Mr. Rotnem before the Stock Market Forum of the Dean's Homecoming Day of Graduate School of Business Administration Alumni Association of New York University, Feb. 16, 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 38.

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

ELDON A. GRIMM
Vice-President, Walston & Co., Inc. New York
Members New York Stock Exchange

New Mexico and Arizona Land Co.

New Mexico and Arizona Land is obviously a speculation. It is not for widows or orphans, but it does appear to have some romantic possibilities for those who can afford to take the risk involved.

Eldon A. Grimm

It is traded on the American Stock Exchange, ticker symbol "N Z." Now around 13¾, "NZ" stock has had some rather wide price fluctuations in the past. For example, in 1947 it sold as low as 3¾ and then spurted to an all-time high of 31½ in 1951.

New Mexico and Arizona has 1,000,000 shares outstanding and 500,258 of these, or 50.3% are owned by St. Louis-San Francisco Railway. Hence each common share of "Frisco" railroad controls about one-quarter of a share of the land company, and you can buy an indirect interest in "NZ" by owning some of the railroad's stock.

New Mexico & Arizona Land holds the mineral rights on a total of 1,351,196 acres in those two southwestern states. This area is equivalent to 2,111 square miles, almost exactly the same size as the State of Delaware. Of this domain, a little over one-half, or 718,264 acres, is actually owned in fee. The remaining 632,932 acres were sold by the land company but the mineral rights fortunately were retained. All of this territory was originally granted by Congress to the old Atlantic and Pacific Railroad Co. back in 1866.

To express it in another manner, each share of New Mexico and Arizona Land controls approximately 1.35 acres of mineral rights, including over 7/10ths of an acre owned in fee.

Total holdings of "NZ" are located in seven different tracts. Three of these are in northwestern New Mexico, three more in eastern Arizona, and one in western Arizona as follows:

Tract	Fee Acreage	Mineral Acreage
Aztec (Arizona)	73,979	14,427
Holbrook (Arizona)	284,018	91,601
Mohave (Arizona)	96,289	7,559
Winslow (Arizona)	104,266	169,728
Valencia (New Mex.)	159,712	225,938
San Juan (New Mex.)	-------	17,270
McKinley (New Mex.)	-------	106,409

Much of this land is semi-arid, the kind of landscape you see out of the window of your Santa Fe Railroad train. A good deal of it is leased out to others for grazing of cattle and sheep. But, of course, the speculative possibilities seem to revolve about the chance that someday some rare minerals or metals might be found on part of this "dusty" acreage. This is such a large territory and most of it has not been too thoroughly explored in the past. One might suppose that there could be much more rewarding wealth there than cattle grass, rattlesnakes or jack rabbits.

Let us emphasize right now that, to date, no minerals or metals in commercial quantities have been located. As far as oil possibilities are concerned, since 1950 two unsuccessful wildcats have been drilled just across the boundary from "NZ" property. More recently there has been a more intensive search for possible uranium, etc.

What Are the Oil and Gas Possibilities? Most of "NZ" lands, except the relatively small Mohave Tract in western Arizona, are situated in the extensive geological area known as the "Colorado Plateau." There are several proven oil and gas fields on the Colorado Plateau, such as those in the famous "Four Corners" region where the boundaries of the four states of New Mexico, Arizona, Utah and Colorado have a common meeting point.

Indeed, the new Bisti-Black Rock oil and gas field in the San Juan Basin of San Juan County in northwestern New Mexico appears to be located about 30 miles north of the company's San Juan Tract, some 60 miles north of the McKinley Tract, and 110 miles north of the much larger Valencia Tract.

Geologists point out that sedimentary beds, favorable to oil and gas formation, underlie the Colorado Plateau, and it is assumed that the geologic strata under "NZ" holdings correlate with similar strata, which yield hydrocarbons elsewhere on the Plateau. Of course, the driller must be fortunate enough to locate the right "structure" or "trap" on which to explore.

No oil or gas in commercial quantities has, as yet, been discovered on "NZ" land. In 1950, a 1,840-foot test well was drilled on land immediately adjacent to the Aztec, Arizona, Tract of "NZ" but it didn't go very deep and was unsuccessful. Then in 1953, Humble Oil leased part of "NZ's" Valencia, N. M., property and drilled a wildcat immediately north of the north border of this holding. The test was abandoned at 12,890 feet in what was thought to be a formation of the Upper Cretaceous Period. Some oil leasing in that general vicinity continues and there may be another wildcat test by someone at a future date.

What Are the Uranium Potentials, If Any? Broadly speaking, much of the company's lands lie in territory known as the "uranium belt" of the southern Rocky Mountains. However, so far as is known, no uranium in commercial quantities has yet been found on "NZ" acreage proper.

Back in 1951 Anaconda Copper leased 30,279 acres of the McKinley Tract in New Mexico for uranium exploration, but eventually terminated the lease. Then in 1954, a lease of 105,591 acres in Arizona was granted to Charles McGaha and associates who spent $100,000 exploring for uranium but found no minable body of ore.

In May 1955, Tidewater Oil Co. was warded a lease on 250,000 "NZ" acres in 10 separate areas covering some land in all tracts except the San Juan Tract. Tidewater paid "NZ" a $300,000 cash bonus and agreed to spend not less than $400,000 more on actual exploration for uranium and thorium. There was also a stipulation that if any atomic metals were found, the oil company would spend up to $400,000 additional for mining, and that "NZ" would participate either as a 50% partner in such a mining venture or receive royalties.

Tidewater has conducted a thorough exploration program, including core drilling, but reportedly has not come up with anything commercial so far, although hope still exists. Tidewater's exploration lease will run out in May, this year, and it is not yet clear whether there will be a renewal. Of course, part of the agreement might be extended. If any minable ore should be found, Tidewater will have the mining rights on that particular discovery for another five years.

As to the future, some of the New Mexico properties aren't too distant from the Ambrosia Lake area which is some 75 miles west of Albuquerque. Ambrosia Lake is becoming one of the nation's top uranium "finds" and this could spur the search in that entire area.

The only dividends paid by "NZ" in history were one cent in 1936, 25 cents in 1950, and 25 cents in 1953. At the end of 1956, New Mexico & Arizona's financial position was comfortable with $1,717,000 of cash and government bonds. Profit after taxes for 1956 came to eight cents a share vs. 17 cents in 1955 and about eight cents each in 1954 and 1953. One of the directors is the veteran, Roger Babson.

In conclusion, "NZ" seems to be the type of volatile stock which could sell eventually at say $7 a share, or it could conceivably sell some two or three times the present level of 13¾. It all depends on "Lady Luck" to a great extent. Meanwhile the land is there, and land is a potential hedge against a number of things such as inflation.

WALTER K. GUTMAN
New York City

Shulton, Incorporated

Shulton, Inc. traded Over-the-Counter makes the famous Old Spice line of men's toiletries. These are shaving creams, lotions, shampoos, etc. While Shulton has other lines — the Escapade line of women's toiletries among them — Old Spice is what the company is famous for and it is the main reason why Shulton's sales have forged ahead every year for 23 years. 1957 is expected to be the 24th year of uninterrupted progress with sales touching $35 million. Profits per share are likely to be $2.50 against $2.25 in 1956 and $1.89 in 1955. Shulton has a record indicating that marketwise it might be another Avon Products and at these prices, namely, about $17 a share, it seems worth taking a chance.

Walter K. Gutman

Shulton was incorporated in 1934, its sales during this first year were $54,000, its loss $4,000. For three more years small losses continued but sales climbed over the $300,000 mark and Shulton was established as a substantial business. From 1938 on, the company has never failed to make a good profit and in most years it has scored a new record in earning power. The year-to-year gains have been particularly substantial since 1953. Earnings in 1956 were more than 200% ahead of 1953, while sales were about 80% ahead. 1957 sales should forge 10% to

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Looking at the Over-all View Of Our Economy for 1957

By DR. MARCUS NADLER*
Professor of Finance, Graduate School of Business Administration, New York University

Nationally recognized Economist forecasts a good year for 1957 and a better apparel and retail trade than in 1956, and stresses international political situation and new equipment and plant outlays as the vital factors determining whether 1957 will be better than 1956. Dr. Nadler perceives: (1) higher personal consumption expenditures with soft goods doing better than hard goods; (2) larger capital investments despite expectations of only 6 million car output and lower home construction than in 1956; (3) increased Government expenditures; (4) not as pronounced higher prices and wage trend with more labor tranquility and productivity; and (5) easier money rates in the second half accompanied by reduced inventories. Suspects a better first half of the year than the second half, but states any decline will be of minor importance and can not go very far.

I always like to refer back to what I forecast last year, not in order to pat myself on the back but rather to check my own course, in order to see whether my thinking is correct or not. Last year on the same date I said, and I quote:

Marcus Nadler

"1956 will be a good year. Whether it is the best year that we ever had in the peacetime history of our country, better than 1955, or only the second-best year, is not as yet clear. A great deal will depend upon internal political developments, upon external political developments, and upon the movement of the equity market which, as I stated before, exercises a powerful influence on business. But be it as it may, 1956 will be a good year."

International Factor

After long and careful study, I have reached the conclusion that I merely have to change the number "6" into "7" and I can make the same forecast for 1957. 1957 will be a good year. Whether 1957 is as good as 1956, or better, will depend upon factors that can not be predicted. It will depend to a large extent upon the international political situation.

We all know that the Middle East situation, to say the least, is highly uncertain and fraught with a great many dangers. We know that the President of the United States is endeavoring to develop a new policy towards that very vital area of the world. At the same time, we don't know what the involvements will be and how much it will cost.

We also know that the satellite countries are full of unrest. They are gradually realizing that the Communism imposed upon them by the Soviet Union is the greatest fraud perpetrated in history. We have lived to see the day when the future historian will be able to say that the Hungarian Revolt marked the beginning of the end of the Soviet Empire.

But we do know that the Soviet leaders will not give in so readily, and who can tell what the consequences of these developments will be?

We know that money is tight, perhaps tighter than in a great many years. When money is tight, something has to give. Already we've noticed, in 1956, a sharp decline in home starts and in all probability the number of home starts in 1957 will be smaller than in 1956. In all probability the tight money situation is bound to have an impact on the construction industry in general, and who is smart enough to say how far it will go when the tight money will come to an end, and what the long-range consequences of this development will be.

But be it as it may, irrespective of these developments, 1957 is bound to be a good year. Immediately the question arises in view of all these uncertainties, "How can one make any predictions at all?", and the answer simply is this:

If we analyze the broad, underlying forces that operate in the economy of the country, if we weigh and measure them carefully, if we do not indulge in wishful thinking, we will be able to reach certain definite conclusions. There is a possibility of error, but the error can not be very great.

What are these forces? The economists have developed certain tools, and one of the tools is a study of the magnitude of the Gross National Product. The "Gross National Product" simply means the sum-total of all the goods and services produced in the country, expressed in terms of the dollar.

There are three important elements in the Gross National Product, and they are: (1) consumption expenditures by individuals; (2) private investments; and (3) government expenditures. Let us an-

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*An address by Dr. Nadler before the 19th Annual Arthur M. Reis Forum, New York City.

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Circumventing Economic Realities And Accommodating Credit Needs

By WILLIAM McCHESNEY MARTIN, JR.*
Chairman, Board of Governors of the Federal Reserve System

Inability to circumvent economic realities by government fiat and fallacy of monetary manipulation are referred to by head U. S. central banker in explaining that goods-distribution can be determined by direct rationing, taxation, and market forces, and not by increased bank credit and money during general high prosperity since all this might accomplish is price rise. Turning to plight of unsatisfied meritorious credit seekers, Mr. Martin advises Congress that if it plans to usurp the allocating and anti-inflationary function of interest rates by accommodating some users it should simultaneously provide offsetting action by reducing funds to others. Author provides breakdown showing ability of small business, State and local governments in obtaining credit; prefers careful study before deciding whether monetary controls should be extended over nonbanking institutions; sees no peacetime alternative to interest rate; and favors comprehensive monetary-credit study.

I welcome inquiry into what monetary and credit policy can do, and cannot do, to aid in achieving the goal of sustained economic growth and widespread prosperity. The national economy continues to operate at the highest levels in history. Gross national product reached the unprecedented rate of $424 billion by the last quarter of 1956. National income reached more than $352 billion, personal incomes more than $333 billion, and civilian employment about 65,000,000. These figures mark new highs.

W. McC. Martin, Jr.

The year 1956 opened with the economy generally operating at near capacity levels. A sharp rise in business expenditures for new plant and equipment, combined with increased spending by consumers and by State and local governments, more than offset decreased spending for automobiles and new home construction, thus imposing further heavy demands upon productive resources.

*Statement and answers, by Mr. Martin before the Joint Economic Committee Hearings, Feb. 5, 1957.

Wage rates as well as prices for goods and services moved upward. The year ended as it began, with the economic climate dominated by inflationary pressures.

Would Produce Price Rise

In this environment of intensive utilization of national resources, the aim of monetary policy has been to restrain inflationary tendencies, while providing at the same time for orderly economic growth. Over the year, the Federal Reserve System sought to prevent too rapid expansion of bank credit and the money supply by restricting the availability of bank reserves. To have permitted more rapid expansion of bank credit and the money supply would have intensified inflationary pressures already present in the economy. It would not have produced more goods. Rather, it would have increased prices further. Without relative stability of the currency, continued high utilization of resources would have been in jeopardy.

Commercial bank loans and investments in the aggregate rose only moderately during 1956. Banks expanded their loans substantially but to a large extent they obtained the necessary funds by reducing their investments in government securities. As a result, while there was little further growth in the supply of money, there was a more active use of existing money, as indicated by an 8% rise in demand deposit turnover.

The great bulk of all loanable funds is provided by savings of businesses and individuals. Although the volume of savings was somewhat higher in 1956 than in 1955, the growth was not enough to keep pace with the rapidly increasing demands. Interest rates on borrowed funds rose sharply over the year, particularly on long-term borrowing.

Interest rate changes, as well as other price movements, reflect supply-demand relationships. Rising rates, like rises in other prices, indicate that demand is exceeding supply. They discourage some borrowing on the one hand and encourage increased saving on the other. Thus they perform the vital function of balancing supply and demand. Current interest rates are a signal that the economy is straining its resources by trying to accomplish more at one time than resources permit.

Cannot Circumvent Economic Realities

Economic realities cannot be eliminated or circumvented by government fiat. Even the Congress with its enormous powers to redirect the available resources of the country must operate within the aggregate of resources available. In other words, under conditions of heavy utilization of resources generally, an increase in the resources made available to any one sector of the community would have to be taken from other sectors either by taxation, or by some form of direct rationing, or by the processes of the market. They cannot be made available by attempts to ease credit. That is the road to inflation. In 1956, fully half of the increase in gross national product represented a mark-up in prices. Had commercial banks been enabled to generate sufficient new money to satisfy all the demands for funds that were pressing on the market, the result perhaps would have been a smaller rise in interest rates, but at the expense of a sharper rise in prices of goods and services.

In the final analysis, investment must be financed out of saving from current income. This economic principle cannot be vitiated by any form of monetary manipulation. Under our institutions there is no practicable way of balancing savings and investment without flexible interest rates.

Catering to Fluctuations

Monetary policy must be administered with regard to changing situations in the financial markets. During 1956, within its general policy of restraint, system operations met seasonal changes in the reserve needs of member banks and also cushioned disturbing movements in financial markets, including those arising from necessary Treasury financing. From time to time, during the course of the year, the degree of restraint was adjusted to variations in the financial climate and in business activity.

Notwithstanding the combined influence of restraint on credit expansion and the realization of a substantial cash surplus in the Federal budget, prices of goods and services moved upward in 1956. Increases of 4½% in wholesale prices and 3% in the consumer price index are indicative of the vigor of demands. Such increases cannot be accepted complacently.

In a growing, competitive economy such as ours, production and prices for individual commodities fluctuate over a considerable range in response to changes in supply and demand without creating serious over-all instability. These adjustments are necessary to economic progress. They are part of the process of developing and maintaining high level employment, economic growth, free markets, and over-all stability in the price level. Even though many components may be unstable, the total economy can still experience an upward trend in production and employment with a horizontal trend in average prices.

In recent years, large shifts in the flow of funds through the economy have originated in such important areas as the Federal budget, agriculture, business investment, consumer outlays for durable goods and housing, and State and local governments. Declines in some sectors have released resources that have made possible increases in others. Such rolling adjustments not only are inescapable in a dynamic and unregimented economy, but the ability to adjust to changes with resiliency and flexibility, and with a minimum of government interference, is one of the great virtues of a private enterprise system.

Growth Means Turns and Dips

We know from experience, however, that the pathway of economic growth cannot be free of turns and dips. Experience tells us that important shifts in demands in major economic sectors can be so powerful as to have an excessively stimulative or depressive impact on the whole economy. Where the effects of such shifts become cumulative, they can develop into serious booms and depressions. Monetary and credit measures, by being adapted promptly to shifts in total demand relative to the supply of available resources, play an essential role in moderating these cumulative forces and in promoting orderly growth and financial stability.

Considerable attention has been focused of late on the impact of monetary and credit policy on various sectors of the economy. Higher interest rates as a mechanism for allocating the available supply of funds among different credit seekers have been sharply criticized. It is frequently contended that monetary policy is depriving communities of such vital needs as schools, housing and roads. Similarly, small business is said to be injured.

Unsatisfied Credit Seekers

These are debatable matters to say the least. School and road construction, home building, and small business activity are actually at high levels. In some of these sectors, many borrowers have been prevented from competing in the market for savings by statutory or regulatory limitations on the maximum interest rates they are allowed to pay. As a result, borrowers thus affected have borne a disproportionate brunt of general credit restraint. The cause of this disproportion, however, lies in the interest rate limitations that have kept some borrowers out of the market and not in the effort to restrain inflation. All of these sectors would suffer infinitely more from further inflationary bites out of the purchasing power of the dollar than they would from temporarily foregoing some of their borrowing—however worthy the purpose—if their plans and programs cannot be financed out of saving or, in the case of schools and roads, for example, out of taxes.

It is important to recognize that the problem of monetary stability is to keep the use of credit in line with resources available for production of goods and services. To accomplish this, some demands must temporarily go unsatisfied. Naturally, these deferments are of great concern to all of us, but unlimited supplies of easy money would only complicate and worsen the situation.

Handling Meritorious Needs

It has been suggested that the Government should take action to enable certain meritorious programs to move forward relatively unhampered by the effects of monetary restraint. These proposals present very difficult questions of public policy, which can be decided only by the Congress. Programs designed to make funds more readily available to some

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Observations . . .

By A. WILFRED MAY

A MOST MISUNDERSTOOD SECURITY

Again the gross overemphasis of the importance of the rate of return on the U. S. Savings Bond is manifested. The reception accorded the Treasury's announcement of its current request to the Congress to permit an increase in the interest rate highlights the long-continued proclivity to exclude almost entirely recognition of this security's other important investment attributes. This is seen in the public's attachment of supreme importance to the actuality of the yield change, in the confinement of its discussion to the minute details and implications of the yield adjustments, and in the extent of over-all criticism (including the "too little and too late" variety).

A. Wilfred May

A Unique Contract

Actually, the essential nature of the contract governing the U. S. Savings Bond offers an advantage to the hard-boiled investor that is tremendous as it is unique in the debtor-creditor relationship throughout the capitalist world.

Most corporate, municipal, and even other government bond contracts saddle the *lender* with a provision—the "call" privilege—which discriminately gives the *borrower* the very valuable option to call off "the deal" before the specified final termination date. This privilege of changing the contract will be exercised by the borrowing corporation or governmental body if conditions turn out to make this advantageous to it, as through a decline in the ruling rate of interest or improvement in its own credit standing—a most unfair "heads-you-win-tails-I-lose" bargain. Contrastingly, in the case of the savings bond contract, the privilege of calling off the arrangement is confined, via the redemption feature, to the *lending* individual; giving him the option to withdraw, at stipulated terms, if subsequent eventualities make it advantageous to him to do so.

Underlining the uniqueness of the benefit of this "reverse-call" privilege to the savings bond holder, SEC Chairman Armstrong only yesterday (Feb. 20) officially re-endorsed the traditional borrower-option redemption feature on public utility bonds and preferreds. This tends to reduce borrowing costs and hence consumer rates, *at the expense of the investor.*

The Bond vs. the Savings Bank

The savings bond contract offers a similar advantage over the savings bank account, on which the rate of interest paid at the time of deposit may be *unilaterally* altered by the *borrowing* institution after any payment period.

It should be realized that over the long-term the course of interest rates and of inflation has never been a one-way street!

The Guarantee of Unchanged Principal

Finally, the savings bond's money-back privilege gives the holder a guarantee, backed by the full faith and credit of the U. S. Government, of the uninterrupted availability of his principal 100%; in contrast to the subjection of other bonds, including governments, to the vagaries of market fluctuation—a differential given substance by the un-pegging of the government bond market since the Treasury-Federal Reserve Accord in 1951. (cf. Treasury $2\frac{1}{2}$s of 1970 currently down at $92\frac{1}{2}$.)

In arriving at a decision about buying, holding, or redeeming a savings bond, of course the rate of return is important. But it is equally important for the self-interested saver to be aware of the unique investment advantages cited herein.

* * *

Admittedly, the technicalities involved render difficult the required education of the lay public (which difficulty our own preceding effort may all to well demonstrate). But either the effort should be made forthwith; or else the nature of the bond's contract altered to a form whose attributes can be understood by the buyer.

Pressing Enforcement Problems Under the Securities Act

By ANDREW DOWNEY ORRICK*

Commissioner, Securities and Exchange Commission

Steps being contemplated to curb activities of a small unscrupulous segment of the investment industry, including reform of "no sale" rule in merger transactions, the registration-exemption provided for private offering and exchange of securities, and amendments to the revised Regulation A, are outlined by SEC Commissioner. Mr. Orrick presents facts showing six New York City "boiler rooms" in a half year grossed over $30 million, with $4.5 million gross profits and long distance telephone bills of $425,000 to illustrate how this can undermine public confidence and jeopardize required annual flow of $8 billion in savings for capital investments.

The Securities and Exchange Commission has been entrusted by the Congress with the important function of regulating the capital markets of the nation. What is the significance to the American economic system of this role performed by the Commission?

A. D. Orrick, Jr.

The ultimate objective of our administration of the various securities statutes is to maintain public confidence in the American system of free and private enterprise. This goal is being achieved by making available to the investing public reliable business and financial information concerning corporations whose securities are publicly issued and traded. Over the past 22 years a vast body of corporate financial data has been accumulated as a result of the Commission's registration, reporting and proxy requirements.

In making their investment decisions, investors should assume a greater responsibility for using such information, because it is vitally important to the continued prosperity of our expanding economy that public confidence in corporate securities as a safe and profitable medium for investment of savings of individuals be maintained. Industry must obtain long-term capital for plant expansion, new equipment, and working capital at a rate of over $8 billion a year. The principal source of this vitally needed capital is the savings of the American people, which must be attracted to legitimate corporate investments through the channels of the securities markets. Never before in our economic history have individual investors assumed such importance.

One danger that threatens the corporate system of free enterprise is the siphoning away of individual savings from investment in legitimate enterprises. Despite the general honesty of the business community, there are destructive forces operating in the area of corporate financing, which tend to undermine public confidence in the stability of the capital markets. Stockateers are peddling securities of dubious value from boiler-rooms. Speculative securities in unseasoned enterprises are shamelessly touted and manipulated by unscrupulous brokers and dealers. Large numbers of persons are attracted to the securities business in the hope of making quick profits. A considerable volume of securities is being illegally distributed to the public without the basic protection of full disclosure afforded by the registration process.

Boiler-Room Peril

The most serious peril to the continued health of the capital markets is caused by the activities of boiler-room operations. Who are they and how do they function? The securities salesmen employed in the boiler-rooms are often cons who have criminal records in such activities as bootlegging, gambling, narcotics traffic, home improvement rackets and various types of confidence games. Many have been circus barkers and carnival pitchmen. They sell corporate securities of dubious value through high pressure and dishonest tactics over the long-distance telephone to unknown prospects located in distant parts of the country.

Boiler-rooms have concentrated in the New York City area, but the impact of their activities extends from coast to coast. The typical shop is located in a garret or shabby back office. It usually employs about 30 salesmen. Their pitchmen operate from small cubicles containing several telephones, a list of prospective victims and a 3-minute egg-timer. The list of prospects includes the names of moneyed widows and relatives obtained from undertakers or it may consist of stockholders of record in some large, well-known corporation. The egg-timer is used to limit telephone calls to 3 minutes unless the prospect shows some interest in the offering.

In making their sales pitches to unsuspecting victims, these fast talking swindlers promise the chance of a lifetime in some "special situation" security, which is usually a promotional mining or oil company. They assure their prospects that they will double or treble their money within a matter of weeks. Simultaneously, the prices of the securities being pushed are manipulated, and by pointing to the steady rapid increase in market price, these fraud artists are able to reload their victims at the artificially advanced prices.

$2 Million Gross in A Few Months

The work production requirements of boiler-rooms usually demand that salesmen complete sales with one-third of the prospects called. At this rate of sales, the amount of the commissions of salesmen and the firm's profits are staggering. One boiler-room recently closed down by the Commission grossed about $2,000,000 from a few months' operations. The salesmen's commissions alone amounted to $600,000. The telephone bill was $200,000.

Investigations conducted by the Commission of six boiler-rooms located in New York City have re-

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*An address by Mr. Orrick at the Sixtieth National Western Mining Conference sponsored by the Colorado Mining Association, Denver, Feb. 7, 1957.

Bristol-Myers Company—The "ads" Add to Profits

By IRA U. COBLEIGH
Enterprise Economist

A capsule summary of the profitability and prospects of the proprietor of such household standbys as Bufferin, Ipana, Sal Hepatica and Ban.

Nowhere does the insistent and consistent power of advertising pay off more reliably than in the field of proprietary drugs. Link together a unique name, and a product of merit in the public mind, by an effective sustained advertising pitch in periodicals, radio and TV and you achieve a fabulous formula for steadily rising sales and profitability. Name three toothpastes quickly and can you fail to include Ipana? Nobody thinks of hepatica as a flower—they only know Sal Hepatica, the tummy soother. And just look at the education you've been getting about how Bufferin works twice as fast as aspirin! Why that neat diagram of your innards makes the Suez Canal seem a labyrinth by comparison.

Ira U. Cobleigh

But enough of this whimsical comment. We proposed not to dilate upon the sales building methods of media mandarins of Madison Avenue, but to point out the more salient features of the rising corporate stature and profitability which Bristol-Myers has quite demonstrably achieved. For you see BMY, in its own special way, is an outstanding example of corporate durability, growth and development, in the favorable climate of our enterprise system. Bristol-Myers has paid dividends without interruption since 1900—no mean achievement in itself; and it has for decades been populating the bathroom shelf in your home and mine.

BMY ranks among the leading American manufacturers and merchants of proprietary drugs and toiletries. In addition to the items already touched upon, there's Vitalis, designed to prevent "Billy Goat hair," Mum and Mum Mist, Trushay, a hand lotion, Minit-Rub for aching backs and aging golfers, and Ban which is to deodorants what ballpoints are to fountain pens. There are also coming along Theradan to keep dandruff from snowing on your blue serge suit; Biogels, a laxative; and Analoze, an antacid ready to move into the headache, heart burn and hangover league. Quite a line, and profitable, too.

Then there's the ethical drug division, Bristol Laboratories Inc., a leading maker of penicillin and streptomycin and, since 1954, of a broad spectrum antibiotic, tetracycline. A new oral version of this drug was first distributed in November of last year. It's called "Tetrex" and is thought to be a great advance in the field and, quite possibly, a substantial additive to BMY earning power in the future. Altogether Bristol Laboratories makes and sells over 250 ethical drug products.

Another interesting and related field of endeavor has attracted the Bristol-Myers management, door-to-door cosmetics. The success of the Avon Products Co. in this line is well known, and BMY looks for exciting results from its recently acquired Luziers, Inc., purchased last May (and grossing at the rate of $3,750,000 annually at the time).

Two other company divisions, the Sun Tube Company and Rubberset Brush Company, which had not moved ahead as rapidly as the proprietary section, profitwise, were sold last year, with part of the proceeds applied in the overall expansion and research program.

Abroad, Bristol-Myers has fully owned subsidiaries in Canada, Mexico, Argentina, Brazil, England, Australia and New Zealand and South Africa, with manufacturing licensees in other foreign countries. There are 5,600 employees and 15,500 stockholders.

Sales gross leans heavily toward the proprietaries with about 60% coming from that source in 1955; 22% from ethical drugs; 8% (not recurring) from the tube company, and the balance from assorted sources. Postwar net sales were irregular but in a rising trend, moving from a low of $42.8 million in 1949 to $75.7 million in 1955 and above $90 million for 1956. For 1956 the net should run around $3.50 per share, up from $2.98 in 1955. Balance sheet position has been consistently strong with a 5-1 current asset ratio at the 1955 year end.

Capitalization is three-fold: $13 million in long-term debt, $5,848,000 in $3.75 ($100 par preferred) and 1,539,000 common shares listed on the New York Stock Exchange and selling currently at 44. The stock was split 2-for-1 in 1945 and in view of the quite small number of shares outstanding, another split, broadening the market appeal of this interesting equity, would not appear illogical, in due course.

Dividend policy for the past several years has been to distribute about 60% net. The current indicated dividend is $1.80 and (assuming capacity to earn above $4 a share in 1957) an additional 50c in cash distribution for this year might be possible. At present quotation and with the $1.80 dividend, BMY yields 4.10% currently, and sells at only 11 times indicated 1957 earnings. This seems like a quite modest appraisal of Bristol-Myers especially as an increasing percentage of sales is coming from ethical drugs. Many strictly ethical drug stocks sell at 15 to 18 times earnings.

For the investor, there's the $3.75 preferred, a high class investment stock selling at 86 to yield 4.7% (callable at $104.50) and the common which has definitely not advanced in the market at a rate corresponding to the rise in net sales, and earnings per share. And the common stock has done nothing in particular marketwise to reflect the bulge in earning power which the latest antibiotic addition might produce. The past ten year range for the stock has been between 17½ and 45⅝. So you're not asked stratospheric prices to get aboard today.

The chatter in many board rooms these days centers around a theory of gradual erosion of share prices due to the belief that, although gross business volume may remain as high as last year, profits will be down. Hence, stocks should sell off. If we accept this analysis, then we should be looking all the harder for companies that can combat this trend by grossing and netting more this year than last, and by holding forth prospects of larger cash dividends. Such a company is Bristol-Myers. Its management is good, and in depth; its record for translating a new product into profits by smart merchandising is clearly established; its zeal and competence in research is evidenced by the development of "Tetrex"; and its continued and continuing claim on the purchasing power of millions is assured by its indicated advertising budget of approximately $14,500,000 for 1957; including the sly sales assists suavely introduced each Sunday night on television, by that pixey merchant of dramatic mayhem, Alfred Hitchcock. Bristol-Myers is adding to its profitability and quite a few prudent investors are adding Bristol-Myers to their portfolios. If the market does not immediately support their judgment, there's always Bufferin!

To Be H. E. Herrman Co.

On Feb. 28 Samuel M. Cohen will retire from partnership in H. E. Herrman & Cohen, 52 Wall Street, New York City, members of the New York Stock Exchange, and the firm name will be changed to H. E. Hermann & Company, effective March 1. On that date Evelyn S. Herrman will be admitted to limited partnership.

The State of Trade and Industry

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

Over-all industrial production in the period ended on Wednesday of last week was unchanged from the level of the previous week with cuts in electric power, lumber and steel, being offset by increases in the output of coal, automobiles and petroleum.

Initial jobless insurance claims by newly-laid off workers went down by 8,400 to 280,700 during the week ended Feb. 9, reports the Bureau of Employment Security.

This was the fourth straight week of decline, the agency stated. For the similar week in 1956, initial claims totaled 265,300.

At the same time, the Bureau of Employment Security said insured unemployment went up 18,800 to 1,768,400 during the week ended Feb. 2. Some 36 states reported increases. Insured unemployment for the same week a year ago totaled 1,540,000.

It added that the biggest factor in the increase was the effect of weather on outdoor activities in a number of states.

The latest round of increases in steel base and extra prices reflects the pressure of inflated wage and material costs on the steel mills. "The Iron Age," national metalworking weekly, stated on Wednesday of this week.

A survey by "The Iron Age" indicates that steel price boosts during the last several months are substantial. A large electrical equipment firm puts its average at more than $5 per ton. This is in addition to the post-strike boost of $8.50 last August.

The chances are that the newest series of price changes has about run its course, for the moment, this trade magazine notes. But there's another round coming up next July. That's when steel workers are scheduled for a wage increase under their three-year contract.

Meanwhile, it continues, steel supply and demand are moving into closer balance except for hard-to-get plates and structurals. Sheet users especially are in a position to call the tune. The mills are eagerly courting customers who several months ago had to take what was offered and like it.

The entire steel outlook appears to hinge on the inventory policies of major users. At the moment, the automakers and appliance manufacturers are still reducing their inventories. Reports from Detroit indicate that the auto companies, at least some of them, are shooting for a 15-day inventory. This is a bare minimum.

One encouraging note is that the two of the Big Three plan to take out their full allotments for March and probably for April. But the other member of the Big Three is still dragging his feet on March tonnage. What he will do in April may be the key to the future trend in sheet and strip order volume, concludes "The Iron Age."

Industrial production showed an increase during January, but it was a little less than normal for the month, the Federal Reserve Board reported.

The board stated that industrial production last month was at 145% of the 1947-49 average or one percentage point above the December level and two points higher than a year earlier.

However, with seasonal factors included, January's industrial production slipped one point from the previous month to 146%, but it was still three points above January of last year.

A thumb-nail summary by the Board of national business conditions last month disclosed that "industrial production in January was slightly below the record level of December; construction activity was unchanged; non-agricultural employment, incomes, and total retail sales remained at record levels. Prices of some basic commodities declined but the general level of wholesale prices rose further to mid-February. Bank credit was reduced, due mainly to seasonal influences, and interest rates declined."

The nation's gasoline stocks climbed 3,103,000 barrels during the week ended Feb. 1, according to the American Petroleum Institute, trade organization for the oil industry.

Motor fuel in storage at the week-end amounted to 196,351,000 barrels, nearly 14,000,000 above the year ago total.

The oil industry's refineries during the week moved at a slightly higher pace with daily runs averaging 8,202,000 barrels, up 13,000 barrels. The year ago rate was 8,068,000 barrels.

United States car production through last week for the first time in 1957 forged ahead of comparable 1956 output, "Ward's Automotive Reports," stated on Friday last. Through Saturday, car assemblies for the year were estimated at 965,269 compared with 960,809 in 1956.

Saturday scheduling of several Ford Motor Co. and Chrysler Corp. divisions helped boost the year's total to date pass the 1956

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Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Bank Stocks—Analysis of 1956 year-end reports of a group of outstanding banks—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

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

Detroit Banks—19th annual review—Manley, Bennett & Co., Buhl Building, Detroit 26, Mich.

Financial Statistics of Massachusetts—49th edition giving up to date information on the Commonwealth's counties, towns, districts and cities—Tyler & Company, Incorporated, 11 High Street, Boston 10, Mass.

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

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

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

N-A-X Low Alloy Steels — Technical information — National Steel Corporation, Grant Building, Pittsburgh, Pa.

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.

Real Estate Bond and Stock Averages—Revised—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

Resources Today for Growth Tomorrow—Study of a selected group of companies — Bruckenfeld & Company, 40 Wall Street, New York 5, N. Y.

Selected Shares for the Period Ahead—Tabulations—In current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is analysis of **Manufacturers of Labor Saving Equipment.** In the current issue of "Gleanings" there is an analysis of **Brooklyn Union Gas Co., General Dynamics Corp.,** and suggested bonds and preferred stocks.

United States Treasury Issues — Tabulation of comparative yields—Aubrey G. Lanston & Co., Inc., 20 Broad Street, New York 5, N. Y.

Which Stocks in This Market—Suggested list—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are circulars on **Mack Trucks** and **Koppers Co.**

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

Adams Engineering Co.—Memorandum—Atwill & Company, Inc., 605 Lincoln Road, Miami Beach 39, Fla. Also available are memoranda on **Allied Products Corp., American Title & Insurance Co., Atlas Sewing Centers and Maule Industries.**

Aetna Standard Engineering Company — Bulletin — De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

American Brake Shoe Company—Analysis—Moore & Schley, 100 Broadway, New York 5, N. Y.

American Marietta Company—Annual report—Dept. 11, American-Marietta Company, 101 East Ontario Street, Chicago 11, Illinois.

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

Beneficial Corporation—Report—A. J. Grayson & Co., Incorporated, 92 Liberty Street, New York 6, N. Y.

Brown & Sharpe Manufacturing Co.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Burmah Oil Co.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Camco—Analysis—Roosevelt & Gourd, 37 Wall Street, New York 5, N. Y.

Chrysler Corporation—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y. Also available is an analysis of **Rose Marie Reid.**

Columbia Gas System, Inc. — Annual report — Columbia Gas System, 120 East 41st Street, New York 17, N. Y.

Copperweld Steel Company—Analysis—Walston & Co., Inc., 265 Montgomery Street, San Francisco 4, Calif.

L. A. Darling Co.—Report—Moreland & Co., Penobscot Building, Detroit 26, Mich.

Dayton Power & Light Company — Annual report — Dayton Power & Light Company, 25 North Main Street, Dayton 1, Ohio.

Detroit Harvester Co.—Memorandum—A. C. Allyn & Co., Inc., 122 South La Salle Street, Chicago 3, Ill.

First Baptist Church of Peoria, Ill.—5% First Mortgage Serial Bonds — Circular — B. C. Ziegler and Company, Security Building, West Bend, Wis.

C. G. Glasscock Tidelands Oil Co.—Memorandum—Fridley, Hess & Frederking, Texas National Bank Building, Houston 2, Texas.

Griggs Equipment, Inc.—Analysis—Eppler, Guerin & Turner, Inc., Fidelity Union Life Building, Dallas 1, Texas.

I-T-E Circuit Breaker Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is an analysis of **Green Mountain Power Corporation.**

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

Koehring Company—Analysis—Doolittle & Co., Liberty Bank Building, Buffalo 2, N. Y.

Lisbon Uranium—Memorandum—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

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

Northern States Power Company—Annual report—Northern States Power Company, Minneapolis 2, Minn.

Peoples Gas Light & Coke—Data—McManus & Walker, 39 Broadway, New York 6, N. Y. Also in the same circular are data on **Mesta Machine** and **Marlin Rockwell Corp.**

Polaroid Corporation—Report—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill. Also available are reports on **Aerojet General Corp.; Aztec Oil & Gas Co.; Koehring Company, Lone Star Steel Co., New England Lime Co.** and **Transocean Corp. of Calif.**

St. Joseph Lead Company—Report—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Swank Inc.—Analysis—Richard Bruce & Co. Inc., 26 Broadway, New York 4, N. Y.

Textron, Inc.—Analysis—Winslow, Cohu & Stetson, 26 Broadway, New York 4, N. Y.

United Aircraft Corporation—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Universal Match Corporation — Analysis — Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo.

James McFarland With Stroud & Company

PHILADELPHIA, Pa. — Stroud & Company, Incorporated, 123

J. B. McFarland, III

South Broad Street, announce that James B. McFarland has become associated with their trading department. Mr. McFarland was formerly in the trading department of Hecker & Co.

Boston Investm'nt Club To Hear Chapman

BOSTON, Mass.—"Where is the Money Coming From, a Banker's Viewpoint of the Money Market Today," is the topic chosen by Richard P. Chapman, President of the Merchants National Bank, for his talk at the February dinner meeting of the Boston Investment Club. The meeting will be held Monday, Feb. 25, at 5:15 p.m. at the Boston Yacht Club.

Mr. Chapman has been with the Merchants National Bank since 1927 serving first as an investment analyst and becoming President in 1952. He has held many offices in banking associations and is a former President of the Trust Division of the American Bankers' Association. Mr. Chapman also serves on the boards of several New England companies, among them Bird & Son, Inc., Kennedy's Inc., and the New England Mutual Life Insurance Co. of Boston.

Brush, Callan V.-Ps. Of Brush, Slocumb

SAN FRANCISCO, Calif. — Brush, Slocumb & Co., Inc., 465 California Street, members of the Pacific Coast Stock Exchange, announced the election of Gerald F. Brush and Edwin C. Callan as Vice-Presidents of the corporation. Both have been with the organization for a number of years.

D. D. Robinson Opens

SWAIN, N. Y.—David D. Robinson is engaging in a securities business from offices here.

Frederick Schauffler Opens

Frederick S. Schauffler is conducting a securities business from offices at 105 East 38th Street, New York City.

Joins Bache Staff

CHICAGO, Ill.—Loren P. Lyon has joined the staff of Bache & Co., 135 South La Salle Street.

With Arthur L. Weir

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo. — Alexander R. Ormond is now affiliated with Arthur L. Weir & Company, Burns Building.

Joins Allen Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — John Sakayama has joined the staff of Allen Investment Company, Mile High Center.

With Paine, Webber

PHILADELPHIA, Pa. — Paine, Webber, Jackson & Curtis, Girard Trust Company Building, members of the New York Stock Exchange, announce that Louis P. Clark, Jr. has become associated with their Philadelphia office as a registered representative.

Mr. Clark attended Friends Central School, Philadelphia; Earlham College, Richmond, Indiana, and Brown University, Providence, R. I. He served two years in the air arm of the United States Navy, leaving service in April, 1954.

The Demand for Capital and The Interest Rate Trend

By ROBERT G. VAN CLEAVE*
Vice-President, Research, C. F. Childs and Company

Except for small and temporary interruptions, the interest rate trend is likely to be upward according to prominent stock analyst, along with price of goods and labor, because of our innate predilection for full employment, unwillingness to allow falling prices, rapidly growing majority which knows nothing of deflation and depression, assumption of world material well-being, and willingness to inject government spending as long as the American people demands it. Mr. Van Cleave looks to the Federal Reserve to stand "between us and rampant inflation" in coping with long run growing demand for capital exceeding savings.

This nation, and most of the rest of the world, are launched upon an era of dynamic economic development, expansion, and growth. It may in time suffer the fate of other new eras, but that is for the remote future to determine.


Robert Van Cleave

Abroad this rests upon a determination that the so-called "undeveloped" nations must, in some short period of years rather than of generations, catch up to the standards of material well-being enjoyed by the people of the United States and of the Western World generally.

At home it is based upon trends in social thinking which had their beginnings more than half a century ago, which grew during the 'thirties and the war period, and which now condition an economic environment radically different from anything known in this country before.

Both at home and abroad these altered circumstances have caused, or have been caused by—at least, they have accompanied—an enormous growth in the powers of government, and of the scope of governmental action. It is a chicken-and-egg sequence, and which came first really matters very little for present purposes.

Perhaps it can be described as a cause to effect to cause relationship. In the beginning a small group of thinkers urged governments to greater economic activity. This was the first cause, and from small beginnings grew what is now called—for want of a better term—the Welfare State. The immediate and tangible benefits proved popular, leading to still greater growth in governmental functions, and with the passage of time the electorate became convinced that government can, and should, do just about anything in the economic sphere. Especially in the event of a tendency for the economy to sag, the government is relied upon to exert itself to the utmost. The expectations of the people now are the cause, and the efforts of government an effect. The President, in a recent press conference, said:

Why We Must Spend

"I will say this: as long as the American people demand and, in my opinion, deserve the kind of services that the budget provides, we have got to spend this kind of money."

We now have a dominant view in government, supported by an apparently overwhelming majority of the democratic electorate, which holds that:

(1) Anything less than full employment of men and material resources is a crime not to be tolerated. Though the word "full" was deleted from the title before the Employment Act of 1946 was adopted, it is nearly always referred to as the "Full Employment Act," and in fact it is quite generally taken for granted that that is its aim. Policies and actions of government, of business, and of the people generally therefore are designed on the implicit assumption that there is never to be any slack in the economy anywhere. The economy is to be kept at full stretch.

In a former day unemployment resulted in a shift of workers to places where employment opportunities were more plentiful; nowadays when a pocket of unemployment is discovered the area is marked for special governmental assistance of one sort or another, so that workers will not be inconvenienced by having to move. This is one factor among many tending to increase the costs of production. Employment overall is full, or nearly so, and about a month ago, a survey reported that in Connecticut there were 70 corporations with unfilled jobs for 13,100 workers. Conditions in England, where employment is even more nearly full than here, are probably well known. A writer in "The Economist" a short time ago frankly declared that "inflation is nine-tenths of any full employment policy."

(2) The general price level must not be allowed to decline. Much is said about the dangers and inequities of a rising price level, but I suspect there would be very few voices found today to argue that the blessings of increased production can be most equitably distributed through lower prices. "Stability" is the objective — a price level neither rising nor falling.

But the determination that prices shall not be allowed to fall, and the measures taken to see that they do not, are themselves the best guarantee that in fact they are going to continue to rise.

No Lack of Money

(3) No aspiration of the people for betterment of their material condition must go unfulfilled. The clear and unmistakable tendency today is to equate "need" or "desire" with "effective economic demand." Then this is the rule we have a practical demonstration of the old aphorism that human wants in total are insatiable.

The veteran needs a home; the small businessman needs capital; the farmer needs electric lights, telephones, and power-driven equipment; the community needs schools, hospitals, sanitation and water systems; the nation needs roads, dams, atomic power plants, de-salted sea water for irrigation, re-forestation, and a rebuilding of its topsoil. I believe it is not putting the matter too strongly to say that the first article of economic faith today is that none of these needs ought to go unsatisfied for want of money.

(4) The nation has assumed a responsibility for the material well-being of people everywhere in the world. It is regarded as being hardly less important to promote the realization of their aspirations than those of our own citizens. Dams for irrigation and hydro-electric power on the Ganges, the Tigris, the Euphrates, the Jordan, and the Nile are the most talked-about needs. Nations should be helped to equip themselves with a modern steel industry, whether they have any coal and iron ore or not, and regardless of superior capabilities in agriculture or in other fields. The demand attributed to Henry Wallace for a bottle of milk for every Hottentot no longer seems such a preposterous exaggeration as it once did.

U. S. A. Must Do the Job

All this costs a great deal of money. The United States is the outstanding example of capitalistic prosperity, no other nation and probably no combination of nations is in position to export capital to anything like a similar extent; **therefore**, the United States must do the job.

None of this outpouring of money and goods is to be regarded as the result of blackmail or extortion; it is all done in pursuit of our own rightly-understood self-interest. It is important to note this, because it supplies a most revealing index to those controlling trends of thought to which I referred earlier.

Also let it be noted that in none of this have I expressed a value judgment. If you perhaps may have inferred one, that is your right. All I am doing is trying to see, as realistically as I can, what are the conditions determining the demand for financial capital.

A New Majority

In the United States today our citizens comprise a rapidly growing majority which knows nothing of deflation and economic depression. They are wholly the product

Continued on page 31

*An address by Mr. Van Cleave before the Annual Dean's Day Homecoming, Graduate School of Business Administration, New York University, Feb. 16, 1957.

Adverse Trade Balance Presents Dilemma to Britain

By PAUL EINZIG

Commenting on the delayed effect of the Suez induced sterling scare on exports as well as imports, Dr. Einzig finds IMF dollar emergency aid unfortunately camouflages the balance of payment danger and, thus, does not administer a much needed shock to Britain, particularly the labor unions. Advises precarious position be emphasized to offset false feeling of security, and believes this will not discourage foreign holders of sterling or foreign importers of goods because they can liquidate their commitments in time, if necessary.

LONDON, Eng.—The strongly adverse trade balance of the United Kingdom during January came as a shock to British public opinion which, on the basis of the favorable trade figures of previous months, was inclined to assume that on the present occasion British exports remained unaffected by the sterling scare. Yet it stands to reason that a wave of distrust in a currency tends to induce foreign importers to defer or cancel orders from the country concerned. They do so in the hope of being able to buy its goods at a lower price after the devaluation of its currency, or for fear that rival importers who have deferred their purchases until after the anticipated devaluation would then be able to undersell those of their competitors who had bought their goods before devaluation.


Dr. Paul Einzig

Amazingly enough, this aspect of the sterling scare has not been realized to any noteworthy extent in Britain. Official pronouncements and press comments stress the withdrawal of foreign sterling balances, the deferment of foreign payments due in sterling, the increase of non-sterling imports by some Sterling Area countries in anticipation of a devaluation, and even speculative short selling of sterling. They ignore that the cancellation or deferment of foreign orders for British and Sterling Area goods is much more important than any of the above influences.

Delayed Effect

When the British export figures for November and December showed no sign of being thus influenced by the sterling scare caused by the Suez crisis, it appeared to some of those few people who had been aware of this factor that, after all, the factor need not necessarily operate. In reality it did operate, only it took some two months before its effect became evident in the figures of the trade returns of the United Kingdom. This time lag is perfectly normal. Two months or more are liable to elapse between the placing of orders and the actual shipment of the goods. The favorable export figures in November and December were reflecting the execution of orders placed in September and October, prior to the acute sterling scare. During the late summer and early autumn British exports began at last to benefit by the relentless disinflationary measures adopted by the government in 1955 and 1956. Had it not been for the Suez crisis, the balance of payments would in all probability have continued to be favorable in January. Unfortunately, there is reason to believe that the sterling scare of November-December did lead to cancellations or deferments of orders for British and Sterling Area goods by countries outside the Sterling Area.

This explanation of the unfavorable trade figures for January is much more convincing than the officially-inspired explanation attributing the increase in the adverse balance to the transport difficulties resulting from the Suez stoppage. That stoppage affected imports as well as exports, and there is no particular reason why it should have caused a widening of the gap between them. It is true, the price of oil imports increased and so did freight charges on imported goods. On the other hand, since the Suez situation caused a much more acute shortage in oil tankers than in shipping tonnage in general, it must have affected the quantity of imports to a larger degree than the quantity of exports.

Danger Is Still There

During the first half of February, sterling remained unaffected by the adverse trade balance, because of the reinforcement of its defenses with the aid of the dollar facilities arranged in December. The return of confidence in sterling resulting from these defensive measures offset to some degree the effect of the adverse balance on the gold reserve, so that the outflow of gold during January was relatively moderate. The rate remained in the close vicinity of its parity of $2.80, and forward rates moved in favor of Britain. Had it not been for the dollar facilities, sterling would have been distinctly weak under the combined influence of the adverse trade balance and an increase in distrust. Gratifying as the steadiness of sterling is, from more than one point of view, it would be a dearly-bought blessing if it were to generate a false feeling of security. Possibly a further decline of the gold reserve in the absence of the dollar facilities might have administered to Britain a much-needed shock, of the kind that on more than one past occasion stirred the British people into a supreme effort in face of an acute danger. Now the danger is camouflaged behind the screen of the International Monetary Fund's dollar facilities. So the British Trade Unions think they can afford to continue their "everybody for himself" attitude.

British official spokesmen and Press commentators are confronted with a dilemma. In order to prevent the development of a false feeling of security, they ought to take every opportunity to emphasize that the gold reserve has now declined below the danger line, even if the published figures are artificially raised by borrowed dollars. Possibly by taking this line they might mitigate the pressure for higher wages by making the workers realize that the fundamental position remains precarious. On the other hand, such a display of pessimism might accentuate distrust in sterling, as a result of which foreign holders of sterling would remain reluctant to replenish their holdings and foreign importers might hesitate before placing orders.

There Is No Dilemma

There is no need for indulging in double-talk in face of this dilemma. The dollar facilities have removed the immediate danger to sterling. Foreign holders are perfectly safe in replenishing their balances, and foreign importers are perfectly safe in ordering British goods, because sterling may be considered safe at any rate during the spring and summer of this year. On the other hand, it is wrong to pretend that the fundamental position is sound. The warning that the improvement brought about by the dollar facilities is essentially on the surface could not be repeated too often or with too much emphasis. The fact that, taking the long view, sterling remains vulnerable need not worry either foreign holders of sterling or foreign importers of goods, because they are well in a position to liquidate their commitments before the advent of the next acute sterling crisis. On the other hand, the realization of this long-term danger, might go some way toward bringing about a much-needed improvement of the fundamental situation, or at any rate a prevention of its further deterioration.

From Washington Ahead of the News

By CARLISLE BARGERON

For nearly as long as memory serves, the Republican party has lived under the stigma of isolationism, an ugly word in the East and among our so-called liberals and intellectuals generally. It was more often than not spoken with a hissing sound. In the eyes of our so-called liberals and intellectuals, its practitioners were lower down on the scales than Communists, a people not to be tolerated.


Carlisle Bargeron

Various Republican leaders sought to get from under the shame but the party drag was too much for them. Tom Dewey, Harold Stassen, Wendell Willkie were acceptable to the internationalist elite as individuals but they represented the despicable Republican party. Men like Bob Taft, the younger Bob LaFollette, were moored down in the internationalist witch hunt; the late Arthur Vandenberg repented his isolationist sins and became a "great" man overnight, but not great enough for the Presidency because of his isolationist associates.

All this we have lived through and now what do we see unfolding before our very eyes? Why we see the Democrat party becoming isolationist and the Republicans internationalist. Both sides would undoubtedly deny this and lift their hands high to the heavens in protest. But what else could the fight in the Senate over the Eisenhower Middle East plan mean?

In the Senate Foreign Relations Committee the Democrats voted solidly, 15 of them, to adulterate the President's plan. Thirteen Republicans, including Capehart of Indiana, heretofore labelled pretty much of an isolationist, voted with the President. When the Democrats learned their adulteration was not particularly offensive to the President, they announced further changes would be attempted on the floor of the Senate. Eight of the Democrats, including such profound thinkers on world affairs as Fullbright of Arkansas, and Mansfield of Montana, voted against the resolution in the committee *in toto*.

It is difficult to understand this picture. You would think the President's plan of extending our "global leadership" to the Middle East would be too enticing for such scholars as Fullbright and Mansfield and their Democrat colleagues on the committee to resist. It involves our government filling a "vacuum," of our exercising our responsibility among the peoples of the world and such other expressions as our internationalists like to use.

As a matter of fact the propaganda has been that the President had to look to the Democrats, being an enlightened people, for support in his foreign policy, that he couldn't get it from the backward, provincial minded Republicans. The President himself has seemed to accept this view in his catering to the Democrats in the matter of patronage.

It is to laugh as the French would say. What is even more perplexing about the spectacle, is that there has been no outburst of denunciation against the committee Democrats by the Eastern pundits, by the Committee for an Efficient Congress, by the other internationalist sects, not even from that great world spokesman and leader, Walter Reuther.

You can bet your boots they would have been heard from had the shoe been on the other foot, had a single Republican on the committee voted against the resolution. The CIO wing of the organized labor movement, and to a lesser extent the AF of L, has come to rate candidates for national office on the degree of their internationalism, to classify them, as a matter of fact, as anti-labor if they have not gone down the line on foreign aid, on increased military expenditures. I have sometimes gotten the impression, indeed, that they considered this of more importance than a candidate's record on labor legislation. Certainly, internationalism has come to be a part of "labor legislation." The only explanation for this that I have ever been able to evolve is that labor leaders generally have an inferiority complex and an internationalist has seemed the smart thing to be.

Anyway, I am happy to see the Republicans, or this committee group of them, come to be acceptable for the nonce to our University Presidents and Professors. In all fairness now it seems to me that the Democrats should be shoved off the campus.

J. Ross Oborne Director Of Nesbitt, Thomson

TORONTO, Can.—The appointment of J. Ross Oborne as a Director of Nesbitt, Thomson and Company, Limited has been announced. Mr. Oborne is Manager of the Toronto office of the firm at 350 Bay Street.

The firm is headed by P. A. Thomson and A. D. Nesbitt and maintains 19 offices throughout the Dominion. It is affiliated with Nesbitt, Thomson and Company, Inc. of New York and Boston.

Bruns, Nordeman Admit

Bruns, Nordeman & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, on March 1 will admit Herbert V. Oppenheim and Stephen A. Oppenheim to limited partnership.

Lundborg to Admit

PALO ALTO, Cal.—Edward R. Hanna on March 1 will become a partner in the New York Stock Exchange firm of Irving Lundborg & Co. He will make his headquarters in the firm's Palo Alto office, 470 Ramona Street.

R. P. & R. A. Miller Co. Formed in Philadelphia

PHILADELPHIA, Pa.—R. P. & R. A. Miller & Co., Inc. has been formed with offices in the Philadelphia National Bank Building to engage in a securities business. Officers are Robert P. Miller, President and Treasurer, and Richard A. Miller, Vice-President and Secretary.

Both were formerly with Reynolds & Co., Cohu & Co. and Woodcock, Hess & Co.

Midwest Exch. Members

CHICAGO — The Executive Committee of the Midwest Stock Exchange has elected to membership in the Exchange:

Edward B. Coughlin, Coughlin & Co., Denver, Colo., and War O. Brooks, Brooks & Company, Wichita, Kan.

Dean Witter Partners

SAN FRANCISCO, Calif. — On Feb. 28, Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges, will admit to limited partnership Isabel P. Lindberg, Paul F. Murphy, John B. Bates and Robert S. Burns.

Mortgage-Commercial Banking Relations and the Money Market

By WILLIAM F. KEESLER*
Senior Vice-President, The First National Bank of Boston

Leading Boston banker believes prospective industrial expansion demands, higher prices, and consumer credit indicate "we are in for an extended period of strong money rates" which should not be discouraging for mortgage banking since it may have blessings. Mr. Keesler presents the problems, views and demands mortgage and commercial bankers have, and advises mortgage bankers to keep commercial bankers well informed. Turning to several years of unfamiliar demand, the author states commercial bankers have been aware of the false impetus behind residential building and that there were too many houses being built in their respective communities. Advises more underwriting at the local level, and cooperation between mortgage bankers locally and between them and the commercial banks.

In spite of the fact that in the past there have been times when both facetiously and seriously it has been suggested that the name **Bankers** did not belong to mortgage companies, I am glad that the suggestion was not taken seriously and the designation eliminated.

William F. Keesler

To me the name **Banker** denotes a responsibility that goes much further than that of mortgage originator or servicing agent, and very much further than builder or developer.

That responsibility is not only to a single investor or group of investors, but to the local community and to the nation.

For some years now things have been moving faster than usual. Most everybody has been doing more business than we can consider entirely normal.

Figures on automobile production and sales, housing, and a variety of consumer products that we see may eventually be higher when we reach the predicted population increases, more marriages, and more children of school age, but as of today they are plenty high in proportion to increase in Savings.

Gross National Production and Capital Investment have been growing and have reached today's proportions by using up a reserve of credit created by savings of years when the products were not available and by deficit financing.

A banker has never been able to increase his loans year after year unless deposits, either savings or demand, have increased also.

The Mortgage Banker cannot expect investor funds continually available unless savings of some types are increasing.

When credit has been stretched to a tight position, it takes cooperation between bankers and investors alike to maintain a healthy condition. Let us not lose sight of the fact that as agents for investors, Mortgage Bankers are investors.

In the mortgage business, inflation has covered many mistakes. Inflation has lowered the value of the dollar and sometimes reduced the current price of a fixed income mortgage, but measured in dollars it has also enhanced the value of the security which may have been none too adequate. Tight money and the attendant slowing-down of some production can cover some mistakes also.

Good Business Means Tight Money

A continuation of real good business from here on probably means an extended period of tighter money.

However, the Mortgage Banker, as well as the Commercial Banker, want good general business just as much as more mortgage money.

When the mortgage originators' problems increase because of economic changes affecting money supply, he becomes more of a banker. When demanded by all investors for mortgages existed, and when there was no particular shortage of interim financing, the mortgage originator had difficulty in not becoming a builders' agent.

It is changes such as have occurred in the money market and investment opportunities that influence him to look at his mortgage servicing account more as if it were part of his own investment portfolio.

If the truth is known, it is a fact that a large percentage of commercial bankers have felt for several years that there was too much false impetus behind residential building, and that there were too many houses being built in their respective communities.

As we look back at it now, we realize that they were not in many cases familiar enough with the demand that developed through growth plus easy financing. But they have been right recently in some areas and certainly would be in many others if tighter money had not slowed up the pace of new developments.

No Local Control

The local commercial banker alone has not had too much control over the situation when there were investor take-out commitments for builders mortgages, and perhaps he should not have been too concerned if the mortgages were guaranteed by the government and mainly purchased by banks and other investors out of his own area.

The Mortgage Banker, however, considering his own loan portfolio (servicing account) must be continually concerned about the danger of community over-production of houses and the effect on the secondary house market.

My own feeling is that this is a particularly good time for more cooperation between Mortgage Bankers locally and between them and the Commercial Bankers, not only to help develop new housing of a type and quality that is needed, but also to discourage further development not fully warranted by evident permanent need.

What I am really suggesting without any reflection on the government agencies whatsoever is that more underwriting at the local level is possible and highly desirable.

The Commercial Bankers find themselves in the position where most new loans are made only to customers to whom—because of previous relations—they feel at least semi-obligated, or for some community development for which there is real need.

This comes down to a question not of interest rates or credit risk, but of the availability of funds provided by the turnover of other loans. The new loan today, to warrant a recommendation, needs something extra to give it a priority rating from the standpoint of selectivity as to quality and collateral relationship.

I believe that there is much to be desired in the commercial banking field when it comes to being really acquainted with the mortgage banking business, and it is also true that there is less exchange of information between commercial banks of their activity in this field than exists in other types of commercial bank credits.

It is also true and particularly noticeable now when money is tight that the Mortgage Banker is not too well conversant with the conditions in the short-term loan market or familiar with the problems and opinions of the Commercial Banker.

Some normal patterns of credit to Mortgage Bankers have been established and a general acceptance of the mechanics and rate structure of the handling of these credit lines has in many areas improved the relationship between mortgage banking firms and the local commercial bank.

Mortgage Bankers' Problems

The Mortgage Banker as an established FHA Approved Mortgagee servicing mortgages for others and requiring a certain amount of commercial bank credit has an excellent record. There have been a few difficulties in construction loans due to errors in judgment or over-optimism on sales, but very little if any fraud or deliberate misleading in the obtaining of credit.

On the other hand it is common sense to recognize that as a steady borrowing customer the Mortgage Banker is in competition with other commercial bank customers from the standpoint of amounts required, rates, detail work involved, activity of accounts, and —of course—balances in proportion to loan.

My experiences with Mortgage Bankers, although most of the resulting loans have been through correspondent bank relationships, has been that most have had a proper realization of what they need to have the Commercial Banker do for them, and have been anxious to see that it is not a one-way street and that the business is profitable and desirable enough to warrant his cooperation.

But you, of course, realize that although there are many of you who have operated as loan correspondents for many years, the volume of the Mortgage Bankers' business as we recognize it today has built up very substantially over a comparatively few years, with many new comers in the field, and there is considerable difference in the amounts and types of credit each is entitled to in proportion to capital and business developed.

The mortgage origination business has naturally varied considerably in different parts of the country, dependent on rate of growth of the area and the local supply of long-term loanable mortgage funds.

In some sections a large percentage of home mortgages has been originated by commercial and savings institutions for their own portfolios. In some areas these banks have in addition to their own requirements operated what we have come to recognize as a mortgage banking operation by originating loans and selling from their portfolios, and servicing for investors.

This seems to have been a logical procedure in States where state-wide branch banking is legalized and, because of growth factors, outside capital has been required for the proper development of the communities where numerous branches have been located and have to be served.

In fact, where these conditions exist and the banks have not been active in this field, it appears that perhaps they have neglected a business that would be profitable to them and which has definite other collateral advantages as well as furnishing a service badly required in the community. It also would eliminate some direct government lending in small towns.

Commercial Banks Must Decide

In any event, the commercial banks with or without large savings deposits should decide; either

Continued on page 35

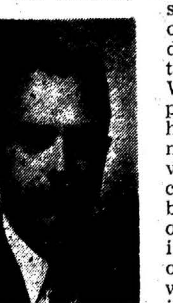
*An address by Mr. Keesler before the Southwestern Conference of the Mortgage Bankers Association and the School of Business Administration, Southern Methodist University, Dallas, Texas, Jan. 28, 1957.

The Aims of the NSTA

By WILLIAM J. BURKE, JR.*
May & Gannon, Inc., Boston
President, National Security Traders Association, Inc.

Newly elected President praises Over-the-Counter Market trading as a wonderful profession and comments on lack of favorable over-the-counter publicity. Mr. Burke reviews: the economic contributions made by traders; development of close liaison between NSTA and SEC; and leadership undertaken concerning gifts of securities to minors. Announces this year's aim to improve public relations, and long range objective to achieve better understanding and appreciation for the trader within and without the industry.

First, I would like to mention that all of the work we as an association do for ourselves and for our industry is work that is superimposed on our daily duties at the trading desk. We have no paid staffs. It has long been my belief that we as an association can best serve ourselves, our industry, and our economy when we work in concert with the various Stock Exchanges, the NASD, the IBA, and the Investment Trusts, all of which have paid officers and staffs rather than by our attempting to carry on programs that, because of our limitations, we might be unable to bring to a successful conclusion. Frankly, I do not come to you with a sales talk. The fact is, as organizations go, the NSTA is more informal and unofficial than anything else. We have, as you know, always laid great stress on the social aspects of personal contact. For my part, I feel that these social contacts and aspects are among the most valuable assets that we as a group enjoy.



Wm. J. Burke, Jr.

What Is the NSTA?

In the year 1934 a small group of traders had the foresight to see the need for an organization such as ours and they founded the NSTA. Twenty-three years later that small organization has grown to a membership of 4,500 people in 31 affiliates and is a recognized and important factor in the investment and security industry.

*Text of an address by Mr. Burke before the Bond Club of Syracuse, Feb. 11, 1957.

The preamble to our constitution states: "The object of this association is to promote the general welfare of its members, to establish and maintain high standards of ethical conduct, to provide the benefits to be derived from personal acquaintances and to afford the means of discussing matters pertinent to the trading division of the security business."

This objective covers a lot of ground and was written on the premise that high principles and professional excellence are our most precious commodities. The London Stock Exchange has a motto which in latin expresses the sentiments of our profession and could well be a paraphrase of our own guiding principles. Translated, it reads: "Our Word Is Our Bond."

Tonight the Preamble of our Constitution is at work. One of the purposes for which this organization was founded is portrayed here with the social gathering before our dinner and this short exchange of ideas we are now holding.

Praises Over-The-Counter Profession

You know as I do that this Over-the-Counter Market profession of ours is a wonderful business world in which to work. It is a vast market place in which we serve both the giants of business and industry effectively and at the same time place our professional qualifications at the disposal of small businesses and investors. For my part there's nothing I would rather do than discover a small company with new ideas, new products, and real get up and go and follow it—helping it to grow by lending what little ability I may have to that growth. I enjoy interesting other people in my own deductions and sharing my enthusiasm with them.

The Over-the-Counter Market is the oldest market for securities in existence. One could trace the essence of the spirit of the Over-the-Counter Market to biblical days and beyond. For what is an Over-the-Counter trade except a bargain struck by two individuals.

The Over-the-Counter Market is the largest of all markets. We should be happy to be associated with it. As my talk has for its primary purpose a discussion of the NSTA, I, of course, am not going to delve further into a discussion of the Over-the-Counter Market and why it does not receive the favorable publicity that it so truly deserves.

Traders Economic Contribution

We traders are important to the Economy of this country. Our professional excellence, the manner in which we conduct ourselves at the trading desk, the implications of our day-to-day work ties in with the future of this country to say nothing of its own future as a profession and ours as individuals.

I would like, at this time, to describe a few of the things that our members have done in the past and which I think have contributed greatly to our well being and which indicate justification for our existence.

As I stated above our association was formed during the dark days of the depression of the middle thirties when the Administration in Washington was not too kindly disposed toward our industry. Maybe this is an understatement. At any rate, our founders at that time were busy doing what they could to maintain high standards of ethical conduct among the traders and to do what they could to eliminate that feeling of hostility that seemed to exist between the regulatory bodies and our industry. Because of this, one of our Presidents decided it would be good public relations to invite all of the SEC Commissioners to be the guests of our National Officers, our Executive Council, and the Presidents of our affiliates at an annual dinner to be held in Washington. We were delighted that this invitation was so graciously accepted. This annual dinner was so successful and enjoyed so much by our guests that they decided to reciprocate. They, in turn, invited us to attend what they called a day at the SEC at which we and they discussed in an off-the-record fashion our mutual problems. In addition, we were invited to be their guests at a luncheon.

Liaison Between SEC and NSTA

The close liaison that developed between the SEC and the officers of our national association helped to eliminate many existing animosities and was extremely helpful to all of us in our industry. It was only in recent years that this dinner was discontinued. One of the recent Chairmen of the SEC felt that some of the members of Congress might feel that it was being held to influence legislation and as a result might hamper the SEC when they appeared before Congressional Committees on proposed legislation. The warm feelings that those meetings engendered, however, continues.

I would also like to call your attention to a very fine piece of work that was done by our corporate and legislative committee some years ago. It was a job that benefited not only all in our industry but I believe those in all industries, because it defeated what would have been a very bad precedent and would have resulted in another multiple taxation deal. You will recall some years back in another administration the plan to make government regulatory agencies self-sustaining by their levying charges upon the industry which they regulated to the extent that the monies collected would pay the operating expenses of that agency.

NSTA's Successful Tax Opposition

You will remember the SEC was to be the guinea pig in this abrasive effort. While the SEC Commissioners were opposed to this type of tax and opposed to the demand made on them that they determine how it should be levied, when they delayed, they were told that if they did not go ahead and develop a plan of their own, one would be developed for them and presented to our industry. Without question, it was the marshalling of public opinion, within and without our industry by our Corporate and Legislative Committee working in concert with other organizations in our industry, that doomed, after weeks and months of diligent effort, this infamous legislation, to defeat. The then Chairman of the Committee belongs in the NSTA hall of fame for the extraordinary organizational skill and effort with which he successfully met the challenge. That man is Walter Mason of Virginia who is now a member of our executive council.

Security Gifts to Minors

Last year's Chairman of this Committee, Bob Haack, of Robert Baird & Company of Milwaukee also did a great deal of constructive work. He contacted all of our affiliates, helping them with information and advice relative to "an Act concerning gifts of securities to minors." His committee offered to the association of stock exchange firms the services of our association. This offer was graciously received and welcomed by them. His committee contacted the President of each NSTA affiliate in those states in which legislation had been introduced but not passed, suggested procedures and supplied the names of interested parties with the idea that, in concert, they might bring a favorable influence to bear. In those states where legislation had not been introduced they supplied a sample copy of the Act and recommended specific procedures. The response was most gratifying.

Traders Bulletin

One of the most important sources of information throughout our organization is the "Traders Bulletin" which was established two years ago. It is published quarterly by the active and hard working "Bulletin" Committee. It's purpose is to provide the individual members with a first hand report of the activities of your national association and to encourage an exchange of ideas among our members. This needy and worthwhile publication really provides a wonderful bridge of information between our affiliates and between our national conventions. We are indeed indebted to Joseph Smith of Newburger and Company and Rubin Hardy of the First Boston Corporation both of Philadelphia for the wonderful work they have done in creating this "Bulletin" and for the excellence of its format.

An article that appeared in this "Bulletin" having to do with the condition of the market for uranium stocks was cited by one of our leading western newspapers as a very sound evaluation and they quoted extensively from it, giving credit, of course, to the "Bulletin."

Wants Good Public Relations Program

Thus far I have told you of some things that I considered important events that have taken place during administrations of some of my predecessors. Insofar as I officially took office only last Jan. 27, I cannot as yet inform you of any great impact on the affairs of our association as a result of my Presidency, but I am going to tell you of one of my aims.

That is to develop a good public relations program and one that, if developed properly, will be, I hope, continued and enlarged upon by succeeding administrations.

This program has as its long range objective a better understanding, a better appreciation, and a greater respect for the trader and the service he so professionally performs. Our program is aimed not only at those in our own industry, but at the investing public as well.

Outlines Goal

In brief outline we will attempt to:

(1) Raise the esteem and trust of the investing public for the security trader.

(2) Instill confidence and understanding for the trader within associated areas of the security field.

(3) To enlighten the public at large to the importance of the trader and his functions.

(4) To sell the integrity and the intrinsic value of the Over-the-Counter Market when its securities are handled by members of the NSTA.

(5) To enhance the traders reputation by his association with the large transactions within the security field.

This is going to be a difficult program to develop but one tremendously worthwhile. If any of you have any ideas that you think will help us in developing it, I would appreciate your forwarding them to me in writing to my office in Boston.

One of the first steps in developing this program will be to see to it that all the members of the financial press in the cities in which we have affiliates receive honorary membership cards from the national association. Also, to remind the officers of our affiliates that they be sure to invite the honorary press members of our association who reside in their locale to be their guests at all official gatherings of the affiliates. We, as an industry and as a professional group, have been receiving a most favorable press. We are fortunate in having such fairminded and objective thinking men commenting on our phase of the economy.

Informative Releases

Another facet of our public relations efforts will be to use our imagination and initiative in initiating releases of our own which will serve to inform our industry and to be of benefit in enlightening the public at large. The friends we all make among the financial press as well as contacts to be made by our public relations members and publicity workers in the financial publications field will greatly enhance the use and placement of our own releases.

The businesses and industries with which we familiarize ourselves from day to day have given us encouraging examples of the effectiveness of well planned public relations.

We must forge new places for ourselves in the structure of our own industry and we must fight for a place in the public esteem. To do this we must begin at home at our own trading desks. Let's make use of the wonderful organization we have, its acceptance and its prestige so that each and every one of us will enjoy greater stature in our own industry and in our own communities.

With Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Harry F. Mayfield has joined the staff of Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges. Mr. Mayfield was formerly with Scherck, Richter Company.

Time to Buy Bonds

By CHESTER S. IVERSON

U. S. Railroad Securities Fund, Inc., Chicago, Illinois

Re-examination and appraisal of the existing situation in the bond market prompts noted railroad securities expert to conclude that for selected investment purchases "it is time to buy bonds." Mindful of signs that our postwar boom has lost its force and not convinced price inflation must continue, Mr. Iverson calls attention to sizable discounts in many bonds and to the principle, the lower the price, the less the buyer's risk.

Throughout the past 10 years of nation-wide prosperity, bond prices have been declining. Contrary to the trend of prices in stocks, bonds have been in a long, bear market. Examples of bond prices in March, 1946 compared with prices existing Feb. 15, 1957, vividly portrays the decline. (Table I). During these same years, stocks and particularly industrial shares, scored phenomenal gains and in some instances, prices rose dramatically. Comparative prices for some of the most prominent industrial stocks is revealing. (Table II).

In the face of such market performance in stocks, the great decline in bonds has been astonishing. The extremes, moreover, to which each of these major types of securities has moved in opposite directions — stocks, to historically high prices, and bonds, to historically low prices—appears to warrant re-examination and appraisal of the bond market at this time.

Looking at Bonds

Certainly stocks constitute a more glamorous and hence a more popular medium of investment than bonds. Many newcomers into the field of investment in recent years, are thoroughly stock-minded and have devoted little or no attention to bonds. Yet, to experienced investors, bonds which carry a fixed amount of dollar income in the form of bond interest, constitute one of the most solid and important mediums of investment.

In considering the case for bonds, the obvious question at the outset is why bonds have declined so drastically in the midst of a roaring bull market in stocks. The most common answer in market circles is that inflation in the price of goods and services has decreased the purchasing power of fixed income such as bond interest. The argument that as the cost of living advanced, good stocks should pay more dollars in dividends, has also gained many adherents. Rapid expansion of profits in industry, broadly publicized, added popular favor for stocks and contributed to the great rise that has taken place in the stock market. Despite the reasons, however, what has already happened is far less significant than what exists today and that which is likely to shape the course and trend of security prices in the period ahead.

Boom is Slowing Down

The position and outlook for business and industry today has changed considerably from that which existed in recent years. The enormous pent-up demand for automobiles which existed right after World War II has been satisfied and sales are now geared to current demands. Likewise, the supply of housing units has caught up with the gigantic shortage that was present at the close of the war. In recent years total plant capacity in such basic industries as steel and aluminum has been greatly expanded. Costs, particularly of labor and materials have increased, forcing higher prices for goods and services. It is becoming evident now, however, that the most recent price advances are meeting greater sales resistance and profit margins are narrowing. Interest rates have increased and the supply of available funds for further expansion has tightened considerably. In short, the great momentum behind our giant-sized postwar boom has lost its force. It appears inescapable that industry has entered upon a period of readjustment from the pattern of the last decade. Under these conditions, can anyone expect that the dollars of income from dividends will continue to rise? And, if business and over-all corporate profits recede, can the dollars of income from dividends avoid falling off?

Inflation Trend May Change

We hear more and more about inflation, yet most commentators seem dedicated to the hypothesis that continuously rising costs and prices are inevitable. In the opinion of the writer, such an approach to the subject is far from realistic. There is no denying that we have experienced a strong inflationary trend during the last decade. It has been plainly evident in the cost of living, the price of goods and services, union wages and industrial stocks. Yet, in economic affairs, no matter how strong the trend, when excesses are reached, the basic forces of supply and demand tend to react and correct the excesses. Recent changes in the money market offer concrete evidence that the long period of cheap and easy money has ended. Furthermore, the vicious spiral of continuously rising wage scales for labor—one of the foremost contributors to inflation — is not immune to change.

Basically, the factor that determines the amount that will be found in the worker's pay envelope each week, is not the wage scale, but how much employment is actually available. The great faucet for expending billions abroad is unlikely to pour forth enormous sums in the future if the source from which such funds flow—taxes paid by individuals and corporations, lessens. In short, the fact that we have experienced some inflation, does not mean it will continue indefinitely. Nor, should we exclude the possibility that in place of its concern over inflation, the Federal Reserve Board might be confronted in dealing with aspects of deflation in the future.

Applied to bonds, it appears that a halt of the very forces which supported our latest industrial boom—forces that helped to depress the price of bonds and to stimulate the rise in stocks—may well reverse the balance of investment favor to bonds.

Presence of Sizable Discounts

At present levels, the bond market embraces an unusual phenomenon and one which may later prove to be a powerful market stimulant, namely, discounts. Many bonds are now selling at prices which afford sizable discounts from principal amount or face value. Here again by their nature, bonds (which represent an obligation for repayment of principal at a specified future date) afford something different than stocks. If Mr. Investor buys a $1,000 bond of Pennsylvania Railroad Series F 3⅛s, 1985, at a market price of say 74, he will be investing $740.00 [1] and stands to receive $31.25 a year, or 4.22% [2] fixed income thereafter, irrespective of whether automobile sales decline 20% or not. In addition, he stands to profit from the discount at which he has bought his bond for he will be in a position to collect $1,000 in principal payment in 1985 for the bond which cost him $740.00 now. That is like buying $1,000 of cash 28 years from now with currently deflated dollars.

After many years of practical experience in the field of investment, the writer is impressed with a certain established principle, to wit: that with respect to any representative security, the lower the price, the less the buyer's risk. Suppose that in March, 1946, Mr. Investor bought $1,000 of Reading Company 1st & Refunding 3⅛s Series D, 1995, at the then existing price of 105, or, for the sum of $1,050.00.[1] At that level he was assured of receiving fixed income of $31.25 a year, or 2.98%[2] and when the bonds matured in 1995 he should collect $1,000 for the bond that cost him $1,050. As the bonds were callable at prices approximating his cost, the only chance of increase in value of his investment lay in the remote possibility that bonds generally might sell at still higher prices. Meanwhile, the possibility of decline in the market value of his investment was substantial, adding to the element of risk. Contrast this with the present situation. If Mr. Investor buys $1,000 principal amount of the same bond today at, say 75, he will invest $750.00,[1] will receive $31.25 annually henceforth, 4.17%,[2] and when the bonds reach maturity, he will be entitled to receive $1,000.00 cash for his present investment of $750.00. Due to drastically lower prices than prevailed in 1946, opportunities for capital gains are exceptional and the element of risk is reduced materially.

Conclusions

Appraisal of the existing situation in the bond market suggests:

(1) That, we have reached a stage of readjustment in business and industry and a probable reversal of the forces that have depressed bond prices.

(2) That, as the rising trend in dollars of dividends is checked or falls off, the value of fixed dollar income in the form of bond interest, will increase and become more attractive to investors.

(3) That, the sizable discounts at which bonds are selling present unusual opportunities for long-term capital gains.

(4) That, generally speaking, sound bonds appear to have entered an important buying range. While it is always possible that prices may go somewhat lower before values turn upward, present prices appear attractive for selected investment purchases.

(5) That, it is time to buy bonds.

1 Disregarding brokerage costs.

2 Computed on the basis of running yields.

TABLE I

EXAMPLE	Approx. Mkt. Prices 3-30-46	2-15-57	Decline
Government bonds:			
U. S. Treasury 2½s, Dec. 1964-1969	106¼	92¼	13.2%
Municipal bonds:			
N. Y. City Corp. Stock Trans. Unif. 3s, 1980	125	98	21.6
Railroad bonds:			
Pennsylvania Railroad F 3⅛s, 1985	106	74	30.2
Industrial bonds (short term):			
Koppers Company 1st 3s, 1964	106	95	10.4
Public Utility bonds:			
Commonwealth Edison 1st 3s L, 1977	109	93	14.7

TABLE II

EXAMPLE	Approx. Market Prices 3-30-46	2-15-57	Advance
General Electric	*16	55	243.8%
General Motors	*12	40	233.3
United States Steel	*14	61	335.7
D-J Average 30 industrial stocks	199.75	468.07	134.3

*Prices adjusted to reflect subsequent stock split-ups.

Two Admitted to Hardy & Co.

Hardy & Co., 30 Broad Street, New York City, members of the New York Stock Exchange, announced recently that Benjamin Wetzler and John H. Julian, member of the American Stock Exchange, have been admitted to general partnership in the firm.

Benjamin Wetzler

Mr. Wetzler has been active in the building field in this city and in upstate New York.

A graduate of Syracuse University, he served five years in the Army in World War II during which period he held the post of Assistant Ordnance Officer to General Matthew B. Ridgeway, 18th Airborne Corps. and was discharged with the rank of full Colonel.

New York Stock Exchange Weekly Firm Changes

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

J. Robinson-Duff & Co. will be dissolved March 1.

C. Radford Van Ness will retire from partnership in Francis I. du Pont & Co. Feb. 28.

Mark D. Scher will withdraw from partnership in Edwards & Hanly Feb. 28.

Joseph H. Mathews will retire from Lamson Bros. & Co. Feb. 28.

Jean T. Beane and William L. Kistler, Jr., will retire from limited partnership in Merrill Lynch, Pierce, Fenner & Beane Feb. 28.

With Reynolds & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Bernard L. Burnstine, Frank A. Connolly, Jr., Paul J. Pfhol, Earl A. Schoenwald and Edward D. Somberg are with Reynolds & Co., 39 South La Salle Street.

Connecticut Brevities

The Connecticut Light and Power Company has mailed rights to its stockholders to purchase one new share at $16.50 for each seven shares owned of record Feb. 11. The rights will expire on March 6. The proposed sale of 927,598 shares will provide the company with net proceeds of about $15 million, which will be used to partially finance the 1957 expansion program which is currently estimated at about $35.3 million. The company's operations for the year will provide an additional $13 million, leaving an additional $7 million to be raised by borrowing or sale of securities by the year-end. Upon completion of the present financing the capitalization ratios will be approximately 41% debt, 21% preferred stock and 38% common stock.

* * *

Hartford County Mutual Fire Insurance Company has filed a bill with the Connecticut General Assembly which provides for a change in its name to Mutual Insurance Company of Hartford. The present name, which was adopted in 1831, is now being changed because the company is broadening its scope of operations which originally were limited to Hartford County but now include the states of Connecticut and Massachusetts, with further expansion planned.

* * *

The Fire and Casualty Insurance Company of Connecticut is seeking permission of the Connecticut General Assembly to increase its authorized capital from $1 million, all of which is presently paid in, to $2.5 million. The bill filed provides that up to $750,000 of the additional authorized capital can be issued as preferred stock.

* * *

Stockholders of **The Danielson Manufacturing Company**, whose operations have been centered in a three-story building in the Elmville section of Danielson, have recently approved a plan calling for sale of the company to Nicholson File Company of Providence, R. I. The purchase price was $1,420,000 plus the liabilities on the date of sale. Danielson has been a manufacturer of molded and extruded nylon products for such customers as the automotive, aviation and marine industries. Present plans call for the operation of Danielson as a subsidiary at its present site through the previous management. The plant currently employs about 150 persons.

* * *

The New Britain Broadcasting Company, owner of the WKNB radio and television stations, was recently sold to the National Broadcasting Company, subsidiary of Radio Corporation of America, for a price in excess of $1 million. Arrangements for the sale were made approximately two years ago but were not approved by the Federal Communications Commission until recently. Since the sale the call letters of WKNB-TV, which operated ultra high frequency channel 30, have been changed to WNBC-TV.

The Plastic Wire and Cable Corporation has recently completed an offering of 14,514 shares of its common stock. The shares were first offered to stockholders on a one for 12 basis at $16.50 per share. All but 212 shares were subscribed for through warrants and the balance of the shares were sold at competitive bid.

* * *

The annual report of **The Connecticut Development Corporation** for the 1956 year contains a summary of its operations since its establishment in June, 1954. During the period loans totaling $1,170,900 have been made and repayments have amounted to $370,447. The loans have been made to small businesses in instances where bank or other financial institution loans have not been available. The loans have ranged in size from $25,000 to $50,000, and of the borrowing companies only three have employed more than 100 persons. It is estimated that the loans have helped preserve or create about 2,200 jobs in the state.

Chairman of Fin. Comm.

Joseph A. Thomas, a partner of Lehman Brothers, has been elected Chairman of the Finance Committee of The Flintkote Company, succeeding the late John M. Hancock, it was announced by I. J. Harvey, Jr., Flintkote President.


Joseph A. Thomas

Mr. Thomas has been a Director of the Flintkote Company since 1936, except for a period during World War II when he was on active duty as a Lieutenant and later as Commander in the United States Navy, and is a member of its Executive and Stock Option Committees.

Mr. Thomas is also Chairman of the Board of American Export Lines, Inc., and a Director of Halliburton Oil Well Cementing Co.; the Detroit Baseball Company; Van Raalte Co., Inc.; Tide Water Oil Company; the Head Ski Company; Litton Industries, Inc.; and Underwood Corporation, of which he is also Chairman of the Executive Committee.

He is also a member of the Financial Committee of National Airlines, of the Advisory Board of the 30 Broad Street Branch, Chemical Corn Exchange Bank, and of the Board of Trustees of the Presbyterian Hospital.

Form Teachers Securities Corporation

LOS ANGELES, Cal.—Teachers Securities Corp. has been formed with offices at 1125 West Sixth Street to engage in a securities business. Officers are Henriett Raaf, President; Richard Haley, Vice-President; Lionel De Silva, Secretary; and Charles T. Kranz, Treasurer.

Attractiveness of Fire Insurance Stocks

By ROGER W. BABSON

The excellence of the long-run income from fire insurance stocks leads noted financial advisor to recommend classifying fire insurance companies with the best investment trusts for their "safety, diversification, and good management, resulting . . . in both capital gains and a fair income." Mr. Babson calls attention to attractive price at present.

I have recently been quoted as follows: "I believe if Jesus were here today, instead of being a carpenter, He would be an insurance agent." My explanation of this is that I believe the insurance business is a clear illustration of applied Christianity. If someone's home burns, the company does not usually use its capital to pay the unfortunate person. The insurance is paid from premiums contributed by the rest of us whose houses have not burned. If one of us dies and the wife receives insurance for $20,000, the rest of us, through our premiums, pay the wife these much-needed funds. Let me now give you some ideas as to my thoughts on insurance in general.


Roger W. Babson

Different Kinds of Insurance

The simplest insurance is **life insurance**. On these **life** company stocks I was very bullish a few years ago when they were cheap; but since then they have increased threefold in price, and hence, are not so attractive. The **health, accident,** and **automobile** company stocks have never appealed to me; but some are OK. The **surety** and **bonding** companies I know nothing about. The **fire insurance companies** I have studied for years and have invested considerable money therein.

Many Disagree With Me

The investment trusts have been doing considerable selling of insurance stocks, especially those of the **fire insurance companies.** They feel that the present "agency system" is becoming obsolete. There may be radical changes in the selling organizations of the fire insurance stock companies; but their executives do not now admit it.

Many investors also fear the mutual stock fire companies. Of course, there are no stockholders in the mutual life companies, but certain stock fire insurance companies use a mutual system for premiums. They offer to save the buyer of insurance a good part of the commission now going to the agent. My own feeling is there will always be a field for both classes, each one keeping the other on its toes.

Diversification and Management

The sensible investor will classify fire insurance companies with the best investment trusts. By buying such fire insurance stocks, an investor get the advantage of the dividends and coupons paid on the securities held by the insurance company, and in addition, profits, if any, from the fire insurance business. This gives investors diversification of securities plus a cut in the fire insurance business. Can any mutual investment trust match this combination?

In addition to diversification, investors in fire insurance stocks have the advantage of excellent management. Fire insurance companies employ experts for the selection of their securities, which are also most carefully watched by an investment committee. The record of the investment holdings of these companies is very commendable.

The Premium Cycle

Over a period of years the income from fire insurance stocks has been excellent. There are cases, such as that of the Home Insurance Company, where this record extends over 100 years. There is, however, a cycle in the industry which I should mention. There will be a period of heavy losses and low profits, after which the companies get permission from the State Commissions to raise their premium rates. Then follows a period of good profits. After a few years, losses climb again, but the companies will again be allowed to increase premiums. In the long run, the State Commissions are fair with the insurance companies and allow them a reasonable average profit. Those who buy these stocks and consistently hold them should have safety, diversification, and good management, resulting over a long period in both capital gains and a fair income.

In addition, corporations such as the Gamewell Company are constantly at work installing fire alarms, sprinkler systems, and other means of fire protection. Legislatures are constantly passing laws forcing fireproof construction. Dangerous slums which are breeders of fires are being constantly torn down. All of this works to the advantage of the insurance companies, their policyholders, and their stockholders. Just now the industry is in a period of heavy losses and most fire insurance stocks can be bought for much less than their book value. Hence, this seems to be the right time to buy good fire insurance stocks.

Australia to Issue $20,000,000 of Bonds

Sir Percy Spender, Australian Ambassador to the United States, has confirmed that Sir Arthur Fadden, the Treasurer of the Commonwealth, had announced the decision of the Commonwealth Government to file with the Securities and Exchange Commission today, (Feb. 21), a registration statement covering $20,000,000 of 15-year bonds to mature on March 1, 1972.

The public offering of the issue will be underwritten by a group of investment firms headed by Morgan Stanley & Co. and is expected to be made about March 13, 1957.

The bonds will be non-redeemable before March 1, 1967, except for the sinking fund. The sinking fund will be sufficient to retire approximately 50% of the issue prior to maturity.

The proceeds of this issue will be used principally to refund approximately $17,000,000 of 3¼% bonds which mature on June 1, 1957.

The Commonwealth intends to accept the maturing 3¼% bonds due June 1, 1957 in payment for the new issue.

The most recent public financing by the Commonwealth in the United States was an offering of $25,000,000 15-year 4½% bonds on June 30, 1956.

COMING EVENTS

In Investment Field

Feb. 21, 1957 (Milwaukee, Wis.)
Milwaukee Bond Club annual dinner at the Wisconsin Club.

Feb. 26, 1957 (New York City)
Wall Street Post No. 310 V.F.W. Annual Essay Award Luncheon at Whyte's Restaurant (145 Fulton Street).

March 1, 1957 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual Mid-Winter Dinner at the Bellevue-Stratford Hotel (to be preceded by a luncheon and reception).

March 8, 1957 (New York City)
New York Security Dealers Association 31st anniversary dinner at the Biltmore Hotel.

March 8, 1957 (Toronto, Canada)
Toronto Bond Traders' Association 25th anniversary dinner at the King Edward Hotel.

Mar. 18-20, 1957 (Chicago, Ill.)
American Bankers Association 11th National Instalment Credit Conference.

April 21-23, 1957 (Dallas, Tex.)
Texas Group of Investment Bankers Association annual meeting at the Statler Hilton Hotel.

May 6-7, 1957 (Richmond, Va.)
Association of Stock Exchange Firms Board of Governors meeting at Jefferson Hotel.

May 8-11, 1957 (White Sulphur Springs, Va.)
Investment Bankers Association Spring meeting at the Greenbrier Hotel.

May 19-23, 1957 (Cleveland, Ohio)
National Convention of Investment Analysts Societies.

June 13-14, 1957 (Cincinnati, Ohio)
Cincinnati Municipal Bond Dealers Group annual spring party at Sheraton Gibson and the Maketewah Country Club.

June 19-20, 1957 (Minneapolis-St. Paul)
Twin City Bond Club annual outing and picnic with cocktail party at Hotel Nicollet June 19 and an all day sports program at the White Bear Yacht Club, White Bear Lake, Minn. June 20.

Sept. 25-27, 1957 (Santa Barbara, Cal.)
Investment Bankers Association Fall Meeting at Santa Barbara Biltmore.

Oct. 7-8, 1957 (San Francisco, Cal.)
Association of Stock Exchange Firms Board of Governors meeting at Mark Hopkins Hotel.

Oct. 10-11, 1957 (Los Angeles, Calif.)
Association of Stock Exchange Firms Board of Governors meeting at Beverly Hills Hotel.

Nov. 3-6, 1957 (Hot Springs, Va.)
National Security Traders Association Annual Convention at the Homestead.

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

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

With El Paso Management

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—William H. Becker, Donald W. Bogren, Leslie G. Everitt, George E. Marvin, Jack F. Walden and Eugene W. Wood are now with El Paso Management Company, Mining Exchange Building.

Foreign Aid—Design for National Suicide

By HON. SPRUILLE BRADEN*

Former Ambassador to Cuba, Argentina, and Colombia.

Diplomat asserts it is "suicidal" to squander the fruits of our labor all over the globe under the guise of so-called "foreign aid." Calls false the claim that give-aways will improve living conditions, win friends and allies, and defeat Communism. Citing expenditures in specific areas, maintains Mid-East program exemplifies a situation where U. S. picks up the tab for others' high cost bungling of its own affairs

It is wicked to weaken this nation as Democrats and Republicans alike are doing by confiscatory taxation and extravagant waste at home of our citizens' earnings and savings. But it is suicidal to squander the fruits of our toil all over the globe under the guise of a so-called "foreign aid."

Spruille Braden

The advocates of foreign aid insist that it be increased and continued more or less indefinitely. They allege our great wealth and productive capacity place a moral obligation on us to support others. This nation never has and, praise God, never will fail to aid the needy. But, in keeping with our religion, we believe charity is a function of the individual and not of government. We gladly will give to the unfortunate, wherever they may be, but we want to choose the amount and method of giving and not have the sum and means forced upon us by government.

It is claimed that foreign aid "give-aways" will improve living conditions in the less developed countries and create new markets for American products. It is claimed that Washington's handouts will win and hold friends and allies for our country and defeat the Soviets and Communism. These claims are false. If the entire national income of the United States were spent to improve the living conditions of the hundreds of millions of unfortunate people in the underdeveloped areas, their living conditions would not be raised even 1%; and the benefits would not be lasting, because of their fast growing populations.

Under the give-away "foreign aid" program, United States products and services are bought with our tax dollars and then given away abroad. This is an absurd way to promote trade. The only way to create new and profitable markets is the way we have always done it — the businesslike way of sound private enterprise and investments. This businesslike way is the way that increases productivity and, therefore, enables the less developed countries to get the means to support themselves and accumulate their own capital, which will finance further development. This is the way we achieved our own progress and prosperity.

Foreign aid cannot buy, at any price, trustworthy friends and allies. To try to buy friends is a futile attempt at bribery and ignores the fact that those who get something for nothing usually value it at precisely nothing. The folly of Washington's spendthrift policy has led many foreigners to proclaim that the best way to get a handout from Uncle Sam is to kick him in the teeth.

*A broadcast by Ambassador Braden on Manion Forum of Opinion, South Bend, Indiana, over Mutual Broadcasting System; Jan. 27, 1957. (Published by permission).

The Soviets and Communism never will be defeated by United States "give-away" programs. On the contrary, our "give-away" programs are founded on the Communist doctrine that the productive workers shall support the incompetents and the loafers. Both Lenin and Stalin violently opposed all development by private enterprise and investment. They said that the backward nationalities could be communized only through prolonged aid from the advanced countries, aid such as Washington is now disbursing. Due to ignorance of Communist policy and the basic Soviet plan, our government has been and still is subsidizing the USSR's long-range campaign against the United States.

A Squandering Agency Is "SUNFED;" Heat Is on Taxpayer

Encouraged by American bureaucrats and intellectuals ready and willing to give away money they didn't earn, the Communists and Socialists have been demanding that a large share, or perhaps all of the United States foreign aid be channeled through a United Nations agency known as SUNFED (Special United Nations Fund for Economic Development). Thus, your money and mine would be taken away from us and spent by a group of foreign Communists, fellow-travellers and Socialists, for the benefit of "neutralists" and even of our enemies.

We must be alert because this same crack-pot scheme, but without the name SUNFED, is being pushed by many lobbyists.

Who are the advocates of foreign aid? They are: (1) misguided idealists or sentimentalists, who seem to believe friendship can be bought through government-to-government grants and loans; (2) some business and labor leaders, whose industries, thanks to this program, may sell their wares to or through the International Cooperation Administration in Washington; (3) above all, the thousands of bureaucrats whose soft jobs and lush expense accounts depend on the continuance of foreign aid.

Today the overhead cost of channeling aid funds through Washington is estimated as high as 40 cents of every dollar. As much as 40% of every dollar goes to a pack of bureaucrats who thus feed off the rest of us.

The groups in favor of "give-away" foreign aid cleverly confuse, misinform and mislead high government officials, members of Congress and many civic leaders, who haven't enough time really to track down how foreign aid is misspent. It is impossible to track down how billions are spent by going around the world in 80 days. We can't even keep track of how many millions, much less billions, are spent at home. And there are certainly many good uses for our own money right here at home.

The plain truth is that the United States is going broke, committing suicide, by uselessly giving away billions of dollars to the rest of the world.

The direct debt of the United States is about $280 billion. This vast sum is almost twice the combined debts of all other principal nations. Of this huge amount, between $100 and $120 billion have been given away or loaned to foreign governments.

About $3 billion of our gifts have been used by foreign governments to reduce their national debts. This $3 billion has been added to our own national debt. It has done us no good of any kind.

A part of the United States foreign aid has gone to finance "hot money" movements, i. e., speculative or flight capital movements from recipient countries to the United States. These movements have swollen foreigners' balances in the United States to about $26½ billion.

Oh, Goody! We Can Keep Our Rings

For these balances, they can demand all our gold, of which we Americans, except in jewelry, are not allowed to have a single ounce. If they do this, there will be absolutely no gold backing for the dollar.

If such a financial disaster happens, you may rest assured no foreign nation will come to our rescue.

Often we hand over millions of our taxpayers' dollars to countries having such vast wealth and revenues that they could easily finance their own requirements for both material and technical aid.

By June 30, 1957, the total of United States grants and credits of dubious value given in foreign aid since 1946 will be $60 billion.

I grasp what $60 billion really means when I add the assessed valuation of all real and other property in the 17 biggest cities of this country, to arrive at a grand total of just over 60 billion: New York, Chicago, Philadelphia, Los Angeles, Detroit, Baltimore, Cleveland, St. Louis, Washington, San Francisco, Boston, Houston, Pittsburgh, Milwaukee, New Orleans, Buffalo and Dallas.

We would be appalled by the mere suggestion that these 17 biggest cities, if it were possible, be shipped overseas as gifts to foreign nations. Yet, in effect, that is what we have done.

But as it is, the dollar loss and the consequent drain on us taxpayers isn't as serious as the harm done to the morals and morale of other countries and of ourselves.

Certainly over $60 billion should bring us spectacular results in the way of great respect and friendship, and security from Soviet aggression. Instead, it is evident that never did so many people give away so much for so little.

Some of the recipients of our aid have turned "neutralist" or begun playing with the Communists. Other recipients are critical of the United States. For example, the French Prime Minister said: ". . . the Americans managed to create something very near to hatred . . . by the way they gave their aid."

On Jan. 3, a Congressional Committee reported that $250 millions of United States aid to Iran has been administered in a "loose, slipshod and unbusinesslike way" that was "shocking" and so unreliable that the extent of loss and waste could not be determined.

Similarly, utter confusion has existed with our foreign aid funds in Bolivia. A well-known commentator and economist writes that our grant aid there is used to maintain service on Bolivia's loans with the Export-Import Bank; that is, we give away money so that a bankrupt can pay interest on his debt to us and thus maintain a ficitious record for a United States Government lending agency.

A leader of the Bolivian Marxist police-state government, which has confiscated the property of its own citizens and foreigners—including Americans — boasted his government was more radical even than that of Communist China. Yet, Washington agencies are reported, during the last three or four years, to have given this little country well over $100 million in grants and dubious loans or concealed donations. Much of this money has been wasted, stolen and gone into black markets.

This is comparable, on a small scale, to the one billion of handouts to Tito, who forced fleeing refugees to return to Hungary, who publicly praised the Kremlin for its inhuman methods in suppressing the anti-Communists in Hungary, and who again is hand-in-glove with Moscow.

Now our government apparently intends, in similar fashion, to guarantee Communist control of Poland, by giving foreign aid to the Gomulka government. How insane can we get? When will we learn that so-called national Communism is just as evil and anti-American as international Communism?

It seems that, whenever a nation gets into financial trouble or has to pay a high cost for bungling its own affairs, the United States will pick up the tab. As a result of Suez, we propose to spend a billion or so in grants or loans to everyone connected with that affair — England and France, Egypt and Israel; in fact, the whole Middle East. Some of our contributions may be concealed partly by being made through the World Bank or the Monetary Fund.

Mr. Eugene Black, President of the World Bank, speaking of the nationalist passions and dangerous myths being aroused and propagated by some advocates of economic aid to the so-called underdeveloped nations, said that some aid has engendered a turmoil and discontent which could thwart further development, if not threaten the very foundations of world order.

We, as Americans, must immediately demand that Washington quit confiscating and wasting our hard-earned money on "give-away" foreign aid programs. We must stop our government from leading the United States to destruction by suicide.

Petersen Chairman of Invest-in-America Week

PHILADELPHIA, Pa. — T. S. Petersen, President of the Standard Oil Company of California, has been elected national chairman of the 1957 National Invest-in-America Week, which will be observed in more than half a hundred cities throughout the country April 28 through May 4, 1957.

T. S. Petersen

Announcement of Mr. Petersen's election was made by Frederic A. Potts, chairman of the board of the National Invest-in-America committee and President of the Philadelphia National Bank.

The first National Invest-in-America Week was held in 1955 with 22 cities participating, and in 1956 there were 49 cities taking an active part.

Many segments of banking, finance and industry this year are expected to join the program, using the theme: "Every American An Investor in Jobs, Savings, Homes, Insurance and Securities," Mr. Petersen said. National and regional headquarters will provide focal points for literature and advisory aid for business, industry, labor, agriculture and other organizations which will join in this program to publicize the economic system which has made America great.

Among the prominent organizations backing the movement are the Investment Bankers Association of America; the U. S. Savings Bond Division of the Treasury Department; Chambers of Commerce of many cities across the country; the Association of Stock Exchange Firms; and the New York, American, Philadelphia-Baltimore and West Coast Stock Exchanges.

American Securities Adds

(Special to THE FINANCIAL CHRONICLE)

GREELEY, Colo. — Harold D. Eitzen is now with American Securities Company, 1515 Eighth Avenue. He was formerly with Waddell & Reed, Inc.

With Merrill, Turben

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Richard M. Covington has joined the staff of Merrill, Turben & Co., Inc., Union Commerce Building, members of the New York and Midwest Stock Exchanges.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market was largely a stalemate this week and while it offered little specific clues to future action the fact that selling was highly selective and far from urgent was highly encouraging.

* * *

In rebounding a bit swiftly to the 468-70 area, the list had fulfilled the technical considerations after its slump early last week through the "bear market signal area." Whether a base could be formed in that area for further progress without a test of the new low was moot, opposing schools of thought being equally vociferous.

Chart Theory Indications

From a chart theory standpoint, a retracing of the ground covered by the rally, with the low holding, would be more constructive than an extension of the rally past normal confines. The idea is that an overly vigorous rally without properly paving the way would be more vulnerable to adverse developments than one based more solidly.

* * *

Chrysler's independent strength bumped into occasional trouble but without upsetting a rather generous segment of market opinion that still holds it as one of the issues best in position to make a spirited comeback this year.

* * *

Company estimates are that Chrysler's first quarter results should exceed the good final quarter of last year which was the only quarter that saved 1956 from being downright ugly. Some Street sources estimate the first quarter results as high as $3 or more against $1.57 in the final quarter of last year. Chrysler, moreover, with only 8.7 million shares outstanding is capable of far more volatile action than General Motors with its 280 million shares.

Auto Omens More Favorable

An inordinate amount of attention was being paid to auto production generally. Auto output is a sturdy prop for steel making, rubber sales, glass firm results, etc. The omens here were not unfavorable, production currently outrunning last year's results for the first time in a comparable period. The guidepost is not without its faults, however, since production was dropping at this time last year.

* * *

An even more depressed item was United Fruit which not only is within easy reach of recent lows, but is only a few notches above its low for the last decade. United Fruit in recent years had run the gamut of troubles from labor to politics to weather. Generally the company is regarded as being in a prime position to show a good recovery in earnings this year, which makes the $3 dividend rate reasonably sheltered. And the rate at recent market prices has offered an above-average 6½%.

A Utility Beneficiary

In line with the general preference for utility issues because of their defensive nature over the more vulnerable manufacturing shares, Combustion Engineering which is one of the two largest producers of power equipment was held in high regard rather widely. The company, moreover, is heavily committed to the atomic energy field. It has a backlog equivalent to two years' operations and, in addition, is a candidate for a better dividend.

* * *

While the pattern, particularly in the chemical industry, has been for a profit-pinch from high costs, Air Reduction not only boosted sales 14% but brought down to net income 22% more than in the previous year. This compares with a sales improvement for the industry of about 4% and whittled profits. Air Reduction in recent years has been diversifying so that its industrial gas and welding equipment portion of the business is down to only a bit more than half of total volume. There are no present indications that any financing will be necessary to continue its heavy expansion expenses and, in some quarters, the company is also among the candidates for a moderately higher dividend payment.

A Recovery Situation

National Biscuit is another case where the substantial price correction of recent months not only has dropped it to a low level for recent years but has even wiped out the progress of several years. The company has been heavily committed to an expensive replacement program for around a decade now which is nearing completion, and is largely responsible for a pronounced upturn in profits late last year. The economies of the new facilities are expected to have an even more pronounced effect on earnings this year.

Also a candidate for a profit rebound is Bendix Aviation which last year showed a slight decline largely because of new products and lagging price increases. Increased sales are predicted by the company for this year and a return to normal profit margins will make it one of those with a brighter outlook than the general run. The company is well diversified with a broad line of control instruments, missile work, electronic equipment, computers and auto products.

* * *

In the category of issues most severely depressed recently, hence worthy of some attention, Food Fair Stores looms importantly. The stock has slashed better than 40% from its peak value in recent months despite the fact that it ranks high in the supermarket business as one that is growing rapidly. The company isn't overly prominent on lists of companies expected to show large earnings increases this year but is certainly well deflated from earlier overly-optimistic levels.

* * *

General Motors, too, isn't ranked as in a position to show any startling gains in sales or profits this year but on a straight dividend basis the sheltered $2 payment represented a neat 5% return when the stock broke through $40. The decline from the high was in the nature of one-fourth. That the dividend is hardly in jeopardy seems accepted, so the yield is a good one on a issue of such high-quality without too much chance of any further important declines left.

ATT—A Comforting Refuge

American Telephone has had occasional spells of being popular in sagging markets and, as usual through the years, such independent strength usually kindles anew the ancient talk of a stock split. Apart from this outside chance the issue stands on its own feet as an investment issue at a comfortable yield of 5% at recent prices. The main disadvantage in Telephone for most traders is that it is almost completely devoid of romance in most of its operations. Nevertheless, in periods when the over-all market is a bit short of being sensational, Telephone is a comforting refuge which, in part, could account for its somewhat contrary popularity.

[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.]

Joins United Securities

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Alex M. Rankin, Jr. is now with United Securities Company, Southeastern Building.

Wilbur H. Clayton

Wilbur H. Clayton, partner in H. Hentz & Co., passed away Feb. 17 at the age of 63.

Continued from page 2

The Security I Like Best

15% beyond 1956 with earnings going forward at least as much.

Having established itself as a multi-million dollar enterprise, Shulton is now programming its expansion along a multi-pronged formation. It is going ahead in fine chemicals, in new toiletries and in the exploitation of foreign markets. Long kept out of England by government regulations favoring local cosmetic companies, Shulton has started to penetrate that important market. Penetration is going ahead well in Latin America also.

Because of the importance of aromatic chemicals in its products and the company's emphasis on high quality, Shulton has become an important manufacturer of perfuming and flavoring chemicals. Du Pont and Proctor & Gamble are major customers. It also supplies desoxycholic acid to Schering from which the latter makes its metacorten hormones. Expansion of the chemical operations has been pushed vigorously in recent years.

Shulton's business has been built on quality toiletries for men, packaged so as to attract the feminine eye at Christmas time. Two-thirds of its sales comes in the second half as the stores stock up for the Christmas trade. Extremely careful packaging is part of the Shulton success formula but the quality of the merchandise is superior also. As a result, a certain number of husbands are added to the Shulton faithful every year and become regular customers despite the premium prices charged for Old Spice products.

Men's cosmetics is a much bigger business than Wall Street imagines. For instance, 1955 sales of hair tonics totaled $54 million against a $59 million total for women's cleansing creams; shave lotions were $32.5 million and topped women's hand lotions at $29.5 million. Old Spice is probably the most popular of all shave lotions. While the company has a line of women's toiletries also, it is recognized king in the men's field. As such, it probably has a more stable position than most cosmetic companies because men have a psychological tendency toward loyalty to an accepted product while women have a strong urge to shop around continually for something new. On the other hand, there is no chance for a spectacular killing in men's cosmetics as Revlon made in women's. Woman's insatiable urge to try something new makes her branch of the business fiercely competitive but fascinating in its possibilities. While Shulton may succeed in becoming an important seller of women's cosmetics also, this isn't likely—companies which are tops in one branch of the business usually remain secondary in others.

Until April 1956 Shulton was a privately-owned company with virtually all stock owned by the Schultz family and by A. T. Stanley, President of the Stanley Soap Company. It was Stanley who in 1934 gave the new company the credit needed to buy its then chief raw material—soap—and get going. There are two classes of stock—A and B which are completely equal in all respects, except that each class votes for a separate half of the directors. 220,000 shares of A and B combined were offered to the public last year at 17½ a share. The stock went briefly to a premium at 20 and then lapsed to under 15 and rallied to about its original offering price. An 80c dividend which could easily be increased if the directors wish, gives an approximate 5% yield. Finances are sound, even ample, but the company may be conservative in its dividend policy because it may prefer to expand with internal funds rather than capitalize some of its projects and borrow the money.

However, with the indicated rapid growth rate in both sales and earnings, stockholders should be able to look forward to higher dividends in the not too distant future. With earning power now established well above $2 a share and headed briskly in the direction of $3 a share, the stock seems underpriced. Once the public recognizes its growth potential and also its inherent stability, Shulton could prove another Avon and sell for 13 times earnings. In a few years what is a $17 stock now could be a $35-$40 issue. I saw it happen in Avon and I think that the chance that it might happen in Shulton is worth taking.

Banks for Cooperatives Offer Debentures

The 13 Banks for Cooperatives yesterday (Feb. 20) publicly offered $55,000,000 of 3.80% 8-month consolidated collateral trust debentures, dated March 1, 1957 and due Nov. 1, 1957.

The proceeds will be used to redeem the $52,800,000 of 3¾% debentures maturing March 1, 1957, to repay short-term borrowings, and for lending operations.

The debentures are being offered at par through John T. Knox, 130 William St., New York City, the fiscal agent for the banks, with the assistance of a nationwide group of security dealers.

Richard Aulebach Opens

Richard H. Aulebach is conducting a securities business from offices at 444 East 66th Street, New York City.

L. M. Braun Opens

L. M. Braun & Company, Inc. has been formed with offices at 70 East 45th Street, New York City to engage in a securities business.

Form Cumulative Inv.

Cumulative Investors Program, Inc. is engaging in a securities business from offices at 150 Nassau Street, New York City.

IRA Investors Formed

Ira Investors Corp. is conducting an investment business from offices at 205 East 43rd Street.

W. A. Noller Opens

DELMAR, N. Y. — W. Arthur Noller is conducting an investment business from offices at 19 Wilshire Drive.

Planned Financial Programs

Planned Financial Programs, Inc. is engaging in a securities business from offices at 110 William Street, New York City.

P. W. Brown Opens

Preston Reaves Brown is engaging in a securities business from offices at 500 Fifth Avenue, New York City.

Elmer Dobbins With Austin, Hart & Parvin

SAN ANTONIO, Texas — Elmer W. Dobbins has become associated with Austin, Hart & Parvin, 4119 Broadway.

Dwight F. Faulkner

Dwight Foster Faulkner passed away Feb. 18 at the age of 66. He was formerly with Ernst & Co.

Do We Require New Patterns of Competition and Cooperation?

By GEORGE ROMNEY*
President, American Motors Corp.

Confident in the auto industry's continued growth and convinced serious inflation threats are rooted in growing concentration of social and economic power, American Motors head believes self-discipline alone cannot solve our major economic problem of inflation. Mr. Romney suggests modernizing and strengthening our anti-trust laws, and eliminating basic conflict between them and our labor laws; praises the "Big Three" for their competitive achievement; maintains remaining five car companies, without artificial support, represent an absolute minimum number for adequate competition; and declares we need a national policy, applied on basis of equity and principle, to maintain the process of birth, growth and death in basic mature industries. Decries wage-price spiral and ponders whether employers combined to negotiate industry-wide bargaining can still remain sufficiently competitive to avoid public demands for government control.

Evidence is mounting of a fundamental change in the automobile market. A major revolution is occurring in car use patterns. Early American cars were designed on the basic premise of family and group mobility, unlimited raw materials and cheap fuel. Personal individual mobility has now become the primary use consideration; raw materials are becoming somewhat limited and gasoline prices are soaring. HOW MANY cars they own has become more vital to millions of families than WHAT cars they own. We are entering the age of Car Wardrobes. Only in the past few years have Americans had a choice between the big American car and new compact and small cars. The rising sales of compact and small cars is not a passing phenomenon. It is too soundly connected with the new patterns of car use for that.

George Romney

Consider these hard facts: Sale of compact and small cars is highest in areas most dependent on automobile transportation. They are selling for smaller discounts or at a premium. They are in great demand on used car lots and their resale value is higher than low priced large American cars. Sale of medium priced cars is slowing up. Sale of compact and small cars is heaviest among young people and people with money and brains—The "Joneses" that influence future purchasers. Where injected into a multiple or Car Wardrobe owning family, they are used much more than the bigger cars. Admittedly, I have inside information on the subject. My company is leading in the sale of compact cars and is No. 2 in the sale of small cars.

The future car market will be bigger, much bigger, if the industry wins the struggle ahead, but it will be a market divided between the conventional American big cars and the new compact and small cars. The fact is, the postwar road of American automobile thinking design, and costs leads down some blind alleys.

Just consider the waste of raw materials and family income from operating two-ton cars to transport even a 200-pound man to work, or a 115-pound woman to the store. Let me cite one graphic fact. If 50% of the three smallest cars built by the "Big Three" since 1950 had been the size of our compact car, and 50% had been the size of our small car, these "Big Three" cars now on the roads would occupy 10,116 miles less highway space.

This market change is accelerating, and will do so for years to come. Actually, future increases in car ownership and use will add steam to the process.

Only Five Remain

The process of competition has eliminated all but five motor companies making passenger cars. Of the automobile companies that remain three rank in size among the five largest industrial companies in the country. The other two are among the eighty largest. All have continued their competitive drive to secure bigger percentages of the market.

The "Big Three," with 96% of industry sales, have achieved their pre-eminence by methods that are less subject to criticism by competitors, customers, employees, stockholders—yes, and dealers—than any with which I am familiar. I admire them for this, and other, achievements. While there are only five car companies left, and while in my judgment that represents an absolute minimum number for adequate competition, I am unalterably opposed to artificially supporting companies that cannot sell on the merit and value of their product a sufficient number of cars to customers free to make their choice. American Motors is planning its future on that basis. We believe in competition and its indispensable functions. We are basing our future on growing public preference for compact and small cars and the single unit construction of larger cars. We are not seeking restraints on competition or any special governmental assistance. The government should not discriminate against the smaller companies in the placement of military contracts but neither should they use this or any similar method of subsidizing their existence.

To me, government methods used to create new aluminum companies as competitors for the Aluminum Company of America are not desirable. I do believe we need a national policy that can be applied on the basis of equity and principle that will maintain the process of birth, growth and death in our mature basic industries. I believe any industry that loses the discipline of competition exposes itself to the discipline of absolute authority, either public or private.

The Nation's Number One Problem

I want to touch briefly upon the nation's No. 1 economic problem—inflation.

President Eisenhower, in devoting a major portion of his recent state-of-the-union message to this subject, termed it "the principal threat to efficient functioning of a free enterprise system."

One basic cause of today's inflation is a wage-price spiral. The present chain reaction started with the automotive wage settlement in the summer of 1955, was further spread with the steel settlement last year, and is being reflected in higher raw material, service and finished product costs.

The sharp rise in the cost of living for consumers from these and other factors appears to be moderately affecting the current automobile market.

As President Eisenhower pointed out, wages must be "reasonably related to improvement in productivity." The fact is, wage and benefit advances have been greater than the rate of productivity increase since 1955.

Our industry grew to greatness by passing part of the benefits of greater productivity to the customer in terms of reduced prices and greater consumer values.

Will the benefits of increased productivity be as widely distributed in the future?

Not unless important changes occur. President Eisenhower recognized the problem and urged leaders in business and labor to think well on their responsibilities to the American people. He said:

"The national interest must take precedence over temporary advantages which may be secured by particular groups at the expense of all the people."

Industry-Wide Collective Bargaining

Following the mid-summer 1955 wage settlement, Henry Ford II indicated his concern about the wage-price problems, and urged industry-wide bargaining as a possible solution.

Should the automotive industry consider adopting this course of action, this break from individual collective bargaining by motor companies will raise some basic questions which dealers and manufacturers will want to study carefully. The consequences could be far-reaching.

The idea of industry-wide bargaining would not have risen except for the vast power now exercised by the union. Apparently Ford experience has convinced them that they cannot effectively resist demands of the character achieved in 1955. Yet, Walter Reuther has already declared that in 1958 the U. A. W. would, "win the highest economic wage concession we have ever won. . . . we cannot convince General Motors to part with its millions by pious platitudes. We've got to have a wallop."

Now whether G. M. could win in a strike over union demands that exceeded the broad and long-range public interest is academic, and I believe will remain so.

As a matter of principle I am personally opposed to industry-wide bargaining. With the steel, glass, coal and many other industries already bargaining on a total industry basis, why should there be any question about the car companies thus strengthening their bargaining position? Particularly when it is in the national interest to retard and if possible stop the inflationary aspects of a wage-price spiral.

Basic Points of Concern

There are two basic points of concern. First, the use of industry-wide bargaining by the auto industry could accelerate the concentration of union power on a national basis. There is no legal barrier to national concentration of union power or to industry-wide bargaining. Union selection of its collective bargaining pattern setters could be shifted to a national and industry basis instead of an industry and company basis. If this were done, if the unions were to take this approach the auto industry would have to join with other industries in a national industrial combination for national bargaining to keep pace. Such nation-wide bargaining would make it impossible for the Federal Government to remain aloof in the bargaining process. Actually it is likely that industry-wide bargaining in the auto industry would bring government intervention. That leads to point number two.

Industry-wide bargaining in the auto industry could create a public reaction different from that in raw material and processing industries. The raw material and processing industries sell products used and paid for largely by other industrial firms, whereas the auto companies sell products largely used and paid for by individual customers. When carried back to their ultimate sources, costs and prices of manufactured products are largely made up of wages and other labor costs. The chain reaction of pattern wage setting basically fixes the level of costs and prices. What would be the reaction of car buyers to an industrial counterpart of Walter Reuther negotiating and fixing with him the level of labor costs for all car companies if that level is then followed by price increases by all companies?

Excess concentration of capital and labor power have produced in several countries—Germany, Italy, Great Britain, etc.—the political insistence that government participate in the bargaining and pricing process to protect the unorganized consumers' interest. It has proven to be the sure road to government intervention and some form of collectivism. Toynbee, the great British historian, concluded it was the excessive power of capital and labor that produced Hitler in Germany and Mussolini in Italy.

What Is the Alternative

If separate company bargaining with industry-wide unions is one-sided with few exceptions, and nation-wide bargaining is inimical to competitive economic freedom, is there an acceptable and effective alternative?

There is, provided the economic realities of today's inherently one-sided collective bargaining relationship are recognized. I stress "inherently" because many union leaders have, on specific issues and occasions displayed restraint and statesmanship. Walter Reuther has done so. He did right after American Motors was born. I mention this to emphasize that my remarks are not based on competitive difficulties or personalities.

The obvious underdog position of the individual working man in our big business economy finally resulted in laws during the 1930's that encouraged collective bargaining. In my opinion, for the most part, the resultant growth of collective bargaining has been in the public interest. However, these laws removed virtually all limitations on union power.

Now through the concentration of union power the relationship in collective bargaining has been reversed in most situations. Most employers are now the underdogs. The anti-trust laws which apply to business support the limitation of business power on a competitive employer basis. This has produced the dilemma now faced by the auto industry. Can employers combine to negotiate with industry-wide or national unions and still remain sufficiently competitive to avoid public pressures for some form of direct government control? Is the coal industry pattern a desirable one to follow? For years coal companies have negotiated industry-wide agreements and then followed with price increases. Coal labor costs and prices have greatly shrunk the relative size of coal markets when the total expansion in fuel consumption is considered.

On one point wide public agreement is crystallizing—our country cannot afford a continuation of the inflationary aspects of a wage-price spiral.

Sumner Slichter, the highly regarded Harvard economist, has said our economy is becoming "laboristic."

Considering the consumer benefits produced by our economy, I subscribe to the view that it has been more accurate in recent years to call it "consumerism" rather than "capitalism." But is Slichter right? Is it becoming "laboristic"? Is labor going to absorb a disproportionate share of the productivity improvement and what effect will this have on the future automobile market?

Only Self Discipline?

President Eisenhower made this appeal: "Freedom has been defined as the opportunity for self-discipline. This definition has a special application to the areas of wage and price policy in a free economy. Should we persistently fail to discipline ourselves eventually there will be increasing pressure on government to redress our failure. By that process freedom will step by step disappear."

While freedom depends on self-discipline, short of human perfection it is not enough. Just as the nation's founders recognized the necessity of dividing and distributing political and governmental power, so we are confronted with the necessity of reappraising and providing further for the division and distribution of the nation's social and economic power. While the anti-trust laws have served a good purpose, they no longer apply adequately to economic concentration that does not result from engaging in prohibited practices. The anti-trust laws should be modernized and strengthened to provide for the continuation of birth, growth and death in our mature basic industries. This is as essential to our economic vigor as it is to life itself.

This should be done on the basis of principle and policy and not on the basis of discretionary administrative responsibility.

In addition to modernizing the anti-trust laws, the basic conflict between the anti-trust laws and the labor laws should be eliminated. It is an economic absurdity to discipline prices through the competitive process and, at the same time encourage inflationary wage increase through unrestricted concentration of union power. The biggest economic decision our industry and our nation must make is whether to permit industry to go down the present union road of unrestricted concentration of power, or whether to restrain both and make them go down the American road of division and distribution of power.

In all history there are only a few instances where absolute power has not resulted eventually in calamitous abuses and ultimate disaster.

The Threat of Collectivism

The Russians have maintained that our economic system contains the seeds of its own destruction. Certainly the greatest danger we face is not the external threat of communism. It is the internal threat of an economic collapse or step by step adoption of the very collectivism we seek to avoid.

Perhaps the Olympic game results shook out a little of American complacency. When we note the forward rush of Communist economic development perhaps we should give more heed to the question recently asked Mikoyan, their top economic figure, and his answer. An American reporter, Marguerite Higgins, asked him this: "Are you serious in believing that . . . in the foreseeable future you will surpass the United States of America? Are you confident that, if I return to this country in 1970, at that time the Russian economy will have surpassed the American economy?" He answered: "That depends on many things. It depends on such things as monopoly, whether competition continues in your country."

While his meaning may not be

*From an address Mr. Romney before the National Automobile Dealers Association, San Francisco, Jan. 28, 1957.

clear, the area he considered most important is crystal clear.

The Choice

We must choose between the discipline of competition or the discipline of absolute authority. There is no other choice. And remember: "A house divided against itself cannot stand." That is as true of our economy and the automotive industry, as it is of our country.

Our self-discipline involves more than individual self-restraint. It must be positive, too. To be fully effective requires voluntary co-operation with others. Only in this way can we do the jobs too big for us individually as dealers or as manufacturers. Never forget this: "Ours is a voluntary society. The fabric of American life is woven around its tens of thousands of voluntary associations. The inspirations for progress spring from these voluntary agencies not from bureaucracy. If these voluntary agencies were to be absorbed by government bureaus, this civilization would be over. Something neither free nor noble would take its place."

Some skeptics might say talk about voluntary cooperation among the rugged individuals that compose the automobile industry and their "associations" is wishful thinking. This overlooks the co-operation of the men who founded this industry. Were they less individualistic? No. Actually, it is individualism that makes co-operation possible and effective. Weaklings usually fail to cooperate and when they do it doesn't amount to anything. Furthermore, it is cooperation that makes individualism and freedom possible. Without it our choice would be what one man can do or what we can do through the state. It is my fervent belief that as manufacturers and dealers, individually and through our associations—all of them—we can preserve competition and establish the new patterns of cooperation, our future success, and "a still greater struggle" make "necessary." This we must do if we are to serve our customers and our country, and realize the larger opportunities that lie ahead.

Anaconda Common Stk. Offering Underwritten By Hallgarten Group

In one of the largest common stock offerings in recent years, Anaconda Co. is offering its 116,000 shareholders rights to subscribe at par ($50 per share) for 1,734,865 additional shares of capital stock on the basis of one share for each five held of record Feb. 14, 1957. The subscription offer will expire at 3:30 p.m. (EST) on March 5, 1957. An underwriting group of 230 firms headed by Hallgarten & Co. will purchase any unsubscribed shares.

Net proceeds from the sale of these shares will be added to the general funds of the Anaconda Co. Such funds, together with amounts becoming available from depreciation, accelerated amortization and earnings are to be used in connection with a five-year improvement and expansion program of approximately $350,000,000 by the company and its consolidated subsidiaries. Of these expenditures, it is estimated that approximately 67% will be expended on properties in the United States and Canada and 33% on properties in Chile and Mexico.

Projects included in the improvement and expansion program and their estimated costs are $120,000,000 for further expansion of metal production in the Butte, Montana district and elsewhere in the United States, $80,000,000 to develop and equip the El Salvador mine in Chile, $36,000,000 for improvements at the Chuquicamata mine and plant in Chile, and about $100,000,000 for expansion and modernization of existing fabricating facilities and completion of new fabricating facilities now under construction.

The Anaconda Co. and its subsidiaries constitute one of the world's largest producers of copper and zinc and of fabricated copper, brass and copper-base alloy products. For many years they have been engaged in the mining and smelting of copper, zinc, lead and manganese ores, the refining of metal products including silver, gold, cadmium and certain other rare metals) obtained therefrom and from purchased ores and ores treated on toll, and the manufacture and distribution of semi-finished and finished copper, brass and other alloy products. Since 1952 the company has been engaged in the mining and treatment of uranium ores and is believed at present to be the largest domestic producer of uranium ores and concentrates. In 1954 the company began production of aluminum fabricated products and in 1955 the production of aluminum from purchased alumina.

McLeod, Fisher, Crook & O'Neall Formed

HENDERSON, Tex. — McLeod, Fisher, Crook & O'Neall, Inc., has been formed with offices in the Kangerga Building, to continue the investment business of Crook & O'Neall, Incorporated of Ft. Worth. A branch office will be maintained at 316 Bailey in Ft. Worth.

Allowing Railroads to Succeed

By FRED G. GURLEY*

President, Santa Fe Railway

Noted railroad executive regretfully calls for a substantial increase in freight rates to offset constantly rising costs of labor, materials and supplies. Also, urges greater equality for the railroads in the fixing of competitive freight rates and advocates elimination of wartime excise taxes on freight and passenger transportation. Reviewing the $12 billion Class I rail capital improvement expenditures from 1946 to 1956, Mr. Gurley considers this a remarkable achievement for an industry just able to earn an average annual return of less than 4% during an unprecedented decade of business activity. Terms union monopoly power "one of the most potent forces contributing to our present economic position . . .", and seeks elimination of compulsory unionism, not unionism, as a step in the direction of protecting human rights and in balancing rights of labor with that accorded capital.

I am sure the problems of 80 years ago seemed insoluble to many men of that day, just as the problems confronting us appear at times almost beyond our capabilities. In my opinion, the solution lies now where it has always lain — in the application of the principles that are basic to our system of government and business. It takes time for the full significance of events and developments to become apparent, but I have faith that we can work out the problems when enough of us understand them.

Fred G. Gurley

One important and complex question now being considered at the nation's capital has to do with the concept of regulation in the fixing of competitive freight rates. As a by and large matter, our regulatory policies are based upon the conditions of some 40 years or more ago when it may properly be said the railroads had almost a complete monopoly in freight transportation, and under which condition rather frigid controls were thought to be necessary in the public interest. Today we have many complex problems to consider. These include highly controversial questions related to the so-called agricultural exempt trucker, and in fact competition not only among common carriers, but also between common carriers and private carriers.

Wartime Taxes

One desirable step in the direction of greater equality in competitive opportunities for the railroads would be the elimination of wartime excise taxes on transportation both freight and passenger. The 10% tax on passenger fares was first imposed during World War II primarily for the purpose of discouraging civilian travel. It is still in force and unfortunately operates too well toward its original purpose of keeping travelers off the trains.

The 3% tax on freight charges, also a wartime measure, is equally discriminatory against the railroads and other for-hire carriers because it applies to common carrier freight haulers but not to private trucking. Obviously it discriminates as well against shippers who elect to use the railroads and favors those who engage in private trucking. It has had a substantial influence in the decision of former railroad shippers who have switched to transporting commodities in their own trucks since by escaping the tax they start with a 3% advantage over rail charges. This tax also discriminates against the long-haul shipper seeking to compete with the short-haul shipper in common markets—that is of particular interest to shippers in the West who are using distant markets.

Repeal of these taxes is supported generally by all forms of transportation, by shippers and travelers and by numerous other national, regional and local groups. Repeal of these taxes would remove a serious handicap to the common carriers and to the users of common carriers. The levy, of course, is imposed upon the user.

Freight Car Stock

Realization of the scope and dimension of our problems comes from many sources. Wheat growers are vitally interested in adequate transportation. As a railroad we are vitally interested in being able to provide adequate transportation. The problems of our era impinge at several points upon this single relationship of carrier and shipper. To you, for example, adequate transportation means enough freight cars when and where you need them. To us it means not only that, but means also millions of dollars of capital outlay which must today be made under the most unfavorable conditions.

In the decade from 1946 to 1956, the Santa Fe purchased a total of 23,600 freight cars, representing an expenditure of $167,500,000. With these additions we not only kept up with retirements, but made a net increase of about 4,800 cars in our fleet. It so happens that for various reasons the ownership of all Class 1 railroads declined some 38,000 cars in that same period. I presume it is fair to say that available money entered into the reasons for the decrease. Today Santa Fe owns nearly 85,000 cars in commercial service, and have on order and undelivered or programmed for delivery about 5,800 cars, representing an additional capital outlay of over $56,000,000. Thus I think that on the Santa Fe we can justly claim that we have conscientiously borne our fair share—and perhaps somewhat more — of the burden of maintaining an adequate freight car supply; but I must confess that it has been against considerable and discouraging odds. Throughout the entire period we have been between an upper millstone of unremitting inflation and a nether millstone of unfair and unrealistic regulatory and tax laws. It is commonplace in business circles to hear complaints against government interference with business, and to hear expressions of concern over inflation. I want to give you a concrete example of what happens when these two irresistible forces meet — with the national freight car supply in the middle.

Government's Depreciation Policy

You know, I assume, that the law prescribes the basis of depreciation accounting which the railroads must follow and enforces original cost depreciation accounting for freight cars. A standard box car purchased in 1930 cost about $2,500. A comparable car at today's inflated prices costs about $7,500. Putting aside the relatively small matter of salvage allowance, these figures mean that when today we retire a 1930 freight car and purchase a replacement unit, we have available from our depreciation accrual fund only $2,500 with which to buy a car that costs an additional $5,000.

Bear in mind, if you please, that I am not talking now about capital outlays to expand our plant in order to serve you better. I am talking simply about continuing the plant in existence, about keeping it intact, unit for unit. This point is of considerable importance in connection with that additional $5,000 needed to purchase the replacement unit, since there are only three sources to which a railroad can look for capital funds: one is from investors, one is from borrowings, and the third is from retained earnings. Some other private enterprises, so-called, are able to look to government subsidies to meet financial needs, but the railroads cannot, and for my own part I do not want them to.

Meeting the Inflationary Deficit

On the Santa Fe we have looked to retained earnings as the source of funds to keep the plant intact, and to expand it to meet the needs of our expanding economy. I am sure you recognize that in this context the word earnings is not synonymous with profits. There is no profit in a business enterprise until all expenses have been paid, including the expense of staying in business, and of paying the tax upon being in business. This is a vital feature of our present economic plight, for in the illustration which I have given we are not faced simply with the problem of earning an additional $5,000 over and above accrued depreciation in order to replace a unit of equipment. At today's tax rates we have to realize net earnings before taxes of over $10,000 in order to have $5,000 left with which to cover the inflationary deficit. During recent years we have benefited by rapid amortization—but under present government fiscal policy no more certificates will be granted.

You and I both realize that the dollars which the railroads pay in taxes and the dollars which are retained and applied to keep our transportation system operating must come ultimately from you and other shippers. In like manner, funds for maintaining your plant and producing your commodity must come from your ultimate customer, the consumer of wheat. And just as the price of your commodity has advanced under the pressures of inflation, making wheat now cost the consumer more than it did before World War II, so the price of our service to you has increased during the past decade. I fear we have not seen the end of the spiral. You may have seen and heard Secretary Humphrey on the television program, "Meet the Press," Sunday, Jan. 27. He took the position that everyone had to accept a share of the responsibility for inflation, and I think that is true. I am not so certain that everyone will acknowledge his responsibility or do anything about it.

Must Increase Freight Rates

We know, of course, that the cost of living indices have just moved ahead another notch, reflecting the higher prices of basic commodities. This means automatic wage increases for many hundreds of thousands of workers under escalator provisions of labor contracts. And as you know, the

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*From a talk by Mr. Gurley before the National Association of Wheat Growers, Lincoln, Neb., Feb. 6, 1957.

Deregulation Versus Regulation In Our Transportation Future

By OWEN CLARKE*

Chairman, Interstate Commerce Commission

Without denying the need for essential minimum regulation, ICC Chairman asserts: (1) equal opportunity for all those engaged in transportation is essential to the public; (2) a strong common carrier industry is vital to a "great transportation future"; and (3) public welfare is best served when the Commission speaks freely on proposals and legislation. In this vein, Mr. Clarke maintains railroads can not drop passenger traffic without inviting government ownership or operation, and opposes H.R. 3424 which would place independent regulatory agency under the Executive arm when it is Congress' intent that an agency arm of Congress provide a sound transportation system. Aware of the percentage decrease in traffic carried by regulated carriers, author urges less pusillanimous statements and more positive action to acquaint Congress and the public with transportation facts-of-life.

In the past few years there has come to be a feeling on the part of quite a few people that regulation essentially is a kind of necessary evil which should be drastically reduced or, even better, eliminated entirely — except, of course, that which affects their competitors. Therefore, I am conscious of the difficulty of persuading anyone that regulation as now practiced can and will be made to work for a great transportation future.

Owen Clarke

We can at least agree that a great transportation future or in any event a great prospective demand for transportation lies ahead.

Apparently there is a wide divergence of opinion as to the immediate future. But this is to be expected because our economy is a sensitive and complex mechanism with any one of a thousand factors affecting its behavior. Nevertheless, there are certain factors in the long-range business outlook that seem reasonably predictable even though they can't be projected exactly—the growth of population, the quickening rate of technological development, the rise in productivity and employment, the steady improvement in our standard of living.

With an expanding economy superimposed upon a greatly expanding population we have, in effect, a double expansion which gives our economy a dynamic potential not previously experienced in American life. The impact of this tremendous future growth, if realized, should spread its beneficial effects, as well as problems, throughout the entire strata of our economy.

Will Public Transportation Grow?

But the real question of interest to us today is just what it will mean for the transportation industries. More specifically, will public transportation be able to participate in a proportional growth and maintain a fair relationship with other segments of the economy.

In my opinion, it can and will if management, labor, investors, users and administrators keep constantly in mind one cardinal principle—that transportation is an industry heavily endowed with a public interest. The necessity of reconciling private interest with public interest in the transportation business is the sole reason for regulation.

The function of regulation, then, is to conserve and advance the interests of the public—to use the words of the national transportation policy, it is to **promote** safe, adequate, economical, and efficient service and to **foster** sound conditions in transportation, all to the end of developing, coordinating and preserving a national transportation system adequate to meet the needs of commerce and of the national defense.

Public Comes First

As a general proposition, the public interest and the interests of the carriers are much the same because anything which might adversely affect the carriers usually also adversely affects the public. But, in every instance, it is the **public** interest which really counts.

It seems to me that a better understanding of this basic principle of regulation, as well as an attitude of respect for it, is an indispensable requirement for a great transportation future. Understanding produces self-regulation to a considerable degree, and that, of course, is the ultimate goal. Refusal to recognize this need and achieve this condition not only may shift transportation from government regulation to government operation, but may far too easily provide the avenue by which all American industrial freedom could conceivably fall by the wayside.

Now, I am not one of those economic planners who believes that over-all governmental regulation will solve everything, or that private enterprise is incapable of coping with the nation's needs. I firmly believe that government interference with private activity should be kept at an absolute minimum. But, I believe also that regulation by the government in particular spheres is not *ipso facto* bad, merely because it is regulation. In some areas, particularly transportation, we would have little progress without it.

If regulatory restraints were removed, as some advocate, competition would indeed be increased. But the resulting struggle for advantage would soon produce the very abuses that called for the imposition of controls in the first place. It is naive to think otherwise. And, in any such competitive jockeying, many carriers upon whom the public depends for service would most certainly fall by the wayside. This would mark the beginning of the end of our great common carrier industry with the stable and equitable rate relationships and desirable standards of service which the public now enjoys.

Wants Minimum Essential Regulation

Please do not misunderstand me —I am not advocating more regulation. After all, you can kill a

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*An address by Mr. Clarke before the Transportation Association of America, Chicago, Feb. 13, 1957.

Trans-Canada Pipe Lines Debenture and Stk. Offers Completed

Public offering of $75,000,000 debentures and 3,750,000 common shares of Trans-Canada Pipe Lines Ltd., was made on Feb. 15 in the United States and Canada, in United States units and Canadian units. A group headed by Lehman Brothers, Stone & Webster Securities Corp. and White, Weld & Co. offered the United States units while the Canadian units were offered in Canada by Nesbitt, Thomson & Co., Ltd.; Wood, Gundy & Co., Ltd.; McLeod, Young, Weir & Co., Ltd.; and Osler, Hammond & Nanton, Ltd. Both offerings were heavily oversubscribed.

Of the $75,000,000 debentures, $20,833,000 are 5.60% subordinated debentures due 1987, United States series, payable in U. S. funds, and $54,166,700 are 5.85% subordinated debentures due 1987, Canadian series, payable in Canadian funds.

The 208,333 United States units will consist of a $100 principal amount of United States series debentures and five common shares, and the 541,667 Canadian units will be comprised of a $100 principal amount of Canadian series debentures and five common shares. The United States unit was priced at $156, plus accrued interest on the debentures; each Canadian unit was priced at $150, plus accrued interest on the debentures.

The debentures will have the benefit of a sinking fund under which, on Dec. 31, 1969, and annually thereafter, an amount equal to $2,500,000 or 50% of sinking fund net income, whichever is less, will be applied to redemption of the debentures. Sinking fund and optional redemption prices will be at par plus accrued interest.

Net proceeds from the financing will be used for the construction of an all-Canadian 2,294 mile natural gas pipeline to extend from the Province of Alberta eastward to Montreal, and to cost an estimated $375,000,000. Initial delivery capacity of the pipeline will approximate 300,000 mcf of gas daily and through installation of additional compressors can be increased to approximately 780,000 mcf daily. The pipe line is expected to be in full operation in 1958.

Natural gas to be carried through the line will be purchased by Trans-Canada in various fields in Alberta, transported to the Alberta-Saskatchewan border by Alberta Gas Trunk Line Co., and thence delivered by Trans-Canada to major population areas inside Canada, including Winnipeg, Toronto and Montreal.

The company has entered into an agreement with Midwestern Gas Transmission Co., subject to Federal Power Commission approval, to deliver 200,000 mcf of natural gas per day for a period of 25 years. The company proposes to construct a lateral pipe line from its main line to the International Border in order to deliver the gas to Midwestern for sale in the United States. Midwestern proposes to construct a pipe line system from the Emerson delivery point across the states of Minnesota, Wisconsin, Illinois, Indiana and Kentucky, and to connect with the pipe line system of Tennessee Natural Gas near Portland, Tenn.

The company's share of the cost of the pipeline system will be approximately $253,000,000, to be met in part by proceeds from previous sales of securities and from today's offering, and in part by proceeds from the sale of $30,-990,000 first mortgage pipeline bonds, 5¼% United States series, due 1978; $23,019,000 first mortgage pipeline bonds, 5½ Canadian series, due 1978, and a $20,000,000 5¼% United States bank loan due March 1, 1962. In addition, the Government of Canada with the participation of the Province of Ontario will invest up to $130,-000,000 in the construction and ownership of a 675-mile section of the line from the western border of Ontario eastward to the vicinity of Kapuskasing; the government-owned section will be leased to Trans-Canada for 25 years, with an option to purchase.

Principal owners of the 1,928,124 common shares previously outstanding at the end of 1956 are Canadian Delhi Oil Ltd.; Hudson's Bay Oil & Gas Co. Ltd.; the British Oil Co., Ltd.; and Tennessee Gas Transmission Co.

Two With Chas. A. Hinsch

(Special to The Financial Chronicle)

CINCINNATI, Ohio — Robert J. Brink and Rufus W. Murphy have become associated with Charles A. Hinsch & Co., Inc., Fifth Third Bank Building, members of the Cincinnati Stock Exchange. Both were formerly with W. C. Thornburgh Co.

W. F. Kurtz Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio—David D. Kurtz has been added to the staff of W. F. Kurtz & Co., Union Commerce Building.

Two With Hilliard

(Special to The Financial Chronicle)

LOUISVILLE, Ky.—William P. Munday and Bosworth M. Todd, Jr. are with J. J. B. Hilliard & Son, 419 West Jefferson Street, members of the New York and Midwest Stock Exchanges.

With H. C. Wainwright

(Special to The Financial Chronicle)

BOSTON, Mass. — Irving I. Magid is now associated with H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges. Mr. Magid was previously with Harris, Upham & Co.

Joins Estabrook Co.

(Special to The Financial Chronicle)

SPRINGFIELD, Mass. — Margaret E. Keane has joined the staff of Estabrook & Co., 1387 Main Street.

Expanding New England Economy

Study used to support Boston and Maine Railroad capital financing plan shows New England region to be continuously growing and offsetting shoes and textiles with new diversified dynamic industries, such as plastics, electronics, atomic and other research-based enterprises.

Paced by dynamic plastic, electronic and atomic industries, the New England economy has grown sturdily in recent years and promises to continue expanding, according to a prominent firm of management and economic consultants.

The firm, Boni, Watkins, Jason & Co., Inc. of New York, reached its conclusions on the basis of a detailed analytical study it made for the Boston and Maine Railroad. The study has been presented to the Interstate Commerce Commission in support of the railroad's application for permission to issue $28,874,580 worth of income debentures and debenture scrip in a preferred stock exchange plan.

"Far from declining, as is commonly supposed, New England is healthy and vigorous and is offsetting the decline in textiles and shoes by attracting new industries," the consultants report.

Factors particularly cited as favorable omens for New England's continued economic expansion included:

A rising level of capital expenditure, a concentration of "dynamic" industries such as plastics and electronics, an increasing population, forward-looking management, higher non-agricultural employment, a dependable supply of skilled labor and the development efforts of various local, state, and regional groups.

Temporary Interruptions

"The declines of 1947-49 and 1953-54 represented only temporary cyclical interruptions of this long-term upward movement in the over-all level of business activity in the New England area," according to Boni, Watkins, Jason.

New England's economic health, they continued, has been reflected in the growth of personal income, up 63.4% since 1946. Non-agricultural employment in September, 1956, was 3,614,000, or 5.8% above the 3,416,000 in the corresponding month of 1950, and "shows real signs of continued growth."

Boni, Watkins, Jason report that New England has about 15% of all the country's electronics firms and fabricates fully a third of the U. S. plastics output. They have estimated the value of New England's plastics products at half a billion dollars annually.

"The accelerating diversification and diminishing dependence on industries such as textiles and shoes, whose future can be read in their past, stems from the outstanding advantages the area offers to research-based enterprises," the management consultants declare.

"One is the abundant supply of highly skilled labor, with a settled outlook which assures a low turnover rate. The stability of this skilled labor pool reflects the strong 'gravitational' force of the educational and cultural factors which have long given New England a unique place in the American scene."

Boni, Watkins, Jason found indications of "a continued steady rate of increase in the area's population" which also point to continued economic growth.

"A growing population," the firm states, "demands further extension of public and private facilities, and provides new markets for many of the region's producers.

Expansion Plans

"All signs point to very high levels of capital expenditures by New England firms, at least through 1960." Capital expenditures of Massachusetts firms in 1956 were estimated at 21% above "the high 1955 level" with some firms planning a 40% greater expenditure in 1957.

"Available information on projected capital expenditures in the Bay State for 1959 and 1960 present an equally optimistic picture," the consultants said. In addition there will be heavy outlays by firms moving into the region. This statement is based on plans already announced by forthcoming entrants.

"The expansion plans of New England's electronics industry are also noteworthy. If future plans are carried out, these electronic firms will spend $67 million for new plant and equipment, expand manufacturing space by 18% and add about 8,000 workers in the next few years.

"In the field of atomic energy research and its application to commercial uses, the New England area has an established eminence. Contract awards from the Atomic Energy Commission to New England institutions had passed the half-billion dollar mark by mid-1952, and covered virtually all areas of study and experimentation that the A.E.C. has under way.

"Besides the activities of the Electric Boat Division of General Dynamics Corp. in developing two atomic-powered submarines, and the Pratt & Whitney program for development of atomic-powered aircraft, other fields covered by A.E.C. contracts include sanitary engineering for radiation safety, metallurgy, raw materials processing, nuclear physics, mathematics, medicine, biology, and agriculture.

Private Nuclear Plant

"Significantly, developments in this area have not been restricted to those instituted under governmental auspices. Thus the Atomic Electric Co., a joint project of 11 regional power companies, plans to commission a New England firm to construct a $33,400,000 nuclear power plant at Rowe, Mass.

"Developments of this type take on added meaning from the fact that they promise a cheap source of power to the area's industries, and they provide opportunities for many firms in related industries."

Boni, Watkins, Jason note that the changing composition of the New England economy "had tended to 'up-grade' the area's labor force by transferring manpower into higher product-value lines. Output per man-hour in the durable goods industries of the area exceeds that in the decreasingly important non-durable goods industries by some 10%.

Finally, the management and economic consultants found various local, state and regional groups to be spurring New England's economic expansion.

"The effectiveness of these organizations cannot be over-emphasized. They have been responsible in recent years for the construction of 60 new manufacturing plants with more than $2\frac{1}{4}$ million square feet for lease or sale to manufacturers. They have assisted approximately 425 firms in a wide variety of industries. These concerns employ about 36,000 workers and have an annual payroll estimated at more than $105 million."

Loeb, Rhoades Branch

STROUDSBURG, Pa.—Carl M. Loeb, Rhoades & Co. have opened a branch office in the First-Stroudsburg National Bank Building under the management of Frederick J. Titus.

Bocklet Vice-Chman. of American Stk. Exch.

Charles J. Bocklet, was re-elected Vice-Chairman of the American Stock Exchange Board of Governors at the Board's reorganization meeting, according to an announcement today by Edward T. McCormick, Exchange President.

Charles J. Bocklet

Mr. Bocklet, an Exchange member since 1936, has been a Governor since 1952 and became Vice-Chairman for the first time in 1956. He began his Wall Street career in 1923 in the employ of White, Weld & Co. The re-elected Vice-Chairman has served on most of the Exchange Committees and this year will serve as Chairman of the Committee on Floor Transactions.

Governors who received appointments as Committee Chairman include: James R. Dyer, Board Chairman, who will head the Executive Committee; Louis Reich, Committee on Securities; Albert G. Redpath, Committee on Outside Supervision; John J. Mann, Committee on Finance; A. Philip Megna, Committee on Admissions; Joseph Gimma, Committee on Arbitration; Harold A. Rousselot, Committee on Public Relations; George C. Donelon, Realty Committee, and Leo G. Shaw, Committee on Business Conduct.

Members of the Standing Committees for 1957-1958 are:

Executive Committee: James R. Dyer, Chairman; Charles J. Bocklet, John J. Mann, Edward T. McCormick, Fred W. Nuppnau, Louis Reich, Albert G. Redpath.

Committee on Securities: Louis Reich, Chairman; L. I. Bregman, Charles W. Halden, John J. Mann, Winfield H. Perdun.

Committee on Outside Supervision: Albert G. Redpath, Chairman; John Brick, Albert DeJong, Walter T. O'Hara, Harold A. Rousselot.

Committee on Floor Transactions: Charles J. Bocklet, Chairman; George C. Donelon, Harry P. Henriques, Jr., David S. Jackson, John J. Mann, A. Philip Megna, Gerald A. Sexton.

Committee on Finance: John J. Mann, Chairman; Graham Bell, Charles J. Bocklet, Charles W. Halden, Walter E. Kimm, Jr., Charles H. Phelps, Leo G. Shaw.

Committee on Admissions: A. Philip Megna, Chairman; Charles J. Bocklet, George C. Donelon, Walter E. Kimm, Jr., William N. Moxley, Charles H. Phelps, Gerald A. Sexton.

Committee on Arbitration: Joseph Gimma, Chairman; Robert M. Gardiner, J. Robert Laidlaw, Paul Porzelt, Leo G. Shaw.

Committee on Public Relations: Harold A. Rousselot, Chairman; Walter T. O'Hara, Paul Porzelt.

Realty Committee: George C. Donelon, Chairman; L. I. Bregman, David S. Jackson, J. Robert Laidlaw, William N. Moxley.

Committee on Business Conduct: Leo G. Shaw, Chairman; Graham Bell, John J. Miles, Jr. Alternates: Joseph Gimma, Paul Porzelt.

Edwin M. Newton

Edwin Meade Newton, limited partner in Hayden, Stone & Co., passed away Feb. 13 at the age of 61 following a long illness. In the past he was senior partner of the Boston investment firm of E. M. Newton & Co.

Public Utility Securities

By OWEN ELY

Electric Bond and Share Company

Electric Bond and Share completed its divestment of securities under the Public Utility Holding Company Act during 1955 by reducing its holdings of United Gas to slightly less than 5% of the outstanding amount. The company in June, 1955, filed an application for final exemption from the Holding Company Act, in order to become an Investment Company. As of Dec. 31, 1956, net assets were valued as follows, Ebasco Services' stock being appraised on a different basis than the official method.

	Amount (Mill.)	% of Total
*Net Current Assets	$37	19
Special Utility Holdings:		
American & Foreign Power (53%)	58	31
United Gas Corp. (5%)	21	11
Portfolio of Listed Industrial and Rail Stocks	25	14
Special Investments (no quoted markets):		
Ebasco Services (100%)	25	14
Escambia Chemical, at cost	11	6
St. George Building Corp., at cost	4	2
Chemical Construction Corp., at cost	4	2
Miscellaneous at cost	1	1
Total All Investments	$186	100

*Including prime commercial paper, etc.

In the "Summary of Net Assets" in the fourth-quarter report, from which the above data were derived, the 100% investment in Ebasco Services Inc.—an old line holding of EBS—was carried at only $9,415,000, which represented capital stock and estimated earned surplus. This amount was $7,725,000 in excess of the amount at which the stock was valued in the balance sheet. In our opinion both valuations are too low.

Ebasco Services was originally a service company for subsidiaries of the four or five major utility holding company systems in the EBS family. It still operates as a service company, but these operations are overshadowed by its construction activities, built up over a period of years. A detailed income account is not published, but the 1955 report indicated that earnings for that year of slightly less than $2 million were below the 1954 total, although dividends were maintained at $2,500,000 the same as in the previous year. Net current assets of Ebasco approximated $3.3 billion. Year-end figures for 1956 are not yet available, but EBS fourth-quarter report contained the following summary: "The upturn in Ebasco's business, which began early in the year, gained momentum, and for the year as a whole preliminary figures indicate Ebasco's business volume was 39% above 1955 and net income was up 30%. Ebasco served 121 new clients in 1956 who accounted for about 8% of total billings for the year. At Dec. 31, 1956, Ebasco's service order backlog was 65% greater than at the end of 1955, and the construction backlog was up 71%."

While it would be difficult to make a thorough-going appraisal of the value of Ebasco without complete earnings and balance sheet data over a period of years, together with details of the construction backlog, it has been valued in the table above on an 10% yield basis at $25 billion, or about $16 million more than the official valuation. With about 5,250,000 shares outstanding the revised value of EBS' common stock is $34 a share compared with the management figure of $32. On this basis the stock at its recent price around 28 would be selling at a discount of 18% from "break-up" value as thus estimated.

Parent company earnings, before prior years' tax adjustments, were reported as follows:

Dividends from—	Amount
American & Foreign Power	$3,200,000
Ebasco Services	2,500,000
United Gas	1,000,000
Other	800,000
Interest and Discount	1,000,000
Total	$8,500,000
Less Expenses and Taxes	1,600,000
Net Income	$6,900,000

On this basis share earnings were reported at $1.32. However, this figure seems a little conservative. The prior years' tax adjustments are strictly a profit and loss item, but realized gains of $764,000 on sale of securities (15 cents a share) could perhaps have been included in earnings. Also there was an equity interest in earnings of American & Foreign Power, in excess of dividends received, of about $3,063,000 or 58 cents a share. This equity interest is calculated only on Foreign Power's estimated parent company earnings of $1.60 a share, which are supported by much larger consolidated system earnings (which in the 12 months ended Sept. 30 amounted to $2.19 a share compared with $1.72 in the previous year).

With these adjustments, EBS' share earnings would be increased to $2.05 and if the full equity in Ebasco's earnings, in United Gas and the "special situations" should also be included, "consolidated" earnings would be still higher. The return on the $37 million cash assets might also be improved by making long-term use of the funds.

Dividend policy will probably continue to reflect the payout of about 95% of parent company share earnings, and the latter will probably depend largely on the future earnings and dividend policies of Foreign Power and Ebasco. It appears probable that if conditions remain as favorable in Latin America this year as in 1956, American & Foreign Power may raise its dividend rate to $1 which might in turn raise the EBS dividend rate by 10 or 15 cents.

At the recent price around 28, EBS yields about 4.5% based on the dividend rate of $1.25. The dividend is free of Federal income taxes (but subject to capital gains tax when the stock is sold); the stock will probably remain "tax free" for a period of years due to book losses on the investment American & Foreign Power.

Corporate Expansion Via Borrowing Money Or Issuing More Stock

A method to determine whether it is more profitable to borrow or issue more stock is devised by professor from Amos Tuck School, Dartmouth College.

You're a corporation that's decided to expand. Expansion will require money; you can either borrow it or issue more stock. Which way do you choose?

A new booklet, "Corporate Debt and the Stockholder," shows "to a fraction of 1%" which way is more profitable.

Written by Dr. Louis O. Foster, Professor of Accounting and Finance at the Amos Truck School of Business Administration, Dartmouth College, the booklet is one of a series published by the Tuck School under a grant from the Sloan Foundation. Single copies are available on request to the author.

The method it presents involves only some rearrangement of the conventional balance sheet and statement of earnings and a few simple arithmetical calculations.

Rearranging the Balance Sheet

Traditionally, the balance sheet lists "liabilities," which it classifies according to date of maturity, the earnings statement subtracts interest and debt expense from total income in arriving at net income.

Dr. Foster's balance sheet, taking a new viewpoint shows "sources of assets," which it classifies according to cost rather than maturity dates. The sources are of four kinds: non-cost, interest cost, prior-dividend cost and common stockholders' equity.

His earnings statement includes a new total, "income available for all capital suppliers," which is simply the conventional net income plus interest and debt expense.

This arrangement lets him compute earnings rates for (1) all capital suppliers, (2) suppliers of all but non-cost capital, (3) all stockholders and (4) common stockholders. He may then determine how use of each type of asset affects the return on subsequent types.

Cites an Example

He shows how use of the comparatively "venturesome" Pittsburgh Steel Company financing pattern in 1955 could have raised rates of return to common stockholders of "conservative" Republic Steel (from 11.5 to 22.3%) and Ford Motor Company (from 17 to 34.3%).

Applying his technique to a typical problem, he traces the steps whereby directors of the mythical "X Corporation," which needs $45,000 to expand, decide whether to borrow or issue more stock. (They find that common stockholders can earn 20.4% on their current investment if they borrow the additional money, only 3.9% on the additional money if they invest it themselves.)

Dr. Foster has been at Tuck since 1942. He taught previously at the University of Illinois and Western Reserve University, and has been in executive and consulting positions with the Office of Price Stabilization and the Atomic Energy Commission.

Gerson J. Brown

Gerson J. Brown, partner in E. Lowitz & Co., passed away on Feb. 1.

William H. Brand

William H. Brand, partner in Robert W. Baird & Co., passed away Feb. 14.

Florida Growth Fund Shs. Publicly Offered

Public offering is being made for the first time of 2,000,000 capital shares of Florida Growth Fund, Inc., at $5 per share, by Frank B. Bateman, Ltd., of Palm Beach, Fla.

The purpose of the Fund is to provide a means whereby large and small investors may combine the amounts they wish to invest in companies doing business in Florida and the entire South which are believed to have growth potentials, and jointly secure experienced investment management.

The new fund, incorporated on July 19, 1955, in Florida, is now a closed-end investment company, but will become an open-end diversified mutual fund on and after sale of all 2,000,000 shares initially offered, or 30 days after the registration statement became effective, whichever is sooner. The board of directors, however, may extend the time up to two 60-day consecutive periods. Until such time, the fund will invest only in U. S. obligations.

One of the interesting features of the fund is that prices per share will range from $5 to $4.62½ per share depending upon the amount purchased, and once a purchase has been made at a reduced sales charge, that same reduced sales charge will be applicable to that person or group of persons on all additional purchases, providing such shares are still registered in such name.

The fund has entered into a management contract with the Florida Growth Co., a Florida corporation, which provides, that subject to the board of directors of the fund, the company will supervise the fund's operation and investments.

The fund's offices, and those of the Florida Growth Co. are located at 243 South Country Road, Palm Beach, Fla. Florida National Bank and Trust Co. of West Palm Beach is custodian, transfer and disbursing agent.

FHLB Retires Notes

The Federal Home Loan Banks will redeem, without refunding, $56,000,000 of 3⅝% series B-1957 consolidated notes which matured on Feb. 15, 1957. Everett Smith, fiscal agent of the Banks, said the notes will be paid off in full from cash on hand in the Banks. The redemption reduces outstanding consolidated notes to $909,000,000.

Form Mutual Fund Sales

RUTHERFORD, N. J.—Charles A. Koenig, Jr. is conducting a securities business from offices at [illegible] Lincoln Avenue under the [illegible] name of Mutual Fund Sales Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Harold F. Moeller has been appointed an Executive Vice-President of the **Chase Manhattan Bank, New York**, in charge of operations and personnel, George Champion, President, announced on Feb. 14. For several years Mr. Moeller, has been associated with the Bank's metropolitan department as a Vice-President. A member of the staff for 37 years, Mr. Moeller has had extensive experience in many of the Bank's departments and branches and was in charge of Rockefeller Center branch from 1946 to 1952.

Ernest H. Kuhlman, a retired Second Vice-President of the Chase National Bank, New York, died on Feb. 17. A specialist in foreign exchange and trading, he served in the Foreign Department of the Bank.

* * *

M. Nielsen and H. Ladd Plumley, have been elected Trustees of **The Bank of New York**, it was announced by Albert C. Simmonds, Jr., President.

* * *

The Clinton Trust Company, New York, on Feb. 14 opened a new branch banking office in the Port of New York Authority Bus Terminal at Eighth Avenue and 40th Street.

* * *

Arthur S. Kleeman, President of **Colonial Trust Company, New York**, announced that the Bank's directors voted to add $100,000 to Surplus, by a transfer of that amount from the institution's Undivided Profits.

* * *

Howard J. Rogers, 62, former Vice-President of the former **Bank of the Manhattan Co., New York**, died on Feb. 12.

Mr. Rogers retired in 1953 after 30 years with the bank. He had been active in the bank's foreign department. He was a former director of the **Banco Nacional de Nicaragua**.

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Acquisition of the entire capital stock of **The Lake Shore National Bank of Dunkirk, N. Y.** was completed on Monday, Feb. 18, according to a joint announcement made on Feb. 19 by Harvey Beebe, President of The Lake Shore National Bank and Baldwin Maull, President of Marine Midland Corporation. Thirty shares of Marine Midland Corporation common stock were exchanged for each of the 2,000 outstanding shares of The Lake Shore National Bank; resources of The Lake Shore National Bank on Dec. 31, 1956 were in excess of $11,000,000. Announcement was made on Feb. 1, 1957 of plans to consolidate the bank with **The Chautauqua National Bank of Jamestown, New York**, another Marine Midland bank. Both banks are in Chautauqua County, in New York State's Ninth Banking District.

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Charles Sperry Andrews, 72, retired Board Chairman of the **First Westchester National Bank**, died on Feb. 12.

A founder of the **Bronxville Trust Co.**, Mr. Andrews was its President from 1924 until 1952, when it became part of First Westchester. He retired from his First Westchester position recently.

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Earl H. Cunerd, Raymond J. Euler, L. Warren Elwell and J. Herbert Saurman, Jr., were elected Vice-Presidents of the **Girard Trust Corn Exchange Bank, Philadelphia**.

* * *

Seven staff promotions at **Fidelity Trust Company, Pittsburgh, Pa.**, have been announced by John A. Byerly, President.

In the bank's Commercial Department, Walter Kirkham Jr. was promoted from Assistant Secretary to Assistant Vice-President, and Robert L. Conaway was named Assistant Treasurer.

James H. Marshall, a former employee of the Commercial Department, has been named an Assistant Secretary in the Trust Department, and James M. Aiken, of the auditing staff, has been promoted to Chief Auditor. Martin C. Hoffman of the Trust Department was elected a Trust Officer.

Norman H. Sanderson, manager of the Monroeville Office, and Thomas H. Reed, manager of the North Hills Office, were elected Assistant Vice-Presidents of Fidelity Trust Company.

Richard O'Neil Duff has been elected a Trust Officer. Mr. Duff joined the Trust Department of Fidelity on March 1, 1956.

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Norris D. Wright, board chairman of the **Montgomery Norristown Bank and Trust Company**, passed away on Feb. 14 at the age of 74.

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Special meetings of stockholders of the **Provident Trust Company of Philadelphia, Pa.** and **Tradesmens Bank and Trust Company, Philadelphia, Pa.** have been called for Tuesday, March 12, to vote on the proposed joint plan of merger adopted by the boards of directors of each institution early this year, it was announced on Feb. 19.

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Peoples Union Bank, McKeesport, Pa., has changed its title to **Peoples Union Bank and Trust Company**.

* * *

Gen. Omar N. Bradley, former chief of staff of the United States Army has been elected a director of the **National Savings and Trust Company, Washington, D. C.**

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First and Merchants National Bank of Richmond, Va., increased its common capital stock from $4,500,000 to $5,400,000 by the sale of new stock effective Feb. 5, (270,000 shares, par value $20).

* * *

Central National Bank of Cleveland, Ohio, elected H. R. Harris a director replacing L. F. Laylin, who retired but will continue as an advisory member. A. E. Staley and F. U. Steel were elected Vice-Presidents. C. P. Lamb was named Assistant Vice-President.

* * *

The common capital stock of **The First Troy National Bank and Trust Company, Troy, Ohio**, was increased from $500,000 to $650,000 by a stock dividend and from $650,000 to $750,000 by the sale of new stock, effective Feb. 5 (75,000 shares, par value $10).

* * *

The Fort Wayne National Bank, Fort Wayne, Ind., increased its common capital stock by a stock dividend from $1,750,000 to $2,100,000 by a stock dividend effective Feb. 7 (105,000 shares, par value $20).

* * *

Robert Lee Milligan was elected a director of the **Chicago National Bank, Chicago, Ill.**

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The common capital stock of **The Illinois National Bank of Springfield, Ill.**, was increased from $900,000 to $1,000,000 by the sale of new stock, effective Feb. 4 (100,000 shares, par value $10).

* * *

Thomas W. Dower, Chairman of the Board, announced on Feb. 6 the election of A. Andrew Boemi as President and member of the Board of Directors of the **Madison Bank and Trust Company, Chicago, Ill.** Mr. Boemi, resigned as Vice-President of the First Federal Savings and Loan Association of Chicago to accept the Presidency.

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Sears-Community State Bank, Chicago, Ill., has changed its title to **Sears Bank and Trust Company**.

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Grayling State Savings Bank, Grayling, Mich., has changed its title to **Grayling State Bank**.

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The Continental National Bank of Lincoln, Neb., increased its common capital stock from $1,000,000 to $1,250,000 by the sale of new stock, effective Feb. 4 (50,000 shares, par value $25).

* * *

Effective Feb. 4 the common capital stock of **The Marquette National Bank of Minneapolis, Minn.**, was increased from $1,000,000 to $1,125,000 by a stock dividend and from $1,125,000 to $1,250,000 by the sale of new stock (25,000 shares, par value $50).

* * *

The First National Bank of Crookston, Minn., increased its common capital stock from $100,000 to $200,000 by the sale of new stock, effective Feb. 5 (4,000 shares, par value $50).

* * *

The common capital stock of the **First National Bank of McDonough, Ga.**, was increased from $80,000 to $200,000 by a stock dividend, effective Feb. 4 (2,000 shares, par value $100).

* * *

First National Bank in Palm Beach, Fla., increased its common capital stock from $1,000,000 to $1,200,000 by a stock dividend, effective Feb. 4 (120,000 shares, par value $10).

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By the sale of new stock effective Feb. 5 the **Citizens National Bank of St. Petersburg, Fla.**, increased its common capital stock from $400,000 to $600,000 (60,000 shares, par value $10).

* * *

William R. Hoge, President of the **First National Bank of Pueblo, Colo.**, has been elected a Vice-President and member of the executive committee of the **Republic National Bank of Dallas, Texas**, it was announced on Feb. 13.

Announcement of the election, which occurred at Tuesday's regular meeting of Republic's Board of Directors, was made jointly by Karl Hoblitzelle, Chairman of the Board, and Fred F. Florence, Chairman of the Executive Committee.

Mr. Hoge, who will begin his duties with Republic in March, is a director of the First National Bank of Colorado Springs and of the First National Bank of Pueblo.

Mr. Hoge, in 1925, was employed by the **National Bank of Commerce, New York**, which later merged with the **Guaranty Trust Company, New York.**

In 1943, he became a Vice-President of the **Liberty State Bank**, which later changed its title to the **National City Bank of Dallas** (1946). He remained with National City until his election as President of the First National Bank of Pueblo in August of 1951. Meanwhile the National City Bank was consolidated with Republic National Bank on Dec. 11, 1954.

Chris G. Knoerzer, a Vice-President of the Republic National Bank of Dallas since 1947, has been elected a member of the bank's Executive Committee.

Mr. Knoerzer joined the staff of Republic in 1925, becoming manager of the bank's Credit Department in 1939. In subsequent promotions, he became an Assistant Cashier in 1941 and an Assistant Vice-President in 1946. Elected a Vice-President in March of 1947, he has been active in Republic's Commercial Loan Department in recent years.

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The common capital stock of the **First National Bank at Lubbock, Texas**, was increased from $1,500,000 to $1,725,000 by a stock dividend and from $1,725,000 to $2,000,000 by the sale of new stock, effective Feb. 8 (20,000 shares, par value $100).

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Effective Feb. 7, the common capital stock of the **Texas National Bank of Houston, Texas**, was increased from $6,000,000 to $7,000,000 by a stock dividend and from $7,000,000 to $8,000,000 by the sale of new stock (400,000 shares, par value $20).

* * *

The First National Bank of Brenham, Texas, increased its common capital stock from $150,000 to $200,000 by a stock dividend and from $200,000 to $250,000 by the sale of new stock, effective Feb. 4 (25,000 shares, par value $10).

* * *

An agreement has been reached for the merger of the **Newport Harbor Bank, Corona del Mar**, into **California Bank, Los Angeles**, it was revealed in a joint announcement by Frank L. King, President of California Bank, and J. T. Van Dyke, President of the Newport Harbor Bank.

The agreement has been approved by the boards of directors of both banks and is subject to the approval of stockholders, the announcement stated.

California Bank has 58 offices in Los Angeles and Orange Counties. Resources of the Newport Harbor Bank total more than $6,000,000.

Subject to stockholders' approval, the merger is expected to become effective about April 12, 1957.

The merger is not expected to result in any change in personnel of the Newport Harbor Bank, Mr. King stated. J. T. Van Dyke, President, will become a Vice-President of California Bank.

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The Directors of **The Bank of California, N. A., San Francisco, Calif.**, have set March 19 as the date of the special meeting for shareholders to vote on the 2-for-1 stock split proposed at the bank's recent annual meeting.

Elliott McAllister, Board Chairman, also announced that supervisory banking authorities have approved the establishment of a banking office in Santa Rosa. The Santa Rosa office will be the 14th in The Bank of California's tri-state system.

Also at this meeting the directors appointed Mrs. Wilma Brink, Assistant Cashier and Assistant Trust Officer of the Modesto Office.

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Julian R. (Bob) Smith, Assistant Trust Officer of **The Bank of California, Portland, Ore.**, was advanced to Trust Officer at that office by the bank's directors at their regular monthly meeting on Feb. 12. His appointment fills the vacancy created by the recent death of F. Boyce Fenton.

Mr. Smith joined the bank in 1935 and spent several years in the commercial division before his transfer to the trust department where he was appointed Assistant Trust Officer in 1948. He has most recently specialized in taxes, estate planning and trust administration.

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The Canadian Bank of Commerce, Toronto, Canada, has advised its shareholders that it will offer to those of them who do not reside in the United States and are of record at the close of business on Feb. 15, 1957, one new share of the capital stock of the bank for each five shares then held.

The offering price of the new shares will be $30 Canadian per share and a total of 750,000 shares will be issued.

Transferable warrants evidencing the right to subscribe will be mailed on Feb. 15 and will expire on Friday, May 17, 1957.

Shareholders resident in the United States may not subscribe to the new issue but may sell their rights for exercise in Canada.

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The Directors of **Midland Bank Limited** have the pleasure to announce that the Right Hon. Sir Walter Monckton, K.C.M.G., K.C.V.O., has been appointed a member of their Board and of the Board of **Midland Bank Executor and Trustee Company Limited, London, England.**

Hornblower & Weeks Chicago Office Marks 50th Anniversary

CHICAGO, Ill.—A golden anniversary is being observed in La Salle Street by the Chicago partners and employees of Hornblower & Weeks.

Howard E. Buhse

The investment banking and brokerage firm, founded in Boston in 1888, opened its second branch here in February, 1907 in the then Central Trust Company building on Monroe just east of La Salle Street. In the intervening 50 years, the firm has moved several times, on each occasion into larger quarters and presently it occupies two floors at 134 S. La Salle and a ground-floor office at 28 S. Michigan Avenue. In addition to the original office in Boston, and the New York and Chicago offices, the firm now has offices in 16 other cities, including Rockford and Peoria.

Howard E. Buhse, Managing Partner in Chicago, said the firm had two employees when it started here half a century ago. Today, Mr. Buhse said, the Chicago offices have 10 general and six limited partners—and 194 employees. He pointed out that Paul B. Skinner, who was one of the two original employees of the firm here and is now a Limited Partner, served over the past 50 years as cashier, bookkeeper, customers' man and as Managing Partner. In 1953, Paul H. Davis & Co., one of the largest underwriting and brokerage firms on La Salle Street, was merged with Hornblower and Weeks.

L. E. McRae Branch

DELRAY BEACH, Fla.—Lincoln E. McRae, Inc. has opened a branch office at 122 Southeast Fifth Avenue under the management of Lincoln E. McRae, Sr.

Calvin Fentress

Calvin Fentress, Chairman of the Board of Baker, Fentress & Co., Chicago, passed away Feb. 6 at the age of 77.

Dyer Re-Elected by American Stock Exch.

James R. Dyer was re-elected Chairman of the American Stock Exchange Board of Governors at the members' annual election held Feb. 11, according to an announcement by Edward T. McCormick, Exchange President.

James R. Dyer

Mr. Dyer, an exchange member for 28 years, was first elected to the governing board in 1946, and served a one year term as Vice-Chairman in 1952. He has served on most of the market's principal committees.

Elected to three year terms as regular member governors were: Leonard I. Bregman, Bregman, Cummings & Co., Charles W. Halden, Halden & Co., Walter E. Kimm, Jr., Kimm & Co., J. Robert Laidlaw, Laidlaw & Co., and William N. Moxley, Shearson, Hammill & Co. Messrs. Bregman and Halden served on the Board in the past. Messrs. Kimm, Laidlaw and Moxley were elected for the first time.

Elected as non-regular member governors for a three year term were John J. Miles, Jr., Adriance & Finn, Winfield H. Perdun, Smith Barney & Co., Paul Porzelt, Emanuel, Deetjen & Co., and Harold A. Rousselot, F. I. du Pont & Co. Miles and Rousselot served on the Board in the past. Perdun and Porzelt were elected for the first time.

Elected as a non-regular member governor for a one year term was John Brick, Paine, Webber, Jackson & Curtis. This is his first election.

Timothy J. Reardon, Andrews, Posner & Rothschild, and Robert J. Smith, Sexton & Smith were elected to three year terms as trustees of the Gratuity Fund.

KDI Preferred Stock Offering Completed

McDonald, Holman & Co., Inc., New York, on Feb. 5 publicly offered 71,428 shares of KDI Corp. 7% participating cumulative preferred stock (par $5) at $7 per share as a speculation. This offering was oversubscribed.

After the declaration or payment of all accumulated dividends upon the preferred stock at the rate of 7% per annum, any further dividend declared shall be distributed equally among the outstanding common and preferred shares of the company.

KDI Corp. proposes to use $100,000 of the net proceeds to buy additional machinery and equipment, $60,000 for advertising and sales promotion and $225,000 for working capital. If less than all of the issue is sold, the net proceeds received from the securities sold will be applied for such purposes, pro rata.

KDI Corp. designs manufactures and sells automatic parts handling equipment. It has its principal office and place of business at 950 Exchange Street, Rochester 8, N. Y.

Prior to April 19, 1956, KDI Corp. was known as Kraus Automatic Machines Corp.

With Palmer, Pollacchi

(Special to The Financial Chronicle)

BOSTON, Mass.—James N. Sweeney, Jr. has become connected with Palmer, Pollacchi & Co., 16 State Street.

Halsey, Stuart Group Offers New England Power Co. 4 3/8% Bonds

Halsey, Stuart & Co. Inc. and associates offered on Feb. 19 $10,000,000 of New England Power Co. first mortgage bonds, series G, 4 3/8%, due Feb. 1, 1987, at 102% and accrued interest, to yield about 4.25½%. Award of the issue was won by the underwriters at competitive sale Feb. 18 on a bid of 101.209%.

Net proceeds from the sale of the series G bonds, together with proceeds from the earlier sale of a common stock issue to its parent organization, the New England Electric System, will be applied by the company to the payment of short-term debt, and any balance will be used to pay for construction costs.

The series G bonds will be redeemable at optional redemption prices ranging from 106.38% to par, and at special redemption prices receding from 102% to par, plus accrued interest in each case.

New England Power Co. is a subsidiary of New England Electric System, a registered holding company under the Public Utility Holding Company Act of 1935. The company is engaged in generating, purchasing, transmitting and selling electricity in wholesale quantities to other electric companies doing a retail distribution business and to large industrial consumers.

For the 12 months ended Nov. 30, 1956, the company showed total operating revenues of $49,803,407 and net income of $7,262,534.

Coburn Middlebrook Branch

EAST ORANGE, N. J.—Coburn & Middlebrook, Incorporated have opened a branch office at 614 Central Avenue under the management of Stuart A. Buckman.

Hill, Darlington Branch

GLOUCESTER, Va.—Hill, Darlington & Co. have opened an office in the Gray Building under the management of Stewart C. Wilson.

Kidder, Peabody Branch

WORCESTER, Mass.—Kidder, Peabody & Co. have opened a branch office at 340 Main Street, under the management of Herbert S. French, Jr.

Joins Coffin & Burr

(Special to The Financial Chronicle)

BANGOR, Maine — James M. Wentworth is now with Coffin & Burr, Incorporated, 27 State Street.

With Hornblower Weeks

(Special to The Financial Chronicle)

PORTLAND, Maine — Peter T. C. Bramhall has joined the staff of Hornblower & Weeks, 436 Congress Street.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

The market for equities is now bringing about a sharp readjustment in the price-earnings ratios of a number of our leading industrial blue chips. It was not so long ago that 20 and 30 times ratios were prevalent among such issues as duPont, International Business Machines, Rohm and Haas, and a number of others. While the market declines have not brought the ratios down very far the trend seems to have been set and lower ratios appear to be on the way.

Not so with the leading New York City banks, however. In their case the ratios have been modest, and, while the trend is slightly downward, it is compounded of two factors, higher earnings and the moderate price change. A number of industrial leaders are reporting lower earnings, which tend to slow the readjustment in the price:earnings relationship; but the declining market prices are helping to bring about a more realistic relative position. With only two exceptions (one of them minor) the price: earnings ratios of the leading New York City banks have shown this gradual betterment over the calendar years 1954, 1955 and 1956. The tabulation follows:

PRICE:EARNINGS RATIOS

	1954	1955	1956
	—Times—		
Bankers Trust	14.7	13.8	12.8
Bank of New York	13.2	12.2	10.8
Chase Manhattan	15.1	14.7	13.4
Chemical Corn Exch.	15.1	13.5	12.3
Empire Trust	13.3	12.0	11.8
First National City	16.4	15.1	13.3
Guaranty Trust	17.6	16.6	18.4
Hanover Bank	14.4	13.1	11.5
Irving Trust	16.8	14.4	13.3
Manufacturers Trust	13.8	13.3	12.4
J. P. Morgan & Co.	17.0	14.4	14.7
New York Trust	15.0	14.7	12.7
United States Trust	14.4	15.3	12.8
Averages	15.1	14.1	13.1

While the trend in the price-earnings relationship of the leading blue chips among industrial stocks has declined because of lower prices for the stocks (for example, duPont is down from its 1955 high of a fraction under 250, and its present price:earnings ratio is considerably lower), the reason the bank stock ratios are down is primarily because of the banks' decidedly better earnings. And despite the correction in this connection among the industrials, the banks are still selling at more favorable ratios to latest earnings than are a large number of the industrial top grade market leaders. The highest ratio in the bank list for 1956 was Guaranty's at 18.4 times 1956 operating earnings, while Hanover's 11.5 times was the lowest.

But there is other evidence of improving value among the New York bank stocks. Using the same three years, we find that the banks' rate of earnings (from operations) on book value was the reverse of the price:earnings ratio trend. That is, the three year span showed a steadily rising trend in the rate of earnings on book value (i. e., on capital funds) with not a single exception.

EARNED ON BOOK VALUE

	1954	1955	1956
Bankers Trust	7.4%	8.0%	8.3%
Bank of New York	6.9	7.5	9.8
Chase Manhattan	7.9	8.1	8.5
Chemical Corn Ex.	8.0	8.7	8.9
Empire Trust	9.5	10.4	10.9
First Nat. City	6.0	7.2	8.6
Guaranty Trust	5.4	6.0	6.9
Hanover Bank	6.7	7.5	8.6
Irving Trust	7.2	8.7	10.0
Manufacturers Tr.	7.8	8.2	8.8
J. P. Morgan & Co.	6.7	8.8	9.5
New York Trust	7.3	7.6	8.4
United States Tr.	6.8	7.6	8.3

The average for 1954 was 7.2%; that for 1956, 8.9%, a betterment of 23.6%. Essentially this was accomplished by the big shift made by the banks from governments and other securities investments to loans. The banks do better at their historic function of lending, than they do as "investment trusts" in government bonds!

Ball, Burge & Kraus To Admit Shorsher

CLEVELAND, Ohio — Fred A. Shorsher will acquire a membership in the New York Stock Exchange and will be admitted to partnership in Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges, on February 28. Mr. Shorsher has been with the firm for some time.

Fred A. Shorsher

Twin City Bond Club Annual Outing

MINNEAPOLIS, Minn. — The Twin City Bond Club's Annual Outing and Picnic will be held June 19 and 20, 1957 with a social and cocktail party at the Hotel Nicollet, Minneapolis on Wednesday evening, June 19 with an all day program of golf, tennis, boating, horseshoe and a bridge tournament at the White Bear Yacht Club, White Bear Lake, Minnesota on Thursday, June 20.

Robert Krysa of Harold E. Wood and Company of St. Paul is General Picnic Chairman. Fred Goth of Irving J. Rice and Company of St. Paul is Club President.

Joins A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Israel Zuckerman has become affiliated with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges. Mr. Zuckerman was previously with Scherck, Richter Company.

Continued from page 3

Looking at the Over-all View Of Our Economy for 1957

alyze these three segments carefully and let us see what comes out.

Higher Personal Consumption

Let us look first at personal consumption expenditures, because this is by far the biggest item. Personal consumption expenditures during the year 1956 are estimated at $268 billion, as compared with $254 billion in 1955. In part, the increase reflects higher prices, higher wages. In part, however, it also reflects a greater volume. In my opinion, personal consumption expenditures, that is, total expenditures by individuals for everything except homes, in 1957 will be higher than in 1956.

Why? Let us take these personal consumption expenditures and divide them into the most important components. About 50% of the total personal consumption expenditures consists of nondurable goods, such as food, apparel, chemicals, rubber, and so forth.

Now, 36% of total consumption expenditures consists of services, and 14% of durable goods. If you take total personal expenditures on nondurable goods, you will find that an increase occurred every year with the exception of 1949, when a minor dip took place.

Now, you will remember, 1949 was a poor year. It was marked by a decline in business activity, a decline in prices, a decrease in employment, and in disposable income. I do not foresee, in 1957, any decrease in prices. I do not foresee any decline in wages, and therefore even if there is a minor decline in business activity, let us say in the second half of the year, consumption expenditures on nondurables are likely to be higher in 1957 than in 1956.

Expenditures for services have increased every year since these figures are published. We are becoming, more and more, a service economy. The costs of services has constantly risen and therefore there is no reason to believe that there will be a decline in expenditures on services.

Durable Goods

The only uncertain element is the question of what the people will spend on durable goods. This item is more volatile. I am not as optimistic as some people in Detroit are about the outlook for the automobile industry in 1957. I doubt whether more than 6 million cars will be sold, and therefore there is a possibility that in 1957 expenditures for durable goods may be either as great as in 1956 or may be even a little smaller.

But let us assume that it is smaller. What impact will it have on business activity? The answer is simply this: In 1955, we produced nearly 8 million cars; in 1956, less than 6 million cars, and yet business activity as a whole was better in 1956 than in 1955. A moderate decline in the output of automobiles, accompanied by a decline of housing starts, can have an impact on certain industries, but it is not likely to have a material impact on the economy of the country.

Let us look at the second most important factor, private domestic investments. This item is composed of construction of homes, commercial construction, industrial construction, and expenditures by corporations for plant and equipment.

Homes and Capital Outlays

This sector of the economy is more volatile and it is not easy to make any definite predictions about it, but this is the way it looks to me:

(1) Home construction definitely will be lower in 1957 than in 1956. Commercial construction such as office buildings garages, others, shopping centers, in all probability, will be smaller this year than last year.

Why? Money is tight. It is extremely difficult to obtain mortgage money, construction loans, and this is bound to have an impact on the construction industry.

As against this, however, all the estimates that I have seen so far are to the effect that capital expenditures by corporations for new equipment and new plant will be higher in 1957 than in 1956. It is possible that these forecasts and estimates may not materialize. If they materialize, if total investments in 1957 are as large as last year, then the total volume of business in 1957 will be higher than in 1956. If not, if because of the present tight money—because some industries already have a productive capacity greater than the present demand — if capital expenditures do not materialize, then 1957, instead of being the best year that we have had so far in peacetime, will be the second-best year. Therefore an analysis of all these various phases affecting the private sector of the economy gives us every reason to look into the future with confidence and hope.

Larger Government Spending

But there is another sector that has to be considered and that is total purchases of goods and services by government. In 1955, these expenditures amounted to $76-billion; that is, expenditures by the Federal Government, and local governments. In 1956, these expenditures probably will be nearly $80 billion and in all probability these expenditures for the present year will be between $83 to $85 billion. The expenditures of the Federal Government will be larger, and that state and local government expenditures are constantly, increasing, you know as well as I do. With the private sector of the economy active, with government expenditures increasing, business activity is bound to remain at a high level.

Upward Wage and Price Trend

Another question that interests us in the question of wages and prices. During the last 12 to 18 months, we witnessed strong inflationary pressures operating in our economy. Wholesale or retail prices rose to new highs. Wages increased constantly, reaching new peaks. And the question that arises is, "Where do we go from here?". Are these inflationary forces temporary, reflecting the world-wide boom, or is this a permanent phenomenon, and can we look forward to prices increasing 2 or 3% every year?

The trend towards higher prices and wages, which was so pronounced during the last year, will continue during 1957. Prices and wages will be higher. I am, however, of the opinion that the increase in prices will not be as pronounced this year as last year and that some time in 1957 prices will reach their peak and then they'll remain at the same level, at least for several years, and that we will witness the same stability in prices as we had from 1951 to 1955.

Stable Price Level After 1957

The reasons for this statement, briefly, are these: (1) the productive capacity of the country is increasing. In many industries, production exceeds the effective demand. This certainly applies to the textile industry, the automobile industry, copper, aluminum, paper, and many others; (2) The great pent-up demand for all goods and services has been met. The people are well-stocked; (3) Competition is keen and is becoming keener every day, and when the productive capacity of the country is increasing as it is, and competition becomes as keen as it is, you know better than I do, that then the increase in prices can not be as pronounced as it was last year.

Of course, this does not apply to all commodities. There are certain commodities which are not sold to the ultimate consumer. Prices of these commodities may go higher. But the commodities that are sold to the ultimate consumer will increase, and, in my opinion, will reach a peak this year and then stabilize themselves at this level for two or three years.

Wages also will continue to increase during the present year. One does not have to be an economist or a student of business to make this prediction. You and I know that many industries have signed contracts with the unions whereby an automatic increase will be granted in 1957. It applies to steel, automobiles, and a number of others and about five million people will receive an automatic increase in wages some time in 1957.

Also, as the Consumer Index increases, many labor unions have escalator clauses whereby wages automatically go up and therefore, in my opinion, wages will continue to rise but, again, I believe that the increase in wages will not be as pronounced in 1957 as it was during the last year. Whereas during 1956 productivity did not increase, this year because of the keener competition and because of the great efficiency of the new machinery and equipment, the productivity of labor will also increase and therefore I have reached the conclusion that at least temporarily the increases in prices will be brought to a halt. How long this will last, nobody can as yet tell.

As I said before, competition will increase, and this increased competition will cause pressures on the margin of profits.

Easier Money Rates

Money rates, which have played such an important role during the last year, in all probability, will remain at the present level for the next few months. Some time in the middle of the year, when the effects of the tight money have become apparent, the demand for capital should not be as great as it is today.

In the second half of the year one may expect a liquidation of inventories, whereas, through the entire last year inventories rose considerably. A liquidation of inventories will reduce the pressure on the demand for bank credit, and money rates ought to be easier in the second half of the year than in the first half.

In all probability, inventories will continue to be accumulated during the first half of the year, and be reduced in the second half of the year. This applies primarily to steel. Everybody knows that steel wages will be increased in July 1957, and the increase in steel wages will be followed by an increase in prices.

Therefore, anybody who needs steel now, or will need it in the second half of the year, buys it now, provided he has the money or the credit. After steel prices have gone up—and in 1957 there will be no steel strike — steel inventories will be liquidated, and this is bound to have an impact on money rates.

Textile Situation

How will all these factors affect the textile industry? The textile industry in general, did not have a particularly good year in 1956.

It is also interesting to note that the textile and apparel industry did not benefit from the general business improvement nor the increase in the standard of living of the people, nor from the increase in the Gross National Product or of the disposable income of the nation.

For example, the Index of Production of Textiles and Apparel (1947-1949, equals 100) did not reach 112 in any month during 1956. Yet we do know that the Index of Production in general, for the economy of the country as a whole, ranges between 141 and 147. You can see, therefore, that textiles and apparel did not participate in the rapid growth of the economy.

Why? A great many factors have contributed to this development. First, the movement to the suburbs placed a greater emphasis on the durable goods. When a family lives in town and the husband wants to show off that he really is doing all right, well, he will buy his wife a very stunning gown, which she can show to the neighbors. In the country, this isn't needed. It's more important to have a two-toned car in front of the house. That gives you character. A greater emphasis is being placed on durable goods.

Whether we like it or not it is a fact, in the United States, somehow or other, we have become less style-conscious and that applies particularly to the men. When I was a youngster, people at least showed some pride in the kind of clothes they were wearing. Of course, this can be changed. I'm quite sure that men can become as style-conscious as women are. Otherwise you can't explain why, during the 16th, 17th and 18th Centuries, men spent so much money on their raiment and on the things that they wore. It's a matter of education.

Better Apparel and Retail Outlook

What about 1957? As we look towards 1957 and we ask ourselves the question, "What is the outlook for the apparel industry and what is the outlook for the retail trade in general?", the answer can only be one. It is bound to be good probably better than 1956.

Why? First, the population is increasing at an annual rate of about 2¾ millions. Last year, 4,200,000 babies were born. The outlook for this year is equally good, and you know as well as I do that the moment a baby is born it becomes a customer of textiles and so on right down to steel.

More important is the fact that the people will have the money. Wages will be higher and farm income in 1957 should be somewhat higher than in 1956. Government expenditures, payments by the government, will be larger. The people will have the money and there will be more people, therefore I have reached the conclusion that the outlook for the soft goods industries for retail trade for 1957, is perhaps better than for the hard goods industries.

Conclusions

Now, what conclusions can one draw from all this? And this is what I should have said at the beginning and then sat down.

(1) 1957 will be a good year. Whether better than 1956 is not as yet clear. Looked at from the over-all picture, there is a possibility that the first half of the year will be better than the second half of the year. Any decline in business activity that may take place in 1957, or in 1958, will be of minor importance, it can not go very far, and can not last very long.

There are a great many built-in stabilizers in our economy. The moment business activity begins to show signs of weakness, the credit policies of the Reserve Authorities will be changed, the availability of bank credit will increase and that, in turn, will set in motion a renewal of home starts and the construction of public works, notably schools, for which there is still a tremendous pent-up demand.

(2) Prices will continue to rise, but the increase will not be as pronounced this year as last year. Wages will continue to increase, but on a smaller scale.

1957 will be a year of labor tranquillity and productivity of labor and machinery ought to be higher this year than last year. Money rates will remain high for the next few months and then a change in the money and capital markets may be expected.

The soft goods industries ought to be better than the durable consumer goods industries. Finally, to me the greatest satisfaction is that all the dire predictions that were made at the end of the war about the future of the American economy have not materialized. We are now more than 11 years since the end of the war. We did not have any serious declines in business activities. We had two minor readjustments, in 1948-49, 1953-54. In a free economy like ours, such readjustments must be expected.

To my way of thinking, a serious decline in business activity, as we had in previous decades, is not in the making. Our economy is a dynamic one and this dynamism is bound to continue for a great many years, and so long as it continues business will remain satisfactory, the standard of living of the people will rise, and the volume of trade is bound to increase.

A. G. Becker Group Offers Danly Machine Specialties Shares

An underwriting group headed by A. G. Becker & Co. Inc., on Feb. 19 offered publicly 150,000 common shares ($5 par) of Danly Machine Specialties, Inc. at $15.50 per share.

Net proceeds of the sale will be used, with other funds, to continue the expansion program begun in January, 1956, with acquisition of the former Thor Corporation plant adjacent to the company's plant. It is anticipated that approximately $1,000,000 of the proceeds will be applied to building construction and the balance to machinery and equipment.

Giving effect to this sale, capitalization of the company will consist of a total funded debt of $4,414,439 and 833,010 common shares, par $5.

Danly has for many years been a leading producer of die sets and die makers' supplies, and since the close of World War II has become one of the leading producers of mechanical stamping presses.

Among the other underwriters are: Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co. Inc.; Ladenburg, Thalmann & Co.; White, Weld & Co.; and Bacon, Whipple & Co.

Joins E. E. Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Albert J. Coblentz has joined the staff of Edward E. Mathews Co., 53 State Street.

Tucker Anthony Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert M. Tweedy has become connected with Tucker Anthony & R. L. Day, 74 State Street.

With Lee Higginson

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William H. Smith has been added to the staff of Lee Higginson Corporation, 50 Federal Street.

Budget Surplus Too Small for Comfort: Nadler

Hanover Bank's consulting economist warns mild recession could easily produce a deficit and expresses disappointment over lack of debt-reduction and inability to lower taxes. Dr. Nadler scores proposal to obtain additional funds for "Fannie Mae," and hails suggested impartial financial study.

The $1,813 million surplus forecast by President Eisenhower in his Budget Message is "too small for comfort," Dr. Marcus Nadler, consulting economist to The Hanover Bank, declares in a report on "The Economy in 1957," published today by the bank.

Marcus Nadler

"If a mild recession should set in during the next 12 months, revenues may not come up to expectations and the surplus could easily be converted into a deficit," the economist warns.

"In a period when the economy is operating at near capacity, with practically full employment and rising prices, the budget surplus should have been much larger, thus making possible now a substantial reduction of the public debt and later a decrease in corporate and individual taxes," he adds.

An analysis of the President's three January messages—the State of the Union Message, the Economic Report and the Budget Message—reveals that the Administration is on the horns of a dilemma, Dr. Nadler states.

"On the one hand is the necessity of increasing defense expenditures and the pressures to meet the physical and cultural requirements of a growing population; on the other is the need to economize in order to arrest the forces of inflation," he explains.

Dr. Nadler cautions that the Administration may be "trying to do too much in too short a time."

The economist scores the President's proposals to authorize the Federal National Mortgage Association—"Fannie Mae"—to obtain additional funds through Treasury borrowing and the sale of non-guaranteed debentures to private investors.

"If this proposal becomes law it not only will increase the offering of securities by FNMA in competition with that of corporations and political subdivisions, but also will increase the dependence of the Treasury on the capital market," Dr. Nadler states.

"A better solution would have been to permit the rate of interest on FHA-insured and VA-guaranteed mortgages to seek their own level and thus to compete effectively with other borrowers for the available funds," he adds.

Dr. Nadler hails President Eisenhower's suggested study of the country's financial structure as "long overdue." The economist points out that the principal amendments to the Federal Reserve Act were enacted over 20 years ago to prevent a repetition of the "economic debacle of the '30s."

Since then, the nation's financial institutions have undergone vast changes in resources and functions and now find themselves in an economic environment quite different from that of the depressed '30s, he explains.

Dr. Nadler adds that any study must be impartial and free of "pressure-group influence" if it is to benefit the country at large.

Continued from page 5

Pressing Enforcement Problems Under the Securities Act

vealed that over 9,000,000 shares of unregistered securities of highly questionable value, mostly concentrated in four issues, were recently sold to approximately 24,000 persons solicited by telephone in all parts of the country. The total proceeds derived from sales by these six houses alone exceeded $30,000,000. The gross profit from the operations was nearly $4,500,000. Long-distance telephone bills aggregated $425,000. At today's market values, losses on these securities approximate at least 75% of the original cost. These cases will soon be presented to grand juries.

The issuers of many of the securities touted by boiler-rooms have illegally avoided public disclosure of their business and financial facts. Much of the stock sold by boiler-rooms are speculative mining and oil securities of both domestic and Canadian origin, but some are industrials listed on national securities exchanges. The most pernicious method of evading the registration requirements is reliance on the "no sale" principle and the private offering exemption.

"No Sale" Principle

The "no sale" principle enunciated in Rule 133 provides, in substance, that a corporate merger or similar transaction involving an exchange of securities or the issue of securities for the assets of a corporation and effected by vote of stockholders, is not a sale requiring registration of the securities. Companies have effected mergers and consolidations with newly organized corporations which are formed for the primary purpose of serving as a vehicle for a distribution of securities without registration In these transactions, the merged company acts simply as a conduit to distribute to the public the stock obtained in the exchange from the surviving company. The merged company and its stockholders do not take the new securities for investment but rather for redistribution to the public—usually through the boiler-rooms. Through this fictitious device, large blocks of newly issued stock have entered the channels of interstate commerce without the protection of full disclosure to public investors.

A variation of this technique involves the acquisition by one company of a controlling interest in a second company through a voluntary exchange of securities with a few of the controlling shareholders of the second company. The exchange is made in purported reliance upon the private offering exemption. Soon after the transaction is consummated, the controlling stockholders make a public distribution of the securities received in the exchange.

Corporate empire builders have diversified and enlarged their activities by the simple scheme of increasing authorized capital stock which is then exchanged for assets or securities of other corporations. In many instances, the shareholders concerned are not given adequate business or financial facts concerning the transaction to enable them to vote intelligently on the proposal submitted to them or to determine its fairness. Furthermore, in the subsequent distribution of the securities received in exchange, the public has been denied the protection afforded by the registration requirements.

Since adequate public disclosure is the essence of the securities laws, its avoidance creates a vital enforcement problem. The Commission is considering a variety of approaches to cope with the misuse of the "no sale" rule in merger transactions and the exemption from registration provided for private offerings and exchanges of securities.

Mining and Oil Promotions

The distribution to an unwary public of speculative securities in mining and oil promotions poses a danger to the confidence of the American public in the capital markets. The risks of profit in new, unseasoned, extractive companies are uncertain. The possibility that heavy losses will be suffered by public investors as well as promoters is great. The Commission has uncovered many cases of misrepresentation and unfair dealing with the public in the distribution and trading of securities of these companies. Over-reaching by promoters and underwriters, of course, tends to injure the reputation of the entire industry.

Some corporations are formed solely to create a source of securities for distribution to the public. Their securities are manufactured for stock jobbing purposes. Promoters have acquired mining properties having little or no real value for a nominal consideration and then have transferred the properties at grossly inflated prices to the corporations which they have formed. Large blocks of stock are sometimes issued in the names of dummy promoters, officers and directors, which are then sold to the public at unreasonably high prices unrelated to the intrinsic value of the corporation's assets. Insolvent issuers attempt to sell their securities to the public. Salesmen of some mining securities represent that engineering tests have disclosed the presence of specified large quantities of ore when no real tests have been made. They talk glowingly of dividends and stock splits by unseasoned companies which are losing money. Assets are written up and manipulated. Investors are told that they are providing capital for a promising enterprise when they are actually buying promoters' stock, and their money goes straight into the promoters' pockets and not to develop the company.

Driller Is A Dentist

Investigations of filings made under Regulation A (which exempts from the full registration requirements offerings not in excess of $300,000) have uncovered a variety of misrepresentations. One promotional mining company claimed in its offering circular that on the basis of estimates by a professional driller, it had 30,000,000 tons of proven ore and 200,000,000 tons of probable ore. The Commission's mining engineer took 65 samples from the properties and found that the company could not claim any significant ore deposits. It was true that the ore estimates has been made by a professional driller, but his drilling experience had been acquired as a dentist rather than as a mining engineer.

These abuses in the sale of mining securities to the public creates a problem to the industry in obtaining investment capital. It is evident that public investors will continue to show confidence in the mining and oil industry by contributing their savings for exploration and development only if the promoters and brokers and dealers who distribute and trade in such securities deal fairly with the public.

The existence of a flourishing mining industry is vital to the continued prosperity and security of this country and the free world. The activities of small mining companies are, of course, making a most important contribution to the exploration and development of mineral resources throughout the country. A study of the filings made under Regulation A by uranium companies in the Commission's Denver Office during the period from May 1, 1953 to Jan. 1, 1956, shows that a total of 465 issues became effective. The 1955 AEC list of uranium producers includes 40.2% of these issues. Some qualification must be made regarding the significance of this percentage figure because the list covered all shipments having a uranium content of one-tenth of 1% or better, regardless of the size of the shipment. The point is, however, that a substantial, tangible effort has already been made by small mining companies in exploring for uranium deposits and developing a uranium industry in this area.

Revision of Regulation A

The Commission must be extremely careful not to impose undue restrictions on their ability to obtain investment capital. The raising of venture capital from the public for legitimate mining promotions must not be stifled by unnecessary regulatory burdens. The revisions to Regulation A, which the Commission adopted last summer, were designed to effect greater protection to public investors by attempting to prevent the types of abuses which have been disclosed in our investigations, without hampering small business. They restrict the availability of the exemption from full registration in certain cases and strengthen the Commission's enforcement powers against issuers and underwriters utilizing the Regulation.

The revised Regulation may not be used where any underwriter of the issuer has been convicted of a crime or has been enjoined in a case involving securities transactions, or if the Commission, a national securities dealers association or an exchange has issued a disciplinary order against any underwriter of the issuer, or if any underwriter of the issuer was the underwriter of any other issue which is the subject of a stop order or suspension order or even if such proceeding is pending.

Another material change in revised Regulation A is to make the exemption unavailable to an offering by a security holder of his own securities if the company is newly organized or is one without net income for at least one of the last two fiscal years. The purpose of this provision is to prevent bailouts by promoters and other insiders in unseasoned companies. Furthermore, unseasoned companies are now required to use an offering circular even if the amount of the offering aggregates less than $50,000.

The amended regulation provides that the offering circular must be revised every nine months until the offering terminates. Expanded informational reports regarding sales and use of proceeds must be filed by the issuer every six months. An additional ground for suspension of the exemption has been added for failure of the issuer or any of its officers, directors, promoters, or underwriters to cooperate in any investigation by the Commission of an offering under the Regulation.

The Commission has under consideration certain further amendments of Regulation A, which would restrict its use only to seasoned companies with a history of earnings or, in the alternative, to companies which are not issuers of penny stocks.

Four Alternative Proposals

There are four alternative proposals. Under the first alternative, the exemption afforded by the Regulation would be available only if the issuer had a net income for at least one out of the last five fiscal years. Under the second alternative, the Regulation would be used only if the number of units offered would be limited to 100,000 in the case of equity securities and 3,000 units for debt securities. The third alternative would make the exemption available only to issuers satisfying the earnings test and the unit limitations on the securities to be offered. Under the fourth alternative, the unit limitation would only apply to issuers which cannot satisfy the earnings requirement.

Through its current program of vigorously enforcing the disclosure and anti-fraud provisions of the various acts that it administers, the Commission is able to curtail many abuses in the sale of securities. The area of uninformed risk-taking by a get-rich-quick-minded public is reduced. However, the public can never be fully protected from its own poor judgment or gullibility. Unscrupulous confidence men continue to be successful in selling to the public millions of dollars of worthless securities in countless fantastic promotions.

A few months ago the Commission obtained the conviction of two promoters selling participating interests in what was claimed to be the world's greatest undrilled oil field. They represented that it was bigger than the colossal oil deposits of the Near East, and that the area around one well was an "oil-sodden mess." Almost a million dollars was obtained from the public by selling leases at $100 an acre which they had obtained for as little as 10 to 50 cents.

Another promoter was convicted for defrauding investors in an oil promotion involving a so-called "magnetic logger" device. He claimed that it could tell him where oil fields were located, the exact depth at which the oil could be found and even the total number of barrels of oil which could be recovered from the field. Despite his fantastic claims as to its infallibility for locating oil fields, the defendant admitted at the trial that he personally had never been able to drill anything but a dry hole. The alleged invention was simply a "doodle-bug" contrivance consisting of a stick with a spring attachment.

Stock in a company which had purportedly perfected a fuelless self-energizing unit—in effect, a perpetual motion machine — was successfully peddled to the public. Our investigation revealed that this perpetual motion power unit consisted only of a small metal kitchen cabinet containing a Mazda sun lamp. Another scheme to defraud innocent investors involved an "atomic water treating machine" which allegedly could cure cancer, arthritis, low and high blood pressure and other dread diseases.

Need Larger Staff and Funds

In carrying out its program to secure adequate disclosure for the investing public and to prevent, detect and punish fraud in the sale of securities, the Commission vitally needs a larger staff and additional funds. Our budget request for the coming fiscal year, which has been approved by the President, is $7,178,000. This sum represents an increase of approximately 25% over the appropriation for the current fiscal year. If this budget is enacted by the Congress, the Commission will be able to employ approximately 150 additional personnel to carry out its important responsibilities in preserving fair and honest securities markets.

The current dynamic growth and productive power of the American economy, which is reflected in a Gross National Product of $412 billion is sustained by the capital markets. Over the past four years, the dollar amount of securities registered with the Commission has increased 75%, from $7½ billion in fiscal 1953 to over $13 billion in fiscal 1956. We estimate that the number of registration statements to be processed in fiscal 1958 will be 1,190 as compared with a record number of 981 actually filed during the past fiscal year. This unprecedented financial activity has also swollen the number of brokers and dealers registered with the Commission. We estimate that the approximately 4,600 brokers and dealers which were registered in fiscal 1956 will increase to 5,000 in fiscal 1958.

This sharp rise in the volume of corporate financing in recent years has been accompanied by certain abuses. These unhealthy situations must be eliminated if capital investment is to continue to nourish a growing and prosperous America. The attempts of the Commission to protect the interests of the investing public and of honest business from the activities of unscrupulous persons who unfairly compete for the individual's savings is fully justified by sustaining the confidence of the American public in the capital markets. Reasonable regulation of the securities markets neither restricts free enterprise nor prevents the growth of industry. It burdens honest business only so that dishonest business may not thrive.

NYSE Exhibit Hall Opens February 25

Keith Funston, President of the New York Stock Exchange, has announced that the Exchange's new $1,000,000 Exhibit Hall and Visitors' Gallery will open to the public at noon on Monday, Feb. 25.

The Hon. Robert F. Wagner, Mayor of the City of New York, will officiate at formal opening ceremonies.

The Exhibit Hall is housed in a new skyscraper at 20 Broad St. which adjoins the Stock Exchange. Visitors to the Exchange can go direct from the Exhibit Hall to the Gallery overlooking the trading floor and watch the marketplace in action.

Animated exhibits by some of the leading companies in the country will explain — dramatically and graphically—the amazing developments the nation's industries have in store for the world of tomorrow. Highlights of these displays include a farm under the sea, a man-made earth satellite, an atomic power plant and the telephone and train of the future.

Exhibits by the Exchange will describe, clearly and simply, how to buy and sell a share of stock, the work of the Exchange, and the growing importance of investment to people all over the country.

The Exchange is increasing its staff of receptionists — the so-called "Girl Guides" — to handle an anticipated increase in the flow of visitors, who last year numbered about 300,000.

The Stock Exchange ranks with the Statue of Liberty and the United Nations as one of New York's most popular attractions.

Earl Edden Co. Formed

ROCKVILLE CENTRE, N. Y. — Earl Eden & Co. has been formed with offices at 41 Front Street to engage in a securities business. Partners are Adolph F. Edden, general partner, and F. Earl Edden, limited partner.

Paul Heinzelmann

Paul Heinzelmann passed away Feb. 14 at the age of 63. Mr. Heinzelmann prior to his retirement was associated with Shearson, Hammill & Co.

LETTERS TO THE EDITOR:

Reader Questions Martin's "Standard of Value" Phrase

Kansas City investment counselor questions Federal Reserve Board Chairman Martin's use of the phrase "standard of value" and, while agreeing gold was far from perfect, points out gold as a standard served well and no better substitute has been devised. Maintains standard of value has little connection with inflation.

Editor, Commercial and Financial Chronicle:

Referring to the account of Mr. William McC. Martin's speech in the "Chronicle" of Jan. 31, his mention of the phrase "Standard of Value" is reminiscent of the pre-New Deal days. The old text book idea was money had four functions: (1) Medium of exchange (2) store of value (3) standard of deferred payments (4) standard of value; but that was back in the days of the gold standard when money and gold were freely exchangeable back and forth either way.

The phrase Gold Standard was more than just a shibboleth of the Cleveland Democrats and McKinley Republicans 60 years ago. Essentially it assumed that gold was subject to the same laws of value as any other commodity and that its value could be taken as a standard of comparison with all other values of goods and services. It was analogous to a foot or a pound, or any other unit of measurement. Moreover the principal nations of the world were also on a gold standard and goods and gold flowed unrestrictedly back and forth throughout the world.

Under those circumstances the phrase "Standard of Value" meant something; the whole structure of goods and services was linked together internationally by a system of prices based on a gold standard of value. It was a crude but simple system. Actually not very much gold moved around either within or between nations, but it was always there and anyone could get it easily and hoard it or use it to make jewelry or fill teeth, or do anything else they wanted to do with it. It was merely a metal like silver, copper or iron, and its use as a standard of value was incidental.

Eventually though its incidental use or its avocation, so to speak, became so important that the fact that it was essentially merely a valuable, rare metal was lost sight of. Then some people began to think of it only as money without having any very good idea as to what money is. That was the beginning of the end of the use of gold as a monetary metal. Some nations abandoned it because they were insolvent and could not meet their obligations. The United States accepted the idea that gold was really unimportant, that the gold standard was out moded, and forbade the ownership of the free circulation of gold. And this too was abandonment of the Gold Standard, not because we were insolvent but merely because it seemed like a good idea.

Now we have no standard of value, unless it is the exchange value of money itself which depends on the established structure of commodity prices; but that is a changeable, unstable thing. Gold was far from perfect as a standard of value but it did serve well when it was permitted to, and no satisfactory substitute has ever been devised, nor seems likely to be.

So far as inflation is concerned, it has always seemed to me that it is essentially a credit phenomenon and that the standard of value whatever it may be, has little to do with it.

CHESTER W. BIGELOW
Investment Counsel,
Dwight Building,
Kansas City 6, Mo.

Feb. 18, 1957

New "E" and "H" Bonds to Carry Higher Interest Rates

Treasury requests Congress to raise interest on Series E and H Bonds purchased after Feb. 1, and wants to limit individual annual purchases to $10,000 face amount for each series and to withdraw present investment-type Series J and K Bonds from sale as of April 30.

The Treasury announced Feb. 14 that it has requested the Congress to enact legislation which will permit an increase in the interest rate on new sales of United States Savings bonds.

The Treasury's request to the Congress called attention to the important role that the Savings Bonds program has played in our national life over the last 22 years, serving to encourage thrift and to place the Government's finances on a sound basis. Today about 40 million persons own more than $41 billion of Series E and H Savings Bonds.

Identical proposed bills were transmitted to the Senate and the House of Representatives which would give the Treasury the same flexibility with regard to interest rates on savings bonds that it has on other types of Treasury bonds. Passage of the legislation will permit the Treasury to go forward with plans to offer improved interest rate terms on all Series E and H bonds sold on or after Feb. 1, 1957.

If the proposed legislation is passed, the Treasury plans to increase to 3¼% the interest rate on new E bonds held to maturity, in place of the present 3%. The issue price and face value of the new E bond will be unchanged but the present 9 year and 8 months' maturity will be shortened to 8 years and 11 months. Terms of any extension privilege for the new bonds will be determined later.

Also, redemption values of the new bond for the early years will be increased to provide a substantially higher yield to owners who find it necessary to redeem their bonds before maturity. The return on the new bond, if held three years, would be 3%, compared with 2¼% at present.

However, the Treasury says, present owners of bonds will generally find it advantageous to continue holding them. For example, a $100 E bond has a redemption value of $79.20 when held 2½ years. That bond will earn $20.80 more to reach its full $100 value at first maturity, and this $20.80 is slightly more than 3¼% on $79.20 for the remaining period of 7 years, 2 months, compounded semi-annually.

People holding bonds which have reached maturity and are being retained under the ten-year extension privilege will also find it to their advantage to continue holding them. Such bonds reaching the extension period since May, 1952 are already paying a full 3% interest compounded semi-annually and are redeemable on demand, and bonds of an earlier period show a still greater return.

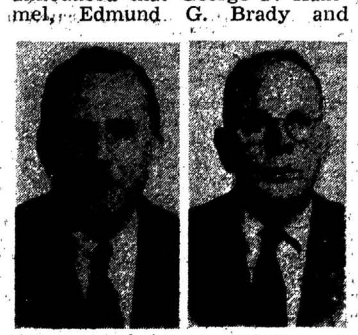
The Treasury also plans to offer, effective Feb. 1, 1957, a revised 10-year Series H bond with yields generally comparable to the new E bond and returning 3¼% if held to maturity. The new H bond, like the present bond, would pay interest by check each six months in contrast to the appreciation-type E bond.

On passage of the legislation, all bonds dated February, 1957, or thereafter would bear the new terms automatically. Existing stocks of bonds in the hands of the Treasury's more than 20,000 E bond issuing agents would be used until supplies of the new bonds are available. Since the issue date on the bond would determine its terms, no purchaser who received an old form of bond dated February, 1957, or thereafter need feel that he should exchange it for a new bond when it is available—although he may if he wishes.

Because of the more attractive features of the new Series E and H bonds, the limit on bonds which may be purchased by one individual in any one year is being reduced from $20,000 to $10,000 face amount for each series. The Treasury is withdrawing the present investment-type Series J and K bonds from sale, effective April 30, 1957. Both of these decisions underline the Treasury's desire to emphasize the Savings Bond as a security designed for millions of average individual American savers.

Hummel, Brady, True Join Reynolds Co.

CHICAGO, Ill. — Reynolds & Co., 39 South La Salle Street, has announced that George F. Hummel, Edmund G. Brady and



George F. Hummel   Donald B. Sherwood

Charles P. True have joined the staff of their corporate trading department.

Mr. Hummel will be a co-manager with the department's present manager, Donald B. Sherwood.

Alexander M. Tritschler will continue as manager of the service trading department.

Reynolds & Co. also announced the installation of a private wire to Scherck, Richter Company, their correspondent in St. Louis.

Form Daycon Inv.

BUFFALO, N. Y.—Daycon Investors Associates, Inc. has been formed with offices at 810 Abbott Road to engage in a securities business. Officers are Joseph P. D'Anglo, President and Secretary, and Thomas J. Coniglio, Vice-President and Treasurer. Mr. D'Angelo was formerly with William T. Bowler & Co. and King Merritt & Co., Inc.

E. D. Kolb Branch

FAYETTEVILLE, Ark. — E. Davis Kolb has opened a branch office at 29 East Mountain Street under the direction of O. H. Gamble.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The announcement of another new money raising operation in the near future by the Treasury, as well as the proposal that the rate of interest on Savings Bonds be pushed up to 3¼%, had a rather depressing effect upon quotations of Government securities. A combination of profit-taking and professional operations, in a very thin market, pushed prices of Treasury issues down very sharply in certain instances. It is reported, however, that some fairly sizable orders came into the market as prices turned down.

The larger weekly offering of Treasury bills, according to advices, will be readily taken, with certain private pension funds and corporations going into the 91-day obligations in a larger way than was the case not so long ago. The medium and long-term issues do not seem to have as good a demand as was in evidence recently, but this is not being interpreted as a return to bearish conditions.

To Boost Interest Rate on New "E" and "H" Bonds

The long awaited action by the Treasury to improve the competitive position of Government Savings Bonds created a mild stir in money market circles. The Treasury has requested Congress to permit an increase in the interest rate from 3% to 3¼%. The increased rate on the Series E bonds would be achieved by shortening the maturity period from nine years and eight months to eight years and eleven months. The new bonds, it is indicated, will have a set of redemption values that will lessen the penalty for turning in the bonds early in their life.

The proposed bill would also allow flexibility in the interest rates which could be offered to buyers of Savings Bonds, with a maximum rate of 4¼%, the same as is now available for use in other Government issues. The 3¼% rate now being proposed by the Treasury would be for a new series H savings bond, which would mature in ten years. This 3¼% rate is expected to be the top that the Treasury will use in its Savings operation for quite some time to come. The new rate would be effective from Feb. 1.

Treasury Seeks to Halt Tide of Cash-Ins

This move by the Treasury to make Government Savings Bonds more attractive to present owners and prospective buyers of this kind of obligation is to stimulate sales and to slow down the cash-ins. The turn ins of E and H bonds has been topping sales rather regularly, and January was the sixth consecutive month in which this was true. What the new program for Government Savings Bonds as proposed by the Treasury is going to accomplish will be determined in a large measure by the trend of interest rates as well as by the pattern of business.

Treasury's Cash Requirements Mount

The large attrition which resulted from the recent financing by the Treasury, as well as the payments which have to be made to owners of Savings Bonds who have turned them in for redemption, has put the squeeze on the financial position of the Treasury. This drain on the cash position of the Treasury has been compensated for to some extent by upping the weekly offering of Treasury bills first by $100,000,000, and then by $200,000,000. A part of the needed money will be raised by this method depending upon the length of time the Treasury uses it.

Nonetheless, the Government has indicated that it will be in the market for additional new cash sometime around April. This fund raising operation by the Government was not to be unexpected, according to Treasury officials, since they indicated that a spring borrowing has been on their agenda for some time. It is being estimated that the coming cash undertaking of the Treasury will be between $2 billion and $3 billion. Medium term issues are likely to be prominent in this offering.

Forced Departure From "Bills Only" Purchase Policy

The expected income tax payment borrowings, along with the new money financing by the Treasury, has taken some of the edge away from the Government bond market. Nonetheless, the feeling seems to be still strong that the restrictive monetary policies which carried prices of these securities to all-time low levels, not so long ago, will not be repeated. The fact that the Federal Reserve Banks recently sold other securities than Treasury bills to tighten the money market is not regarded as a definite departure from the "bills only policy." The holdings of the shortest Government issues by the Central Banks were not large enough to allow them to do the job effectively, hence, some certificates and notes had to be disposed of in order to accomplish their purpose.

Under easing money market conditions, certificates and notes might have to be bought by the Federal Reserve Banks, which would be the direct opposite to what was done recently.

Form U. S. Secs., Inc.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—U. S. Securities, Inc. has been formed with offices in the Travel Center Building to engage in an investment business. Officers are Jean Y. Harvell, President; Jack A. Thomas, Vice-President; and Joette D. Rutledge, Secretary-Treasurer. Mrs. Harvell has been proprietor of the Harvell Investment Company in Denver.

Also associated with the new firm are Earl S. Boggess, Virgil M. Horton and Anthony J. Nicoli.

With Keystone Custodian

BOSTON, Mass.—Allen F. Frye of Essex has joined the research and supervision division of Keystone Custodian Funds as an industry specialist, President S. L. Sholley has announced. Mr. Frye for the past four years was a security analyst for the Old Colony Trust Co.

Mr. Frye is a member of the executive committee of the Boston Security Analysts Society and a member of the Boston Investment Club.

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Deregulation Versus Regulation In Our Transportation Future

person with too much kindness, or, at least, make him pretty darn sick of it. Regulation's responsibilities certainly do not extend to the usurpation of managerial prerogatives. If we stick our fingers into management's pie, we may not only burn our fingers but ruin the pie as well.

But regulation does have the responsibility of seeing to it that equal opportunity exists for all those who are engaged in the rendition of transportation service for the public. As regulators, therefore, it is our duty to support proposals which promote equality. By the same token, we must also resist ill-considered proposals, advanced without regard to the public welfare, which would give certain carriers or modes of transportation an artificial, competitive advantage.

On occasion, the Interstate Commerce Commission has been severely criticized for speaking freely with regard to various proposals and with reference to particular legislation. It has been suggested that we should remain discreetly in the background while matters are debated pro and con. We have not always done so, however, and I hope that we never shall. We have no desire to build up a vast bureaucratic empire, but we do have an axe to grind—the public's axe! ! Whenever we see measures being considered which in their ultimate effect would be harmful, we don our "grey flannel suits" and enter the fray.

The Interstate Commerce Act, which just this year is celebrating its 70th anniversary, has been amended innumerable times, primarily to keep pace with changing conditions and to meet deficiencies as they became apparent. Under this act, a national transportation system has been built which is unexcelled anywhere in the world. An arena has been created wherein the traditional American concept of private enterprise has worked at its best. I think that this is proof enough that regulation has served the nation well.

However, we should not worship the status quo. The Interstate Commerce Act and our administration of it must be kept in consonance with the changing times or progress will, indeed, be impeded. There must be full recognition of this important fact if we are to make regulation work for a great transportation future.

Unfortunately, we still encounter the well-meaning but not fully considered view held by some that administrative agencies should not be quite so independent. Consequently, from time to time efforts are made to subject us to control or supervision, entirely contrary to the intent of Congress.

Opposes H. R. 3424

The most recent effort in this direction is H. R. 3424—a bill to create an Executive Department of Transportation, with a member of the Cabinet as its Secretary. To that new department would be transferred all of the personnel of, and the functions now performed by, the Interstate Commerce Commission, the Federal Communications Commission, the Civil Aeronautics Board, the Civil Aeronautics Administration, the National Advisory Committee for Aeronautics, the Federal Maritime Board, the Maritime Administration, and the St. Lawrence Seaway Development Corporation.

Twenty years ago, in making a similar proposal, a Presidential Committee on Administrative Management had this to say about administrative agencies:

"They constitute a headless 'fourth branch' of the government, a haphazard deposit of irresponsible agencies and uncoordinated powers. They do violence to the basic theory of the American Constitution that there should be three major branches of the government and only three."

A noted scholar, in commenting upon this critical view, stated that the desirability of four, five, or six "branches" of government would seem to be a problem determinable not in the light of numerology but rather against a background of what we now expect government to do. He indicated that it is the relationships of the administrative to the three departments of government that are important and that the formulation of these relationships must derive from the necessity of attuning the process to the dynamic forces of industrialism as of a particular time and place.

With this view I am in complete accord. If, as seems unquestionable, we want a sound transportation system for the country, and Congress clearly can't undertake the necessary action itself, then an administrative agency as an arm of Congress is the only answer.

As our regulatory work has increased in volume because of our broadened jurisdiction and the economic development of the country, there is a growing interest in the results and methods of our activities on the part of many national organizations. Their opinions of us, our work, and the transportation which we regulate are extremely helpful to us. The Transportation Association of America, of course, is an outstanding example of just such an organization.

In passing, I might here state that I think (the Transportation Association of America) is peculiarly in a position to reach sound and objective conclusions concerning transportation problems because your membership is diversified and you have the machinery for arriving at opinions from the standpoint of the national interest, irrespective of the individual interests of some of your members. Much too frequently these days the national interest is identified with our own individual welfare. A group which can take a broad approach without being subject to selfish individual interests is in a position to make material contributions to a great transportation future.

The Interstate Commerce Commission, in its Annual Report to the Congress, submitted just two weeks ago, reported that public transportation generally is a sound, progressive, and profitable business, but that a process of erosion has been taking a gradual and persistent toll for several years. We stated that railroads and motor common carriers face increasing competition of exempt and private carriers and that these trends give rise to concern.

Warns Railroads on Passenger Traffic

What is happening in freight transportation has already happened with regard to passenger traffic. I believe you will agree that the outlook for such transportation, with the exception of the airlines, is generally precarious. The predominant cause of this condition is easy enough to see, namely, that a great many people own automobiles and travel in them rather than by public carrier.

It may well be that some of you can scarcely remember when you last rode on a train and possibly you may feel that the railroads should get out of the passenger business. I suspect that some shippers particularly feel this way. But, the problem is not quite so simple for us who are charged with the duty of regulating passenger transportation as well as freight.

There are, after all, a considerable number of people who to some extent still use surface public carriers either by choice or necessity. These people are usually too few to provide a satisfactory volume of traffic for the public carrier, but are too many to make it socially desirable to dispense with public transportation. When private enterprise gives up the job, public ownership or operation is demanded. The outcome is usually not a matter of choice, but of expediency.

I mention the passenger problem only because it is a portent of what can happen — indeed is happening—with regard to freight transportation. I believe that the question is one upon which your association could be expected to have a constructive opinion.

In this regard I was pleased to read an account of an address made by your executive Vice-President on Jan. 17 before the New York Railroad Club. Mr. Hammond's remarks dealt with the important matter of how to assure that regulated carriers regain their fair share of available traffic and participate in future traffic more equally than at present. I don't think that a more timely presentation could have been made.

Wants Words Backed By Deeds

The transportation industry is part and parcel of this nation's economy. It cannot be separated. Thus, any influence which would tend to restrict public transportation will forge it to lag behind and thereby limit the growth of the economy generally. With prospects for the future so bright, it seems highly inconsistent to do anything which could throw the machinery for progress out of gear. Yet that is just what is being done at the present time with regulated carriers handling less and less of the available traffic.

The government is not without a measure of blame for this trend. Some agencies divert traffic from regulated carriers, some seek rates as low as they possibly can under section 22 quotations, and others tacitly encourage the continual expansion of exempt commodities and carriers. All of this contributes to a weakening of the services which the average shipper wants and needs.

You will recall that one of the primary objectives of the Presidential Advisory Committee on Transport Policy and Organization, better known as the Cabinet Committee, was "to assure the maintenance and further development of a financially strong and modern **common-carrier** system of transportation."

In the summary of policy positions which your association announced at the Congressional hearings it was stated that you are dedicated to the preservation of the transportation industry in private ownership and are engaged in developing sound national transportation policies. Your statement, it seems to me, is not entirely clear as to whether your association looks upon strong common carriers as essential to an adequate national transportation industry. Perhaps that position is implied in some of the desirable steps you recommended, such as repeal of the excise tax on transportation. But I urge you, if you feel as I do, that common carriage is rapidly approaching a precarious position, you voice your views with as much force and clarity as you command.

This is not a time for mere acquiescence in principle; it is a time for positive measures to be taken. We, as administrators, must bring to the attention of the Congress and the public generally the facts of life with regard to transportation. But we can't do the job alone. Carriers, shippers, receivers, suppliers, investors, and others intimately concerned with the transportation industry must help. Your association is in a position to make a most worthwhile contribution to the nation and to help make regulation work for a great transportation future. We solicit your assistance.

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Allowing Railroads to Succeed

railroads are back again before the Interstate Commerce Commission seeking a substantial increase in freight rates, as the only means available to them to preserve their financial position in the face of constantly rising wage costs and prices of materials and supplies.

I sincerely regret the need for seeking higher freight rates, but until we cure the malady from which our economy is suffering, no other course is open to us—either to the railroads or to you as shippers. Our economy is built around its transportation system, and the railroads are the backbone of that system. Unless the railroad plant can keep pace with agriculture and industry and provide the services which they need, our whole business system will falter.

$12 Billion Capital Outlay

I wonder sometimes if even important segments of the public are fully aware of the magnitude of this single phase of our problem, i.e., keeping pace with agriculture and industry. In the 11 postwar years, 1946 to 1956, the Class I railroads of this country spent $12 billion for capital improvement work—for new locomotives, freight cars, signaling systems and other modernization of plant. Of course, we have grown so accustomed to hearing astronomical figures that they have lost some of their meaning; but I assure you that $12 billion of capital expenditure by the railroads in that period of time was a gigantic undertaking and a remarkable achievement, for an industry which was able to earn an average annual return of less than 4% during a decade of unprecedented business activity. The achievement is made all the more noteworthy by the fact which I mentioned earlier, that only a portion of the total expenditure could be secured from accrued depreciation. In an industry such as ours, where equipment and structures have a relatively long life, inflation takes a tremendous toll when the time for replacement arrives. It was for this reason that the railroads had to pledge future earnings or draw on working capital and retained earnings for well over half of the $12 billion of capital outlay. They found that the value represented by the dollars originally invested had been consumed and destroyed by inflation during the lifetime of the property, just as many persons are now learning to their distress that the value of countless dollars invested in pensions and annuities has been destroyed.

As the Secretary of the Treasury has stated, inflation does not just happen. It is set in motion and kept in motion by a complex of forces for which we have varying degrees of responsibility and over which we have varying degrees of control.

Labor Monopoly Power

During the decade just past, the outpouring of foreign aid for rehabilitation and recovery in our fight against international Communism has exerted highly undesirable inflationary pressures on our domestic economy. The war in Korea, and military aid in other areas had their impact at home. And in my opinion, one of the most potent forces contributing to our present critical economic position has been the monopoly power of the unions exerted in unrelenting pressure for wage increases. This is a power which has reached its present monopoly status almost wholly as a result of Federal law and policy during the past quarter-century, and I regard the exercise of it as a very dominant economic event of the past decade. During that period there have been altogether too many rounds of wage and price increases, one following hard on the heels of the other, each succeeding one claiming justification from the one that preceded it. There were eight wage increases in the railroad industry and we know that rounds 9 and 10 are as inevitable as tomorrow's sunrise, and I cannot name the point where they will stop. In addition to these increases the work week for about 80% of the railroad employees was reduced from 48 hours to 40 hours with no reduction in take-home pay.

I think it is clear that we face today the serious problem of bringing the power of organized labor into harmony with the welfare of the people as a whole. Our economic system demands such a balancing of rights from labor just as it does from capital. There is no more room in our system of government and economics for unbridled labor monopoly than there is for unbridled corporate monopoly. Now it will not be easy to have this viewpoint accepted, and it will not be easy to translate an acceptance into action. But the ill effects of continued inflationary pressures are so pronounced and so dangerous that some way, somehow, something must be done.

I think we must turn to the past for a lesson. The period of which I have spoken earlier, the 1870's, was one in which men with common interest and problems were organizing to give voice and strength to their demands. It was the period which saw the formation of The Grange, and the campaign which that organization waged for reform and control of railroad practices. The very fact that farmers could band together in that undertaking stands as a tribute to our governmental and social system, for then as now in some other parts of the world such an exercise of freedom would be impossible.

Let us relate that episode from the past to the present scene. How does it strike you to suggest that in the 1870's a man ought not to have been permitted to be a farmer unless he held membership in The Grange? How does it strike you to suggest today that compulsory membership in your Association should be enforced against every grower of wheat as the price of pursuing his livelihood? I suspect that if anyone tried to force such a doctrine on the farmers of this country, he would be overwhelmed by a surge of indignation and opposition that would make the granger movement look like a Sunday school picnic.

Compulsory Unionism

Yet we find this doctrine in currency all about us, espoused by union leaders and fostered by Federal legislation. Compulsory unionism is steadily encroaching upon, and indeed destroying, two rights which are basic to the existence of free men—the right to work in the ordinary occupations of life, and the right to associate with others in organizations of one's own choosing, or not to associate, if that be one's choice. As this doctrine spreads under the Federal Government's legislative sponsorship, free men are losing their jobs, or are finding that they can keep them only at the sacrifice of one of their basic liberties.

The right to work is still protected by law in 17 states, of which I am happy to say that Nebraska is one, and I have faith that in the long run, fundamental principles will prevail over policies of expediency. What I have difficulty in understanding is how the issue could have reached its present serious proportions. If right to work and freedom of association were novel concepts, we might expect to encounter some hostility in getting them accepted. But they are not novel; they are recognized as a part of the heritage of free men everywhere. Nothing demonstrates this better than the fact that when the United Nations in 1948 undertook to set forth a Declaration of Human Rights, it specified among them these propositions:

"Everyone has the right to work, to free choice of employment, to just and favorable conditions of work and to protection against unemployment."

"Everyone has the right to freedom of peaceful assembly and association."

"No one may be compelled to belong to an association."

These are not mere pious sentiments; they are principles which free men have always striven to live by, and it is as vital to preserve them today as it has ever been in our history. It is vital also to preserve them against all forms of encroachment. I am not directing my remarks against unions, but against compulsory membership in unions as the price of a livelihood. I would direct the same attack against such compulsion in any other form. It is not hard to illustrate what I mean. I know of a young man in one of our Chicago law schools who came from Yugoslavia for the express purpose of studying law and undertaking its practice in a free society. In Yugoslavia he had determined to follow a legal career and applied for admission to a law school. He was told that he could study and practice law there only if he joined the Communist party. He took instead the alternative—which I am glad was still open to him—of seeking a life as a free man in this country.

Practice vs. Constitution

I am sure even the most ardent advocate of compulsory unionsm would endorse the Declaration of Human Rights as applied to that situation. Does it not, then, strike you as incongruous that we should ourselves, as a matter of governmental legislative policy, make the right of our own citizens to work depend upon union membership even when the union is Communist-dominated and racket-infested? It is appropriate to say that there are certain suits now pending in which this legislative policy will be tested. The question is this: Does the policy square with our Constitution?

I take considerable encouragement from current signs that public consciousness is becoming sensitive to this problem. Congressional investigation of abuses in organized labor may serve the worthy purpose of correcting those abuses, and will certainly emphasize in a pointed way the gross injustice of compelling a person to accept such association against his will and against his principles, as the price of earning a livelihood.

When President Eisenhower, a few months ago, condemned Russian interference in Hungary, he praised the Declaration of Human Rights in the highest terms. Later when Israel, England and France invaded Egypt, he made it clear we regarded the same issue as being at stake; that we do not have one standard of conduct for Russia and another one for England.

We reach here the very heart of the problem. There can be no double standard when we are dealing with human rights. We cannot apply one standard of conduct to our enemies and another to our friends, nor can we preach one principle abroad and practice another at home. As I see it, we in the United States must fulfill our solemn obligation to respect the fundamental dignity of man if we are to assume the role of leadership in the free world which the course of events has cast upon us. In my opinion we cannot protest against and condemn the subjugation of Europeans and Asians by Communist despots and ideologies, and at the same time condone at home the suppression of what one of the Justices of the Supreme Court of the United States has called "the most precious liberty that man possesses"—the right to work.

Not Attacking Unionism

I think our principal difficulty up until now in resolving this problem is that opposition to compulsory unionism has not been distinguished from opposition to unions themselves. It may serve the interests of some people to encourage such confusion. However, two entirely distinct matters are involved. Unions have a well-recognized right to existence under our system, but plainly it is not a right that rises above its source. As an individual, I clearly have no right to dictate whether any one of you may pursue your chosen livelihood, and if so on what terms, and it seems to me to be too plain for serious question that I cannot, by banding together with others, confer upon a union, a trade association, a church, a political party, or any other form of organization, the power to decide whether and how your right to work may be exercised.

Must Be Stopped

If I were wrong about that, then we face a problem of alarming proportions. Any form of compulsory union membership is bad in principle, but it is at its worst when it is coupled with country-wide union monopoly in a highly industrialized country such as ours. It gives to union leadership economic stranglehold dangerous to the public welfare. If compulsory union membership may be enforced in one industry, it may be enforced in all of the great industries of the United States. The monopoly union power thus created as to separate industries would be compounded many times over if all of these great monopolistic unions should be banded together so that a few leaders, or perhaps a single leader at their head, could dominate the course of affairs in this country. I have short-run misgivings but long-run confidence on this point. I do not believe that union leaders will immediately stop driving for more power, and I do not believe that our politicians will turn statesmen overnight. But I do believe, with history to back me up, that self-evident truths will finally prevail.

We had to restate some self-evident truths for our own account in our Declaration of Independence, and we joined with other nations in restating them in the Declaration of Human Rights. The problem, therefore, is not in winning acceptance of the idea that the rights of which I have spoken do exist. Instead, the problem is one of stripping away the confusion which surrounds this issue so that the true nature of compulsory unionism may be exposed.

In recent times many industries, many manufacturing plants have been relocated. They have built anew in places where the climate was more desirable, or where other considerations were more attractive than they were in the previous location. The great wheat lands of our country continue where they are and where they have been. There they will remain. The great strength of the people who work there stems from their dedication to the purposes of their land—they will not relocate those lands.

The railroads which serve these lands are dedicated too—they will not move away. They must succeed or fail where they are—where you are. It is quite desirable and proper, therefore, for wheat growers and railroad men to assess their common problems and to work together in attempting to find some reasonable and acceptable common ground which may foster and nourish a sound economic and political environment. It is in that spirit I thank you for this opportunity to be here today.

Bessell V.-P. of Capital Research

LOS ANGELES, Calif.—J. Cecil Bessell, senior security analyst since 1945 for Keystone Custodian Funds Inc. of Boston, Mass., has been named Vice-President of Capital Research Company, a subsidiary of Capital Research and Management Company of Los Angeles, Jonathan B. Lovelace, President of the parent company, announced here recently.

J. Cecil Bessell

Mr. Bessell's primary responsibilities will be in connection with portfolio research for American Mutual Fund, Inc., International Resources Fund, Inc., The Investment Company of America, and Washington Mutual Investors Fund, Inc.

The new Vice-President began his career with five years in commercial banking with The Chase National Bank of New York and the Continental Illinois National Bank and Trust Co. of Chicago. He then moved into the investment banking field to spend six years with the Guaranty Company of New York. From 1938 to 1941, he had his own investment firm. During World War II, he was Assistant Administrator of the Cruft Laboratory at Harvard University which conducted an officers' training course in radar. In 1945, he went with Keystone Custodian Funds, Inc.

Mr. Bessell was educated at Jaegers and Southend Technical College in London, England. He is a member of the Boston Society of Security Analysts and the Victorian Club of Boston. He is married and has one daughter.

Robt. Askew Opens

ARDMORE, Okla. — Robert C. Askew is engaging in a securities business from offices at 402 Eleventh, N. W. under the firm name of Robert C. Askew & Co.

Opens Inv. Office

DALLAS, Tex.—Mary K. Rix is conducting an investment business from offices at 5404 Walnut Hill Lane.

A. Judson Dunlap

A. Judson Dunlap, formerly a stock broker in New York, passed away at his home Feb. 16 at the age of 65.

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The Demand for Capital and The Interest Rate Trend

of prosperous years and full employment governmental policies. They have been and are conditioned to spend for the attainment of the steadily rising living standards to which they consider themselves—and have been encouraged to believe — they are entitled.

Governments — Federal, State, and local—are not likely to cut back spending in the face of growing needs for the services they can provide. The Federal Government's spending for operations, for domestic welfare, for foreign aid, and for military defense programs, apparently cannot be reduced.

Seeing all this, businessmen plan for the future with confidence. The new industry—that of research and development—grows rapidly. The squeeze on corporate profits supplies an additional incentive for capital spending aimed at improved efficiency and reduced unit costs. It has been estimated that about one-half of current business capital spending is for this purpose, and not primarily for increased production.

Rising Money, Labor and Goods Cost

Thus expenditures by business, by government, and by consumers supported and feed upon each other, in what appears to be an ascending spiral. For as long as this continues, I must go upon the assumption that the probable demand for financial capital will continue to grow, and continue, on the average, to outrun the supply of accumulating savings. And I assume further that the natural consequence will be a rising trend in the price of money, along with prices of goods and labor.

I can think of two things which might, for a brief period, interrupt this trend.

First a business depression. I grant the possibility that on some fine morning wives and husbands might wake up with completely altered outlooks on life. At breakfast they might agree that they have a sufficiency of everything money can buy, and therefore they will stop spending and start saving.

Businessmen conceivably might agree in large numbers that things are getting too tough, so they will close up operations and go out of business.

Governments, perhaps, might decide that their functions have become overgrown or unnecessary, and start cutting back.

I cannot convince myself that these things are probable.

Consumers may not like higher prices, but they get used to them quickly and resistance soon fades as long as incomes stay up.

Mal-direction of business investment, over-production in certain lines, certainly could produce a downward wrinkle in the uptrend. If a sufficient number of important lines of production should experience setbacks simultaneously, something approaching the old-fashioned downward spiral might appear.

But Professor Sumner Slichter's argument—that business today is so diversified among so many different and new industries as to make a simultaneous downturn in an important number of them improbable—is to me tremendously impressive. It is backed up, moreover, by practical experience as recently as that of 1956. Production of autos and housing and farm implements went down, along with farm income, but the economy as a whole did not.

No Unemployment

Moreover, we must keep in mind society's determination that unemployment shall not occur. Whether government really can prevent it or not is less important than the widespread and unquestioning belief that it can and will, which makes it so much less likely that the ability to do it will be tested.

But neither should we disparage that ability too much. If we do, we underestimate the force of today's social attitudes. It is true that to get an expanded public works program going takes time, but a special session of Congress could do wonders toward getting a bigger flow of spending for something started, and the same session could slash taxes very quickly. At the risk of seeming to exaggerate, I must say I should expect the government to be handing out dollars on the street corners or scattering them from aircraft long before unemployment reached figures comparable to those of the 'thirties.

Thus I have to think that for the foreseeable future business recessions are likely to be of the most temporary and insignificant sort.

Second, political action might force lower interest rates. This, I submit, could be effective also for only a brief period. Inflation of the money supply and efforts to enforce artificially low interest rates carry their own automatic correctives. We have a recent experience, in 1950-1951, which again demonstrated this old truth. We have also the general experience abroad during the last decade. Not only were nations of the free world forced into abandoning their cherished easy-money theories and policies; Russia and her satellites have been compelled several times to deflate their money supplies.

Finally, we have been told recently by our highest political authority, rather despairingly, it seemed to me, that the government can do nothing to prevent further progress of what is popularly known as inflation—that is, rising prices. That definition, I am convinced, confuses symptoms with causes. If union labor leaders and businessmen will act in a statesmanlike manner; if they will restrain themselves in boosting the price of labor and of goods, inflation will not exist. This is asking too much of human nature; moreover, it ignores completely both the profit motive on which our economy is based, and the function of prices. If prices in general continue to rise it will be because effective demand continues to exceed supplies; if supplies exceed demand, they will fall. And the price indexes, both wholesale and retail, indicate that effective demand has not yet been checked.

In the circumstances, it seems to me that only the Federal Reserve System stands between us and rampant inflation. It must continue to limit, to moderate, the creation of additional money stocks. It must at most times keep borrowed money expensive and difficult to obtain when demand exceeds savings, and I believe that it will. This restraint in the face of the growing demand for financial capital that I foresee, leads directly to my conclusion.

That conclusion, it seems to me, must be that, perhaps with small and temporary interruptions, the trend of interest rates is likely to be upward.

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As We See It

blunders and abuses. In any event, this movement has introduced an element into the economy of this country which in the long run may not prove the unmitigated blessing which idealists have painted it. It is often said that these systems have made saving "contractual", and in doing so have provided a regular flow of funds into productive investment. But do funds taken from the pay envelopes of employees by force really always represent saving? To be sure these funds are theoretically a part of their current income, and their owners do not themselves spend them for current consumption. But is that the whole story? It does not seem so to us. We strongly suspect that the beneficiary is much inclined to think of his current pay as that part of his compensation which he is able to take home in cash, and if that is not enough to satisfy him, he and his union soon demand and, of late years, usually get more. This process at one stage or another is very likely to raise prices with the result that savings begin to lose value almost from the start.

Whether these "forced" savings really reduce current consumption is also open to question. In recent years consumers have increasingly resorted to borrowing for all sorts of consumption, and the funds they borrow are often, quite often, the very funds that they have "saved" by contributions to pension plans and the like. It is, of course, common knowledge that one of the very largest buyers of the obligations of so-called consumer finance companies, sales finance and personal finance alike, are the managers or trustees of pension funds. Strip all this of its technicalities, and we may say bluntly that quite often the consumer (as employee) pays over his contributions to pension funds and promptly borrows them back again for use in his day-to-day purchase of consumer goods.

Of course, all this is not what the legislators have in mind when they plan disclosure requirements for those who administer pension and similar funds. It is, however, a phase of the subject that all those with a basic interest in the welfare of the people of the country should not overlook. The fact of the matter is that when a worker retires—nowadays usually not of his own volition—the product of the work of the remainder of the community must provide him with the necessaries of his existence. He may well have accumulated claims on the remainder of the community in amounts seemingly adequate for the purpose, but the active elements in the community must be in a position to produce enough for him over and above what they want for themselves if someone is not to be deprived.

If this is to be true it is essential that the saving of today enlarge the productive capacity of tomorrow, enlarge it by capital investment in productive equipment, or in some other manner. It is not enough—even if it occurs—for individuals still in the earning years of their life merely to refrain from consuming some substantial part of their current income. In this day and time, it is ordinarily out of the question to store away goods for consumption years hence. What savings have to do is to enlarge productive capacity in order that goods for future consumption may be produced in the future. Of course, in a free *laissez-faire* economy such ends as these are served in the natural course of events. At the present time, though, so much political management has been injected into the economy, and particularly in this area of saving and investment that thoughtful individuals are obliged to look with misgiving upon what is now going on in this field.

In a certain sense the Federal Government is itself perhaps the worst offender of all. It obliges millions of individuals to give up a part of their current income against promises to pay them pensions when they reach certain ages. It has created a "fund" into which the moneys collected temporarily go, and the impression is given to the uninitiated that they remain in such a fund subject only to call when the time comes to pay pensions. The fact of the matter is that the Treasury as directed by law "invests" these funds in its own IOU's, taking the proceeds for the ordinary expenditures of the government. When the time comes to pay pensions, the funds must be found in precisely the manner that would have been necessary had there been no "contributions" and no "fund" to receive them. Outlays of government generally either meet current costs of the country or are wasted in political chicanery. In neither case is the productive capacity of the country appropriately enlarged to provide the goods essential to make future pension payments effective in the markets of the country.

Of course, there is no way that the Federal Government could really invest such vast sums productively except by means which would tend to bring the means of production into government ownership—which is socialism. It might of course pay off its debt, and leave itself in a much better position to find needed funds for pensions later, but even as large as is the national debt, it would sooner or later disappear and leave the old problem still unsolved. The trouble is, of course, that a system which pours these large social security contributions into the Treasury to be used for ordinary purposes is much too tempting to be resisted by the politicians.

To end where we began, it would be an excellent thing if all of us took a second look at this mammoth pension industry in this country.

Continued from first page

Boom Without "Zest"

expand we must . . . "shooting for the moon" . . . if only with jerks en route, or so the forecasters seem to agree.

All of which is reminiscent of the Perpetual Prosperity and High Plateau theories of the Twenties, but with at least one very significant difference. Somehow, the bullish climate fails to be convincing. An unprecedented prosperity, with all indications of continuation and growth—fails to generate the kind of boundless optimism typical of booms. As a columnist of the New York "Times" put it very aptly:

"At the end of 1955 hardly anyone was the least bit apprehensive about the immediate future. But as 1956 gave way to 1957 nearly everyone could find something to worry him.

"If it was not the Suez Canal crisis, it was inflation. If it was not tight money, it was increasing evidence that supply was catching up with demand. The end of the boom that some observers thought they sighted a year ago, is becoming more clearly visible to more and more peerers into the future —or so they think"

Recession Jitters

To be sure, a general slump or a financial panic appears to be extremely remote. Any prospect of that sort would call for the uninhibited resort to the money-printing press (Whether or not that might generate a dollar-panic, is another question.) But the menace of a recession, or by whatever name a setback goes, suffices to send jitters through the business community, to say nothing of the politicians. And there is ample evidence of trouble ahead, notwithstanding the fact that the American economy is bolstered by public expenditure to the tune of about $114 billion annually—one-third of the paid-out national income. The paradoxical situation is that this enormous support cannot sustain the prosperity; in fact, its size is a cause for misgivings. It is becoming increasingly clear that a major boost in public spending—sufficient to offset an incipient recession — would mean either an intolerable rise in taxes or an inflationary turn of the cost-price structure, if not both. As things stand, prosperity has to carry itself without **additional** major shots-in-the-arm. But is it capable of doing so? Even if the statistical extrapolations were not mere guesses (which they are): the over-all growth provides little consolation to the large segments of industry laboring under excessive inventories, weakening raw material prices, and declining profit margins.

The fact is, in any case, that the rate of growth of the American economy substantially slowed down in 1956 and promises to slow down further. The boom is "flattening out." It does not take much imagination to project its temporary stoppage or actual reversal.

Growing Illiquidity

One significant source of misgivings is the rapidly growing illiquidity of the financial institutions. Prime liquidity is measured as the ratio of cash and balances at the Federal Reserve, plus the portfolio of government obligations, to withdrawable liabilities. This ratio has declined spectacularly in all types of institutions (excepting the postal savings system). Between 1945 and '55, liquid holdings in the mutual savings banks fell from about 75% to less than 30% of all deposits. The savings and loan associations have cut their liquidity ratio to a bare 10% from the previous 35%. Less spectacular, but perhaps even more significant, is the deterioration of the commercial banks' basic liquidity.

This worsening of the status of the institutions came about by the tremendous increase in deposits (savings) on the one hand, and the sale of their government bond holdings on the other. The process of "liquidating the liquid assets" is documented by the accompanying table that summarizes the change is the ownership of Federal debt:

The End of the Financial Rope?

Briefly, in less than nine years, the banks and insurance companies sold some $26 billion of government bonds. How far can this unloading of Federal securities go? Take the commercial banks, the nerve-center of the financial organism.

In the 12 months ending last October, their outstanding loans grew roughly by $9.6 billion, or 12%. To provide the necessary funds, they had to sell $6 billion of Federal securities. Their net adjusted deposits increased by almost exactly the same amount, to a total of nearly $168 billion. Beyond the obligatory cash reserves, they are left with a portfolio of government bonds amounting to $57 billion, which is, of course, very unevenly distributed among the individual banks. Those still "well heeled" are reluctant to extend loans; the ones in the forefront of credit expansion have reached a 60% or higher ratio of their loans to their deposits and can scarcely proceed further. If they do, they may have to take substantial losses, due to the fact that their own sales tend to depress bond prices. The liquidity position of the savings institutions is even more precarious.

At that, in the rush of satisfying the credit demand of Tom, Dick and Harry, the quality of loans did not improve either. Actually, in many cases, it has deteriorated to a very dangerous degree. All of which must make it increasingly hazardous and difficult to carry on with the credit expansion. It has to come to an end—unless the central bank steps in. But the Federal Reserve stands on its "neutral" ground. It refrains from deflationary pressure; the total volume of credit it puts at the member banks' disposal varies from week to week, but scarcely from year to year. It does not exercise credit control in the orthodox sense of the word, but it does not actively provide an inflationary stimulus either.

Fresh credit supply will be trickling rather than flowing in 1957. But the credit demand keeps rising. Unless the boom subsides, or the Federal Reserve turns on the money-spigot — which would turn the suppressed inflation into an open one—the expansion will be rapidly approaching its financial limits.

Ownership of U. S. Government Debt

(End of month, par value in billions of dollars)

Held by:	Dec. 1947	Aug. 1955	Aug. 1956
U. S. Agencies & Trust Funds	34.4	51.5	54.5
Federal Reserve Banks	22.6	23.8	23.9
Commercial and Savings Banks	80.7	71.5	65.7
Insurance Companies	23.9	15.0	13.1
Other Corporations	14.1	21.2	19.3
State & Local Governments	7.3	14.9	16.0
Individuals	65.6	65.5	67.0
Miscellaneous Investors	8.4	15.0	16.3
Total Fed. Debt (incl. guaranteed)	257.0	278.4	275.6

Vance, Sanders to Present Fund Seminar

BOSTON, Mass. — Vance, Sanders & Company, 111 Devonshire Street, principal underwriters of Massachusetts Investors Trust, Boston Fund and other mutual investment companies, will present the first of its 1957 series of seminar programs on sound ways to sell mutual funds, at the Statler Hotel, Washington, D. C., on Feb. 26 and 27.

Guest speaker at the opening session on Tuesday morning will be Dr. Woodlief Thomas, economic adviser to the Federal Reserve Board. His subject will be "Savings, Investment and Monetary Policy."

Because of the large number of applications received from investment dealers, last year's limitation of 120 participants has been removed and it has been decided to have 16 "round tables" of ten persons each at the Washington seminars. All places have already been taken by representatives of 63 investment firms and in addition it is expected that there will be a number present as observers.

Chairman of the meetings is Richard Platt, of Boston, a partner of Vance, Sanders & Company. Other partners and representatives of the firm who will participate are Kimball Valentine, of Washington: David T. Sanders, of New York: and Thomas A. Baxter, Arthur H. Haussermann and Robert L. Osgood, of Boston.

The second of this year's seminars will be held next month in Jacksonville, with subsequent meetings planned during the spring in Cincinnati and several West Coast cities.

The Funds for which Vance, Sanders & Company are principal underwriters, which also include Massachusetts Investors Growth Stock Fund, Canada General Fund, Century Shares Trust and The Bond Fund of Boston, had total net assets of approximately $1,445,000,000 at the close of last month.

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Circumventing Economic Realities And Accommodating Credit Needs

users should be accompanied by action reducing still further their availability to others, for example, in some cases, by increased taxation. Otherwise, the effect will be to intensify inflationary pressures and imperil price and monetary stability.

The problem is not insoluble. The correction of economic imbalances takes time, but corrective forces have been and still are operating. Our nation unquestionably has the resources to provide for a continuously rising level of physical well-being, educational attainment, and cultural development. Our resources are steadily growing and so is our ability to use them intelligently. What cannot be accomplished today may become readily attainable in the not too distant future.

* * *

Supplemental Questions Answered By Martin

(1) "What information do you have about the impact of so-called general credit controls upon small business as compared with big business? Upon State and local governments as compared with nongovernmental credit users?"

Manifestly, the effects of credit restraint are felt by more small businesses, numerically, than by large ones. This does not necessarily mean that the impact of general credit restraints falls disproportionately on small businesses. There are over 4¼ million business enterprises in this country. Most of these would be considered small business under any standard of measurement, and only about one in a thousand would be classed as big business.

The major difference between small and large business is not in their direct access to some source of credit but, rather, in their access to alternate sources of credit. Unlike most small businesses, most large businesses generally have direct contact with and access to a number of banks as well as to other sources of outside financing. Consequently, at a time when overall credit demands are greater than can be fully met without inflationary impact, a larger number of small businesses than large ones find it difficult to secure their customary credit accomodation.

The Federal Reserve System cannot allocate credit among groups of borrowers. With demands for goods and services exceeding capacity to produce, monetary policy over the past year has been directed toward keeping expansion of the total credit supply within limits set by the willingness of the community to save. The market place has determined the allocation of the available supply of savings.

With aggregate demands for materials and credit so large, it is obvious that available productive capacity and savings could not accomodate all credit-worthy applicants to the full extent of their desires. All of us know of legitimate, useful projects that have had to be deferred or reduced in scale, because either the physical or financial resources could not be obtained.

Cites Available Data

We know of no figures that permit a precise measure of the relative impact of credit restraints, in particular, on different groups of borrowers. We have, however, assembled a considerable body of information that may help to illuminate this troublesome question.

A survey of business loans made in October, 1955 shows that one-fifth of the total dollar volume of the business loans held on that date were loans to firms with assets of less than $250,000, and more than one-third were loans to firms with assets of less than $1 million. Most commercial banks are small enterprises themselves; nearly 85% of our 14,000 commercial banks have deposits of under $10 million, and, necessarily, most of the lending of these smaller banks is to small businesses. In October, 1955, over nine-tenths of the number and four-fifths of the dollar volume of business loans held by small banks were loans to firms with assets of less than $250,000, and these loans accounted for about one-fifth of the dollar volume of all commercial bank loans to such small businesses. With the close and direct contact with customers that smaller banks enjoy, and with so large a stake in the financial position of their small customers, it is evident that most commercial banks have a strong incentive to maintain the volume of bank credit flowing to smaller businesses.

Even at large banks, lending to small business represents a significant share of their loan volume. In October, 1955, banks with deposits of $100 million or more accounted for about two-fifths of all bank loans to small business. At these larger banks, small business loans represented three-quarters of the number and one-tenth of the dollar volume of their business loan portfolios. Lending to small firms is profitable business, and most large banks are anxious to obtain this type of business.

Information on the structure of bank loans to business since late 1955 is less comprehensive. We do receive reports from large banks in major financial centers on the size distribution of new business loans of over $1,000 made in a two-week period of each quarter. These figures indicate that from mid-1955 to mid-1956 the number and dollar volume of all new business loans made increased to record levels. Increases were recorded in all loan-size categories, with the sharpest rise in loans of $200,000 and over. The average size of new loan made increased about 30% over this period.

Increase in Large Loans

The rise in average size of business loan extended by large commercial banks reflected primarily the shift in patterns of industrial demand that occurred last year. When the bulk of the loan demand on commercial banks is from industries where larger business units predominate, such as public utilities, machinery or metals manufacturing, the average size is larger than when most of the loan demand arises primarily from the needs of retail merchants or service industries. This past year has seen such a shift in demand, with the emphasis on borrowing to meet financial needs in industries characterized by large producing units.

From June to December of 1956, the volume of new loans made declined about one-eighth from the peaks reached in June. The decline was of equal proportion in all major size categories, and there was very little change in the average size of loan.

With interest costs rising generally, both large and small borrowers have had to pay more for their loans. Since mid-1955, the average interest paid at large banks on short-term business loans of $200,000 or more rose by 87 basis points, to 4.20%, while costs on loans of from $1,000 to $100,000 went up 60 basis points, to 4.94%.

SBA Loans Increase

Loan applications to the Small Business Administration rose from about 3,000 in 1955 to almost 6,000 in 1956. Loan approvals increased more rapidly, rising from 1,148 loans, amounting to about $55 million in 1955, to 2,890 loans, amounting to about $122 million. These figures are not large relative to the size of the small business population or to the usual volume of lending to small businesses by commercial banks.

An increasing share of the loan funds supplied by SBA last year was for longer-term purposes, such as purchase of plant and equipment or consolidation of obligations, rather than for working capital. The proportion of loans made by SBA carrying final maturities of less than three years was small. Most maturities were longer than were customary in commercial bank business loans.

Larger Profits for Smaller Firms

Reports on manufacturing corporations, compiled quarterly by the Federal Trade Commission, indicate that the return on shareholders' equity and profits per dollar of sales both increased substantially for smaller businesses from the third quarter of 1955 to the third quarter of 1956 (the latest data now available). Over this period, return on equity, after taxes, rose from 10.4% to 15.3% for the smallest companies, as compared with a decline from 12.3 to 11.0 for the total. Profits per dollar of sales rose from 2.2% to 3.0% for the smallest companies, compared with a decline for all manufacturing corporations over the period.

These reports also indicate that the liquidity position of small corporations deteriorated much less last year than that of large companies. The ratio of cash balances and Government security holdings to total current liabilities for the smallest companies declined from 37% to 34% over the period, while for all manufacturing corporations, the decline was from 71% to 55%.

Statistics published by Dun and Bradstreet on business failures indicate that the number of failures where the liability involved was less than $25,000 rose by one-seventh, as compared with an increase of one-fourth in the number of firms failing with liabilities of $100,000. The dollar amount of debts involved in failures of small firms also rose less than did the debts of larger firms failing last year.

State and Local Governments

State and local governments spent about $10.7 billion last year for construction of schools, highways and other community facilities. This was about 10% more than was spent for these purposes in 1955. Bond issues for new money floated by State and local governments during the year amounted to about $5.4 billion, about one-tenth less than was floated in 1955. All of the reduction in flotations was in issues to finance toll highway construction and in bond issues to fund the short-term debt incurred for public housing projects. Financing of school construction continued at the record level of the previous year, and financing of sanitation and other community facilities increased sharply.

The decline in toll road financing reflected reconsideration of many highway projects contemplated earlier. The financial difficulties experienced with some recently completed roads (financed for the most part at lower interest costs), rising materials, labor and credit costs, and uncertainties about developments in the new Federal highway program led to the deferral of several projects.

"Roll Overs" and "No Call"

Construction outlays for public housing continued at close to 1955 levels, but an increasing share was financed through short-term debt. Instead of funding the notes issued by local housing authorities on completion of construction, these notes were "rolled-over" and fewer long-term housing bonds were issued in 1956.

Deferral of long-term financing last year reflected the rapid rise in costs of all types of long-term borrowing. Yields on high-grade corporate bonds outstanding rose 63 basis points, and yields on new issues rose almost 100 points. In addition, repayment terms on corporate issues became substantially more restrictive last year, with longer "no-call" provisions and higher call prices required of borrowers.

Yields on high-grade State and local bonds outstanding rose 75 basis points over the year, but these bonds still offered investors returns about three-quarters of a percentage point less than comparable quality corporate securities. This was close to the differential that existed in 1955. For investors subject to high corporate or personal income tax rates, the exemption from Federal income taxation of interest received on State and local government obligations offsets the lower rate of return. This feature is not one of prime importance to investors subject to lower tax rates, however, particularly for institutional investors such as life insurance companies, pension funds and mutual savings banks, which receive a large share of the community's long-term savings. As the volume of State and local long-term borrowing increases beyond the supply of investment funds attracted by the tax-exemption feature, it becomes increasingly necessary for these governments to compete for funds on a straight return basis.

Timing and Postponements

In part, the stability of the differential between yields on corporate and municipal bonds reflects the acumen of the officers managing the finances of State and local governments. Because the planning and financing of large-scale construction projects is usually undertaken long before construction actually begins, finance officers can time the flotation of bonds to take advantage of temporary ebbs and flows of funds into and out of security markets. On several occasions in 1956, the volume of security issues floated was greater than the supply of investment funds could accommodate, and security dealers' inventories of unsold securities increased rapidly. As these situations of temporary congestion developed, finance officers postponed some offerings.

A survey made last year indicated that about 120 issues, aggregating $175 million, were not sold on previously announced flotation dates during the third quarter of 1956. The Board's staff has followed the subsequent history of these issues; they found that 41 of the issues were sold later in that same quarter and 28 were sold in the fourth quarter of the year. By year-end, three-fifths of the number and two-fifths of the dollar volume of the postponed issues had been sold. The pattern of issues postponed in the fourth quarter of 1956 (estimated at 135 issues, valued at $240 million) has been similar, with about 40% sold to date.

For some borrowers, postponement has meant higher costs; for others it has proven advantageous. For example, the State of Michigan offered a highway bond issue in early December, with a maximum interest ceiling of 3.50%. No bids were received. The issue was re-offered in reduced amount in mid-January, and successfully marketed at 3.37%.

It appears that, for the most part, State and local governments last year were able to finance a very large and rising volume of expenditures and that the rise in interest costs of bond financing was a reflecting of supply and demand factors. There were some cases where borrowers were unwilling to pay current market rates, and withdrew their issues, and others where borrowers were prohibited by statutory limitations from paying rates which the market demanded.

(2) "Are present statutory provisions governing reserve requirements satisfactory and desirable?"

The present system of reserve requirements is not altogether equitable in its impact on individual member banks. It has not seriously impeded, however, the effectiveness of monetary and credit policy in influencing the aggregate volume of bank credit. The problem of devising a more equitable and effective structure of reserve requirements has been under intensive study for many years, within the System, by the banking community, and by other students of monetary affairs, and many alternatives have been proposed and analyzed. It is one of the problems to be considered in any over-all review of the existing financial organization.

Control Over Non-Banks

(3) "Is the breadth of direct control (now limited to member banks) sufficient for the workings of general monetary controls, or should the direct influence of central bank operations be extended to cover other financial intermediaries, such as insurance companies, savings and loan associations, installment credit institutions, nonmember banks, etc?"

Our experience of recent years indicates clearly that the actions of the System under its present authority are a potent force affecting financial developments in the economy. This is true both when stimulation of additional spending to achieve full utilization of resources is needed or when the problem is to achieve restraint on spending in order to avoid inflation.

Although the direct discipline imposed by the System through control over reserve requirements, the volume of reserves, and discount rates applies only to member banks, its ramifications are felt by non-member banks, other financial institutions, and the financial markets generally. Federal Reserve member banks, with loans and investments of nearly $140 billion, account for more than four-fifths of the assets of all commercial banks of the nation. Control over the rate at which new credit and money is created by this preponderant part of the banking system gives the Federal Reserve System a substantial influence on the total flow of loan funds, which includes those of individuals, savings institutions, businesses, and government, and also upon liquidity conditions in the economy. The operations of other financial institutions, particularly their ability and willingness to sell U. S. Government and other securities in order to advance new credit to borrowers, are substantially affected by changes in credit conditions brought about in part by Federal Reserve policies.

As we have pointed out in the past, the fact that reserve requirements of nonmember banks are defined differently and in many cases are much lower than those

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Circumventing Economic Realities And Accommodating Credit Needs

of member banks, creates some inequities and problems. These differences in reserve requirements may discourage some banks from seeking or maintaining member bank status. This situation is not new and no simple and practical way of making reserve requirements of nonmember banks consistent with those of member banks has been devised without an extension of Federal banking authority. The problems arising out of the situation are in some ways less pressing now than they were earlier in the postwar period, when the discrepancy between reserve requirements of member and nonmember banks was greater than it is now.

A policy of extending to nonbanking institutions a system of monetary controls analogous to that now applied to member banks by the Federal Reserve, however, would represent a basic and far-reaching departure from the principles that have in the past governed banking legislation and Federal Reserve policies. Commercial banks have special functions that are not presently shared by nonbank financial institutions. Before extending monetary controls over these institutions a careful study should be given to the far-reaching implications of such a departure.

No Peacetime Alternative to Interest Rate

(4) "Is there any acceptable way of restraining the demand for loans without raising interest rates?"

We are not in favor of interest rates any higher than required by the underlying economic realities, but we do not believe that there is any practicable way of preventing them from increasing during those periods in which desired borrowings tend to outrun the flow of savings.

In order to keep interest rates below the level at which the amount of loan funds supplied is equal to the amount demanded, it is necessary to select some classes of potential borrowers and prevent them from borrowing, by law or regulation. Essentially, the problem is one of rationing, and involves many of the same sorts of difficulties and problems that have attended such programs in other areas. In a peacetime economy, there is no acceptable way of administratively determining who is to be permitted to borrow and who is to be forbidden.

Selective credit controls affecting the demand for credit have been used in certain areas where special considerations and conditions made them desirable and workable, and are now in use in one area, applying to stock market credit. The earlier controls over borrowing to buy houses and consumer durable goods were similar in nature. In each of these cases, however, there were special reasons for attempting to control the particular type of credit involved and some rough guides as to what would be reasonable objectives of control. Further, control of this kind was made possible by the special character of the borrowing, namely, that it was related to specific collateral and could be regulated (though imperfectly) by setting minimum downpayments and maximum margins and maturities.

Selective Credit Controls

Any attempt to extend similar controls to other types of borrowing, however, would be balked by much greater administrative difficulties, and by the problem of selecting the borrowers to be excluded from the market in a way that is equitable and makes economic sense. Who can say which business borrowers are to be permitted to have credit, and how much, and for what purpose? Which State and local governments are to be able to borrow? Who is to be permitted access to personal loans? An attempt to develop any system of general administrative rationing of credit in an effort to hold down the interest rates paid by those who were permitted to borrow would run into three kinds of difficulties: (1) It would create inequities, (2) it would require placing great power in the hands of the administrators, and (3) it would tend to undermine the flexible and progressive character of our economy. This would make it almost certain that any broad system of administrative rationing of all types of credit across the board would not be effective under peacetime conditions, but rather would become a force for inflation.

Even from the narrow point of view of its effect upon the level of interest rates, such a policy would be self-defeating. The greatest possible threat to the maintenance of reasonably low interest rates is inflation, and acceptance by the public of the idea that continuing depreciation of the dollar is to be expected. The reason for this is simple. If borrowers expect to repay their debts with dollars that are worth less than those borrowed, they are willing to pay high interest rates. If lenders expect to be repaid in dollars of reduced purchasing power, they will lend only at interest rates that are correspondingly high. Such behavior has been illustrated in the extremely high levels reached by interest rates in countries undergoing inflation. Continued inflation, even if not of extreme proportions, must tend to cause high interest rates.

(5) "Have you any general suggestions for revision of the present institutional arrangements in the field of money and banking, which would facilitate the use of general credit controls for economic stabilization?"

We are not convinced that our present institutional arrangements are altogether satisfactory; nor do we believe that Federal Reserve operations in the past have been entirely successful. Therefore, we will welcome a comprehensive of our financial institutions and practices by a Congressional Committee or by a monetary commission and will cooperate in every possible way with such a group. Meanwhile, we do not wish to propose suggestions for broad changes in institutional arrangements or techniques of control in the area of money and banking.

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The State of Trade and Industry

count, "Ward's" said. Plymouth's bid for a 17,000-unit turnout the past week would mark its highest weekly output since December, 1955.

The statistical publication said that Ford Motor Co. programmed 29.1% of last week's car output, compared to the 22% share it took the corresponding week last year. Chrysler Corp. was up to 21.2% from last year's 13.3% at this time.

Meanwhile, General Motors dropped to 47.1% a week ago, compared to 59.5% the corresponding week in 1956, as American Motors fell to 1.4% from 3.2% and Studebaker-Packard declined to 1.2% from 2.0%.

Besides Plymouth, two Ford Division plants, the Lincoln-Mercury plant at Wayne, Mich., and Chrysler Division planned Saturday operations the past week, "Ward's" reported.

For the month of December personal income remained unchanged from the previous month at a $333,500,000,000 annual rate, the United States Department of Commerce reported.

Despite this end-of-year leveling off, the Department noted that full 1956 personal income of $325,200,000,000 was still 6% higher than the $306,100,000,000 of the previous year.

The Department's personal income estimates include wages and salaries, the net income of proprietorships and partnerships, dividends and interest, net rents received by landlords, and other types of individual income.

Outlays for actual new construction "declined seasonally" in January but still set a record for the month, a joint report of the United States Departments of Commerce and Labor stated.

The report pointed out that spending for new construction totaled $3,000,000,000 last month, or a drop of 10% from the $3,400,000,000 spent in December. It was, however, 3% above the previous January record of $2,900,000,000 set a year ago.

Private construction declined a "slightly more than seasonal" 12% in January, the departments said. The $2,200,000,000 of private expenditures, however, equal the previous January high reached a year ago.

More corporations were formed in January than in any other month in history, according to Dun & Bradstreet, Inc. At 14,632 in January, they were a whopping 38% more numerous than the 10,788 in December and exceeded the year-ago level of 13,363 by 9%.

New incorporations in January also surpassed by about 9% the previous record of 13,417 established in March, 1955.

Steel Production Expected to Show a Slight Decline This Week

Steel mills operated at 97% of capacity last week for the second consecutive week, producing more ingots than they did a year ago, "Steel" magazine reported on Monday last. The week's output was 2,482,705 net tons, or 50,000 more tons than a year ago.

The metalworking weekly said that steel's biggest consumer, the automotive industry, assembled an average of 10,000 more units each week for the last four weeks than it did a year ago.

No one, states this trade weekly, expects this year's production to be 129,000,000 tons, the pace at a yearly rate of 97% of capacity. The common prediction has been 120,000,000 tons, so a decline in the weekly rate in the second quarter, or even in March, would not be unexpected.

A 120,000,000 ton year would mean a 90% average. This could be attained through a 95% average in the first half and an 85% average in the second. The record is the 117,000,000 tons produced in 1955.

Because most forms of steel are readily available, inventories are being reduced somewhat, but "Steel" sounded a warning to users to keep alert for a pickup in demand. If this happens, a lengthening of deliveries could catch them short.

The major steel product in soft demand is cold-rolled carbon sheets. Biggest user of them is the automobile industry. While it built large inventories of steel last year, it can't live forever on them. Strengthened demand from the auto industry would quickly lengthen delivery time on cold-rolled sheets, "Steel" observed.

Steel prices continue to go upward, principally in the form of increases in price extras. The over-all effect is an increase of a little less than 4%. Raised were carbon hot-rolled bars, reinforcing bars, tube rounds, skelp, re-rolling and forging semifinished steel, rods, wire, alloy products and tubular goods.

The publication's arithmetical base price composite on finished steel remained at $137.98 a net ton where it has held since the first of the year.

A decline in scrap prices continues. In the week ended Feb. 13, "Steel's" price composite on steelmaking scrap slipped to $53.17 a gross ton, down $2.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry will be an average of 96.7% of capacity for the week beginning Feb. 18, 1957, equivalent to 2,475,000 tons of ingot and steel for castings, as compared with 97.9% of capacity, and 2,501,000 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 96.6% and production 2,472,000 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 Moved Lower Again the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 16, 1957, was estimated at 11,946,000,000 kwh., according to the Edison Electric Institute. This was a further decrease from the week before.

The past week's output dropped 73,000,000 kwh. below that of the previous week; it increased 625,000,000 kwh. or 5.5% above the comparable 1956 week and 2,034,000,000 kwh. over the week ended Feb. 19, 1955.

Car Loadings Rose 2.7% In Latest Week

Loadings of revenue freight for the week ended Feb. 9, 1957, increased by 17,279 cars or 2.7% above the preceding week, the Association of American Railroads reports.

Loadings for the week ended Feb. 9, 1957, totaled 665,251 cars, a decrease of 19,077 cars or 2.8% below the corresponding 1956 week, but an increase of 26,463 cars, or 4.1% above the corresponding week in 1955.

U. S. Automotive Output Held to the Higher Trend of The Previous Week

Automotive output for the latest week ended Feb. 15, 1957, according to "Ward's Automotive Reports," pointed higher.

Last week the industry assembled an estimated 148,484 cars, compared with 147,163 in the previous week. The past week's production total of cars and trucks amounted to 171,790 units, or an increase of 1,670 units above that of the preceding week's output, states "Ward's."

Last week's car output rose above that of the previous week by 1,321 cars, while truck output rose by 349 vehicles during the week. In the corresponding week last year 128,320 cars and 23,227 trucks were assembled.

Last week the agency reported there were 23,306 trucks made in the United States. This compared with 22,957 in the previous week and 23,227 a year ago.

Canadian output last week was placed at 7,925 cars and 1,601 trucks. In the previous week Dominion plants built 8,116 cars and 1,540 trucks, and for the comparable 1956 week, 6,038 cars and 1,314 trucks.

Business Failures Rose Moderately In Latest Week

Commercial and industrial failures increased to 317 in the week ended Feb. 14 from 287 in the preceding week, Dun & Bradstreet, Inc., reports. The toll exceeded considerably the 252 occurring last year and the 205 in 1955. Also, failures edged 8% above the prewar level of 293 in the comparable week of 1939.

Liabilities of $5,000 or more were involved in 266 of the week's casualties as against 250 in the previous week and 209 a year ago. Small failures with liabilities under $5,000, rose to 51 from 37 last week and 43 in 1956. Twenty-five businesses failed with liabilities in excess of $100,000, remaining at the same level as a week ago.

Trade and construction accounted for the week's increase. In contrast, manufacturing casualties dipped and commercial service held steady. Failures exceeded the 1956 level in all industry and trade groups.

Regions reporting higher tolls during the week included the Pacific, East North Central and South Atlantic States, while declines occurred in the Middle Atlantic and New England States. More businesses failed than last year in all regions except the Middle Atlantic States. Particularly sharp increases from 1956 prevailed in the East and West North Central, East and West South Central and Pacific States.

Wholesale Food Price Index Remained Unchanged In Latest Week

Unchanged from the level of the preceding week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., registered $6.13 on Feb. 12. This represented a gain of 3.2% from $5.94

a year ago. It compared with $6.69 on the corresponding date two years ago, or a decline of 8.4%.

Commodities quoted higner last week included flour, corn, cottonseed oil, cocoa, raisins and prunes. Lower in price were wheat, rye, oats, hams, bellies, lard, eggs 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 Level Registered Further Declines In Past Week But Was Moderately Above Like Period a Year Ago

The general commodity price level declined again last week, closing at 291.94 on Feb. 11. Falling below the 293.72 of the preceding week, this was the lowest index so far this year. However, it was moderately above the 281.24 of a year ago.

Although most grain prices declined, a stronger tone prevailed at the end of the week.

Despite a rise in wheat purchase, prices slipped somewhat.

Wheat exports noticeably surpassed those of last year. Corn stocks were plentiful and prices tumbled considerably. Increased buying of rye and oat futures helped boost prices this week. Oats receipts in Chicago totaled 379,000 bushels, compared with 513,000 in the prior week. There was a noticeable drop in barley prices. Soybean shipments out of Chicago during the week amounted to 145,000 bushels as against 219,000 the week before. Prices decreased moderately and export business was sluggish. Purchases of grain and soybean futures on the Chicago Board of Trade reached 60,000,000 bushels a day as against 50,000,000 bushels in the previous week and 35,000,000 bushels a year ago.

Flour prices were close to those of the preceding week and trading continued to sag. Flour receipts in New York on Friday totaled 41,385 sacks with 20,275 for export and 21,110 for domestic use. Rice prices were steady, as domestic markets were active for immediate and future shipments. Exporters moderately increased their buying and stocks were limited. The threat of a waterfront strike stimulated buying activity in the domestic sugar market. In foreign markets sugar trading slackened somewhat and prices dipped slightly.

After rising sharply at the beginning of the week, coffee prices on Friday of last week closed at levels close to those of the prior week.

Cocoa prices rallied towards the end of the week, but continued below the year ago levels. Receipts totaled 659,919 bags compared with 699,933 a year ago. Warehouse stocks of cocoa were fractionally below those of last year. There was a slight decrease in lard prices, but they noticeably exceeded those of a year ago. Hog receipts climbed somewhat and prices fell slightly. Prices on steers and heifers were sustained at the levels of the prior week, as trading expanded moderately. While cattle receipts fell at the end of the week, lamb receipts advanced somewhat. Despite a slight decrease in demand, lamb prices remained close to those of the prior week.

Cotton prices climbed moderately last week, reflecting a growing tightness in supplies. Exports of lint cotton amounted to 216,000 bales last week, according to the New York Cotton Exchange. This compared with 275,000 in the similar 1956 period.

For the current season through Tuesday of last week exports totaled 3,703,000 bales, or more than three times larger than the total for the corresponding period last year.

Except for some scattered transactions in print cloths, trading in cotton gray goods was sluggish. Prices on domestic wools were unchanged and buying activity was limited.

Trade Volume Showed Little Change Last Week From Previous Period But Was Fractionally Above 1956 Level

Despite increased buying of furniture and women's Spring apparel, retail sales were close to those of the previous week with retailers reporting moderate declines in the call for appliances, food products and men's clothing. While volume in new and used automobiles fell somewhat, it equalled that of a year ago.

There was a fractional year-to-year gain in total retail trade.

The total dollar volume of retail trade in the period ended on Wednesday last week was from 1% below to 3% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England 0 to +4; Middle Atlantic, West South Central and Mountain —3 to +1; East North Central +3 to +7; West North Central —4 to 0; South Atlantic +2 to +6; East South Central +1 to +5 and Pacific Coast —6 to —2%.

Apparel stores reported a noticeable rise in interest in women's wear and volume moderately surpassed that of last year. Although sales of men's apparel fell the past week, volume moderately exceeded that of last year. Best-sellers were furnishings and sports wear.

The total dollar volume of home furnishings slackened last week. The call for major appliances, television sets, and lamps was reduced, and a year-to-year decrease was reported.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Feb. 9, 1957, increased 5% from the like period last year. In the preceding week, Feb. 2, 1957, an increase of 4% was reported. For the four weeks ended Feb. 9, 1957, an increase of 3% was recorded. For the period Jan. 1, 1957 to Feb. 9, 1957, a gain of 3% was registered above that of 1956.

Retail trade sales volume in New York City the past week advanced 2% to 4% above the like period a year ago, trade observers estimated. Various promotions during the week proved an important factor in stimulating sales.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Feb. 9, 1957, showed an increase of 4% above the like period of last year. In the preceding week Feb. 2, 1957, an increase of 3% was reported. For the four weeks ending Feb. 9, 1957, an increase of 3% was registered. For the period of Jan. 1, 1957 to Feb. 9, 1957, the index recorded a rise of 4% above that of the corresponding period in 1956.

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Mortgage-Commercial Banking Relations and the Money Market

they should do the job required or help the Mortgage Bankers provide the needed service.

You will notice, however, a much increased interest in many places of Commercial Bankers in community planning and development. Particularly is this true in connection with rehabilitation and redevelopment of both residential and commercial areas. In this field there is a tremendous opportunity for Mortgage Bankers and Commercial Bankers to work together in the future in both the conventional and insured mortgage field.

Remember also that tight money can actually improve sales and refinancing activity in property needing redevelopment and previously too closely held.

There is definitely a joint responsibility for proper community development and maintenance of real estate values and, since in the Southwest (with the exception of the Federal Savings and Loan Associations which have grown very rapidly in the last few years) most of the real estate financing has been handled by the mortgage bankers or by correspondence dealing directly with some of the insurance companies, they have needed and have been entitled to help from commercial banks both within and outside of the area.

The Mortgage Banker has been a desirable bank customer. However, most of the development of his business has occurred during a period of relatively easy short-term funds.

It is always desirable to face the facts and this seems a particularly logical time to develop some clear thinking on the relationship between the Mortgage Banker and the Commercial Banker.

What does each think about the other? What does each require in order to be satisfied with this relationship?

Let us take a look at it first from the standpoint of the Mortgage Banker.

What A Mortgage Banker Wants

He does not necessarily think that the Commercial Banker should loan him all the money he wants without asking any questions, but he does want the banker to have an **understanding** of his needs to handle a volume of business in proportion to his size and investor representation. He wants the banker's confidence, so that there are not unnecessary legal or technical roadblocks in the way of his expediting the origination and ultimate investor delivery of his loans. If his requirements are even temporarily out of line with either the bank's legal limitations, out of proportion with his own operation, or of a types that is not ordinarily bankable, he wants to talk to someone in the bank who has some real authority and who knows him and his business well enough to see what can be done, such as to obtain any justified excess lines, suggestions as to what has to be done to make otherwise unbankable loans acceptable for interim financing.

He is willing to accept or at least listen to advice, but he expects the Commercial Banker to be well enough informed on the local and national housing and mortgage markets so that he can offer good counsel and intelligently discuss a sound program for the Mortgage Banker to follow for the latter's own ultimate good as well as that of community benefit.

Finally, he wants the Commercial Banker to know enough about his integrity, financial responsibility and mortgage servicing record, so that the latter can intelligently answer questions from present or prospective investors and be of some aid to him when requested to help establish logical contacts in outside banking and investor circles.

Commercial Bank's Viewpoint

Now let us take a look at the Mortgage Banker from the Commercial Banker's standpoint.

I have already stated that the Mortgage Banker has been considered a desirable customer. That has been proved by the confidence shown and the substantial credits granted.

For the most part, the Mortgage Banker has handled himself well, but let us face it. He **has** been developing a terrific dollar volume of business in proportion to his own capital, and the pace has been so fast that the Commercial Banker in many cases has felt that he may, from time to time, have been over-committed to builders or over-optimistic on sales of mortgages to investors.

The average commercial bank credit man feels that there should be some general rules governing the type and amount of bank credit used by various mortgage bankers, and perhaps feels that many of them have allowed themselves to become pushed by builders, and sometimes investors, to meet the competition and have been quick to shop in other commercial banks for credit if they have reached the limits set for them.

The commercial banker really interested in your operation wants more detailed information than usually noted on your balance sheets and profit and loss statements.

To properly evaluate the Mortgage Banker, the Commercial Banker needs to know certain things.

He needs the facts on any assets in your statement, and in the case of those not obviously liquid, he needs to have evidence of their value. He should know considerable about the mortgages receivable, your inventory including such things as a breakdown of VA, FHA, and Conventional Loans, classified by original closing dates—30-60-90 days or beyond—and information regarding investor commitments or standby commitments under which they are held. If any are held under long-term commitments, they definitely should be segregated and the nature of the commitments disclosed.

Any loans not committed for by investors wishing delivery should be classified and information furnished to show the extent to which they are covered by standbys and builders' holdbacks.

Also, although it does not generally appear on the statement, the banker is interested in the composition of your service account and the list of investors.

If construction loans are handled, it is obvious that the Commercial Banker knows nothing about them unless they are scheduled as to types of commitments, advances, percentage of completion, and sales data, and how far commitments with the builders require you to go.

On the liability side, perhaps the two most important items do not appear—unadvanced portions of construction loans, and commitments outstanding to builders.

Most operating statements are not segregated by departments to show the expenses applicable to each source of income, or if a profit could still be made on servicing if originations fell off for an extended period. Some mortgage Banker to keep him well their servicing costs, or estimated cost under adverse conditions.

Finally, the Commercial Banker wants the understanding, except in certain cases where arrangements are made by special agreement, that a **slow** loan is hardly any more desirable than a **bad** loan. He also expects the Mortgage Banker to keep him well protected by delivering his closed loans as soon as possible without speculating in the mortgage market.

When we get all through talking about some of these requirements both ways, we have to admit that from the Mortgage Banker's standpoint he should remind himself that, whether he is doing business with a big bank or a small bank, we are always doing business with people. He should strongly endeavor to deal with that officer in any bank who either has, or will take the time to become fully acquainted with the Mortgage Banker's business, and has enough authority to handle it properly.

And from the Commercial Banker's standpoint, he knows that knowledge of the other fellow's business, which includes all the problems, plus confidence in his integrity and ability, is the real basis for commercial credit, and flexibility in the loan pattern is impossible or certainly unjustified in their absence.

Valued Tight Credit

A tightness of credit once in awhile can be a very good thing. There is no doubt but that some builders and mortgage companies have been spoiled and perhaps hurt by easy credit and the surplus of investable funds. For the most part, these are fairly new in the field who have never seen tight money before, and who have particularly relied on the fact that if the mortgage is guaranteed, someone should come up to the mark and buy it almost regardless to its terms at a price that will always allow all origination fees and the builder a fair profit.

The housing industry for some years has had a pretty liberal piece of the pie representing the total of capital savings or investment funds available.

In 1955 and early 1956 home building was pushed higher than normally and higher than investor funds would allow. This was through the use of standby commitments and deferred commitments. Many of these were for longer than usual periods, justified only to level out investment of long-term funds.

Many commercial bankers have experienced some backing-up of investor commitments by requests for delayed delivery of closed loans. So, it is not unnatural that they should look at standby commitments today with some question where the company giving the standby commitments definitely does not want the loans.

There is no question but that standbys can vary in desirability, not only by their terms but by who issues them. There are those who have issued them who would have difficulty taking the loans in over a short period of time, and actually have very little knowledge of the specific loans covered by them from time to time.

So far as I am concerned, these standbys should not be issued in the first place and should not be used either on a revolving basis or for the purpose of backing up loans where the originator is speculating for a better market.

However, if any of you acquire any standbys, before paying for them it will be well for you to check with your commercial banker to see if he approves them,

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Mortgage-Commercial Banking Relations

and to what extent will allow their use.

Some of them are entirely justified to back up a construction loan where the houses are really needed, but they should not be used to back up an inventory larger than normal, and can be dangerous in a market where both short and long-term funds are in short supply.

Warehousing Rates

Let us remember that the Mortgage Banker in many respects is not so much different from other bank customers borrowing on a secured basis, and the term "warehousing" does not entitle him to any particular advantage or disadvantage against other types of collateral loans.

It is well to bear in mind that outside of the residential field there is a strong current demand for construction on money at pretty fancy rates and also for some warehousing of conventional mortgages at 5% and 5½% on firm delayed commitments.

Particularly in periods of tight short-term money, the Mortgage Banker must realize the economic need for other types of loans in the community, and the need for the liquidity of the collateral as well as the interest rates and commensurate bank balances.

It was usual practice during the '20s and '30s to require at least 20% collected balances from any commercial borrowing accounts. There is a strong tendency today for insistence on this on certain types of credit lines. Many mortgage bankers would find this difficult to maintain unless their escrow deposits were augmented by other funds.

It looks now that due to demands connected with industrial expansion, higher prices, and consumer credit, we are in for an extended period of strong money rates.

This is not discouraging and is not necessarily bad for your business. If you are well established, it can be of ultimate advantage to slow down some on originations; particularly as the other fellow will be doing the same thing.

But it does make it all the more necessary for a clear understanding with your Commercial Banker. He has his problems and wishes to take care of your legitimate requirements.

Don't be too critical of the Commercial Banker as such! But, be sure he is well informed about your business. If he will not become informed, criticize him all you want!

Regardless of the nature of the investor or standby commitments you are using, be sure your Banker knows:

(1) Your past ability to market mortgages in a poor market.

(2) The diversity of your sales outlets and your record for quality servicing.

(3) The ratio of total unsold mortgages to capital and ratio of unsold loans to total servicing excluding FNMA.

(4) Ratio of unsold mortgages to normal annual sales.

(5) Quality of your unsold loans, logical market, and if they meet requirements of several of your investors.

(6) Something about your overall call on mortgage funds for investment.

(7) The commitments you have made to builders and the time schedule.

Exchange all the information you can with your bankers, and as a result I am sure you will both be better satisfied and your community will benefit.

Continued from first page

Are Price-Earnings Ratios Likely to Change in 1957?

are low. That tendency was evident in the bear markets that ended in the 1920s and 1930s, but it was not apparent in the 1940s. In 1949 the price-earnings ratio dropped to one of the lowest levels in history when the market was near its low point.

Before we discuss the leading influences affecting the trend of price-earning ratios perhaps we sould see if there is some way to correct the distortions that come from a simple ratio that is affected by the two variables such as earnings and prices. It is possible that we have expected such a ratio to indicate too much because it neglects to take into consideration another important influence—the fact that even if earnings dropped to zero we would look at the plants and equipment and the net quick assets and feel that there was some value left. The obvious and easiest thing to deduct from the price is book value since that gives at least a rough idea of the value of a group of stocks even if earnings were to go to zero.

Use of Book Values

There are plenty of good arguments that book value figures are rather fictitious. But aren't earnings and stock market averages themselves fictitious and dirty? No one knows what real earnings are today. Are they too high because depreciation rates are too low? And in certain cases are they too low because of the influence of accelerated amortization? Nor do the stock averages always indicate the real position or the trend of the market as was evident in 1952 and last year when the averages went up while the majority of stocks went down in price. Perhaps what we are trying to do in this new approach is to use the best of the dirty statistics that are available in the hopes that the product will not be dirtier than its component parts. It is a little like the scientist who takes some dirty coal and produces a piece of white nylon.

Chart No. 4 shows the result obtained when the book values of the Standard & Poor's Index of 50 Industrial Stocks are deducted from the prices of the same index before the latter are related to earnings. The formula is Stock Prices — Book Values divided by earnings. Earnings are the last four quarterly totals, book values are the figure taken at the end of the preceding year, the prices are the highs and lows for each quarter.

The ratio that results from this method seems much easier to understand because it more closely follows market trends. This study considers the market low in price when the average sells below its book value. Instead of showing that the market is very high on the basis of earnings at the bottoms of bear markets it shows that prices are low on the basis of asset values and that no premium above such values is being paid for whatever earnings are available. This chart shows the good bargains near the bottoms of the bear markets in the 1930s in 1942 and again in 1949.

Additional Refinement

A further refinement of this study is shown on Chart No. 5 which takes into consideration interest levels by dividing the cost of buying earning power by the cost of buying interest on high grade bonds. The cost of stock earnings, rather than stock yields is compared with the yields on bonds because stock yields would introduce more very dirty statistics. The rate of payout of earnings over the past 36 years has ranged from 205% in 1931 to a low of 40% in 1925, and this distorts the relationship of earnings to dividends. In addition today we have the problem of deciding whether to include stock dividends as well as cash dividends when we determine yields. Barron's figures yields after including stock dividends while Standard & Poor's and Moody's figure them on the basis of only cash dividends. As a result Barron's says the yield today is 4.9% while the other two services say it is 4.3% on industrial stocks. We could of course assume that the average payout over a period of years was 60% but such an adjustment would only change the ratio level not its trend. Nor would it change its value in comparing conditions today with previous periods in market history. Also, because of high tax rates, many wealthy investors prefer to see earnings ploughed back into the company rather than pay high tax rates on dividends. Such investors are more interested in earning trends than in yields.

This study shows that at the peak last year the ratio of the cost of buying earning power to the cost of buying interest on high grade bonds was almost as high as it was in 1937. It was a bit higher than it was in 1946, and it was lower than at the peak in 1929. One must be cautioned on the use of the figure for 1929, however, because we have to use the actual earnings for that year and not the estimate that people were making as to earning power early in the year. The same difficulty comes in 1930 when the actual earnings for the year turned out to be much lower than people thought they would be early in that year. Actually, it was not until 1935 that we were able to get quarterly earnings so as to be able to follow the trends as they developed during the years studied.

The chart shows a few interesting things other than the fact that the ratio recently was almost as high as it had been at any time since 1929-30. It also shows that there were no really good buying levels last year. In only one other year, 1936, did the ratio hold at as high a level at the low point of the market as it did in 1956. The 1956 high ratio of .294 compares with an average since 1935 of .111, an average for the highs during that period of .1345 and an average of the lows of .0874. (See Chart No. 5.)

With this explanation of what I shall refer to as the price-earnings ratio, and with an idea as to where it stands in its historical cycle we can proceed to discuss probable influences on the trend of price-earnings ratios during the year.

Encouraging Factors

Some of the Factors Encouraging a Longer-Term High Price-Earnings Ratio:

(1) This study is confined to the general market averages but perhaps some attention should be given to the possibility that price-earnings ratios will be higher in the future for certain sections of the market. This seems most likely in the growth industries especially in the scientific fields such as electronics, rare metals, atomic energy, chemicals, drugs, etc. When the history of this period is written, the economists and historians are likely to refer to this as a scientific or technological revolution. The frontiers today are scientific not geographic and people will express their faith in the developments that will come out of the laboratories. There will, of course, be fluctuations in price-earnings ratios of scientific growth stocks has been evident in the paper, chemical, aluminum and electronic groups in the past year, but the average ratio in future years, is likely to be higher than it has been in the past 20 years.

(2) The improvement in business management over the past 20 years has been substantial. Today businessmen are able to make more intelligent decisions than they could 20 years ago. They have more valuable industry statistics to guide them, and this should help iron out cyclical fluctuations. The future results obtained by good management should entitle us to pay a premium for earnings of well managed companies. General Motors, for example, should sell on a higher basis to earnings than some of the less well managed companies in its field.

(3) The built-in business stabilizers such as unemployment insurance too, will make people more willing to pay higher prices for earnings than they have in the past since there should be less reason to fear another 1929-32 depression.

(4) The new political philosophy of the government will mean that the problem of large unemployment will be met by a spending and inflationary program. Poor business and large unemployment would be political suicide.

(5) Defense is a comparatively new industry which will help support our economy as long as it is urgent that we protect ourselves against Communist aggression. Defense is a $40 billion industry that will have to be supported whether general business is good or bad.

(6) Inflationary trends will be important. In countries like Germany and South America investors demand higher yields from bonds than they do from stocks. Unless inflation is killed off or restrained in this country people will be willing to accept a lower ratio of stock yields to bond yields than they have in the past.

(7) Stocks have become more respectable and are being bought by savings banks, trust funds, insurance companies, pension funds, educational institutions and the futual funds. The desire for better quality issues by these institutions should keep the price-earnings ratios of the institutional type issues higher than they have been over the past.

Discouraging Factors

Factors That Could Adversely Affect Price-Earnings Ratios in 1957?

(1) The fact that price-earnings ratios are high historically, especially when adjusted for the level of interest rates. A decline of the market to values corresponding to 1932, 1942 or 1949 would mean a retreat of the industrial index to at least 250. A decline of the price-earnings ratio to the average level of the past 22 years would take the market back to 360 assuming no change in actual earnings. Even if it declined to the average of the highest quarterly ratios seen in the past 22 years it would return to around 390. If it retreated to the average of the lowest quarterly ratios of that period it would go to 335.

(2) The trend of interest rates during the past two years make bonds more attractive relative to

CHART I

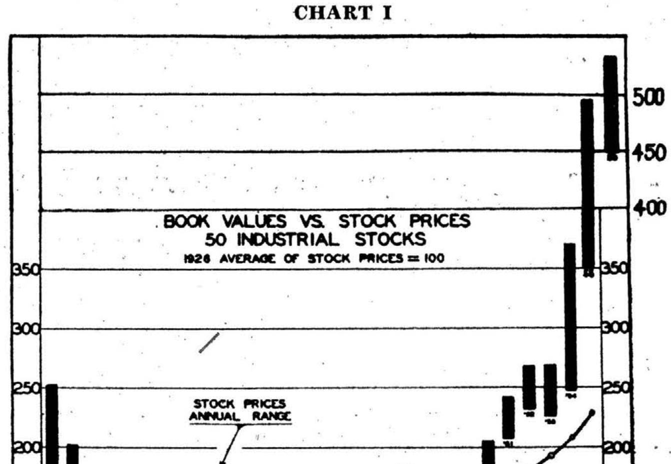
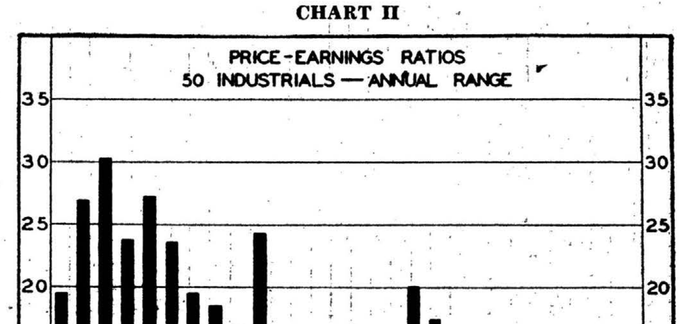


CHART II



stocks than they have been for many years. Tight money also restricts expansion plans, especially of the marginal type companies. There is an interesting Index of money factors put out by Bolton and Tremblay in Montreal. There has been a close correlation between its trend and the trend of price-earnings ratios over the past 35 years. Their index turned down in May of 1956 after an upturn that had lasted since September of 1952. (See Chart No. 5.)

(3) The trend of Sensitive Business Indices is not reassuring. Studies of such indices are made by the National Industrial Conference Board and the Statistical Indicator Associates. They are called the Diffusion Index and are explained in Geoffrey Moore's pamphlet, "Statistical Indicators of Cyclical Revivals and Recessions." Out of hundreds of economic series studied they find eight to 12 which generally move ahead of the FRB index. This study started last year to suggest a future downturn in business. (See Chart No. 5.)

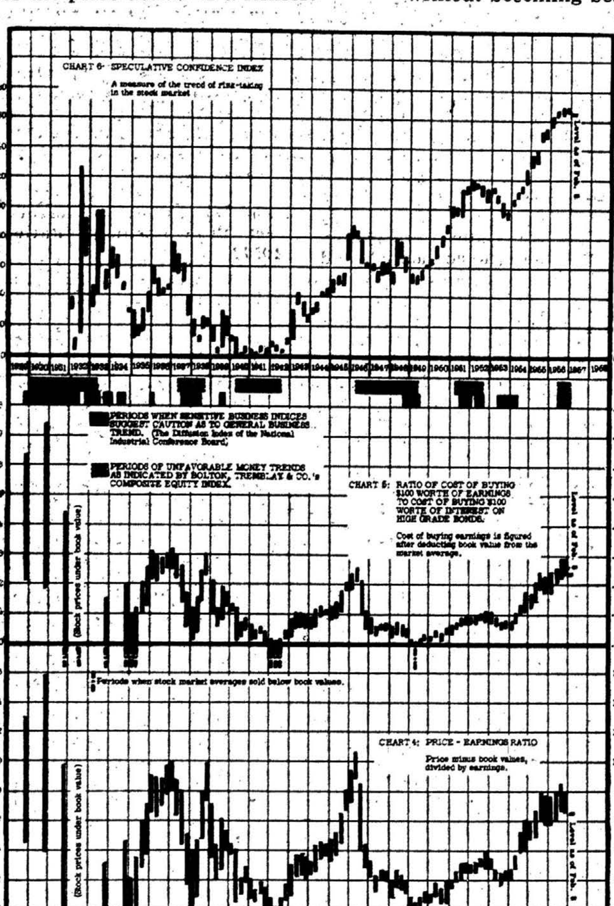
(4) A downturn in the Index of Confidence which measures the degree of risk that stock buyers are willing to take. This index is based on the belief that when our economy is sound, shrewd traders are willing to take greater risks in the more volatile securities or in stocks that have a highly leveraged capitalization. If we are really bullish and confident we don't buy defensive stocks such as American Tel. & Tel. Instead we choose the faster moving issues. This index is made up of six indices, each of which compares the price action of a riskier group of stocks to the action of more conservative stocks. A three months moving average of these figures has been up almost without exception since November of 1953 to May of 1956. It flattened out from that point and in recent weeks has started to decline. Apparently people with money are less willing to take risks at this stage of the economy and stock market. This index is shown in Chart No. 6. It tends to decline before the general market and the price-earnings ratios.

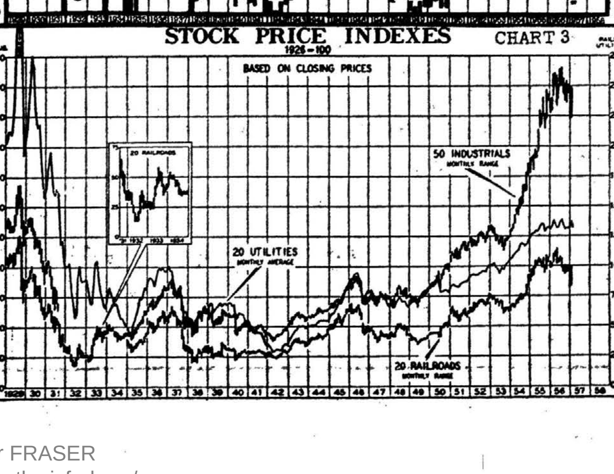
(5) Declining influence of some of the bullish factors of the postwar period such as—

(a) The filling of the deferred demand for many goods whose production was restricted during the war. Eleven years of peacetime production has done much to remove this as an influence.

(b) The less urgent need for aid to foreign countries. From 1946 through 1953 this country transferred to the rest of the world $33 billion worth of goods and services, excluding military supplies, through loans and gifts. Now production in many of these countries has risen sharply and some foreign producers are competing with our companies.

(c) Both the sharp increase in debts and inventories since the end of the war were a great stimulus to business. Now there are doubts that they can increase at the same pace without becoming bearish influences. Inventories and debts become a problem when business activity declines.





(6) The fact that this is a post-election year. Ever since President Roosevelt said "We planned it that way" in explaining the decline in business and the stock market in 1937 there has been suspicion that any Administration that has just been elected would prefer to see needed adjustments in the economy come early in its new four-year term. Since Government has been spending between 20 and 25% of the money spent in this country, its policies can influence the business cycle. It is interesting now that the election has been won, that the prophets of a hair-curling depression if inflation is not checked, are coming from Administration leaders who naturally kept quiet during an election year. Price-earnings ratios have declined fairly sharply in the post-election years since 1936, except in 1945 when the end of the war was a greater influence on sentiment than were political considerations.

(7) The trend of profit margins has been down. Earnings have not been keeping pace with sales although fourth quarter figures should be better than those of the third quarter. This tends to discourage expansion plans and makes investors more skeptical of future earning power.

(8) The trend of certain commodity prices has been down. This affects profits of some companies and discourages the building up of inventories. The increasing use of the LIFO accounting will of course help iron out the influence of commodity price trends on earnings.

(9) Tax rates and the holding period for capital gains also affects security market trends. The removal of the excess profit tax late in 1953 was a great stimulus to the market in 1954 especially in the growth stocks. Fear of another excess profit tax if there were another war involving this country would adversely affect price-earnings trends, as it did in 1941 and 1942, until the new wartime tax rates enabled investors to decide how best to protect themselves from war-caused inflation. When people can establish the lowest tax liabilities as a result of the holding period laws, prices and price-earning ratios have also been affected.

(10) Widely followed theories such as the Dow Theory have made sudden changes in price-earnings ratios. This was particularly true in 1929, 1937, 1940 and 1946 when followers of this theory dumped stocks after bear market signals were given. Recent indications from this theory have been unfavorable.

Absent Adverse Factors

Other Conditions That Have Adversely Affected Price-Earnings Ratios at Other Important Peaks in the Past, But Which Are Not Evident Today:

(1) Boosting of margins to, or near 100%. In recent years a 50% margin rate has encouraged borrowing to buy stocks, a 75% rate has tended to flatten the rate of such borrowing and a 100% rate has encouraged selling of stocks. The rate now is 70%.

(2) A period of speculative excesses in low priced stocks. We have not had anything serious like this since 1946. The ratio of an index of low priced stocks to the general market is around 85% (taking the ratio of prices in 1936-1939 as 100%). At important peaks in the past 30 years this ratio has risen to 150-200%.

(3) A sharp rise in trading volume and in the turnover of stocks which comes when speculation is rampant.

(4) A higher ratio of brokers' loans to the value of listed stocks than is seen today. This has been pretty much a cash market.

Conclusions

(1) The undervaluations that were so evident in 1949 have been corrected by the advance of 258% in the industrial average while earnings have gone up only 47%. As a result, our price-earnings ratio, adjusted for bond yields, has been near the peaks shown over the past 22 years. Although 1929 figures are not strictly comparable it seems evident that we are not yet at the extreme overvaluation that existed in that year. When price-earnings ratios are high in their cyclical range the market becomes more sensitive to earning expectations.

(2) The fact that we have escaped a period of speculative trading in the cat and dog stocks and that volume and the turnover of listed shares has not risen sharply is a favorable factor which should mean that any adjustment of the market will not have to be as severe as in 1929-32 or 1937-38.

(3) There are many favorable factors mentioned earlier that should make people willing in future years to buy some stocks at price-earnings ratios that should average higher than they did before the war. This should be true especially in well managed, scientific growth stocks.

(4) Unfavorable money conditions, the uncertainty indicated by sensitive business indices, and the easing of the Index of Speculative Confidence suggest a lower level of the price-earnings ratio in 1957. A decline of the market to the 390-420 area (or roughly 20 to 25%) from its 1956 high level, would seem to be sufficient to invite good accumulation.

(5) If the Federal Reserve eases money and the Government takes other steps to successfully check a business decline—we could have a new era psychology based on the belief that the business cycle can be controlled. This would encourage people to pay higher prices for earnings than they have at the peaks in the past 22 years. This could lead to another good rallying phase in the market in some future year and create speculative excesses which would give more reasons to expect then a more severe and longer decline than we are likely to get under present conditions.

Business Man's Bookshelf

American Bankers Association National Agricultural Credit Conference Proceedings—Agricultural Commission, American American Bankers Association, 12 East 36th Street, New York 16, N. Y., $2.50.

Building Cost Manual—Prepared under direction of Joint Committee on Building Costs of the Chicago Chapter of the American Institute of Architects and The Appraisers Division of The Chicago Real Estate Board—John Wiley & Sons, Inc., 440 Fourth Avenue., New York 16, N. Y.—$15.

Depressed Industrial Areas — A National Problem — National Planning Association, 1606 New Hampshire Avenue, N. W., Washington 9, D. C. (paper) $1.50.

Effect of Extras in the Measurement of Steel Prices—Bureau of Labor Statistics, U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.—On request.

Employment Security — (Job Guide for Young Workers, 1956-57 Edition, 40c; Dictionary of Occupational Titles, $1.00; Pension Costs in Relation to the Hiring of Older Workers, 25c; Older Worker Adjustment to Labor Market Practices, $1.25) —U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.

Federal Reserve Charts on Bank Credit, Money Rates, and Business—Board of Governors of the Federal Reserve System, Washington, D. C.—Annual subscription, $6.00; single copies of monthly issues, 60c.

Finnish Economic Review — For third quarter 1956 — Kansallis-Osake-Pankki, Helsinki, Finland (paper).

Functional Newspaper Design — Edmond C. Arnold—Harper & Brothers, 51 East 33rd Street, New York 16, N. Y.—$7.50.

Foreign Commerce Weekly—Analyzes trade prospects in Southeast Asia — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. — 10¢ per copy (yearly subscription $4.50).

French Economic and Technical Bulletin — (Irrigation Projects in Durance Valley; Aluminum Production in the Cameroons; Modern Thermal Power Plants) — Economic Section, French Embassy, 610 Fifth Avenue, New York 20, N. Y.

Guidelines for Long-range Projection of State Finances—Tax Foundation, 30 Rockefeller Plaza, New York 20, N. Y. (paper).

Household Appliance Financing—Instalment Credit Commission, American Bankers Association, 12 East 36th Street, New York 16, N. Y. (paper), $1.50.

International Air Transport Association — 12th annual general meeting — International Air Transport Association, Terminal Center Building, Montreal 3, Que., Canada, $2.00.

International Monetary Fund: Summary Proceedings Annual Meeting 1956 — International Monetary Fund, Washington, D. C. (paper).

Investing and Speculating in Convertible Securities — Arthur Sheffield — Convertibles, Inc., Provident Bank Building, Cincinnati 2, Ohio (paper), $10.00.

Investing for Retirement — J. K. Lasser Tax Institute — Sam Shulsky—Business Reports, Inc., 2 East Avenue, Larchmont, N.Y. (soft cover) $3.

Japan's Economy: Bright Spot Or Trouble Spot? — Dun & Bradstreet, Inc., 99 Church Street, New York 7, N. Y. (paper).

Japanese Temples and Tea Houses —Werner Blaser—F. W. Dodge Corporation, 119 West 40th St., New York 18, N. Y., $12.75.

Labor Standards — (State Workmen's Compensation Laws, Sept. 1954 and Nov. 1955 Supplement, 45c; Labor Laws and Their Administration, 50c; Safety Standards, 15c)—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.

Life Insurance Buying: Analysis of Ordinary Life Insurance Purchases in the United States 1955 — Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. (paper).

Magazine Circulation and Rate Trends—New edition—Association of National Advertisers, 155 East 44th Street, New York 17, N. Y.—$15.

MD Medical News Magazine — Designed to fill gap between lay publications and scientific journals.

Modern Corporation Finance — William H. Husband and James C. Dickeray—Richard D. Irwin, Inc., Homewood, Ill. (cloth), $7.80.

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.

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 Broadcasting-Paramount Theatres, Inc.
Feb. 15 filed 346,253 shares of common stock (par $1) and 240,768 shares of 5% preferred stock (par $20). **Price**—To be approximately the market prices prevailing at the times of sale on the New York Stock Exchange. **Proceeds**—To two selling stockholders. **Underwriter**—None.

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.

★ American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

● Anaconda Co., New York
Jan. 25 filed 1,734,865 shares of capital stock (par $50) being 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**—$50 per share. **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.

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.

★ Bayless (A. J.) Markets, Inc., Phoenix, Ariz. (3/4-8)
Feb. 12 filed 430,000 shares of common stock (par $1), of which 405,000 shares are to be sold for the account of selling stockholders and 25,000 shares are reserved for issuance pursuant to company's Employee Incentive Stock Option Plan. Of the 405,000 shares, 395,000 shares are to be offered to the public and 10,000 shares to employees, the latter without underwriting. **Price**—To public, $10 per share; and to employees, $8.75 per share. **Proceeds**—To selling stockholders. **Underwriter**—H. M. Byllesby & Co., Inc., Chicago, Ill.

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.

★ Capital Bakers, Inc.
Feb. 8 (letter of notification) $30,000 of 4% non-convertible debenture bonds to be offered to employees of the company who have been with it at least two years. **Price**—At par (in denominations of $50 each). **Proceeds**—For working capital. **Office**—58 N. 13th St., Harrisburg, Pa. **Underwriter**—None.

Cargo Cool Corp.
Jan. 31 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To open and acquire additional truck terminal branches; for increased inventories; and for working capital. **Business** — Transport refrigeration equipment. **Office**—947 Communipaw Ave., Jersey City, N. J. **Underwriter**—Fred Kaufman Co., 120 Elm St., Orange, N. J.

★ Carolina Telephone & Telegraph Co. (3/11)
Feb. 15 filed 58,310 shares of common stock to be offered for subscription by common stockholders of record March 11, 1957 on the basis of one 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.

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 & South West Corp. (3/12)
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). **Bids**—Expected to be received up to 11:30 a.m. (EST) on March 12.

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.

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.

★ Commercial Credit Co., Baltimore, Md. (3/13-14)
Feb. 20 filed $25,000,000 of subordinated notes due 1977. **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Underwriters**—The First Boston Corp. and Kidder, Peabody & Co., both of New York.

★ Commonwealth Edison Co. (3/12)
Feb. 18 filed $50,000,000 first mortgage bonds, series S, due March 1, 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**—To be received at Room 1820, 72 West Adams St., Chicago 90, Ill., at or before 10:30 a.m. (CST) on March 12.

★ Commonwealth Investment Co., San Francisco, Calif.
Feb. 19 filed (by amendment) 2,500,000 additional shares of common stock (par $1). **Price**—At par. **Proceeds**—For investment.

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. **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**—At par (flat). **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 Power Co., Jackson, Mich. (3/6)
Feb. 13 filed 549,324 shares of common stock (no par) to be offered for subscription by common stockholders of record March 7, 1957 at the rate of one new share for each 15 shares held; rights to expire on March 22, 1957. Employees may enter subscriptions for unsubscribed share. **Price**—To be announced on March 4, 1957 (expected to be not less than $4.50 per share below the 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**—To be received up to 11 a.m. (EST) on March 6 at office of Commonwealth Services, Inc., 300 Park Ave., New York, N. Y.

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.

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.

● Development Corp. of America (3/4-14)
Jan. 29 filed 400,000 shares of common stock (par $1). **Price**—$5.50 per share. **Proceeds**—For working capital. **Name Changed**—From Ulen Management Co. on Feb. 15. **Underwriter**—Sutro Bros. & Co. and Allen & Co., both of New York.

★ Eastern Utilities Associates (3/20)
Feb. 18 filed 89,322 shares of common stock (par $10) to be offered for subscription by common stockholders of record March 20, 1957 on the basis of one new share for each 12 shares held (with an oversubscription privilege); rights to expire on April 4, 1957. Stone & Webster Securities Corp., Boston, Mass., will act as subscription agent. **Price**—To be determined by the Association on March 19. **Proceeds**—To purchase common and capital stocks of Blackstone Valley Gas & Electric Co., Brockton Edison Co. and Fall River Electric Light Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co.; Blyth & Co., Inc.; Stone & Webster Securities Corp.; White, Weld & Co. **Bids**—To be received at 49 Federal St., Boston, Mass., up to 11 a.m. (EST) on March 20.

★ Eaton & Howard Stock Fund, Boston, Mass.
Feb. 13 filed (by mendment) an additional 500,000 trust shares (par $1). **Price**—At market. **Proceeds**—For investment.

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 (2/27)
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.

★ Esk Manufacturing, Inc.
Feb. 8 (letter of notification) 150,000 shares of capital stock (par $1). **Price** — $2 per share. **Proceeds** — For manufacture and sale of molded plastic items. **Office**—100 West 10th St., Wilmington 99, Del. **Underwriter**—Ackerson Hackett Investment Co., Metairie, La. and Salt Lake City, Utah.

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.

Food Town, Inc., Washington, D. C.
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.

★ Fort Vancouver Plywood Co.
Feb. 4 (letter of notification) $250,000 of 5% five-year promissory notes. **Price**—At par (in denominations of $100 each). **Proceeds** — To purchase logs, timber and timberlands, to improve and expand plant and for working capital. **Address**—P. O. Box 289, Vancouver, Wash. **Underwriter**—None.

● Freiberg Mahogany Co.
Oct. 11 filed $2,000,000 of subordinated debentures due 1971 and 450,000 shares of common stock (par 10 cents), of which $1,500,000 of debentures and all of the stock are to be offered publicly in units of $500 of debentures and 150 shares of stock; the remaining $500,000 of debentures to be sold to Texas Industries, Inc., which owns about 75% of Freiberg's outstanding common stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units to retire short-term loans and for working capital, etc., and from sale of debentures to Texas Industries to retire a subordinated promissory note payable to the latter firm. **Office**—New Orleans, La. **Underwriters**—Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.; Rauscher, Pierce & Co., Inc., Dallas, Texas and Russ & Co., Inc., San Antonio, Texas. Statement has been withdrawn.

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 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. (3/4-8)
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.

Gold Mountain Lodge, Inc., Durango, Colo.
Aug. 23 filed 5,000 shares of class A voting common stock (par $1), 295,000 shares of class B non-voting common stock (par $1), and $700,000 of 4% debentures due Dec. 31, 1975, to be offered for sale in the States of Texas and Colorado in units of 50 shares of class A stock, 2,950 shares of class B stock and one $7,000 debenture. **Price**—$10,000 per unit. **Proceeds**—For purchase of property, remodeling of present main building, for new construction and working capital. **Business**—Operates year-round resort hotel. **Underwriter**—None

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NEW ISSUE CALENDAR

February 25 (Monday)

Allied Resources Fund, Inc.______________Common
(Fund Corp.) 400,000 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

Tower Acceptance Corp.__________Class A Common
(S. D. Fuller & Co.) $1,000,000

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

Hubshman Factors Corp.__________________Class A
(H. M. Byllesby & Co. Inc.) 200,000 shares

Illinois Bell Telephone Co.________________Bonds
(Bids 11 a.m. EST) $40,000,000

Merchants Acceptance Corp.______________Class A
(Offering to stockholders—to be underwritten by G. H. Walker & Co.) 44,318 shares

South Carolina Electric & Gas Co.__________Common
(Offering to stockholders—to be underwritten by Kidder, Peabody & Co.) 336,085 shares

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

Chicago & North Western Ry.____Equip. Trust Ctfs.
(Bids noon CST) $1,335,000

Elyria Telephone Co._______________________Preferred
(Kidder, Peabody & Co.) $750,000

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)

King Soopers, Inc.__________________________Common
(Offering to stockholders—underwritten by Peters, Writer & Christensen, Inc.) $854,906

Manning, Maxwell & Moore, Inc._______________Common
(Offering to stockholders—underwritten by Clark, Dodge & Co.) 71,390 shares

Transition Metals & Chemicals, Inc.____________Common
(M. S. Gerber, Inc.) $500,000

March 4 (Monday)

Bayless (A. J.) Markets, Inc.__________________Common
(H. M. Byllesby & Co. Inc.) $3,950,000

Development Corp. of America__________________Common
(Sutro Bros. & Co. and Allen & Co.) $2,200,000

Gob Shops of America, Inc.____________________Common
(Bruns, Nordeman & Co.) $300,000

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.

Stuart-Hall Co., Inc.__________________________Common
(White & Co.) about 40,000 shares

March 6 (Wednesday)

Consumers Power Co.___________________________Common
(Offering to stockholders—bids 11 a.m. EST) 549,324 shares

Jorgensen (Earle M.) Co.________________________Common
(Blyth & Co., Inc.) 350,000 shares

Lone Star Gas Co._____________________________Preferred
(Offering to common stockholders—underwritten by The First Boston Corp.) $15,483,400

Southern Counties Gas Co. of California_________Bonds
(Bids 8:30 a.m. PST) $15,000,000

Texas Eastern Transmission Corp.________________Bonds
(Dillon, Read & Co. Inc.) $40,000,000

March 7 (Thursday)

Rochester Telephone Corp.______________________Common
(Offering to stockholders—underwritten by The First Boston Corp.) 195,312 shares

Southern Pacific Co.______________Equip. Trust Ctfs.
(Bids to be invited)

March 11 (Monday)

Carolina Telephone & Telegraph Co.______________Common
(Offering to stockholders—no underwriting) 58,310 shares

General Public Utilities Corp.__________________Common
(Offering to stockholders—without underwriting) 646,850 shares

Minnesota Power & Light Co.______________________Bonds
(Bids 11:30 a.m. EST) $12,000,000

March 12 (Tuesday)

Central & South West Corp._______________________Common
(Bids 11:30 a.m. EST) 600,000 shares

Commonwealth Edison Co.___________________________Bonds
(Bids 10:30 a.m. CST) $50,000,000

New England Electric System_______________________Common
(Exchange offer—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co. to act as dealer-managers) 819,000 shares

Thrifty Drug Stores Co., Inc.______________________Common
(Blyth & Co., Inc.) 200,000 shares

March 13 (Wednesday)

Australia (Commonwealth of)________________________Bonds
(Morgan Stanley & Co.) $20,000,000

Commercial Credit Co.______________________________Notes
(The First Boston Corp. and Kidder, Peabody & Co.) $25,000,000

Montreal Transportation Commission___Debentures
(Shields & Co.; Halsey, Stuart & Co. Inc.; and Savard & Hart, Inc.) $9,000,000

Owens-Corning Fiberglas Corp.______________________Common
(Goldman, Sachs & Co.; Lazard Freres & Co.; and White, Weld & Co.) 300,000 shares

Philadelphia Suburban Water Co.____________________Bonds
(Drexel & Co.) $4,000,000

Pioneer Natural Gas Co.________________________Debentures
(Eastman Dillon, Union Securities & Co.) $12,500,000

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) $1,830,000

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

Spokane Natural Gas Co._____________________________Common
(Offering to stockholders—underwritten by White, Weld & Co.) 135,315 shares

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 11 a.m. EST) 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 11:30 a.m. EST) $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) 1,000,000 shares

June 6 (Thursday)

Georgia Power Co._____________________________________Bonds
(Bids 11 a.m. EDT) $15,500,000

Continued from page 39

★ **Hamilton Corp., Ely, Nev.**
Feb. 7 (letter of notification) 10,000,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds**—For mining expenses. **Underwriter**—None.

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 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.

★ **Hollywood Doll Manufacturing, Inc.**
Feb. 8 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For machinery, advertising fund, raw materials, working capital and inventory. **Office** — 139 North Virginia St., Reno, Nev. **Underwriter**—Bruce Sparks, 139 North Virginia St., Reno, Nev.

★ **Horkey & Associates, Torrance, Calif.**
Feb. 8 (letter of notification) 5,000 shares of capital stock (no par). **Price**—$10 per share. **Proceeds** — For working capital. **Office** — 24751 South Crenshaw Blvd., Torrance, Calif. **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 (2/26)**
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, at Room 2315, 195 Broadway, New York, N. Y.

● **Inter-County Telephone & Telegraph Co.**
Jan. 31 filed 25,000 shares of common stock (par $12.50). **Price** — $44.12½ per share. **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. **Offering**—Expected today (Feb. 21).

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.

★ **Israel American Industrial Development Bank, Ltd.**
Feb. 13 filed $2,500,000 of perpetual 6% debenture stock. **Price** — 110% of par. **Proceeds**—To be converted into Israel pounds and will be used as working capital to extend the medium and long-term credits to enterprises in Israel. **Office**—Tel Aviv, Israel. **Underwriter**—Israel Securities Corp., New York.

Jacobs (F. L.) Co.
Oct. 4 filed $3,000,000 of 6% convertible debentures due Nov. 1, 1966. **Price**—100% of principal amount. **Proceeds**—To pay short-term loans and for working capital. **Underwriters**—McLaughlin, Cryan & Co. and Gearhart & Otis, Inc., both of New York. **Offering**—Date indefinite.

Jorgensen (Earle M.) Co. (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. **Office**—Los Angeles, Calif. **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. (3/1)**
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.

★ **Knickerbocker Shares, Inc., New York**
Feb. 19 filed (by amendment) 500,000 additional shares of beneficial interest (par $1). **Price**—At market. **Proceeds**—For investment.

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.

★ **Loew's, Inc., New York**
Feb. 14 filed 159,030 shares of common stock (no par), which includes 95,700 shares issued pursuant to company's stock option plan to executive officers, and still owned by them, and 63,330 shares reserved for issuance pursuant to the plan but not yet issued.

● **Lone Star Gas Co. (3/6)**
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. (2/25)**
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 3% 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.

McRae Tungsten Corp., Boise, Idaho
Nov. 30 (letter of notification) 100,000 shares of common stock (par one cent) and 100,000 stock purchase warrants (each two warrants to entitle holder thereof to purchase one share of Idaho Rare Minerals Corp. 6% cumulative convertible sinking fund preferred stock, par $10, and one share of Idaho Rare common stock, par one cent at $11 per unit). **Price**—$3 per unit, consisting of one McRae share and one warrant. **Proceeds** — For mining expenses. **Office**—c/o Robert J. McRae, 1704 Gourley St., Boise, Ida. **Underwriter**—Von Gemmingen & Co., Inc., 320 North Fourth St., St. Louis, Mo.

● **Merchants Acceptance Corp. (2/26)**
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. 25, 1957 on the basis of one new share for each three shares held; rights to expire on March 12. **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.

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.

★ **Minneapolis Area Development Corp.**
Feb. 19 filed $1,000,000 of 4% sinking fund income debentures due March 1, 1972, and 25,000 shares of common stock (par $1) to be offered in units of $40 of debentures and one share of stock. **Price**—$50 per unit. **Proceeds**—For acquisition of lands and for development of the lands as sites for industrial purposes; for payment of bank loans; and for working capital and other corporate purpose. **Office**—Minneapolis, Minn. **Underwriter**—None.

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 expected to be received up to 11:30 a.m. (EST) on 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.

★ **Monticello Associates, Inc.**
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

★ **Montreal Transportation Commission (3/13)**
Feb. 19 filed $9,000,000 of sinking fund debentures due March 15, 1977. **Price**—To be supplied by amendment. **Proceeds**—For equipment and improvements, etc. **Underwriters**—Shields & Co., and Halsey, Stuart & Co. Inc., both of New York; and Savard & Hart, Inc., Montreal, Canada.

★ **Nantucket Gas & Electric Co.**
Feb. 1 (letter of notification) 4,500 shares of common stock to be offered for subscription by stockholders on the basis of one new share for each four shares held. **Price**—At par ($25 per share). **Proceeds**—For electric facilities. **Office** — 10 Federal St., Nantucket, Mass. **Underwriter**—None.

★ **National Lithium Corp., New York**
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York.

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 (3/12)**
Dec. 3 filed 819,000 shares of common stock (par $1) to be offered in exchange for capital stock of Lynn Gas & Electric Co. on the basis of two NEES shares for each Lynn share. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co., both of Boston, Mass.

★ **New Orleans Public Service, Inc. (3/28)**
Feb. 15 filed $6,000,000 of first mortgage bonds due 1987. **Proceeds**—For construction program. **Underwriter**—To

be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; 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 up to 11:30 a.m. (EST) on March 28.

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 real estate that will be purchased and for working capital. **Office**—4000 Montgomery Drive, Santa Rosa, Calif. **Underwriter**—None.

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.

★ **Oneita Knitting Mills (3/7)**
Feb. 19 (letter of notification) $296,600 of 20-year 6% debentures due March 1, 1976. **Price**—At par. **Proceeds**—To redeem $292,550 outstanding 6% cumulative preferred stock and for working capital. **Office**—350 Fifth Ave., New York, N. Y. **Underwriter**—None.

★ **Owens-Corning Fiberglas Corp. (3/13)**
Feb. 18 filed 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For expansion program and working capital. **Underwriters**—Goldman, Sachs & Co., Lazard Freres & Co., and White, Weld & Co., all of New York.

★ **Para Pharmacal Products, Inc.**
Feb. 4 (letter of notification) 1,000 shares of common stock. **Price**—At par ($25 per share). **Office**—310 Court St., Salem, Ore. **Underwriter**—None.

★ **Paradise Valley Country Club, Inc., Scottsdale, Ariz.**
Feb. 6 (letter of notification) $300,000 of 5% bonds due 1968. **Price**—At par (in denominations of $500 and $1,000 each). **Proceeds**—For working capital. **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.

★ **Philadelphia Suburban Water Co. (3/13)**
Feb. 19 filed $4,000,000 of first mortgage bonds due 1987, and 20,000 shares of preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Drexel & Co., Philadelphia, Pa.

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 $36,000,000 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.

★ **Pioneer Natural Gas Co. (3/13)**
Feb. 19 filed $12,500,000 20-year sinking fund debentures due 1977. **Price**—To be supplied by amendment. **Proceeds**—Together with proceeds from private placement of $22,000,000 of first mortgage bonds, will be used to refund all but $1,000,000 of company's funded debt; and for expansion program. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

★ **Pittsburgh Rys. Co., Pittsburgh, Pa.**
Feb. 13 filed 547,678 shares of common stock (no par), of which 540,651.75 shares are to be offered for subscription by Standard Gas & Electric Co. common stockholders on the basis of one Pittsburgh Rys. share for each four Standard Gas shares held. The subscription period will run for a period of not less than 21 days. **Price**—To be supplied by amendment (expected to be $6 per share, less any dividends paid on the Pittsburgh Rys. stock after Oct. 19, 1956). **Proceeds**—To Standard Gas & Electric Co. **Underwriter** — None. Standard Shares, Inc., owner of 45.59% of Standard Gas common stock, will purchase all shares of Pittsburgh Rys. to which it is entitled to subscribe, plus any unsubscribed share and the remaining 7,026.25 shares not offered directly to Standard Gas stockholders.

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.

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.

★ **Raytone Screen Corp.**
Feb. 15 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—$3.25 per share. **Proceeds**—To reduce debt, for purchase of inventory and for working capital. **Office**—165 Clermont Ave., Brooklyn, N. Y. **Underwriter**—J. P. Emanuel & Co., Inc., Jersey City, N. J. **Offering**—Expected in March.

★ **Rochester Telephone Corp. (3/7)**
Feb. 15 filed 195,312 shares of common stock (par $10) to be offered for subscription by common stockholders of record March 6, 1957 at the rate of one new share for each five shares held; rights to expire on March 25. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriter**—The First Boston Corp., New York.

★ **Rocky Mountain Research, Inc.**
Feb. 8 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and market research. **Office**—625 Broadway Bldg., Denver, Colo. **Underwriter** — G. R. Harris & Co., Denver, Colo.

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.
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.

★ **Selected American Shares, Inc.**
Feb. 18 filed (by amendment) an additional 297,500 shares of common stock (par $1.25). **Price**—At market. **Proceeds**—For investment.

★ **South Carolina Electric & Gas Co. (2/26)**
Feb. 4 filed 336,085 shares of common stock (par $4.50) to be offered for subscription by common stockholders of record Feb. 26, 1957 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire March 12, 1957. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—Kidder, Peabody & Co., New York.

★ **Southern Co. (3/13)**
Feb. 15 filed 1,507,304 shares of common stock (par $5) to be offered for subscription by common stockholders of record March 13, 1957 on the basis of one new share for each 13 shares held; rights to expire on April 4, 1957. **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.

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 up to 8:30 a.m. (PST) 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. and A. C. Allyn & Co. Inc. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Feb. 26 at offices of Commercial Services, Inc., in New York City.

Southern Sportsman, Inc., Atlanta, Ga.
Dec. 7 filed 486,000 shares of common stock, of which 375,000 shares are to be publicly offered and 111,300 shares are to be reserved on exercise of options to be granted to employees of the company (latter exercisable on or before Dec. 31, 1956). **Price**—$3 per share. **Proceeds**—To buy or establish a complete sporting goods house; other expansion and inventories. **Underwriter**—Investment Underwriters, Inc., Atlanta, Ga. Philip H. Dohn, Jr., and Roger H. Bell, sole stockholders of the underwriter, are officers and directors of Southern Sportsman, Inc.

Southern Union Oils Ltd., Toronto, Canada
Aug. 24 filed 750,000 shares of capital stock (par $1). **Price**—64½ cents per share. **Proceeds**—To selling stockholders. **Underwriter**—None.

Southwide Corp., Anniston, Ala.
Sept. 12 filed 450,635 shares of common stock (par $1), of which 211,681 shares are to be offered publicly 238,954 shares are to be offered in exchange for the class A stock of Capital Fire & Casualty Co. and common stock of Allied Investment Corp. **Price**—$2 per share. **Proceeds**—For purchase of stock of Capital and Allied firms and for purchase of U. S. Government bonds. **Underwriter**—None, but a selling commission will be allowed to dealers for sales effected by them. Elvin C. McCary, of Anniston, Ala., is President.

Sperti Products, Inc., Hoboken, N. J.
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. **Offering**—Expected shortly.

★ **Spokane Natural Gas Co., Spokane, Wash. (3/19)**
Feb. 18 filed 135,315 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each three shares held as of March 19, 1957; rights to expire on April 2. **Price**—To be supplied by amendment. **Proceeds**—Together with bank loans, for construction program. **Underwriter**—White, Weld & Co., New York.

★ **Stein, Roe & Farnham Fund, Inc.**
Feb. 15 filed (by amendment) 200,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

★ **Texas Eastern Transmission Corp. (3/6)**
Feb. 14 filed $40,000,000 of first mortgage pipe line bonds due 1977. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Dillon, Read & Co. Inc., New York.

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.

★ **Thrifty Drug Stores Co., Inc. (3/12)**
Feb. 18 filed 200,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter** — Blyth & Co., Inc., Los Angeles, Calif.

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.

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● Tower Acceptance Corp. (2/25-28)
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-Gulf Offshore Drilling, Inc.
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.

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.

★ U. S. Bearing Corp., Van Nuys, Calif.
Jan. 31 (letter of notification) 100,000 shares of common stock. **Price**—At par ($3 per share). **Proceeds**—To acquire tools, dies, machinery, set up machinery and for working capital. **Office**—7617 Hayvenhurst Ave., Van Nuys, Calif. **Change in Name** — Formerly known as United States Bearing Co. **Underwriter**—Holton, Hull & Co., Los Angeles, Calif. **Offering**—Now being made.

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.

Venezuelan Sulphur Corp. of America (N. Y.)
Jan, 29 filed 150,000 shares of common stock (par 50 cents). **Price**—At market, but not less than $3 per share. **Proceeds**—For mining operations. **Underwriter**—None.

West Penn Electric Co. (2/26)
Jan. 25 filed 528,000 shares of common stock (par $5) to be offered for subscription by common stockholders of record Feb. 26, 1957, on the basis of one additional share for each 16 shares held; rights to expire on March 14. **Price** — To be named by company (sufficient to raise about $11,000,000 or $12,000,000). **Proceeds**—To increase investments in subsidiaries. **Underwriter**—To be determined by competitive bidding. Probable bidders: Carl M. Loeb, Rhoades & Co.; The First Boston Corp. and W. C. Langley & Co. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly). **Bids**—Expected to be received up to noon (EST) on Feb. 26.

★ West Penn Power Co.
Feb. 19 filed approximately $12,000,000 of common stock (no par) to be offered for subscription by common stockholders of record March 21, 1957 (other than its parent, the West Penn Electric Co.). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—None.

★ Western Carolina Tel. Co., Weaverville, N. C.
Feb. 10 (letter of notification) 44,615 shares of common stock (par $5) to be offered to existing stockholders on the basis of one share for each five shares held. **Price**—$6 per share. **Proceeds** — For working capital. **Underwriter**—None.

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.

★ Winter Park Telephone Co., Winter Park, Fla.
Feb. 14 filed 40,000 shares of common stock (par $10) and 4,000 shares of cumulative preferred stock (par $100) to be offered in units of 10 common shares and one preferred share. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Underwriters**—Security Associates, Inc., Winter Park, Fla.; First Florida Investors, Inc., Orlando, Fla., Bache & Co., Miami, Fla.; and Grimm & Co., Orlando, Fla.

Prospective Offerings

● Advance Mortgage Corp., Chicago, Ill.
Dec. 4 it was reported this company (to be surviving corporation following merger of First Mortgage Corp. and Irwin Jacobs & Co. of Chicago) plans a public offering of $1,000,000 class A 6% participating convertible stock (par $1). **Underwriter**—Baker, Simonds & Co., Detroit, Mich. **Offering**—Expected in March.

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 Electronics, Inc., Los Angeles, Calif.
Feb. 18 it was reported early registration is expected of 190,000 shares of common stock (par $1), of which 130,000 shares are to be sold for company's account and 60,000 shares for selling stockholders. **Underwriters**—Van Alstyne, Noel & Co., New York; and Crowell, Weedon & Co., Los Angeles, Calif. **Offering** — Expected about the middle of March.

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 $1,830,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.; Baxter & Co.

★ Australia (Commonwealth of) (3/13)
Feb. 21 (today) the Treasurer of the Commonwealth is expected to register $20,000,000 of bonds due March 1, 1972. **Price**—To be supplied by amendment. **Proceeds**—Principally to refund approximately $17,000,000 of 3¼% bonds which mature on June 1, 1957. **Underwriter**—Morgan Stanley & Co., New York.

★ Baltimore Gas & Electric Co.
Feb. 8 it was reported that company plans to issue and sell about $32,000,000 to $33,000,000 of mortgage bonds, in addition to 580,000 shares of common stock, during the first half of 1957, but the exact amount of bonds has not yet been determined. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co. Inc. and Alex. Brown & Sons (jointly); Kuhn, Loeb & 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 subscription 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.

★ Berkshire Gas Co. (4/1)
Feb. 15 company announced it plans to offer to its common stockholders around April 1 the right to subscribe during a three weeks' period for 20,000 additional shares of common stock (par $10) on the basis of one new share for each five shares held (with an oversubscription privilege). Employees may purchase any unsubscribed shares. **Price**—To be determined later. **Proceeds** — To reduce bank loans. **Underwriter** — None. **Registration**—Expected in March.

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 will be received by company up to noon (EST) 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.

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.

★ Columbia Gas System, Inc.
Feb. 18, company announced that it plans the issuance and sale of additional debentures in order to finance its 1957 construction program, which is expected to cost approximately $87,000,000, which will also be financed, in part, through the offering of 1,500,000 shares of common stock to the public (see above). **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly).

★ Connecticut Light & Power Co.
Feb. 18, it was reported company plans to sell not less than $20,000,000 of first mortgage bonds, possibly this Fall, depending upon market conditions. **Proceeds**—For construction program. **Underwriter** — Putnam & Co., Hartford, Conn.; and Chas. W. Scranton & Co., New Haven, Conn.

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).

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.

★ El Paso Electric Co.
Feb. 12 it was reported company plans the sale this year of some additional common stock (par $5), probably to common stockholders (with an oversubscription privilege). Stockholders will vote March 14 on splitting up the present 896,412 shares of no par common stock into 1,792,824 shares of $5 par common stock and on increasing the authorized common stock to 2,200,000 shares, leaving 407,176 shares available for issuance in the future. **Dealer-Manager**—Stone & Webster Securities Corp., New York.

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, first to common stockholders, $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.

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 Lighting & Power Co.**
Feb. 13 it was reported company may offer late this Fall approximately $25,000,000 first mortgage bonds, but exact amount, timing, etc. has not yet been determined. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.

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.

Jefferson Lake Sulphur Co.
Dec. 27, Eugene H. Waite, 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.

★ **Lincoln Telephone & Telegraph Co.**
Feb. 18 it was reported company plans in April to offer to its common stockholders 68,750 additional shares of common stock (par $16.66⅔) on the basis of one new share for each three shares held. **Underwriter** — Dean Witter & Co., San Francisco, Calif. **Registration**—Expected late in March.

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.

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.

★ **Philadelphia Electric Co.**
Feb. 14 it was announced company plans to offer about 600,000 shares of common stock to its stockholders about the middle of the year on a basis of one new share for each 20 shares held. **Proceeds** — For construction program. **Dealer-Managers** — Drexel & Co., Philadelphia, Pa., and Morgan Stanley & Co., New York, N. Y.

★ **Philadelphia Electric Co.**
Feb. 14 it was also announced company plans to issue and sell in the second half of 1957 additional first mortgage bonds. **Proceeds**—For expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Morgan Stanley & Co. and Drexel & Co. (jointly).

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.

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. 21 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 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.

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.

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 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)**
Feb. 15 it was reported company plans to issue and sell 1,000,000 shares of common stock (par $8). **Proceeds**—About $22,000,000 for new construction. **Underwriters**—To be determined by competitive bidding. Probable bid-

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ders: 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.

Railroad Securities

By GERALD D. McKEEVER

Chesapeake & Ohio

It has been disappointing that Chesapeake & Ohio common has not done better in the recent market weakness after all the character it had built up for itself in the past two years or so. Under the stimulus of the remarkably good earnings report for the month of December and the final results for the year 1956 showing $8.14 net per share, C & O common started to retrace its upward course until it had just about duplicated its 1956 high of 69⅞ by the middle of last month. It thereupon began to show signs of succumbing to general market weakness and, with the assist of a disappointing report for January of this year, "CO" plunged below 60 on Feb. 11 and again the next day. The subsequent rebound of over 2½ points suggests that this stock may be at least temporarily oversold.

The January earnings report showing a $383,000 drop in revenues for the month and a decline in net to 50 cents per common share as against 58 cents for January, 1956 came as a dash of cold water after the fine showing made in the previous month. In the final month of last year revenues were $2,775,000 over the December, 1955 figure and earnings amounted to 81 cents per common share as against 56 cents for the final month of 1955. While it is understandable that this reversal should produce some sobering effect it should not be assumed at this early date that the January report is necessarily indicative of the trend for the full 1957 year or that the $4 dividend rate established in the final quarter of last year for "CO" is suddenly threatened.

Last month was a disappointing one for the rails generally with carloadings down 8% from the level of January 1956 and February loadings thus far still do not offer much indication of bearing out the estimates of the 13 Shippers' Advisory Boards for the first quarter of this year. These estimates placed total carloadings 3.7% above the level of last year's initial quarter and indicated increases of 8.8% and 4.7% respectively for the Ohio Valley and Great Lakes districts which together represent much of the territory affecting the Chesapeake & Ohio as far as domestic business is concerned. The other element, of course, is the export coal business which is largely peculiar to the three Pocahontas roads, but there is no Shippers' Advisory Board for this district.

Carloadings of the Chesapeake & Ohio were down over 10% for January despite the buoying effect of export coal movement as compared with the 6½% decline for the Pocahontas District which the Chesapeake & Ohio dominates statistically as the largest of the three Pocahontas roads. The Chesapeake & Ohio is still classed as a Pocahontas carrier despite the greater diversity given to its business and the deeper penetration of the Great Lakes territory that resulted from the 1947 merger with the Pere Marquette. By way of stricter comparison, the other two Pocahontas roads, the Norfolk & Western and the Virginian, showed respectively a small gain and a 6% decline from the carloadings of January, 1956. This shows the greater sensitiveness of the Chesapeake & Ohio to general business conditions but, as in the case of other coal roads, the effect of a possible let-down in steel operations and in other heavy industry sections will be tempered to a greater or lesser degree by the further growth of export coal movement. This has increased from 34 million tons in 1955 to 48 million tons last year, and some estimates have placed this year's export movement as high as 60 million tons under the added stimulus of the world-wide oil shortage.

The Chesapeake & Ohio has been a prime mover in furthering the export coal business through the creation of American Coal Shipping, Inc., in collaboration originally with the United Mine Workers, but entering subsequently into this enterprise with joint interests are the other two Pocahontas roads as well as the mining companies including notably Pittston Company, Clinchfield, Island Creek, Pittsburgh Consolidated and Pocahontas Fuels. The purpose of the new shipping concern is to insure steady delivery of coal abroad at rates which will be competitive and for this purpose it has chartered 30 Liberty ships and has acquired 99.4% of the stock of the A. H. Bull Steamship Co. which owns 15 cargo ships.

Assuming no major let-down in domestic business activity to liberate rolling stock, the export project will call for further large capital outlay by the Chesapeake & Ohio. While the delivery of 222 diesel locomotive units last year gave the road complete dieselization at then existing triffic levels, the purchase of 30 additional units was authorized last Fall to take care of further growth and the 1957 capital budget also contemplates the acquisition of 8,500 freight cars, all but 2,000 of which will be built in the road's own shops.

The 1957 capital budget of the Chesapeake & Ohio has been set at $105 million as against $90 million last year. This may be one reason for possible apprehension as to the $4 dividend rate if earnings fail to continue their gain. It is much too early to come to any such conclusion, but it is reasonable to expect that if there should be any important dip the capital program would be cut back. As things stand, there is some intimation anyway that part of it may be financed rather than to draw too heavily on the road's earnings and cash resources. This hint was given in the statement made last Fall in connection with the announcement of the 1957 program when it was said that there did not appear to be any need for financing other than equipment trust issues "before mid-1957."

Aside from the possibility of some further rate increase from the pending "rate of return" case in which the C & O and other Eastern roads have applied for an additional 15% increase in freight rates, the outlook for earnings even at the 1956 level depends on traffic stability and growth. The nominal 7% emergency freight rate increase that was granted to Eastern roads last Dec. 31 may be a scant 5% for the Chesapeake & Ohio due to the hold-downs on coal that are estimated to result in an increase of less than 3% on this portion of the road's traffic which represents something more than 50% of its freight revenue.

While all of this may suggest some "chanciness," Chesapeake & Ohio common nevertheless deserves some consideration at the current price level of 10% from this year's high. Assuming that the $4 dividend rate is to be maintained, the yield of 6.4% that is offered at the present price level of about 62½ is highly attractive for a stock of the quality of Chesapeake & Ohio common. As to the outlook for the maintenance of the $4 rate, it must be remembered that the Chesapeake & Ohio, along with other Pocahontas roads, has a long record of a rate of "pay out" well above the 50% rate that was approximated in the last two years and in 1953.

Securities Salesman's Corner

By JOHN DUTTON

Two Case Histories

It is the same in every business—the salesman who is alert to the opportunities that present themselves everyday is usually the man who produces business consistently. It is said that 20% of the salesmen bring in most of the orders. Alertness is one of the main reasons some men can develop accounts, increase opportunities for doing business, and constantly are awake to the possibilities of contacts which can be developed into new accounts later on. Alertness is a quality that can be developed. The foundation for alertness lies in a knowledge of a product plus an understanding of the NEEDS of the prospects whom the salesman meets.

Over the Telephone

Take this from the beginning. This is an actual case history of the opening of a new account with a follow-through that developed another good customer. About six months ago I know of a salesman who was told by his firm that he could offer several hundred shares of a local bank stock that had a limited market. The bank was located in a small suburban municipality adjacent to a large city and the local interest in this bank was quite active. The salesman did not know of any of his clients who might be interested in acquiring this closely held security so he decided to try and find someone in the neighborhood of this bank who might wish to buy the stock. He began by looking through the local telephone book and after calling a few Doctors, a merchant or two, and a few more lawyers he finally obtained an order over the telephone for the stock from one of the town's prominent attorneys.

Several weeks later the salesman noticed a news item in the local paper that the attorney had been made a Judge. He sent a short letter of congratulations. Several months later he noticed a news item again mentioning the Judge's ruling in a case wherein he gave a stiff sentence to an intoxicated driver of an automobile. He sent another friendly letter to the Judge telling him that he was pleased to read of this ruling. Several days later he received a telephone call from the Judge who asked him if he could obtain some more of the bank stock for his father. He took the order but after several months he was unable to fill it. **He called the Judge several times and renewed the order** and each time he became more friendly with him.

Several weeks later the salesman received a telephone call from the Judge's father. He told him that he was recommended by his son and that he would like to obtain some of the bank stock if possible. After a few moments of pleasant conversation the salesman said, "I would like to get you some of that XYZ bank stock if I could but I just don't know when it may show up. I may hear of some for sale next week, or six months from now, or even tomorrow. I am sure you understand that there are only a limited number of shareholders in that bank and we have to wait until someone decides to sell, and then take a chance that our firm will be the one that has the selling order."

Then he went on, "Possibly you won't mind if I make another suggestion—is it possible that you would like to have this stock because of its growth possibilities?" The Judge's father replied that was his idea. Then the salesman suggested that there was an attractive common stock to be offered soon of an independent telephone company operating near the area where the bank was located and he asked if he could mail a prospectus. The issue was attractive and, when the Judge's father read the prospectus, he telephoned several days later and placed an order not only for himself but for three of his grandchildren.

Steps that produced this business:

(1) Local stock with limited market—the bank stock first offered by telephone to local residents where bank was located. Customer developed after about 10 calls were made. (Alertness.)

(2) Two letters sent congratulating the customer on his appointment and upon a recent ruling as a Judge. (Alertness — watching paper and capitalizing on opportunity to become better acquainted on a favorable basis.)

(3) Telephone Judge several times after receipt of order for more bank stock for father—even though the possibilities of executing order were very slim. (Alertness to possibility of cementing a relationship.)

(4) The three steps leading up to the telephone call by Judge's father were the cause of the father's telephoning the salesman. The Judge must have told him to do so.

(5) The salesman had a good foundation of confidence created by the Judge when he offered the father the telephone stock—but he first guessed correctly when he asked if the investment objective was capital gain. It was a correct guess because he knew the bank stock was a low yielding investment based on current income but that the bank had a good growth record and future outlook. (Alertness based on knowledge created the opportunity for making sale number two.)

Modern Security Services this week also tells the history of a sale that was made as a direct result of a newspaper lead that a salesman discovered was only four doors away from his home. The first call was made and the lady who answered the ad was not home—he left some literature and his card. Two nights later he returned and met his neighbor for the first time. She told him that she had read the literature he had left and decided that she was going to close her Savings and Loan account and place the money in Mutual Funds.

The salesman asked her what other investments she had and she told him she had some government bonds and 100 shares of an insurance stock. He then asked how much in dividends she was receiving and she said it was $50 a year and she had no idea of the stock's current value. He offered to investigate it for her. He reported that the stock was not actively traded but that it was valued at $6,000. When the salesman told her this she asked him to sell it and put the proceeds in additional Mutual Fund shares. The stock was sold and a total of $9,000 was invested in two Mutual Funds thereby increasing her income substantially.

The experience with the insurance stock shows that it pays to look beneath the surface when you talk with your clients and prospects.

ALERTNESS IS MONEY IN THE BANK FOR YOU AND YOUR CUSTOMERS!

Robert W. Green

Robert W. Green passed away Feb. 18 at the age of 84, a former member of the New York Stock Exchange. Prior to his retirement he was senior partner in Green, Ellis & Anderson.

Mutual Fund Quarterly Review

Miles Burgess

I thought that front page article on Mutual Fund Portfolio changes (Feb. 7th issue) was **most interesting.** Spent more than an hour on it.
—Miles Burgess, Russ Building, San Francisco 4, Calif.

Mutual Investment Fund, Inc. has just issued its 31st Annual Report to shareholders for the year ending Dec. 31, 1956. Net assets as of that date totaled $12,252,921, an increase of more than $4 million over the previous year, including some $420,000 distributed to shareholders during the year from realized security profits. This is an increase in assets of more than 52% for the year. The number of shares outstanding also increased 52% and the number of shareholders increased by 5,361 to a new high of 13,333, an increase of 67% over the previous 12 months.

Net asset value per share as of Dec. 31, 1956, was $9.56, on the basis of 1,281,206 shares outstanding.

Mutual Investmnt Fund, Inc., as of Dec. 31, 1956, shows investments as follows: 80% in common stocks; 2% in preferred stocks; 10% in bonds and notes; and 8% in U. S. Governments and cash.

Mutual Funds

By ROBERT R. RICH

Institutional Investors Buy More Fund Shares

Fiduciary and institutional investors all over the United States are buying mutual investment company shares in increasing amounts, says the annual report of Massachusetts Investors Trust, oldest open-end investment company in the country.

The Trust had 159,414 shareholders at the 1956 year end owning shares worth $1,098,594,429, with the average shareholder account amounting to $6,900.

The Trust's fiduciary and institutional investors numbering 12,401 owned shares worth $148,591,869. These investors range from individuals, banks and trust companies to hospitals, colleges and libraries throughout the nation.

Fiduciaries alone, including both individuals and banks and trust companies, numbered 8,977 on December 31, 1956, holding 7,065,741 shares with a value of $82,174,568. This compares with 10 years ago when fiduciary investors numbered 3,352, holding some 4,000,000 shares with a net asset value of about $17,000,000, the report said.

The Trustees noted that there is a well-established trend toward increased use by fiduciaries of the shares of open-end investment companies, always within the limitations of the Prudent Man Rule.

This famed Rule, first set forth by judicial decision in Massachusetts in 1830, allowed a trustee to invest the money of his clients freely so long as he conducted himself faithfully, exercised sound discretion and observed how men of prudence, discretion and intelligence managed their own affairs.

Thirty-eight states have adopted the philosophy of this rule relating to investments, and 18 of them specifically authorize investment in investment company shares.

Among institutional investors owning M.I.T. shares are 665 religious organizationss, 318 homes and hospitals, 239 schools and colleges, and 109 libraries. Other such investors include 414 profit-sharing and pension funds and employee benefit plans, 60 investing companies, and 78 insurance companies.

Among the Trust's largest shareholders with investments of $250,000 or more are a labor union, an employee fund, and insurance company, a fiduciary, and a savings bank.

Economic Growth Unimpaired By Levelling Off Now

The inherent vitality of the American economy with its prospects of longer-term growth seems unimpaired, although there are some indications of a levelling-off of the current boom, according to a study published by Calvin Bullock, Ltd., managers of mutual funds with assets totaling more than $400,000,000.

The current issue gives a review of economic and fiscal influences at work during 1956 and a forecast of those that may affect business in 1957.

There are several basic elements of strength in the economy, the analysis says, which should not be overlooked, such as the tools which the Government and the monetary authorities possess to fight a downturn in business, possible increased defense expenditures and the tremendous amount of public works which lies ahead. Also there is the lack of speculative fever that has characterized all the major booms of the past.

"One only has to examine the decline of various industry groups," it points out, "to realize that in many instances the stock market has already taken account of possible unfavorable developments and is thus much less vulnerable than it otherwise might be."

In looking over the coming year, the publication says that, in many instances, the outlook is not for higher profits but for reduced demand or more narrow profit margins. The significance of this development lies not so much in the fact that industries have constructed sufficient capacity to produce a normal surplus, but in its posible effect upon capital expansion plans for business since this type of spending has been such a stimulant to the economy over the past year.

Department of Commerce estimates of plant and equipment expenditures for the first quarter of 1957, "Perspective" points out, are at the annual rate of $38 billion, or less than 2% above the final quarter of 1956, as compared with a gain of 15% compared with the first quarter of 1956.

In general, plant and equipment expenditures appear to be showing the pattern of a peak with probabilities of a decline occurring later in the year, the degree of which will be affected by the trend of corporate earnings. On balance, the analysis says, it is possible that corporate profits may work lower this year. Of major importance is the increasing impact of rising costs on profit margins, which industry finds it more difficult to pass on as increased capacity makes competition more acute.

"The environment," the report concludes, "is one in which the realistic investor will want to keep a reasonable cash reserve for possible buying opportunities and will carefully appraise his portfolio for possible weak spots. Being realistic, the investor will likewise not allow his judgement to become warped by excessive pessimism. The inherent vitality of the economy with its prospects of longer term growth seems unimpaired."

Colonial Fund reports that the calendar year 1956 was the biggest in the Fund's 53 year history, with a record sales volume of $12,231,453. This was an increase in sales of $7,288,998 over 1955 sales. For the year ending Dec. 31, 1956 total net assets available for investment increased $10,766,493 to an all-time high of over $40,070,560.

Personal Progress

Allen F. Frye of Essex has joined the research and supervision division of Keystone Custodian Funds as an industry specialist, President S. L. Sholley has announced. Frye for the past four years was a security analyst for the Old Colony Trust Co.

Frye is a member of the executive committee of the Boston Security Analysts Society and a member of the Boston Investment Club.

Putnam Fund Assets Reach $134 Million

The George Putnam Fund of Boston, "balanced" mutual investment fund, reports total net assets at a new high of over $134,000,000 on Dec. 31, 1956, compared with $121,000,000 a year ago. Asset value per share was $12.44 plus capital gains distributions of 53 cents, making a total value of $12.97 per share compared with $12.75 a year ago.

Payments to shareholders in 1956 rose to a new high total of almost $10,000,000, consisting of $4,395,000, or 43 cents a share, from investment income, and $5,561,000, or 53 cents a share, from realized capital gains. The number of shareholders increased to 39,000 compared with 34,000 a year ago, and the number of shares outstanding rose to 10,776,235 compared with 9,506,100. As of the year-end the total market value of all securities owned exceeded cost by over $34,000,000.

Purchases of new shares by investors during the year increased 22% over 1955 to a new high record, and net new money (purchases less redemptions) increased 39%. At the year-end approximately 34% of the fund was invested in notes, bonds and preferred stocks and 66% in common stocks.

New common stock additions to the portfolio during the last quarter of 1956 included: 10,000 shares Air Reduction Co., 21,000 Arkansas Louisiana Gas Co., 3,000 Chicago Pneumatic Tool Co., 10,000 Crown Zellerbach Corp., 3,000 Franklin Life Insurance Co., 15,000 Grolier Society, 10,000 Signode Steel Strapping Co., and 4,400 S. D. Warren Co.

Eliminations included: 7,000 shares Atchison, Topeka & Santa Fe Ry., 5,800 Fidelity-Phenix Fire Insurance Co., 10,000 Food Machinery & Chemical, 6,700 Illinois Central RR., 4,800 National Tea Co., and 5,000 Sperry Rand.

Over-the-Counter Securities Fund, Inc., disclosed in its first annual report to stockholders that net asset value per share from June 30, 1956 to Dec. 31, 1956 increased from $9.97 to $10.13, a gain of 1.6%. Net assets rose from $105,163 to $127,250 a gain of 21%. The fund has 12,557 shares outstanding Dec. 31 against 10,550 shares on June 30. The fund began investment operations in June of 1956 and paid its first dividend of 10 cents a share Dec. 20, 1956. The payment was made from net investment income.

The new mutual fund, headquartered at Oreland, Pa., is currently 73% invested in over-the-counter stocks. The balance of assets is in cash and U. S. Treasury bills. Investments are held in 27 companies in 16 industries. The larger industry holdings are: electrical and electronics (16%), building and construction (8%), public utilities (6%) and chemicals (6%).

Over-the-Counter Securities, Inc. also reported that the number of shareholders in the fund had more than doubled since the initial private offering of stock. The fund's redemption rate 0.09% of net assets—was well below the industry average.

Concluding the annual report to shareholders, Ralph P. Coleman, Jr., President, pointed out that the dividends on almost 70% of the shares eligible for the initial dividend of the fund reinvested in additional shares of the fund.

DIF Growth Assets Reach $15 Million

Net asset value per share of Diversified Growth Stock Fund, Inc. was $12.73 at the fiscal year-end on Dec. 31, 1956 compared with $11.52 a year earlier. This is an increase of 16.5% in share value for the year, adjusted for the security profits distributions of 69c per share declared on Dec. 31, 1956. For the same period, total net assets of the fund increased $2,395,543 to a year-end figure of $15,273,789.

Shares outstanding on Dec. 31, 1956 were 1,199,661 compared with 1,118,121 a year earlier.

Common stocks newly added to the fund during 1956 were Boeing Airplane Company; British Petroleum Co., Ltd.; Caterpillar Tractor Company; Connecticut General Life Insurance Co.; Consolidated Cement Corp.; Emhart Manufacturing Co.; Marquette Cement Manufacturing Co.; National Life and Accident Insurance Co. and St. Regis Paper Company.

Common stocks eliminated from the fund during the year were Admiral Corp.; Filtrol Corp.; Industrial Acceptance Corp., Ltd.; Kerr-McGee Oil Industries, Inc.; National Homes Corp. "B"; National Research Corp.; Olin-Mathieson Chemical Corp.; Owens-Corning Fiberglas Corp.; Raytheon Manufacturing Co.; Sprague Electric Company and Texas Pacific Coal and Oil Company.

Whitehall Fund, Inc., sales in January set a new record for the 10-year-old balanced mutual fund, it was reported today by the general distributor, Broad Street Sales Corporation.

Proceeds from gross sales of 32,301 shares during the month totaled a new high of $369,805. This compared with a previous high of $230,810 set in November, 1955. Net assets of Whitehall Fund rose to $8,140,273 at January 31, an increase from the year-end of $7,942,047 which was the highest figure the Fund had ever reported previously.

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. 24	§96.7	*97.7	96.6	98.8
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 24	§2,745,000	*2,501,000	2,472,000	2,433,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 8	7,461,100	7,422,050	7,395,850	7,045,750
Crude runs to stills—daily average (bbls.)	Feb. 8	¶8,119,000	8,202,000	8,272,000	8,016,000
Gasoline output (bbls.)	Feb. 8	27,386,000	27,162,000	27,677,000	25,899,000
Kerosene output (bbls.)	Feb. 8	2,613,000	2,825,000	2,622,000	2,594,000
Distillate fuel oil output (bbls.)	Feb. 8	14,086,000	14,615,000	14,393,000	13,437,000
Residual fuel oil output (bbls.)	Feb. 8	8,894,000	8,687,000	9,319,000	9,171,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 8	199,895,000	196,351,000	189,243,000	187,618,000
Kerosene (bbls.) at	Feb. 8	23,614,000	24,622,000	29,795,000	20,069,000
Distillate fuel oil (bbls.) at	Feb. 8	93,516,000	100,369,000	122,983,000	80,569,000
Residual fuel oil (bbls.) at	Feb. 8	37,042,000	38,212,000	42,727,000	37,727,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 9	665,251	647,972	680,766	684,328
Revenue freight received from connections (no. of cars)	Feb. 9	637,694	629,877	592,679	666,757
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 14	$311,646,000	$428,491,000	$334,970,000	$268,250,000
Private construction	Feb. 14	183,177,000	269,307,000	157,874,000	150,052,000
Public construction	Feb. 14	128,469,000	159,184,000	177,102,000	118,198,000
State and municipal	Feb. 14	107,382,000	128,060,000	121,565,000	83,946,000
Federal	Feb. 14	21,087,000	31,124,000	55,537,000	34,252,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 9	9,725,000	8,775,000	10,250,000	10,150,000
Pennsylvania anthracite (tons)	Feb. 9	553,000	573,000	535,000	585,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 9	102	94	107	97
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 16	11,946,000	12,019,000	12,556,000	11,321,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 14	317	237	278	252
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 12	5.560c	5.622c	5.622c	5.174c
Pig iron (per gross ton)	Feb. 12	$62.90	$62.90	$62.90	$59.09
Scrap steel (per gross ton)	Feb. 12	$53.33	$53.83	$59.17	$49.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 13	33.425c	33.600c	35.550c	42.700c
Export refinery at	Feb. 13	30.625c	31.225c	33.775c	44.850c
Lead (New York) at	Feb. 13	16.000c	16.000c	16.000c	16.000c
Lead (St. Louis) at	Feb. 13	15.800c	15.800c	15.800c	15.800c
‡Zinc (delivered) at	Feb. 13	14.000c	14.000c	14.000c	14.000c
Zinc (East St. Louis) at	Feb. 13	13.500c	13.500c	13.500c	13.500c
Aluminum (primary pig. 99%) at	Feb. 13	25.000c	25.000c	25.000c	22.500c
Straits tin (New York) at	Feb. 13	100.625c	102.250c	100.750c	99.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 19	91.11	92.59	90.28	96.05
Average corporate	Feb. 19	96.38	96.23	95.47	108.1[illegible]
Aaa	Feb. 19	101.47	101.14	100.16	111.81
Aa	Feb. 19	99.04	98.73	97.94	110.34
A	Feb. 19	96.23	96.23	95.77	108.16
Baa	Feb. 19	89.37	89.23	88.81	102.80
Railroad Group	Feb. 19	95.16	95.16	94.26	106.39
Public Utilities Group	Feb. 19	96.69	96.54	96.38	108.52
Industrials Group	Feb. 19	97.16	96.85	95.92	109.60
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 19	3.23	3.10	3.30	2.79
Average corporate	Feb. 19	3.98	3.99	4.04	3.27
Aaa	Feb. 19	3.66	3.68	3.74	3.07
Aa	Feb. 19	3.81	3.83	3.88	3.15
A	Feb. 19	3.99	3.99	4.02	3.2[illegible]
Baa	Feb. 19	4.46	4.47	4.50	3.58
Railroad Group	Feb. 19	4.06	4.06	4.12	3.3[illegible]
Public Utilities Group	Feb. 19	3.96	3.97	3.98	3.25
Industrials Group	Feb. 19	3.93	3.95	4.01	3.19
MOODY'S COMMODITY INDEX	Feb. 19	413.9	419.7	435.7	406.[illegible]
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 9	265,863	370,583	298,301	246,870
Production (tons)	Feb. 9	282,539	276,706	277,588	283,58[illegible]
Percentage of activity	Feb. 9	95	94	97	10[illegible]
Unfilled orders (tons) at end of period	Feb. 9	450,170	471,744	475,500	613,937
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 15	111.05	111.03	111.01	107.11
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. 26	1,391,505	1,527,496	918,899	1,351,389
Dollar value	Jan. 26	$66,902,133	$76,462,431	$46,912,489	$71,393,463
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 26	986,035	1,076,150	764,757	1,011,115
Customers' short sales	Jan. 26	10,714	10,855	3,743	5,779
Customers' other sales	Jan. 26	975,321	1,065,295	761,014	1,005,336
Dollar value	Jan. 26	$47,370,141	$53,947,979	$35,690,619	$53,007,826
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 26	203,650	246,970	182,500	229,500
Short sales	Jan. 26	------	------	------	------
Other sales	Jan. 26	203,650	246,970	182,500	229,500
Round-lot purchases by dealers—					
Number of shares	Jan. 26	620,170	652,290	337,380	601,000
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. 26	626,500	584,780	241,370	432,780
Other sales	Jan. 26	10,553,430	12,277,650	7,555,800	10,710,570
Total sales	Jan. 26	11,179,930	12,862,430	7,797,170	11,143,350
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 26	1,476,610	1,491,160	964,140	1,485,280
Short sales	Jan. 26	261,270	242,290	118,900	236,340
Other sales	Jan. 26	1,170,390	1,384,090	764,190	1,260,500
Total sales	Jan. 26	1,431,660	1,626,380	883,090	1,496,840
Other transactions initiated on the floor—					
Total purchases	Jan. 26	316,120	314,310	170,050	294,340
Short sales	Jan. 26	39,700	31,500	6,400	23,500
Other sales	Jan. 26	292,450	384,460	141,580	255,910
Total sales	Jan. 26	332,150	415,960	147,980	279,410
Other transactions initiated off the floor—					
Total purchases	Jan. 26	492,204	579,442	329,240	445,042
Short sales	Jan. 26	110,650	98,570	64,140	55,120
Other sales	Jan. 26	521,422	581,957	340,664	464,485
Total sales	Jan. 26	632,072	680,527	404,804	519,605
Total round-lot transactions for account of members—					
Total purchases	Jan. 26	2,284,934	2,384,912	1,463,430	2,224,662
Short sales	Jan. 26	411,620	372,360	189,440	314,960
Other sales	Jan. 26	1,984,262	2,350,507	1,246,434	1,980,895
Total sales	Jan. 26	2,395,882	2,722,867	1,435,874	2,295,855
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 12	117.0	*117.1	116.7	112.1
Farm products	Feb. 12	88.3	*89.3	88.9	86.0
Processed foods	Feb. 12	104.1	*104.6	104.1	98.7
Meats	Feb. 12	81.9	*83.4	82.5	72.3
All commodities other than farm and foods	Feb. 12	125.4	*125.3	124.9	120.2

*Revised figure. ¶Includes 827,000 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.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of January (in millions):			
Total new construction	$3,046	$3,370	$2,947
Private construction	2,185	2,472	2,176
Residential building (nonfarm)	1,014	1,202	1,080
New dwelling units	895	1,060	980
Additions and alterations	81	102	70
Nonhousekeeping	38	40	30
Nonresidential building (nonfarm)	719	768	650
Industrial	268	270	223
Commercial	244	272	251
Office buildings and warehouses	121	128	105
Stores, restaurants, garages	123	144	146
Other nonresidential building	207	226	176
Religious	68	73	58
Educational	43	46	41
Hospital and institutional	33	32	26
Social and recreational	24	25	18
Miscellaneous	39	50	33
Farm construction	91	90	97
Public utility	350	402	341
Railroad	32	34	30
Telephone and telegraph	75	75	70
Other public utility	243	293	241
All other private	11	10	8
Public construction	861	898	771
Residential building	29	27	20
Nonresidential building	324	311	293
Industrial	33	33	36
Educational	211	200	190
Hospital and institutional	23	23	20
Other nonresidential building	57	55	47
Military facilities	97	108	87
Highway	220	250	215
Sewer and water	100	100	82
Public service enterprises	29	32	25
Conservation and development	48	56	39
All other public	14	14	10
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD — Month of January (000's omitted):			
Total U. S. construction	$1,663,708	$1,590,232	$1,592,837
Private construction	773,059	1,038,408	866,820
Public construction	890,649	551,824	726,017
State and municipal	667,456	430,995	531,428
Federal	223,193	120,829	194,589
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Consumed month of December	631,507	880,549	852,135
In consuming establishment as of Dec. 29	1,567,196	1,433,812	1,698,789
In public storage as of Dec. 29	16,451,579	16,945,675	17,608,197
Linters—Consumed month of December	127,176	128,703	141,592
Stocks Dec. 29	968,855	969,117	1,433,423
Cotton spindles active as of Dec. 29	18,736,000	18,786,000	19,440,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Dec. 29	21,553,000	21,657,000	22,219,000
Spinning spindles active on Dec. 29	18,730,000	18,786,000	19,440,000
Active spindle hours (000's omitted) Dec. 29	8,062,000	11,145,000	10,992,000
Active spindle hours per spindle in place Dec.	403.1	445.8	439.7
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average=100—Month of December:			
Sales (average monthly), unadjusted	200	148	197
Sales (average daily), unadjusted	205	151	194
Sales (average daily), seasonally adjusted	116	120	110
Stocks, unadjusted	121	150	110
Stocks, seasonally adjusted	132	131	121
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of January:			
Industrials (125)	4.13	3.90	4.08
Railroads (25)	6.26	6.01	5.46
Utilities (not incl. Amer. Tel. & Tel. (24)	4.80	4.84	4.62
Banks (15)	4.49	4.41	4.40
Insurance (10)	3.15	3.28	2.84
Average (199)	4.31	4.13	4.21
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914=100—As of Dec. 15:			
All farm products	237	234	222
Crops	240	239	226
Commercial vegetables, fresh	277	264	217
Cotton	262	270	264
Feed, grains and hay	185	182	170
Food grains	234	232	221
Fruit	216	218	208
Oil-bearing crops	264	262	232
Potatoes	158	154	143
Tobacco	461	443	455
Livestock	234	230	219
Dairy products	275	277	266
Meat animals	239	231	201
Poultry and eggs	165	164	264
Wool	256	249	217
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of November:			
Net railway operating income	$87,759,591	$121,713,785	$103,152,041
Other income	19,171,943	21,133,604	17,241,824
Total income	106,931,534	142,847,389	120,393,865
Miscellaneous deductions from income	3,444,700	4,289,067	6,038,420
Income available for fixed charges	103,486,834	138,558,322	114,355,445
Income after fixed charges	72,831,446	107,723,548	83,836,505
Other deductions	4,777,420	4,602,347	4,356,528
Net income	68,054,026	103,121,201	79,479,977
Depreciation (way & structure & equipment)	46,516,480	47,078,052	44,859,537
Federal income taxes	31,436,533	60,171,549	38,496,475
Dividend appropriations:			
On common stock	82,381,570	34,977,453	52,752,180
On preferred stock	4,535,973	1,649,203	4,141,494
Ratio of income to fixed charges	3.58	4.49	3.75
U. S. GOVT. STATUTORY DEBT LIMITATION—As of Jan. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$278,000,000	$278,000,000	$281,000,000
Outstanding—			
Total gross public debt	$276,228,743	$276,627,527	$280,048,744
Guaranteed obligations not owned by the Treasury	106,720	103,229	53,006
Total gross public debt and guaranteed obligations	$276,335,463	$276,730,757	$280,101,750
Deduct—other outstanding public debt obligations not subject to debt limitation	453,250	455,077	472,021
Grand total outstanding	$275,882,213	$276,275,680	$279,629,728
Balance face amount of obligations, issuable under above authority	2,117,787	1,724,320	1,370,271
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Jan. 31	$276,335,463	$276,730,757	$280,101,750
General funds balances	3,265,186	4,427,373	3,251,655
Net debt	$273,070,277	$272,303,384	$276,850,095
Computed annual rate	2.683%	2.671%	2.495%

Our Reporter's Report

The severest market setback in some 18 months does not appear to have cooled the ardor of corporations which had set financing plans designed to raise part of needed new capital through the sale of equities.

On the contrary, firms having such plans under way have been proceeding with them pretty much on schedule. As a matter of fact four of the nine sizable corporate offerings slated for next week involve equities, three being common stock on "rights" and the fourth an issue of preferred.

Generally speaking, things have leaned a bit to the quieter side in the corporate debt issue market this week what with the holiday tending to curtail new financing operations. Southern California Edison's $37.5 million of 25-year, first and refunding mortgage bonds, constituted the week's largest undertaking.

Successful bidders took the bonds as 4¼% at a price of 99.309 and proceeded to reoffer at 100 for an indicated yield of 4.25%. The issue encountered what was described in market circles as "fair demand."

Prospective buyers once more appear to be a bit finicky on the matter of yields and are cutting their ideas rather fine along those lines. It was argued, in some quarters, that a few "basis points" made the difference between a fast sell-out and "fair" deal in this instance.

$200 Million Calendar

Underwriters will find themselves sufficiently busy in the week ahead to obviate any real complaining. True, a goodly portion of the new business in sight is of the "stand by" variety, but then the compensation in such undertakings is usually satisfactory.

Largest over-all offering in the list is Consolidated Edison Co. of New York's $55,087,300 of convertible debentures, due in 15 years, to be offered to holders of record Feb. 25, at the rate of $100 debentures for each 25 shares held.

Illinois Bell Telephone will open bids the same day (Tuesday) for $40 million of 30-year, first mortgage bonds, and Southern Indiana Gas & Electric will sell $5 million of bonds.

Wednesday finds United Gas Corp. due to open bids for $35 million of 20-year refunding mortgage bonds, and bankers are slated to offer $8 million of convertible subordinated debentures of Daystrom Inc. on Thursday.

Equities in the List

South Carolina Electric & Gas Co. touches off a run of equity offerings on "rights" on Tuesday with 336,085 shares being offered holders of record Feb. 26 with the ratio of one share for ten, the rights to expire March 12.

The same day books will open on West Penn Power's 528,000 shares being offered to holders of Feb. 26 in the ratio of 1-for-16, rights to expire March 14. The same day Potomac Electric Power is offering 300,000 shares of its $50 par preferred.

Paying the Freight

Corporate managements presumably are taking a realistic view of the firmness in the money market. At any rate higher costs of accommodation have not, thus far, had the effect of curtailing expansion programs too sharply.

True, there have been some instances of trimming back but these up to this point have been in the minority. It is equally interesting to find the Federal Reserve Board standing by its guns and not yielding to the chorus of attacks and pleas from several directions for a reversal of its stand.

Consensus seems to be that those corporations who are going ahead with borrowing plans are confident that they can make the investment pay off. Of course the "tax angle" tends to modify the effect of the increased cost of borrowing for corporations.

Form Associated Secs.

Associated Securities, Inc. has been formed with offices at 6 West 19th Street, New York City to engage in a securities business.

Irving Allen Opens

BROOKLYN, N. Y. — Irving Allen is conducting a securities business from offices at 194 Falmouth Street.

DIVIDEND NOTICES

E. I. DU PONT DE NEMOURS & COMPANY

DU PONT

Wilmington, Del., February 18, 1957

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable April 25, 1957, to stockholders of record at the close of business on April 10, 1957; also $1.50 a share on the Common Stock as the first quarterly interim dividend for 1957, payable March 14, 1957, to stockholders of record at the close of business on February 26, 1957.

P. S. DU PONT, 3RD, Secretary

DETROIT STEEL CORPORATION

COMMON STOCK DIVIDEND NO. 108

On January 18, 1957, the Board of Directors voted a cash dividend of $.25 a share on the Common Stock payable March 12, 1957, to holders of record at the close of business February 26, 1957.

R. A. YODER
Vice President—Finance

ANACONDA

DIVIDEND NO. 195

February 13, 1957

The Board of Directors of THE ANACONDA COMPANY has today declared a dividend of One Dollar ($1.00) per share on its capital stock of the par value of $50 per share, payable March 29, 1957, to stockholders of record at the close of business, on March 15, 1957.

C. EARLE MORAN
Secretary and Treasurer
25 Broadway, New York 4, N. Y.

DIVIDEND NOTICES

LOEW'S INCORPORATED

February 20, 1957.

The Board of Directors has declared a quarterly dividend of 25c per share on the outstanding Common Stock of the Company, payable on March 30, 1957, to stockholders of record at the close of business on March 12, 1957. Checks will be mailed.

CHARLES C. MOSKOWITZ
Vice Pres. & Treasurer

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share on the 10,020,000 shares of the Company's capital stock outstanding and entitled to receive dividends, payable March 15, 1957, to stockholders of record at the close of business February 25, 1957.

E. F. VANDERSTUCKEN, JR.,
Secretary.

CONSOL

The Board of Directors of **PITTSBURGH CONSOLIDATION COAL COMPANY** at a meeting held today, declared a quarterly dividend of 30 cents per share on the Common Stock of the Company, payable on March 12, 1957, to shareholders of record at the close of business on March 1, 1957.

JOHN CORCORAN,
Vice-President & Secretary

February 18, 1957.

J. O. ROSS ENGINEERING CORPORATION

NEW YORK, N. Y.

At a meeting held on February 18, 1957, the Board of Directors of this corporation declared the regular quarterly dividend of 30c per share on the common stock, payable on March 11, 1957 to stockholders of record at the close of business on March 1, 1957.

J. F. FORSYTH,
Treasurer

KENNECOTT COPPER CORPORATION

161 East 42d Street, New York, N.Y.

February 15, 1957

At the meeting of the Board of Directors of Kennecott Copper Corporation held today, a cash distribution of $1.50 per share was declared, payable on March 25, 1957, to stockholders of record at the close of business on March 1, 1957.

PAUL B. JESSUP, Secretary

BRIGGS & STRATTON CORPORATION

BRIGGS & STRATTON

DIVIDEND

The Board of Directors has declared a quarterly dividend of thirty-five cents (35c) per share on the capital stock ($3 par value) of the Corporation, payable March 15, 1957, to stockholders of record March 1, 1957.

L. G. REGNER, Secretary-Treasurer

Milwaukee, Wis.
February 19, 1957

DIVIDEND NOTICES

NATIONAL STEEL Corporation

NATIONAL STEEL

109th Consecutive Dividend

The Board of Directors at a meeting on February 14, 1957, declared a quarterly dividend of one dollar per share on the capital stock, which will be payable March 11, 1957, to stockholders of record February 25, 1957.

PAUL E. SHROADS
Senior Vice President

NORFOLK SOUTHERN RAILWAY COMPANY

NORFOLK SOUTHERN NS RAILWAY CO.

Common Dividend

The Board of Directors of Norfolk Southern Railway Company have declared a dividend of thirty cents (30¢) per share on the common stock of said Company, payable on March 15, 1957, to stockholders of record at the close of business March 5, 1957.

HENRY OETJEN
Chairman of the Board and President

EASTERN GAS AND FUEL ASSOCIATES

EASTERN GAS AND FUEL ASSOCIATES

SERVING HOMES AND INDUSTRY WITH ESSENTIAL BASIC PRODUCTS

DIVIDENDS

COMMON STOCK — A regular quarterly dividend of 40 cents a share, payable March 28, 1957 to shareholders of record March 1, 1957.

4½% CUMULATIVE PREFERRED STOCK— A quarterly dividend of $1.12½ a share, payable April 1, 1957 to shareholders of record March 1, 1957.

E. H. BIRD, President

250 Stuart St., Boston 16, Mass.
February 14, 1957

CYANAMID

AMERICAN CYANAMID COMPANY

PREFERRED DIVIDENDS

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of ninety-three and three-quarter cents (93¾¢) per share on the outstanding shares of the Company's 3¾% Cumulative Preferred Stock, Series C, and a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series D, payable April 1, 1957, to the holders of such stock of record at the close of business March 5, 1957.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of seventy-five cents (75¢) per share on the outstanding shares of the Common Stock of the Company, payable March 29, 1957, to the holders of such stock of record at the close of business March 5, 1957.

R. S. KYLE, Secretary

New York, February 19, 1957.

DIVIDEND NOTICES

HOMESTAKE MINING COMPANY
DIVIDEND NO. 903

The Board of Directors has declared Dividend No. 903 of forty cents ($.40) per share of $12.50 par value Capital Stock, payable March 15, 1957 to stockholders of record March 1, 1957.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, Secretary.

February 8, 1957

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 36 cents per share on the Common Stock of the Company, payable April 1, 1957 to stockholders of record at the close of business March 1, 1957.

D. W. JACK
Secretary

February 15, 1957.

REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia

PREFERRED DIVIDEND

The regular quarterly dividend of fifty-nine and three-eighths cents (59⅜¢) a share on the outstanding Cumulative Preferred Stock, 4¾% Series A, has been declared for the quarter ending April 30, 1957, payable May 1, 1957, to holders of record at the close of business April 11, 1957.

COMMON DIVIDEND

A dividend of twelve and one-half cents (12½¢) a share on the outstanding Common Stock has been declared, payable April 1, 1957, to holders of record at the close of business March 11, 1957.

The Transfer Books will not be closed in either case. Checks will be mailed by The Chase Manhattan Bank.

ALLYN DILLARD, Secretary

Dated, February 15, 1957

Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

ORIGINAL PREFERRED STOCK
Dividend No. 191
60 cents per share;

CUMULATIVE PREFERRED STOCK, 4.32% SERIES
Dividend No. 40
27 cents per share.

The above dividends are payable March 31, 1957, to stockholders of record March 5. *Checks will be mailed from the Company's office in Los Angeles, March 30.*

P. C. HALE, Treasurer

February 19, 1957

Edison

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — One of the biggest fights business expects to put up in Congress this year is to stop enactment of the bill to prevent competitive price cutting.

The self-elected representatives of "small business" are seeking to push through a bill which, in effect, would repeal a Supreme Court decision. This decision legitimatized price cutting despite the Robinson-Patman Act, if made in good faith to meet competition.

Last year this bill, sponsored by Rep. Wright Patman (D., Tex.) and others, passed the House by a vote of 393 to 3. Having the golden brand of being a "small business" bill, it would likely pass again this year by a large majority unless there is some effective opposition. Spokesmen for business groups believe that if this bill were to become law, it would effectively throttle most competitive price-cutting.

Other anti-trust proposals pending, and backed by the Eisenhower Administration, would require advance notification to the Department of Justice and the Federal Trade Commission of prospective business mergers in the corporate field, and the anti-bank merger bill.

The only reason these schemes have not had a run as yet in the Congressional show is that everybody is rushing to get a "Civil Rights" bill out of committee and passed so that there cannot be an effective filibuster on this proposition near the end of the session. The Judiciary Committees, which handle anti-trust legislation, also have jurisdiction over "Civil Rights" bills.

Martin Answers Eisenhower

As reported last week in this column, the President in an oblique but nonetheless definite statement, indicated in his Economic Report that the Federal Reserve should not be too insistent about not manufacturing bank credit for fear of depressing "small business" and housing.

Chairman William McChesney Martin of the Board made an answer to this thesis in about as blunt a manner as could be done, in appearing before the Joint Economic Committee. While the full text of the Chairman's statement appears in this issue (see page 4), it is nevertheless pertinent to give here one of the key quotations, particularly in view of the fact that Martin's answer was poorly reported in the press in relation to the President's admonition.

"Economic realities cannot be eliminated or circumvented by government fiat.

"Even the Congress with its enormous powers to redirect the available resources of the country (he was addressing a Congressional committee, not the White House directly), must operate within the aggregate resources available.

"In other words, under conditions of heavy utilization of resources generally, an increase in the resources made available to any one sector of the community would have to be taken from other sectors either by taxation, or by some form of direct rationing, or by the processes of the market.

"They cannot be made available by attempts to ease credit. That is the road to inflation."

One-Half GNP Rise Was Inflation

"In 1956, fully half the increase in Gross National Product represented a mark-up in prices. Had commercial banks been enabled to generate sufficient new money to satisfy all the demands for funds that were pressing on the market, the result would have been a smaller rise in interest rates, but at the expense of a sharper rise in the prices of goods and services."

FR Standing Pat

In other words, the implication is that the Federal Reserve is standing pat. It is standing pat even if it has not raised the discount rate beyond 3% in the face of the fact that the Treasury bill rate has for several weeks been above 3%.

This failure to raise the discount rate may be explained by various factors. The Suez crisis and the International Monetary Fund commitment to the British in the fall of the year, together with rising Federal expenses, required the Treasury to pick up more money than it had earlier anticipated. While the "Fed" does not support the Treasury except in emergencies, it shies away from taking steps timewise which would make it especially tough for financing.

Then there was the Christmas demand for credit, which was large. Since Christmas there has been a steady liquidation of bank credit. Money has in late weeks been easing somewhat without any particular effort from the Reserve, a sort of condition of "inadvertent ease."

This situation permits the FR to play a passive role until a firm assessment can be obtained as to what seems to be ahead for business and credit in 1957.

Fear Patman

Curiously the word has been passed around the Hill that one of the main reasons the White House is insistent upon the creation of a "monetary and financial institution" commission is that it wants to stop Rep. Wright Patman, the No. 1 advocate of monetary inflation, from having a go himself at conducting a monetary inquiry.

Mr. Patman has a resolution authorizing a House Banking subcommittee to make a monetary study paralleling that of the proposed Presidential Commission. The White House was reported to be afraid that if the Banking subcommittee, which probably would be headed by Mr. Patman, got the power to make the inquiry, the independent commission would fail to materialize. And the Administration is deathly afraid of a Patman inquiry, it was reported.

That Mr. Patman is a thorough and altogether well-informed student of monetary policy and theory is recognized by most of those in the business. On the other hand, the Texas Congressman is so thoroughly anti-bank, anti-Federal Reserve, and pro-monetary inflation, that he has deprived himself of almost anything but the lunatic fringe following.

Two Years Ago

Among his colleagues on the Banking Committee and in the House, Patman arouses considerable hostility because of his insistence upon all but monopolizing Federal Reserve witnesses before the committee and continuing an uninterrupted pitch of "when did you stop beating your wife" questions at the Federal Reserve.

Two years ago Mr. Patman sought to get authority to investigate the Federal Reserve Open Market Committee. Under pressure of Speaker Rayburn, who is Patman's friend, the Rules committee OK'd the resolution to authorize the then-proposed Patman investigation. Subsequently the Chairman of the Rules committee, Rep. Howard Smith (D., Va.) took the floor against the Patman inquiry and the House killed the thing. (The Rules committee had been scheduled to meet Tuesday of this week to consider further the proposed Patman inquiry).

Housing Shenanigans

President Eisenhower proposed that the Federal National Mortgage Association, a special window of the U. S. Treasury for supporting government-insured and guaranteed loans, be authorized to push out up to $1 billion of money between now and June 30 to provide money for cooperative housing, elderly housing, military housing, and money for buying other FHA and VA loans. Some $300 million would be paid back to the Treasury, the market permitting, by the sale of $300 million of FNMA debentures.

Now there is the greatest confusion of opinion all-around as to what should be done to build up housing under the government-sponsored loan business.

The Eisenhower Administration is on the side of special treatment for this business, despite the absence in a free market of money to meet all the demands. The pro-housers in Congress are on the same side, if somewhat embarrassed by being joined by Mr. Eisenhower.

In the pattern of 1953-onward, the Congressional pro-housers are backing other proposals. Some of them want to tap the reserves of the (War II) National Service Life Insurance Fund. The Administration, of course, objects to this, since the "reserves" have all been spent on the improvement of the farmer, the beautification of "collective security," or the improvement of the world standard of living, and if these were re-directed toward buying veterans' guaranteed mortgage loans, the Treasury trustee would have to hustle out and borrow money to make good the legal speculations from the fund.

Others want simply and forthrightly to appropriate more hundreds of millions of direct Treasury funds for direct lending to veterans who cannot get the mortgage loans.

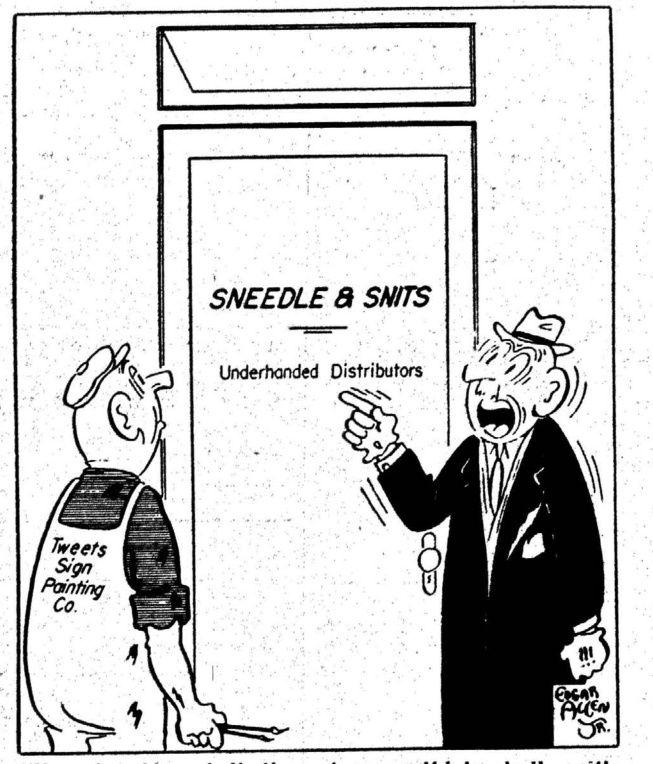
What confuses the picture is that although all hearts beat for easier money for veterans' housing loans, there is considerable difference of opinion as to whether it should be done through NSLI funds, direct loans, or FNMA.

House Cuteness

It thus becomes obvious that there will be many long hassles, hearings, inquiries, and reports, before this Congress as usual comes around June to liberalize still further the availability of mortgage credit. The House Banking Committee has meantime gone exactly 50% of the way asked by Mr. Eisenhower for providing funds for and through FNMA. Thus it will hold up the balance for a form of collective bargaining with the Administration, hoping it can put across later in the year more of its own ideas.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



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With Reynolds & Co.

(Special to The Financial Chronicle)

GREENVILLE, N. C. — Darrell W. Swope has become connected with Reynolds & Co. In the past he was with Courts & Co. and Griffin & Vaden, Inc.

Carolina Secs. Adds

(Special to The Financial Chronicle)

RALEIGH, N. C. — Eugene E. McJunkin and J. Walter Lineberger are now with Carolina Securities Corporation, Insurance Building.