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 move¬ment 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 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 PALY

Dr. Melchior Paly

Concluding that our "expansion will be rapidly approaching its financial limits," Economists observe 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. Find a prescient 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 1957 without as much a seasonal lullowness. The broad indexes are gained, one and all, for a bigger and better year. National income, gross and retail, is in rise another 4% (5% last year) to reach some $410 billion and $330-billion, respectively. Imports are to be boosted by 8% or more. Sales of automobiles and other consumer durable goods 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) prognos¬ter concludes, "seems to be getting on." Of course, all predictions are predicated, on certain assumptions, such as: there will be no war and no peace, no lengthy strikes in leading industries, no upsets 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, not handicapping 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

Ralph A. Rotnem

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

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 290-420 area would invite good accumulation; and expects faith in Govern¬ment'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 popu¬lar 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. 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 I. The ratios averaged higher in 1930-32 than the 1929 peak and 1937 low. Earning power also cost more in 1930 than in 1937 in spite of the fact that the market declined 86% from its 1929 peak to its 1933 low. Earning power also cost more in 1930 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 are low. Continued on page 36

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*Test of an address by Mr. Rotnem before the Stock Market Forum of the Dean's Homemaking Day of Graduate School of Business Administration Alumni Association of New York University, Feb. 16, 1957.
The Security I Like Best

A continuous form 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 form are not intended to be, nor are they to be considered, as an endorsement, as an advertisement, or as a recommendation.)

ELDON A. GRIMM

Vice-President, Wallack & 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 in any sense a "buy" stock, but it does appear to have some romantic possibilities for those who may wish to take the risk involved.

It is traded on the American Stock Exchange under the symbol "NZ." Now or rather wide price fluctuation has taken place in recent years, but for example, in 1947 it sold as low as $1.00 per share, but has spurted to go as high as $31 in 1951.

New Mexico and Arizona Land has 1,000 acres of uranium mining and 500,358 of these, or 50.3% are located in the state of New Mexico, and the balance in California, Oregon, and Washington respectively.

Hence each common share of "Paris" road controls about one-quarter of a share of the land company, and you can buy your interest in New Mexico and Arizona by owning some of the railroad's stock.

New Mexico and Arizona Land holds the mineral rights on a portion of the land subject to the above leases in those two southwestern states. This area is equivalent to one piece of 36 by 36 square miles, almost exactly the same size as the State of Delaware. Of this large area, 1,114 square miles are owned outright by the railroad and another 719,304 acres, is actually owned in fee. The remaining 672,932 acres were sold by the land company before any mineral rights formally were retained. All of this territory was originally granted by the Mexican government and the railroad acquired it in 1869.

To express it in another manner, except for the New Mexico and Arizona Land controls an estimated 1,772,291 acres of mineral rights, including over 710,000 of an acre owned outright.

Total holdings of "NZ" are located in seven different tracts. Located as far as oil possibilities are concerned, in 1,114 areas of southwestern New Mexico, three more in western Arizona, and one in western Arkansas as follows:

<table>
<thead>
<tr>
<th>State</th>
<th>Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Mexico</td>
<td>500,358</td>
</tr>
<tr>
<td>Arizona</td>
<td>411,244</td>
</tr>
<tr>
<td>Oregon</td>
<td>169,279</td>
</tr>
<tr>
<td>Washington</td>
<td>104,497</td>
</tr>
<tr>
<td>New Mexico</td>
<td>719,304</td>
</tr>
<tr>
<td>Total</td>
<td>1,772,291</td>
</tr>
</tbody>
</table>

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 long famed for grazing of cattle and sheep. But, of course, the speculative possibilities seem to lie in the fact that someday some rare minerals of economic value may be found on part of this "dusty" acreage. This is such a large area and much of it has not been too thoroughly explored in the past. One might imagine it would be a good investment to be a "pioneer" on this company, and it is a possibility that this company, and it is a possibility that the land company might score a bull's eye in some location.

In May 1953, Tidewater Oil Co. warded a lease on 250,000 acres in New Mexico and Arizona for uranium exploration, but eventually terminated the lease. Then in 1954, a lease of 105,291 acres in Arizona was granted to Charles McGar and associates who spent $100,000 on uranium exploration for uranium but found nothing of any significant value.

In May 1955, Tidewater Oil Co. was wound a lease on 250,000 acres in New Mexico and Arizona to cover some land in all areas which it discovered for uranium. Tidewater paid "NZ" a $300,000 cash bonus and agreed to spend not less than $500,000 more on actual exploration for uranium and minerals immediately following; that if any stoneminerals were found, the land company would spend $1,000,000 more for the purpose of mining, and that "NZ" stockholders would have to be placed as a partner in such a mining venture.

Tidewater has conducted a thorough exploration program, investigation and ground geophysical exploration survey so far, although none of this work has been done. 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 lease agreement provided that if any mineable ore should be found, Tidewater would own 66.6% of the mining rights on that particular discovery for another five years. As the future of uranium stocks, New Mexico properties aren't too distant from the Ambrosia Lake area of New Mexico, which is a field of Albuquerque. Ambrosia Lake is becoming one of the nation's top uranium "finds" and this could stir up the search in that entire area.

The only dividends paid by "NZ" are out of the company's "profit" of $1,906, 1995, and 1929, and none have been paid since. At the end of 1956, New Mexico & Arizona's financial position was comfortable at $117,700,000 in cash and marketable bonds. Profit after taxes for 1956 was $3,000,000. In 1934 this company was founded with $100,000 in cash and had a capitalization of $5,000,000.

In conclusion, "NZ" seems to be the type of volatile stock which could sell eventually at any $7 a share, or perhaps as little as some two or three times the present level of $1.00. "NZ" is listed under the abbreviated name, "NYE," and is a number of things such as inflation.

WALTER K. GUTMAN

New York City

Shulten, Incorporated

Shulten, Inc., traded Over-the-counter and was found to be the famous Old Spice line of men's toiletries. These are shaving creams, lotions, shaving brushes, and other products. While Shulten could make the famous Old Spice line of men's toiletries, it had no relationship to the stock market.

Walter K. Gutman

New York City

Louisiana Securities

Bought-Sold—Quoted

JAPANESE STOCKS

after remaining at practically stationary levels for years, now appear to be at a turning point to improved Japanese economy.

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March 8, 1953

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The COMMERCIAL AND FINANCIAL CHRONICLE

25 Park Place, New York 7
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 a better year. Dr. Nadler predicts: (1) higher personal consumption expenditures with soft goods doing better than hard goods; (2) larger capital investments despite expectations to the contrary; (3) a smaller boost to output and 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 accented by reduced interests. 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 put myself on the back foot but rather check my own course in order to see whether my thinking is correct or not. Last year I said on the same date I said and I quote: "1956 will be a good year. Whether it is as good as 1955, or only a second-best year, is not as yet clear. A great deal will depend upon internal political developments, upon political developments, and upon the movement of the 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 this careful study, I have reached the conclusion that I merely have to change the number by one. I can and I can make the same forecast for 1957. 1957 will be a good year. Whether it is as good as 1955, 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 vital area of the world. At the same time, we don’t know what the involvement will be and how much it will cost. We also know that the satellite countries are full of interest. They are gradually realizing that the Communist is imposed upon them by the Soviet Union is the gain. On the other hand, I don’t know what the involvement will be and how much it will cost.

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Published Twice Weekly

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Circumventing Economic Realities And Accommodating Credit Needs

By WILLIAM MCHESNEY MARTIN, JR.

Chairman, Board of Governors of the Federal Reserve System

Instability to circumvent economic realities by government fiat and fallacy of monetary manipulation is referred to by head U. S. central banker as explaining how 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 unfulfilled monetary promises 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 feasible alternative to interest rate; and favors comprehensive monetary-credit study.

I welcome inquiry into what monetary and credit policy can do, and cannot, in the light of achieving the goal of sustained \textit{economic growth and widespread prosperity.} The national economy continues to operate at the highest levels in history. Cross national product reached the unprecedented rate of 4.2 per cent by the last quarter of 1956. National income reached more than $650 billion, personal incomes more than $333 billion, and civilian employment about 50,000,000. These figures mark new highs.

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, has kept the construction industry moving for automobiles and new home construction, thus imposing further heavy demands on the production resources.

W. McChesney Martin, Jr.

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Catering to Fluctuations

Monetary policy must be administered with regard to changing situations in the financial markets. During 1956, within its general policy of maintaining a flexible system of controls, deviations from the usual pattern of operations met seasonal changes in the reserve needs of member banks and credit channels and the disturbing movements in financial market prices that have been taking place during the course of the year. The degree of restraint was adjusted to variations in the economic climate and in business activity. Notwithstanding the 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 4 per cent in wholesale prices and 3 per cent in the consumer price index are indicative of the vigor of demands. Such increases cannot be accepted placidly.

In a growing, competitive economy such as ours, production and prices for individual commodities fluctuate over a wide range in response to changes in supply and demand without creating serious over-all instability.

These adjustments are necessary both to the functioning of the market as a whole, to the part of the process of developing and maintaining a high level of employment, economic growth, free markets, and over-all stability in the credit markets, including those arising out of circumstances for which components may be unstable, the total economic picture is an upward trend in production and employment with a horizontal line in prices by the year 1957. In recent years, large shifts in the flow of funds through the economy have originated in such important areas as the Federal deficits, an increasing trend on the part of the Federal government to meet its obligations, and the Federal Reserve System. In 1957, the Federal budget deficit was $6.5 billion.

It is important to recognize that the program and trend in the stability of such funds is the key to 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 help to all of us, but the unlimited supply of easy money would only complicate and worsen the problem.

Handling Meritorious Needs

It has been suggested that the Government take action to enable certain meritorious programs to move forward relatively independently and in the face of monetary restraint. These programs include important questions of public policy, which can be decided only by the Congress. Programs designed to make funds more readily available to some would be a serious loss.

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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 group operating in the industry, including reform of securities laws to permit "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 in Mr. Orrick's press conference. He envisions six New York City "boiler rooms" in a half year grossed over $30 million, with $4.5 million gross profits and long distance telephone charges amounting to $85,000, "to illustrate how this can undermine public confidence and endanger required annual flow of $8 billion in savings for capital investments.

The Securities and Exchange Commission has been entrusted by Congress with the important function of regulating the capital market in its various aspects. The enforcement of this role is performed by the Commissioner and his subordinates. A.WILFRED RICHTER

The most serious peril to the continued health of the capital markets is caused by the activities of boiler-room operators. 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 contracts, and various types of confidence games. Many have been cirque markers and carnival pitch men. They sell corporate securities of dubious value through high pressure and dishonest means. Over the long distance telephone to unscrupulous buyers, the typical shop is located in a garret or shabby back office. It usually employs about 30 salesmen. Their

pitches operate from small cubicles containing several telephones, a list of prospective victims and a 3-minute opening patter. The list of prospects includes the names of deceased widows and relatives obtained from undertakers or it may consist of stockholders of record in large, well-known corporations. The ex-gambler is usually the telephone call 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 to some "special situation" security, which is usually a promotional mining or oil company. They assure their prospects that they will double or triple their money within a matter of weeks. Simultaneously, the prices of the securities being sold 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 price.

$2 Million Gross in A Few Months

The work production requirements of boiler-rooms usually demand that salesmen sell one-third of the presented securities, and the amount of the commissions and the firm's profits on this sale is definitely limited. 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 examination activities. In making their investment decisions, investors should therefore take 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 be as safe and profitable medium for investment as possible. Industry must obtain long-term capital for plant expansion, new equipment, and working capital at a rate of $8 billion a year. One aspect of this vastly needed capital is the savings of the public, which must be attracted to legitimate corporate investments and away from the securities markets. Never before in our economic history have individual investors assumed such importance.

One danger that threatens the corporate system is the offering away of individual savings from investment in legitimate enterprises. Despite the fact that only a small fraction of the business community, there are destructive forces for plant expansion, growth of the area of corporate financing, which tend to undermine public confidence in the stability of the capital market. Stockbrokers are peddling for the benefit of the public from boiler-rooms. Speculative securities in unregulated enterprises are shamelessly touted and manipulated by unscrupulous brokers to realize the maximum profit. The prices of persons are attracted to the securities without the protection of making quick profits. A considerable amount of securities is being illfully distributed and speculate without the basic protection of full disclosure provided by the registration process.

A Few Facts Conclusory

The public in general is not a party to the court proceedings of the Commission. The public record in any proceeding is open to all who wish to read it. It is therefore a good idea for the public to familiarize itself with the Commission's record in the boiler-rooms and watch for the publication of its order in the Federal Register.

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GEORGE F. HUMMEL has joined our organization and has been appointed co-manager of the corporate trading department

with Donald B. Sherwood

EDMUND G. BRADY
CHARLES P. TRUE have also joined the staff of the corporate trading department

Alexander M. Tischler will continue as manager of our service trading department

Reynolds & Co.
Bristol-Myers Company—The "ads" Add to Profits

By IRA A. COLEBRIGHT
Enterprise Economist

A capsule summary of the profitability and prospects of the proprietor of such household standbys as Bufferin, Ipsa, Salas, Castor, Salus, and Bex.

Nowhere does the insistence and conscious effort to pay off more reliably than in the field of proprietary medicine. Link, together a unique name, and the product of merit in the public's mind, by an effective advertising pitch in periodicals, radio, and TV and advertisements achieves a fabulous formula for successful sales and profit.

Name three toothpastes quickly and you fail to include Listerine. Link-odds of media mandarins of Madison Avenue, but to point out the more salient features of this corporate stature and profitability which Bristol-Myers continues to demonstrate clearly, we are far from being a casual admirer. For you see, BMY, in its own special way, is the outstanding example of every producer of durability, growth, development, in the chronic battle for dominance, of our entire enterprise system. Bristol-Myers has paid dividends without interruption since 1900—no mean achievement in itself; and it has for decades been punctuating the bathroom shelf in your home every morning.

BMY ranks among the leading American manufacturers and merchandisers of pharmaceutical, toiletries.

In addition to the items already touched upon, the well-known Vitalis, designed to prevent "Billy Goat hair," Mum and Mum Mist, Talc, cabins, French manicure, tooth drills, and for aching back and aging golfers, and Ban which would have underlined that what ballpoints are to fountain pens, there are also coming along Thorens to keep dandruff from snowing on your blue serge suit; Biogels, a laxative; and Analone, an antacid ready to move into the headache, heart burn and hangover vein. Quite a line, and profitable too.

Then there's the effluent drug division, Bristol-Myers Inc., New York, a leader in penicillin and streptomycin. It was the first commercialization of 1951, of a broad spectrum antibiotic, tetracycline. A new oral version of this drug was first put on the market in November of last year. It's called "Tetracyclin," and its great virtue is to be a great advance in the field, and, quite possibly, a substantial additive to BMY earning power in the future. Altogether Bristol Laboratories, and the extraneous field of endeavor that has attracted the Bristol-Myers management, doorkeepers to the beauty and glamour of the Avon Products Co. In this line BMY has already seen a glimpse of the future, of the exciting results from its recently acquired Luxor, Inc., purchased last May, and grossing at the rate of $3,750,000 annually at the time. Th. e other conglomerate divisions, the Sun Tube Company and Rubber Brush Company, which had not moved about as rapidly as the proprietary section, profitfully sold last year with part of the proceeds applied to the overall expansion and research.

Abroad, Bristol-Myers has fully satisfied its ambitions in Mexico, Argentina, Brazil, Britain, and Canada, South Africa, and South Africa, with manufacturing licensees in other foreign countries, they are over 360 employes and 15,000 stockholders.

Sales gross iron heavy toward the profit: with about 60% coming from that source in 1953. The gross from salable drugs (25% not recurring) from the tube company, and the drug sales from absorbent materials.

Postwar net sales were irregular but in a rising trend, moving from a low of $14,000,000 in 1944 to $75,700,000 in 1955 and above $90,000,000 for 1956. For 1956 the net should run around $3.50 per share, up from 1955's 25c per share position has been consistently strong with the market and the asset ratio at the 1955 end.

Capitalization is three-fold: 13 million shares of common stock selling at $120 per share, 7,000,000 common shares listed on the New York Stock Exchange and selling currently at 44. The stock was split 2 and 1 in 1945 and in view of the quite small number of shares outstanding, another split, spreading the market appeal of this interesting equity, looks probable, for the BMY dividend policy for the past several years has been to divide profit about 60% net. The current-quoted dividend is $1.80 and (assuming capacity to earn above $41 million) EMY yields 4.10% currently, and at 1.1 turnover indicates 1957 earnings. The dollarization of earnings is a new and fine aspect of Bristol-Myers-especially as an increasing percentage of its profit is coming from ethereal drugs. Many strictly ethical drug stocks sell at 15 to 18 times earnings.

But the investor, the one who cares, has the $3.75 preferred, a high class investment stock selling at 85 (and trendings at $84.50) and the common, which has definitely 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 adjustment addition might produce. The past year range for the stock has been between 125c and 45%. So you're not asked to strategize prices to get aboard today.

The chatter in many board rooms here and everywhere tells you of a theory of gradual erosion, of the dollarization of earnings, of the general market, that it is the wave of the future. We heard the same from the management. It is the wave of the future to reflect the bulge in earning power which the latest adjustment addition might produce. The past year range for the stock has been between 125c and 45%. So you're not asked to strategize prices to get aboard today.

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$40,425,000
State of New York

4%., 21/2%, 2.60%, 2.70%, 23/4% and 2% Housing Bonds

To be dated March 1, 1957; to mature as shown below. Principal and semi-annual interest (March 1 and September 1) payable in New York City. Coupon Bonds in denominations of $1,000, exchangeable for Bonds registered as to principal and interest in denominations of $1,000, $5,000, $10,000 and $50,000. Registered Bonds may be exchanged for coupon Bonds at the expense of the holder.

Interest Exempt from Federal and New York State Income Taxes under Existing Statutes and Decisions

In our opinion, these Bonds meet the requirements as Legal Investments for Savings Banks and Trust Funds in New York and certain other States and for Savings Banks in Massachusetts and Connecticut.

These Bonds are acceptable to the State of New York as security for State deposits, to the Superintendent of Insurance to secure policyholders and to the Superintendent of Banks in trust for Banks and Trust Companies.

In the opinion of the Attorney General of the State of New York, these Bonds will constitute valid and binding general obligations of the State of New York, and the full faith and credit of the State will be pledged for the payment of the principal of and interest on the Bonds.

AMOUNTS, MATURITIES, COUPONS AND YIELDS OR PRICES

Due $825,000 each March 1, 1959-2007, inclusive

The State reserves the privilege of redeeming, at par value and accrued interest, on March 1, 1997, or on any interest payment date thereafter, all of the Bonds maturing 1998-2007, or all of the Bonds of a single maturity beginning in the inverse order of their maturity.

<table>
<thead>
<tr>
<th>Due</th>
<th>Coupons</th>
<th>Prices to Yield</th>
<th>Yields or Price</th>
<th>Due</th>
<th>Coupons</th>
<th>Yields or Price</th>
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<tr>
<td>1959</td>
<td>4%</td>
<td>2.00%</td>
<td>1968-69</td>
<td>4%</td>
<td>2.40%</td>
<td>1980-1982</td>
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<tr>
<td>1960</td>
<td>4</td>
<td>2.10</td>
<td>1970-71</td>
<td>4</td>
<td>2.45</td>
<td>1983-1986</td>
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<td>1972-73</td>
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<td>2.50</td>
<td>1987-1990</td>
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<tr>
<td>1962</td>
<td>4</td>
<td>2.20</td>
<td>1974</td>
<td>21/2</td>
<td>2.40</td>
<td>1991-1996</td>
</tr>
<tr>
<td>1963</td>
<td>4</td>
<td>2.25</td>
<td>1975-76</td>
<td>21/2</td>
<td>2.45</td>
<td>1997-2002</td>
</tr>
<tr>
<td>1965-67</td>
<td>4</td>
<td>2.30</td>
<td>1977-79</td>
<td>21/2</td>
<td>100 (price)</td>
<td>2003-2007</td>
</tr>
</tbody>
</table>

(Accrued interest to be added)

The above Bonds are offered, subject to prior sale before or after appearance of this advertisement, for delivery when, as and if issued and received by us and subject to the approval of legality by the Attorney General of the State of New York.

Interim Certificates will be issued pending the delivery of definitive Bonds.

The First National City Bank of New York
Lankers Trust Company
Smith, Barney & Co.
Harriman Ripley & Co.
Lazard Frères & Co.
Merrill Lynch, Pierce, Fenner & Beane
Drexel & Co.
Continental Illinois National Bank
American Securities Corporation
Coffin & Burr
Deminick & Dominick
Dick & Merle-Smith
City National Bank & Trust Co.
City National Bank & Trust Co.

J. P. Morgan & Co.
Halsey, Stuart & Co. Inc.
Goldman, Sachs & Co.
Eastman Dillon, Union Securities & Co.
Wood, Struthers & Co.
Webber, Jackson & Curtis
Bacon, Stevenson & Co.
The Boatmen’s National Bank
Alex. Brown & Sons
Clark, Dodge & Co.
Haysen, Stone & Co.
Hirsch & Co.
Laidlaw & Co.
Lee Higginson Corporation
Roosevelt & Cross
Sherwood, Hammill & Co.
F. S. Smithers & Co.
Robert Winthrop & Co.
Braun, Bosworth & Co.
J. C. Bradford & Co.
R. S. Dickson & Company
Eldredge & Co.
Stroud & Company
G. H. Walker & Co.
Branch Banking & Trust Co.
Mercantile-Safe Deposit
Bacon, Whipple & Co.
Trust Company of Georgia
Andrews & Wells, Inc.
Byrne and Phelps
Baker, Weeks & Co.
Rand & Co.
Schafer, Necker & Co.
Shelby Calloin Davis & Co.
Eldridge E. Quinlan Co. Inc.
Gordon Graves & Co. Inc.

Ple, Fenn & Co.
Glore, Forgan & Co.
Goldman, Sachs & Co.
Eastman Dillon, Union Securities & Co.
Wood, Struthers & Co.
Webber, Jackson & Curtis
Bacon, Stevenson & Co.
The Boatmen’s National Bank
Alex. Brown & Sons
Clark, Dodge & Co.
Haysen, Stone & Co.
Hirsch & Co.
Laidlaw & Co.
Lee Higginson Corporation
Roosevelt & Cross
Sherwood, Hammill & Co.
F. S. Smithers & Co.
Robert Winthrop & Co.
Braun, Bosworth & Co.
J. C. Bradford & Co.
R. S. Dickson & Company
Eldredge & Co.
Stroud & Company
G. H. Walker & Co.
Branch Banking & Trust Co.
Mercantile-Safe Deposit
Bacon, Whipple & Co.
Trust Company of Georgia
Andrews & Wells, Inc.
Byrne and Phelps
Baker, Weeks & Co.
Rand & Co.
Schafer, Necker & Co.
Shelby Calloin Davis & Co.
Eldridge E. Quinlan Co. Inc.
Gordon Graves & Co. Inc.

J. B. White
D. White
R. D. White & Company
R. D. White & Company
John Small & Co., Inc.

February 15, 1957.
DEALERS... We again suggest you and your clients can profit in:

**Electronic Stocks**

This industry is now fourth largest in the United States. 

- *Avoncor Corp.*
- *Airborne Instr. Lab.*
- *Aircraft-Radio Corp.*
- *Burdy Corp.*
- *Cabinet Radio*
- *Dynamics Corp. of Amer. Pfrd.*
- *Electronic Associates*
- *Hyson Mfg.*
- *Kress & Heintz*
- *Perkin-Elmer*
- *P. R. Mallory*
- *Sprague Electric*

**TROSTER, SINGER & CO.**

Members New York Stock Brokers Association

74 Trinity Place

Hankover 2-3600

New York 6, N.Y.

The Commercial and Financial Chronicle. Thursday, February 21, 1957

**Boston Investm'n 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' Associations. 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.

**MUSEUM OF SCIENCE AND INDUSTRY**

Chicago, Illinois

- *Science House* is located in the Merchandise Mart.
- *Art Institute of Chicago* is one of the finest art museums in the country.
- *Field Museum of Natural History* is dedicated to the study of the natural world.
- *Shedd Aquarium* offers a unique experience of aquatic life.
- *Pritzker Pavilion* is a modern architectural marvel.
- *Doolittle Theatre* provides a venue for various performances.
- *Lincoln Park Zoo* is home to a variety of animals.

**Dempscy-Tegeler & Co.**

52 South LaSalle Street

Chicago 2, Ill.

WRITE FOR LATE REPORT ON

**L. A. DARLING CO., INC.**

300 Sunset Plaza, Beverly Hills, Calif.

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200 Madison Avenue

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Chicago 2, Ill.

- *Coloado Springs Management Co.*
- *Alexander R. Ormond* is now affiliated with Arthur L. Weir & Company, Burnside Building.
- *Joins Allen Inv. Co.*

**With Paine, Webber**

**PHILADELPHIA, Pa.**

- *Paine, Webber, Jackson & Curtis* is one of the largest investment banking firms in the world.
- *Dempsey-Tegeler & Co.*

- *36 South LaSalle Street*
The Demand for Capital and the Interest Rate Trend

By ROBERT G. VAN CLEAVE

This nation, and most of the rest of the world, are launched upon an era of unprecedented 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.

This era rests upon a double foundation. First, that the so-called "undeveloped" regions must, in some period of years rather than of generations, catch up to the standards of material well-being enjoyed by the early days 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 a century ago, which grew during the 'nineties and the war period, and which are now closing the economic environment radically different from anything known in this country before.

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

Perhaps it is significant that the government has been used as a cause to effect a cause to relationship. In the beginning a small group of things are governmentalized to greater economic activity. There 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 almost 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. While predictions of the people now are the government's share of the government effect on government. The President, in a recent press conference, said:

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

We now have a dominant view in government, the Economy, of an apparently overwhelming majority of the democratic electorate, which leads me to say:

(1) Anything less than full employment is a social and material re

condition must go unfilled. The clear and unmistakable tendency today is to equate "need" or "desire" with "effective" economic demand. Then this is the rule we have a great modern innovation of the old aphorism that human wants in total are inestimable. It is more than a truism today that the nation needs a home, the small businessman needs capital, the farmer needs electric lights, telephones, and power-driven equipment, the government needs schools, hospitals, sanitation and water systems; the nation needs roads, dams, irrigation plants, desalinated 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 everyone everywhere. This 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 Gan,

The nation needs a home; the small businessman needs capital; the farmer needs electric lights, telephones, and power-driven equipment; the government needs schools, hospitals, sanitation and water systems; the nation needs roads, dams, irrigation plants, desalinated 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. The nation has assumed a responsibility for the material well-being of everyone everywhere. This 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 Ganges, the Ganges, the Jordan, and the Nile are the most eagerly awaited developments. Dams should be built, and should be built by the government. The nation needs a home; the small businessman needs capital; the farmi
**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 that IMF dollar emergency aid unfortunately cannot change the balance of payments condition. He admits a much needed shock to Britain, particularly the labor unions. Advises precarious position be emphasized to offset false feeling of security, and believe they will not be able to control foreign exchange demands on sterling. To liquidate their commitments it is necessary.

**LONDON, Eng.**—The strongly adverse trade balance of the United Kingdom, which has become a shock to British public opinion, may not, on the basis of present available figures, be affected by the sterling scare. Yet it stands to reason that the trade deficit, which has not been corrected for a considerable period of time, will mean a rise in unemployment, a lowering of the standard of living, and a decline in the purchasing power of the pound.

According to a statement by the United Kingdom Ministry of Finance, the trade deficit of the country in the first half of the year amounted to £121,698,000. This figure represents a rise of 43.9% over the corresponding period last year, and a rise of 32.8% over the year 1950, when the trade deficit was £91,169,000.

The deficit is expected to continue at least through the summer months, and will, according to the Ministry of Finance, be worse in the third quarter of the year. The deficit is expected to be £250,000,000 for the year 1951, as compared with £175,000,000 last year.

The Ministry of Finance estimates that the deficit will amount to £300,000,000 in 1952 and £300,000,000 in 1953.

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The deficit is expected to amount to £300,000,000 in 1952 and £300,000,000 in 1953.

**Bussiness Backbone!**

In his recent speech, Dr. Einzig emphasized the severity of the situation facing the country. He expressed concern over the growing trend of increased unemployment and the decline in the purchasing power of the pound. He urged the government to take immediate action to correct the situation and to prevent further deterioration of the balance of payments condition.


dr. einzig

Trust in a currency tends to in¬
fluence the level of foreign ex¬
change demand, and if this de¬
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ling scare, it will mean a rise in unemployment, a lowering of the standard of living, and a decline in the purchasing power of the pound.

For example, the United Kingdom Ministry of Finance estimates that the trade deficit of the country in the first half of the year amounted to £121,698,000. This figure represents a rise of 43.9% over the corresponding period last year, and a rise of 32.8% over the year 1950, when the trade deficit was £91,169,000.

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

This gives rise 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 particular appeal or to stand out from the stream of new business.

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 business bank combinations.

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 of the Commercial Banker.

Some national patterns of credit to Mortgage Bankers have been established and a general ac¬ceptance of the mechanical structure of the handling of the 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 Mort¬gage servicing firm for others and requiring a certain amount of commercial bank credit has an entirely different function. There have been a few difficulties in construction loans due to errors in judgment or over-stretching from the stand point of selectivity as to quality and collateral relationship.

On the other hand it is common for a mortgage loan to require the services of other commercial bank customers from the standpoint of amounts required, rates, detail work in¬volved, activity of accounts, and of course, balances in propor¬tion to loan.

My experiences with Mortgage Bankers, although most of the telling 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 desir¬able enough to warrant his cooperation.

But you, of course, realize that although there are many of you who are in the line of business and the correspondence for many years, the volume of the Mortgage Banker's business as we have known it today has built up very substantially over the years. There's been an ever-increasing, 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 busi¬ness developed.  

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus.

$112,500,000
Trans-Canada Pipe Lines Limited

$54,166,700
5.85% Subordinated Debentures due 1987, Canadian Series
$20,833,300
5.60% Subordinated Debentures due 1987, United States Series
3,750,000 Common Shares
(Per value $1 per share)

The Debentures and the Common Shares are being offered in Canadian Units and in United States Units. Each Canadian Unit is $100 principal amount. Each Canadian Series Debenture and five Common Shares, each United States Unit will consist of a $100 principal amount United States Series Debenture and five Common Shares. Three Common Shares will be transferable separately on June 4, 1987 (or the date on which the Company first issues First Mortgage Pipe Line Bonds, whichever is later) and will be transferable separately at the option of the Company at any time after November 1, 1988 and in any event prior to January 1, 1960.

541,667 Canadian Units are being offered in Canada by Nesbit, Thomson and Company, Limited, Wood, Gundy & Company Limited, McLeod, Young, Weir & Company Limited and by various agents in Canada. 208,333 United States Units are being offered in the United States by a group of United States Underwriters, which includes the undersigned.

Price $156 per United States Unit
plus accrued interest on the Debentures from January 1, 1997

Copies of the Prospectus may be obtained in any State only from such of the several Underwriters, including the undersigned, as may lawfully offer the securities in such State.

Lehman Brothers
Stone & Webster Securities Corporation
White, Weld & Co.

February 15, 1957.
The Aims of the NSTA

By WILLIAM J. BURKE, JR.*
May & Gannon, Inc., Boston
President, New York Stock Exchange, Inc.

Newly elected President Burke praises Over-the-Counter Market trading as a wonderful profession and comments on lack of favor- able over-the-counter publicity. Mr. Burke reviews the economic contribution made by traders, denounces the inactions between NASD and SEC, and leadership undertakings 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 leading desk. We have no paid staffs. It has long been my belief that we as an associa-
tion can best serve ourselves, our industry, and our economy when we work through the various Stock Exchanges, the NASD, the IB, and the Investment Trusts, all of which have paid officers and staffs rather than by our attempting to carry on the work, because valuable members, we might be unable to do so. After a successful conclusion of that, I do not come to you with a sales talk. The fact is, as organizations go, the NSTA is more informal and unobtrusive than anything else. We have always, and know, always laid great stress on the social aspects of the fact. For my part, I feel that these social contacts and aspects are among the most valuable assets that we as a group enjoy.

What Is the NSTA?

In the year 1904 a small group of traders had the foresight to see the need for an organization such as ours and the National Securities Traders Association. Twenty-three years later that small organization has grown to a membership of a hundred in 31 affiliates and is a recognized and respected force 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 acquaintance and to afford the means of discussing matters pertaining 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 guiding principle, Trans- latet: "Voce Our Word Is Our Bond."

Tonight the Preamble of our organization and the theories for which this organization was founded is portrayed by the social gathering before your dinner and this short survey of ideas we are now holding.

Praesidium Over-the-Counter

You know as I do that this Over-the-Counter Market operates in a vast market place in which we serve both the giants of business and industry effectively and at the same time, 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 realize that we could bring it to public attention by giving it a chance to grow by lending it our experiences, and then I would feel interesting other people in my own deductions and sharing my experience.

The Over-the-Counter Market is the oldest market for securities in existence and the essence of the spirit of the Over- the-Counter Market to biblical days has been a market place for the small individual, abstruse and usually unappreciated.

The Over-the-Counter Market is the largest of all markets. We can do a business with it. As my talk has for its purpose the promotion and establishment 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 understanding and appreciation that it so truly deserves.

Traders Economic Contribution

We traders are important to the economy of the 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 very future of our country. It's that simple.

I would like, at this time, to emphasize the fact that our members have done in the past and which have contributed greatly to our well being and which indicate justification for the future.

As I stated above our association has been in existence for five years and there is no doubt that we have had important days of the depression in the middle thirties when the Admin- istration imposed so much regulation that it was too kindly disposed toward our business and made an unfair statement. At any rate, our founders at that time were busy creating a social atmosphere and regulating the high standards of ethical conduct that we traded the dealers and the public could rely on what they could to eliminate that which would exist to exist between the regulatory bodies and our industry. Because of our professional love, we felt that it would be good public policy, to cooperate with the Government Commissioners to the better of our National Officers, our Ex- ecutive Committee, the Presidents of our affiliates, at an annual dinner to be held in Washington. We were delighted that this invitation was so gro- ciously accepted.

This annual dinner was so successful and so well received by our affiliates that they decided to reciprocate. To that end we all attended what they called a day at the SEC at which and we darkened the fashion our mutual problems. In the future we hope to have their guests at a luncheon.

Liaison Between SEC and NSTA

The close liaison that developed between the members of our association helped eliminate existing animosities and was extremely helpful to us in our induc- tory. In the past only a small number of the SEC felt that some of the members of Congress might feel that our activities were in violation of the regula-
tion and as a result our proposal appeared before Congressional regulatory agencies. The feeling was that those meetings engaged, however, continue.

I would also like to call your attention to the fine piece of work that was done by the corpor- ate and legislative committees some of which benefited not only all of our in-
dustry but in the past 20 years industries, because it defeated what would have been a very bad proposal. As a result of the secondary taxation, we go back in another administration in plan to make government regulatory agencies self-sustain-
ishing by their levies charged upon the inactivity of the market place.

We have set ourselves the objective that the monies col-
lected would pay the operating expenses of that agency.

NSTA's Successful Tax Opponent

There was an occasion when the SEC was to be the guinea pig in this particular tax proposal. The Commissioners were opposed to this type of tax and opposed the proposal. If it was not to be determined how it should be levied, a hearing was called. It was then told that if they did not go ahead and try to tax the receipts in some way one would be developed for them and presented to this country. There was no more shutting of public opinion, within and without, and the SEC made the Corporate and Legislative Committee working in concert with industry, that, during, weeks after the famous legislation, to defeat. The Commissioner, I, of course, am not going to delve further into a discussion of the Over-the-Counter Market but I would like to emphasize the fact that Without that understanding, regulatory agencies is aimed not only at those in our own industry, but at the investing public.

Outlines Goal

In brief outline we will attempt to:

(1) Raise the esteem and trust of the investing public for the secure of our industry.

(1) Instill confidence and understand for the trader within the security field.

(2) 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. Such securities are handled by members of our association.

(5) To enhance the traders reputation by his association with the security industry.

(6) To make it a difficult program to develop but one tre- mendously worthwhile. If any of you would have thought we would help us in developing it, I would like to thank you for forwarding them to me in writing to my office in Boston.

In the future steps in developing this program will be to see close liaison with the New York Stock Exchange, the national and regional affiliations, and to see that our affili- ates that they be sure to invite the President of our association who reside in their locality to be a guest at all gathering of the affiliates. We, as an industry and as a professional group, have been receiv- ing a most favorable press. We must be sure to have such a favorable one without romanticizing men commenting on our phase of the industry.

Informative Releases

Another facet of our public rela-
tions efforts will be to use our affiliates, the National Association, and the regional and local affiliations of our own better to reach and inform the public and to be of benefit in enlighten-
ing the public at large. We will be working together, and to us we will make all the efforts that we can to use the financial press as well as recognizing our own public relations members and publicity groups to the extent that the public relations field will greatly enhance the use and placement of our own public relations effort.

The businesses and industries who member public relations of our own, and that at the same time become a part of our public relations effort would be of great assistance to us.

With Reinhold & Gardner

(5) To establish joint public relations efforts of two and three firms, or at least offer our small places to the industry and to benefit of enlighten-
ing the public at large.

The friends we all make among the public relations people will greatly enhance the use and placement of our own public relations effort.

The businesses and industries who member public relations of our own, and that at the same time become a part of our public relations effort would be of great assistance to us.
Time to Buy Bonds

BY CHESTER S. IVESON


Re-examination and appraisal of the existing situation in the bond market prompts noted railroad securities expert to con
clude that for selected investment purchases "it is time to buy bonds."

Mindful of signs that our postwar boom has lost force and that inflation may still continue, Mr. Iveson 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 and stocks, bonds have been in a bond bear market. Examples of bond prices and yields that have been extremely attractive are shown in 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, the present decline in bonds has astonished The reasoning on which each of these major types of securities has moved is opposed in direction, to historically high prices, and bonds, to historic low prices, is a warrant to re-examine and re-interpret the bond market at this time.

Looking at Bonds

Certainly stocks constitute more glamorous investments than bonds. The popular medium of investment than bonds. Many newcomers to the field of investment of recent years, are thoroughly stock-minded and give little or no attention to bonds. Yet, to experience the advantages of both bonds and stocks, the investor who can carry a fixed amount of dollar income in the form of bond interest, constitutes bond to the most solid and important medium of investment.

In considering the case for bonds, one obvious question at the outset is whether the bonds have declined so drastically in the midst of a roaring business cycle? The most common answer in market circles is that bond prices are down in the face of declining prices of goods and services has decreased the purchasing power of fixed income such as bonds. The argument that as the cost of living increases, bondholders should pay more dollars in dividends, has gained many adherents. Rapid inflation has caused profits in industry, broadly publicized, added popular favor for stocks and contributed to the great rise that has brought 30 per cent in the stock market. Despite the reasons, however, what has already happened is the extent to which what exists today and that which is likely to happen in the future, the trend of security prices in the period ahead.

Boom is Slowing Down

The present and outlook for business and industry today has changed considerably from that in recent years. The substantial postwar period has ended, and a threat of inflation exists, but for the time being at least, it appears that there will not be the same pressures for higher prices as there were during the Great Depression. Inflation at this time is a threat, but the trend of the situation is more favorable for bonds, according to Mr. Iveson.

Huge Discounts

At present levels, the bond market embraces an unusual phenomenon and one which may later prove to be a powerful market stimulant, namely, the enormous discounts that exist in many bonds.

Iveson lists many bonds that 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 income that is fixed and certain) are subject to a different attitude from stocks, and many bonds are selling at a discount.

Dividends

In general, stocks offer larger dividends than bonds. The dividend rate of many bonds is lower than the rate of return on stocks. However, the yields of bonds are probably more dependable than the yields of stocks.

Interest

Bonds offer a fixed interest payment, whereas dividends paid by stocks are not always dependable. In a depressed market, stock dividends may be cut, whereas bond payments are more likely to be continued. For the investor who does not want to take the risk of a possible decline in stock prices, bonds offer a definite advantage.

Nevertheless, bonds are not without their drawbacks. They are generally considered less flexible than stocks, and they provide less opportunity for capital gains. However, the lower the price of a bond, the greater the opportunity for capital appreciation.

In conclusion, the bond market offers excellent opportunities for the astute investor. With careful selection and prudent timing, it is possible to realize substantial gains in the bond market. Mr. Iveson is optimistic about the future of bonds and recommends that investors consider adding bonds to their portfolios.
Connecticut Brevities

The Connecticut Light a n d Power Company has mailed rights to its shareholders for the purchase of one new share at $16.50 for each seven shares now held, to be exercised by Feb. 11. The rights will expire on March 6. The proposed sale of $27,360 shares will provide the company with net proceeds of about $1.5 million, which will be used to partially finance the 1957 expansion program which is currently estimated to cost $114 million.

The company's operations for the year will provide an additional $13 million, leaving an additional $10 million to be financed by borrowing or sale of securities by the year-end. Upon completion of the present financing the stock's capitalized ratio will be approximately 41%, debt, 21%, preferred stock and 38% common stock.

Hartford County Mutual Fire Insurance Company, a subsidiary of the Connecticut General Accident, is preparing to change its name to Mutual Insurance Company of Hartford. The present fire company, which was founded in 1831, is now being changed because its scope of operations has changed. Its scope of operations which originally was limited to Hartford County but has since expanded to five other states of Connecticut and Massachusetts and is further expanding in Pennsylvania.

The Fire and Casualty Insurance Company of Connecticut is a subsidiary of the Connecticut General Accident Company. It is seeking to increase its authorized capital to $1 million, all of which is presently callable, to $2.5 million. The bill filed provides that, upon completion of $300,000 of the additional authorized capital, it can be issued as preferred stock.

Stockholders of the Danielson Manufacturing Company, who have operations have been centered in a three-story building in the Elmville section of Danielson, have recently approved a plan calling for the sale of the company to the Nicholson File Company of Providence, R.I. The purchase price was $1,429,000, which is 40 cents on a dollar of its 1956 net income. Danielson has been a manufacturer of pressed wood, molded nylon products, for such customers as the automotive, aviation and appliance industries. A special place call for the operation of Danielson was centered in the company's present site through the previous management of the plant. The company currently employs about 150 people.

The New Britain Broadcasting Company, owner of the WKNB radio and television stations, was recently sold to the National Broadcasting Company of Radio Corporation of America, for a price of one dollar. The purchase agreement provides for a 10-year lease of the company, and arrangements for the sale were made approximately two years ago but were postponed as a result of the Federal Communications Commission until recently. Since the sale was announced the WKNB-AM TV, which operated ultra high frequency channel 30, have been changed to WCNB-AM TV.

The Plastic Wire and Cable Corporation has recently completed the expansion of its common stock, the issuance of which was $3 million. The company's operations for the year will provide an additional $13 million, leaving an additional $10 million to be financed by borrowing or sale of securities by the year-end. Upon completion of the present financing the stock's capitalized ratio will be approximately 41%, debt, 21%, preferred stock and 38% common stock.

Chairman of Comm. Joseph A. Thomas, a partner of Lehrman Brothers, has been elected chairman of the board of the Flintholite Company, a late John M. H. Le Roy, who was succeeded by I. L. Hartman. The company is known as Flintholite Products.

Mr. Thomas has been a director of the Flintholite Company since 1934, when it was formed after he served in World War II when he was an active duty as a Lieutenant and later as Commander in the United States Navy, and is a member of its Executive Committee.

Mr. Thomas is also chairman of the Board of American Export, Inc., and a Director of the Wisconsin National Guard, the Detroit Baseball Company; Van Biihle Co., Inc.; and the Commerce National Bank Company; Lil- lon industries, Inc., a manufacturer of synthetic rubber, into which he is also chairman of the Executive Committee.

Mr. Thomas is also chairman of the Financial Committee of the National Airlines, of the Advisory Board of the 30 Broad Street Branch, Chemical Commer Exchange Bank, and of the Board of Trustees of the Presbyterian Hospital.

Form Teachers Securities Corporation LOS ANGELES, Calif.—Teachers Securities Corporation has been formed to handle the sales of its first five street to engage in a securities business. Officers are: Chairman, Harold H. Mintz, President; Richard Halsey, Vice-President; Lionel De Silva, Secretary, and Charles T. Krasner, Treasurer.

CHAS. W. SCRANTON & CO. Members New York Stock Exchange

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Attractiveness of Fire Insurance Stocks

BY ROGER W. BABBON

The excellence of the long-run income from fire insurance stocks leads many to recommend fire insurance companies with the best investment trusts for their "safety, diversification, and good management, resulting...in both capital gains and Fair in the Babbon's calls attention to attractive price at present.

I have recently been quoted as follows: "I believe if Jesus were born today, the carpenter, He would be an insurance agent." My opinion of this is that the insurance business is a combination of applied Commerce. If someone's home burns, the company doesn't usually have to pay the unfortunate insured. The insurance is paid from premiums collected by the rest of us whose homes were not damaged. It is a way of preserving our capital for those who buy these stocks and consistently hold them should have much-needed protection, management, and goodwill, re¬turns, which has resulted in a capital gain and a fair income.

In addition, corporations such as the General Accident are constantly at working fire insurance companies, and other means of fire protection. Legislatures are constantly passing "fireproof" laws for new construction. Dangerous slums which are fire hazards are being repaired or, if lastly, come down. All these works to the advantage of the insurance companies, their policyholders, and their stockholders. Just as the results of a period of heavy losses and most fire insurance stocks can be bought for much less than the new capital and volume, or to what 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 Spencer, Australian manager of the Commonwealth Government, has confirmed that Sir Arthur Peabody, the chairman of the Commonwealth, had announced at the Commonwealth Government to file with the Securities Exchange Commission the question to take up with the Securities and Exchange Commission, and had given the announcement the 23,000,000-1,500,000 bonds to mature on March 1, 1957.

The public offering of the issue will be underwritten by the Commonwealth by the firm of Investment firms headed by Morgan & Co., and is expected to be made on the 6th.

The bonds will be non-reredeemable before March 1, 1957, except for the entire amount of the principal of any bond held during the year on or before the 31st March, 1957.

The Commonwealth intends to accept the maturities 3% bonds due June 1, 1957 in payment for the life insurance policies.

The most recent public financings for the Commonwealth in the United States was an offering of 3% bonds in an amount of 41%, bonds on June 30, 1956.

COMING EVENTS

In Investment Field

Feb. 21, 1957 (Milwaukee, Wis.) The 25th Annual Mayor's Luncheon at the Wisconsin Club.


March 5, 1957 (New York City) The 31st Annual Investment Bankers Association Luncheon at the New York Athletic Club.

May 6-7, 1957 (Chicago, Ill.) Ameri¬can Bankers Association Annual Nation¬al Installment Credit Conference.

April 21-22, 1957 (Dallas, Tex.) Texas Group of Investment Bankers Association meeting at the Statler Hilton Hotel.

May 6, 1957 (White Sulphur Springs, Va.) Investment Bankers Association Spring Luncheon meeting at the Green¬brier Hotel.

May 19-22, 1957 (Cleveland, Ohio) Investment Bankers Association Spring Luncheon meeting at the Statler Hilton Hotel.


June 3-11, 1957 (Cincinnati, Ohio) Cincinnati Municipal Bond Investors Association Luncheon at the Alle¬eny Club.

June 3-8, 1957 (Santa Barbara, Calif.) Investment Bankers Association luncheon meeting at the Santa Barbara Club.

July 5-8, 1957 (San Francisco, Calif.) Association of Stock Exchange Firms of Governors meeting at St. Francis Hotel.

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

Oct. 10-12, 1957 (Chicago, Ill.) National Security Traders Association Annual Convention at the Blackstone Hotel.


With El Paso Management (an event in THE FINANCIAL CHRONICLE)

It is wicked to weaken this nation by squandering the fruits of our labor all over the globe under the guise of so-called ‘foreign aid.’ Calls like that create give-aways that will give us nothing but a single outcome: we will absolutely no gold backing for the dollar.

The Soviets and Communist nations claim to have found ‘give-away’ programs. On the contrary, our ‘give-away’ programs have been approved by the Communist doctrine that the productive resources and equipment toays to the military machine.

A Squandering Agency Is
"SUNFUNED," Heat on

*Encouraged by American-bu-
reachers and intellectuals ready to sell and help, they didn’t earn, the Communists have been demanding that we be more generous. It is the attitude of the United States foreign aid has been channeled through a United Nations agency known as the United Nations Development Fund for Economic Development. Thus, your money and mine and the money of other nations has been spent by a group of foreign Com-
Socialists, for the benefit of ‘neutralists’ and even of our en-

We must be alert because this same crack-pot scheme, but without the money, has already been tried in the United States. In 1957, the total of United States Government aid was $10 billion. I group what $60 billion really means in terms of a valuation, of all real aid and foreign property in the 17 biggest cities throughout the United States. The total grand total of just over 60 billion: (60 billion dollars). Is it the same number of people? Are the people involved in this program?

We would be appalled by the mere suggestion that these 17 billion dollars could be shipped overseas as gifts to the UN. Yet, in effect, that is what we have done. But it is not, the dollars lost and the contributions of the American people’s aids are not as serious as the harm that is being done to the interests of other countries and of our own.

C e r t a i n l y over $60 billion should bring us splendid re-
adventures in all spheres, including trade and friendship, and security from Soviet influence, 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 our foreign aid program. For example, the French Prime Minister has accused us of trying to create something very near to a balanced Europe by the way they gave their aid.
The stock market was largely a stalemate this week and what little was on offer was a little speculative news. Several firms made assertions that the market would rally to new highs, but the market remained tepid. 

In rebounding a bit swiftly to the 405-70 area, the list had been relatively quiet this week with the only new considerations after its slump 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, which saved 1956 from being broken, would be more constructive than an extension of the rally past normal confines. The idea is that an overly vigorous rally without properly pausing the way would be more vulnerable to adverse developments than one based more solidly.

Chrysler's independent strength bumped into occasionals at the 70 mark last week, setting a rather generous segment of market opinion that still holds it as one of the lesser beasts in position to make a spirited comeback this year.

Company estimates are that Chrysler's independent strength results should exceed the good final quarter of last year, which was the only quarter that saved 1956 from being broken, but would be downtrend. Good. Among some of the sources estimate the first quarter results as high as $3 or more above Chrysler's 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 immediate point of attention was being placed on auto production generally. Auto output is a sturdy prop for 1957, bolstering other glass firm results, etc. The omens here were not unfavorable, production currently outstanding for the first time in a comparable period. The guidepost is not without its faults, however, as the auto market would be 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 reports a tempest of troubles from labor to politics to weather. Gen- erality as being in a prime position to show a good recovery in earnings this year, which makes the $3 dividend rate reasonably well. And the rate at recent market prices has offered an above-average 6%. 

Williams Beneficiary

In line with the general preference for utility issues because of their defensive nature over the more vulnerable price appreciation of other fields, Construction Engineering which is one of the two largest producers of power equipment has been an example of steady gains. The company, moreover, is heavily committed to the atomic energy field, which is not entirely in tune with two operations' and, in addition, a candidate for a better dividend.

While the pattern, particularly in the chemical industry, has been for a profitable business to be a mature one, Reduction not only boosted sales 14% but brought down to net income 22% more than 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 chemical products are held to be more valuable than the business by itself, but has not yet offered an dividend.

The company is also among the candidates for a moderately higher dividend payment.

Recovery Situation

National Biscuit is another case where the substantial price appreciation of the past months not only has dropped to a low level for recent years but has even wiped out the gains of several years. The company has been heavy committed to an expensive replacement program for the new plant and its finances will be necessary to continue its heavy expansion expenses and, in some quarters, the company is also in the market for a moderately higher dividend payment.

ATT—A Comforting Refuge

American Telephone has had occasional spells of being popular in sagging markets and, as usual through the recent months of high strength usually kindled anew the ancient talk of a stock split. Apart from this outside speculation, the company has its own feet as an investment issue at a comfortable yield of 5½ 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.

When the over-all market is a bit short of being sensa- tional, Telephone can make a comfortable refuge, which in part, could account for its somewhat contrary popularity.

The views expressed in this article do not necessarily reflect those of the Securities Exchange. This column is solely a medium of disseminating the views of those of the author only.

Joints United Securities

GREENSBORO, N. C.—Alex M. Robertson, Sales Manager, United Securities Company, Southeastern Building, Greensboro, has joined United Securities Company, Greensboro, Sales Manager, Southeastern Building, Greensboro.

Wilbur H. Clayton


Continued from page 2

The Security I Like Best

15% beyond 1956 with earnings going for 1957. Having established itself as a multi-million dollar enterprise, the company has not the freedom to engage in expansion along a multi-product-front. The company is named in New York, and can be turned this year. has slashed better than 40% from its peak value in recent months despite the fact it ranks high in the stockbroker's opinion. The company is well diversified with a broad line of control instru- ments and electrical equipment, computers and auto products.

In the category of issues most severely depressed recently, hence worthy of some attention, Food Fair Stores has been noted. Food Fair, which has slashed better than 40%, from its peak value in recent months despite the fact it ranks high in the stockbroker's opinion. The company is well diversified with a broad line of control instru- ments and electrical equipment, computers and auto products.

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CREDIT

Keystone of Our Expanding Economy

Of the great industries that set the pace of this fast-moving 20th Century—all—are dependent in one way or another on Credit. The dynamic use of Credit makes it the very keystone of America's remarkable corporate and individual progress. And Credit is more than an integral part of our great American economy; it is proof positive of America's faith in itself and its future. Associates is proud to share in this faith. Creative financing policies—resourceful and flexible—have demonstrated time and time again Associates' confidence in America's future.

From a small beginning 38 years ago, Associates has forged ahead to where today it is one of America's most important sources of Credit—having provided over $1.5 billion last year to the automotive industry alone, for retail installment purchases and dealer wholesale financing. In addition, Associates annually provides hundreds of millions of dollars to American industry, and to individuals for family needs. With assets of over $1 billion dollars, Associates looks ahead, proud of its important part in supplying America the credit so vital to our expanding economy.

ASSOCIATES 1956 FINANCIAL REPORT

CONDENSED CONSOLIDATED BALANCE SHEETS

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<td>Commercial and other receivables</td>
<td>40,778,029</td>
<td>35,302,536</td>
</tr>
<tr>
<td>Less: Unearned discounts</td>
<td>54,429,185</td>
<td>49,347,481</td>
</tr>
<tr>
<td>Reserve for losses</td>
<td>22,514,777</td>
<td>19,832,110</td>
</tr>
<tr>
<td>Total receivables, net</td>
<td>788,811,675</td>
<td>747,045,519</td>
</tr>
<tr>
<td>Other Assets</td>
<td>16,038,965</td>
<td>12,444,009</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$875,585,307</strong></td>
<td><strong>$815,225,901</strong></td>
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<tbody>
<tr>
<td>NOTES PAYABLE, short-term</td>
<td>$436,585,800</td>
<td>$424,290,800</td>
</tr>
<tr>
<td>TERM Notes due within one year</td>
<td>28,021,000</td>
<td>34,720,000</td>
</tr>
<tr>
<td>COMMON Stock Dividends payable</td>
<td>2,031,557</td>
<td>1,875,283</td>
</tr>
<tr>
<td>ACCOUNTS PAYABLE, ACCRUALS AND RESERVES</td>
<td>37,481,065</td>
<td>38,161,383</td>
</tr>
<tr>
<td>UNCLAIMED INSURANCE PREMIUMS</td>
<td>57,927,261</td>
<td>30,156,749</td>
</tr>
<tr>
<td>LONG-TERM Notes</td>
<td>182,300,000</td>
<td>142,565,000</td>
</tr>
<tr>
<td>SUBORDINATED LONG-TERM Notes</td>
<td>65,000,000</td>
<td>60,500,000</td>
</tr>
<tr>
<td>PREFERRED Stock</td>
<td>22,500,000</td>
<td>22,500,000</td>
</tr>
<tr>
<td>COMMON Stock</td>
<td>31,254,720</td>
<td>31,254,720</td>
</tr>
<tr>
<td>Surplus</td>
<td>70,058,804</td>
<td>58,190,414</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$905,031,007</strong></td>
<td><strong>$845,214,349</strong></td>
</tr>
</tbody>
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CONDENSED CONSOLIDATED INCOME STATEMENTS

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<tr>
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</thead>
<tbody>
<tr>
<td>Discount, interest, premiums and other income</td>
<td>$122,457,993</td>
<td>$109,907,061</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>86,919,697</td>
<td>73,552,926</td>
</tr>
<tr>
<td>Net income before Federal income tax</td>
<td>35,538,296</td>
<td>36,354,135</td>
</tr>
<tr>
<td>Provision for Federal income tax</td>
<td>16,030,000</td>
<td>17,350,000</td>
</tr>
<tr>
<td>Net income</td>
<td>19,508,296</td>
<td>19,004,135</td>
</tr>
<tr>
<td>Consolidated net earnings per share of common stock after payment of preferred dividends</td>
<td>$5.93</td>
<td>$5.86</td>
</tr>
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ASSOCIATES INVESTMENT COMPANY
ASSOCIATES DISCOUNT CORPORATION
and Other Subsidiaries

HOME OFFICE • SOUTH BEND, INDIANA
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, I believe 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 workers and management. He believes self-discipline alone cannot solve our major economic problem of inflation. Mr. President Eisenhower pointed out, we must be "reasonably restrained in the exercise of our economic activity." The fact is, wage and price controls are more than just a question of the rate of productivity increase since 1955. They are a threat to greater, by passing part of the benefits of inflation on to other members of particular groups at the expense of the people.

Industry-Wide Collective Bargaining

Following the midsummer 1955 report which indicated his concern about the wage-price problem, and urged a more flexible, more feasible solution. President Eisenhower also recognized the problem and urged leaders in business to accept the responsibility to the American people. He said: "Today, the threat of free forecedence over temporary and sporadic inflation is the greatest danger of our times, and the fact that such inflation is being fed by the American people.

What is the Alternative

If separate company bargaining with industry-wide unions is one alternative, and corporation-wide bargaining is another, and which is the best? Is there an acceptable and effective alternative, and if so, what is it? What has provided the economic realities of today's inherently one industry, one bargaining relationship are recognized. I stress repeatedly that any labor leaders have on specific issues and occasions displayed restraint and statesmanship. Walter Reuther has done so. He did right. It is wrong to preserve a monopoly if we do not supply an alternative. I mention this to emphasize that my remarks are not based on personal or group circumstances.

Mr. G. M. could win in a strike over unions demands except for the vast power now governed by the union. Automobile companies have learned that they cannot effectively resist demands of the changes. When the UAW's, would "win" the highest economic wage and price increase. We have not, however, learned to preserve the auto industry's, won. We have not developed the industrial judgment to prevent the monopolistic price increases by plutocratic pleasantries. We've got to have a new approach.

Making automobile workers happy is not a sufficient condition for improving the auto industry. We face a continuing time to avoid another public interest in the automobile. I believe we should not be satisfied with anything but a virtual elimination of the public interest. However, these laws removed virtually all anti-trust laws and the labor leaders have found it to be impossible to restrain themselves from seeking new ways where absolute power has not resulted eventually in monopoly, whether on the part of the economic concentrators.

The Threat of Collectivism

The Russians have maintained that collectivism is the economic system which contains the seeds of its own destruction. They have consistently warned us that the future auto industry car market is not limited to the sale of compact cars, and that it is a major market for domestic automobile makers.

The future car market will be bigger, bigger, bigger. Whether the smaller, more compact cars will be a market divided between the large American cars and the small car, the auto industry to go down the present road of concentration of power, or whether to restrain both and make them go the road of concentration and distribution of power.

One car's road where few instances where absolute power has not resulted eventually in monopoly, whether on the part of the economic concentrators.

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clear, the area he considered most important is that of

The Choice
We must choose between the disciplines of construction or the discipline of absolute authority. There is no other choice. And re-
member: "A disobedient child is, itself, cannot stand." That is as true of our economy and the motive industry, as it is of our

Our self-discipline involves more than individual self-re-

To be fully effective requires voluntary co-operation, with

Only in this way can we do the jobs too big for us indi-

Never forget this: "Ours is a voluntary society. The fabric

American life is woven around

its tens of thousands of voluntary

This oversight looks the co-

operation of the men who founded

this industry. Are they less in-

dividualistic? No, Actually, it

is individualism that makes co-

operation possible and effective.

Weaklings usually fail to cooper-

ate and when they do it doesn't

amount to anything. Furthermore,

It is cooperation that makes indi-

vidualism and freedom possible.

Without it our choice would be

what one man can do or what we can do through the state. It is

fervent belief that he who recon-

strues control and dealers, individually

and through our associations—all of

them—can preserve com-

petition and establish the new pat-

terns of cooperation, our future

success, and "a still greater strug-

gle" make "necessary." This we

must do if we are to serve our customers and our county, and

realize the larger opportunities

that lie ahead.

Anaconda Common Skl. 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 sub-

scribe at par ($20 per share) for

1,734,800 additional shares of capi-

tal stock, on the basis of one share

for each five held of record Feb. 14, 1957. The subscription offer will expire at 5:30 p.m. (EST) on

March 5, 1957. An underwriting group of 330 firms headed by Hall-

garten & Co. will purchase any

unsold shares.

Net proceeds from the sale of

these shares will be added to the

general funds of Anaconda Co. Such funds, together with amounts

becoming available from decrepa-

tion, accelerated amortization

and earnings are to be used in con-

nection with a five-year improve-

ment and expansion program of approx-

imately $350,000,000 by the com-

pany and its consolidated subsidi-

aries. 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 im-

provement 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
devote to the El Salvador mine in

Chile, $36,000,000 for im-

provement at the Chuquiacama

mine and plant in Chile, and abut

$100,000,000 for expansion and

modernization of existing fabric-

ating facilities and completion of

new fabricating facilities now un-

der construction.

The Anaconda Co. and its sub-

sidaries constitute one of the

world's largest producers of cop-

per and zinc and of fabricated cop-

per, 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 manufac-

ture and distribution of semi-fini-

shed and finished copper, brass,

and other alloy products. Since

1952 the company has been en-

gaged in the mining and treat-

ment of uranium ores and is believed

at present to be the largest domes-

tic 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

HEIDERSON, Tex.—McLeod,

Fisher, Crook & O'Neall, Inc., has

been formed with offices in the

Kangeria 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, San Francisco Railway

Note the railroad executive regretfully calls for a substantial increase in freight rates to offset the losses he attributes to unionism, but he 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. The $1.1 billion in still-prohibitive 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%, and urges the public to realize the true financial situation of the railroads. Terms union monopoly power "one of the most potent forces contributing to our present economic position," and seeks elimination of compulsory unionization as one step in the direction of protecting and rights and in balancing rights of labor with that accorded capital.

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, efficient service and to foster sound conditions in transportation, all to the end of developing a nationwide system adequate to meet the needs of commerce and of the national defense.

As a general proposition, the public interest and the interests of the railroads are the same. There is no conflict because anything which might adversely effect the carriers usually affects the public. But, in every instance, it is the public interest which really counts.

It seems to me that a better understanding of the principle of regulation, as well as an effort to promote the broad and indispensible requirement for a great transportation future. Understanding of regulation to a considerable effort, 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 private control, but it may too easily profit the average consumer. This would be a disastrous blow to the freedom which could conceivably fall by the wayside.

One of those economic planners who believes that regulation as a whole will solve everything, or that private enterprise is incapable of coping with the nation's needs, I firmly believe that government intervention is a vital part of our self-regulation in particular spheres is not true and common, that freedom should be kept at an absolute minimum. But, I believe that a certain degree of public activity is necessary. The American public, and I think we all agree, has increased the cost of living in this country. To a greater or less extent, this is true in all countries. The government, as a result, has increased the cost of living in American life. The expansion of the economy has brought about a rise in costs of living. But, realized, should spread its benefits to all, as well as those who have made work for the economy.

With an expanding economy, superimposed upon a greatly expanded population and the public transportation, we have, in effect, a double expansion which gives our economy a dynamic power to grow. We have a vital interest in American life. The growth of the technological development, the expansion of our productive capacity, the improved condition of our living standards. With an expanding economy, we have, in effect, a double expansion which gives our economy a dynamic power to grow. We have a vital interest in American life. The growth of the technological development, the expansion of our productive capacity, the improved condition of our living standards.

Deregulation Versus Regulation In Our Transportation Future

By OWEN CLARK

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 public policy that guarantees transportation to the public; (3) public welfare is best served when the Commission speaks freely on proposals and legislation. In this vein, Mr. Clark maintains railroads can not drop passenger traffic, thus supporting their rate-making structure, and opposes H.R. 3424 which would place independent regulatory authority under the Executive arm when it is Congress' intent that an agency of Congress control the transportation system. Aware of the percentage decrease in traffic carried by regulated carriers, Mr. Clark urges less punctilious statements and more positive action to acquire Congress and executive support of facts of life.

The past few years have shown that 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, efficient service and to foster sound conditions in transportation, all to the end of developing a nationwide system adequate to meet the needs of commerce and of the national defense.

Wartime Taxes

One desirable step in the direction of greater equality in compensation for the railroads would be the elimination of wartime excise taxes on transportation. As by and large, our regulatory policies are based upon the assumption that wartime controls were thought to be necessary in the public interest, and that in any event we have many complex problems to consider. These include highly controversial questions related to the so-called agricultural excise tax, the wartime trucking controversion not only among common carriers, but also between common and private carriers. The 3% tax on freight charges, also, is discriminatory against the railroads and other transportation, because it applies to common carrier freight haulers but not to all other haulers. It discriminates as well against shipper who elect the railroads for freight haul, and favors those who engage in private transportation. The substantial influence in the decision of former railroad employees who have their own interests in their own vehicles since by escaping the tax they may start with a 3% advantage over

*From a talk by Mr. Gurley before the National Association of Manufacturers, General Groce, Lincoln, Neb., Feb. 6, 1957.
Trans-Canada Pipe Lines Debenture and SK. Offers Completed

Public offering of $75,000,000 debentures and 3,790,000 Canadian debentures of Trans-Canada Pipe Lines Limited in the United States and Canada, in both cases to proceed from funds borrowed by Trans-Canada Pipe Lines Limited, a Canadian unit. A group headed by Lehman Brothers, Stone & Webster Engineering Corporation, and White, Weld & Co. offered the United States units while man's organizations in Canada units were offered in Canada by National Thompson & Co., Ltd.; Wood, Gundy & Co., Ltd.; McCleod, Young, Welr & Co., Ltd., and Osler, Hammond & Nanton, Ltd. Both offerings were heavily oversubscribed.

Of the $75,000,000 debentures, $20,833,000 are 5.85% subordinated debentures due 1987, United States series, payable in U. S. funds, and $54,167,000 are 5.85% subordinated debentures due 1987, Canadian series, payable in Canadian funds.

The 268,333 United States units will consist of a $100 principal amount of United States series debentures, certificates of Canadian ownership 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 $155, plus accrued interest on the debentures; each Canadian unit was priced at $150, plus accrued interest on the debentures.

The debentures will have the advantage of a sinking fund under which, on Dec. 31, 1961, and annually thereafter, an amount equal to 5% of the sinking fund net income, whichever is less, will be applied to redemption of the debentures. Sinking fund and optional redemption prices will be lower than par interest.

Net proceeds from the financing will be used for the construction of an all-Canadian 2,284 mile natural gas pipeline from the province of Alberta eastward to various points in Ontario, and thence delivered by Trans-Canada to major population centers in Canada, including Winnipeg, Toronto and Montreal.

The company has entered into an agreement with Midwestern Gas Transmission Co., subject to Federal Power Commission approval, for transmission of 300,000 mcfl of natural gas per day to various points in 25 years. The company proposes to construct a lateral main line from its main line to the International Bridge in order to deliver the gas to Midwestern for sale in the United States. Midwestern will extend to construct a pipe line system from the Emer¬s¬s¬on, Ont., to the states of Minnesota, Wisconsin, Illinois, Indiana and Kentucky, and to connect with the pipe line system of Tennessee Natural Gas near Pekin, Ill.

The company's share of the cost of the pipeline system will be approximately $355,000,000, to be met in part by proceeds from previous sale of securities and from today's offering, and in part by proceeds from the sale of $30,990,000 first mortgage pipeline bonds, 5½% United States series, due 1978; $23,010,000 first mortgage

This air lift doesn't fool around!

But it took rocket fuel cylinders of a special kind of steel for this JATO rocket

JATO rockets boost heavy laden planes into the air, permitting greater in-flight payloads and operation from shorter runways. A new JATO developed by Phillips Petroleum Company required a case that would endure a temperature of 2,700 degrees Fahr¬enheit at 1,000 pounds per square inch. It's light in weight, easily fabricated, and economical. Steel and National Steel's N-A-X HIGH-TENSILE—did the job.

Manufacturers of other types of fuel containers had been getting excellent results with N-A-X HIGH-TENSILE, a low-alloy, high-strength steel first produced for industry in 1952 by Great Lakes Steel Corporation and Weirton Steel Company, divisions of National Steel.

Passed with flying colors

When Phillips Petroleum began looking for a minimum cost, lightweight case for their new relatively smokeless JATO, they tested National Steel production. In 1952, 100 cases of N-A-X HIGH-TENSILE were put through exhaustive tests at Air Force Plant 66 near McGregor, Texas, where Phillips Petroleum is contractor-operator.

Result: The N-A-X HIGH-TENSILE case passed every test with flying colors. It surpassed the required standards for strength by as much as 20 percent.

N-A-X HIGH-TENSILE economy

It was found that these cases were lighter in weight than other types. This means less deadweight in take-offs, added conveniences of handling, and a big gain in shipping costs. They were demonstrably easier to fabricate and more readily welded. Above all, they cost less.

Once the JATO propellant is ignited for take-offs, it burns for 16 seconds and develops a thrust of 1,000 pounds. This imposes high stress on the JATO case—where N-A-X HIGH TENSILE has proved, over and over, it can readily withstand. In tests at McGregor, Phillips Petroleum uses the cases again and again.

Future commercial uses of this new and comparatively economical N-A-X HIGH-TENSILE are very feasible. By boosting heavy planes from small fields hitherto un¬usable, it can be most advantageous in transporting personnel and freight to and from oil fields, mining projects and other isolated enterprises previously denied an air lift.

National's role

The high-strength characteristics that make N-A-X HIGH-TENSILE a better steel for JATO fuel containers also make it better for many other types of containers that must withstand severe interior pressures and handling abuses . . . and for such products as rail car buffers, railroad and earth-moving equipment, shipping containers, pipe, etc. In fact, its applications are limited only by man's imagination.

N-A-X HIGH-TENSILE is, of course, just one of many steel products made by the divisions of National Steel. Our re¬search and production men work closely with customers in many fields to make better steel for better products.

It is our constant goal to produce still better and better steel—Améri¬ca's great bargain metal—of the quality and quantity wanted, at the lowest possible cost to our customers.

With H. C. Wainwright

(Special to The Financial Chronicle)

BOSTON, Mass. — Irving I. Magid is now associated with H. C. Wainwright & Co., 63 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. — Mar¬jorie E. Kann has joined the staff of Estabrook & Co., 1387 Main Street.

W. F. Kurtz Adds

(Special to The Financial Chronicle)

CLYVELAND, Ohio—David D. Kurtz has been added to the staff of W. F. Kurtz & Co., Union Com¬merce Buildings.

Two With Hilliard

(Special to The Financial Chronicle)

LOUISVILLE, Ky.—William P. Young, president of Bozworth M. Todd, Jr., are with J. B. Hilliard & Son, 419 West Jefferson Street, members of the New York and Midwest Stock Exchanges. Both were formerly with W. C. Thorn¬berg Co.
Expanding New England Economy

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

Paced by dynamic plastic, electronic and atomic industries, the New England economy continued to expand vigorously in recent years and promises to continue that expansion in the future, according to a prominent firm of management and economic consultants. The study was prepared for the Interstate Commerce Commission by the American Economic Commission, and its provisions apply to the New England region. The study was prepared by the American Economic Commission, and its provisions apply to the New England region.

"From declining, as it commonly supposed, New England is healthy and vigorous and is shifting its emphasis from manufacturing into the production of shoes by attracting new industries," the consultants report. Factories and offices for favorable omens for New England's continued economic expansion include:

A rising level of export activity, which at present is estimated at a rate of about $2.5 billion annually.

An increase in the value of the region's atomic-powered industries.

A rise in the value of the region's electric-powered industries.

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A rise in the value of the region's electric-powered industries.
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 described in a recent article by Professor of Accounting and Finance at the American University of Business Administration, Dartmouth College.

You're a corporation that's decided to expand. You need money; you can either borrow it or issue more stock. Which will be more profitable?

A new booklet, "Corporate Debt and the New Financing," shows that the answer is usually a fraction of 1% which way is more profitable.

Written by Dr. Louis O. Foster, Professor of Accounting and Finance at the Amos Tuck 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 rearrangement of the conventional balance sheet and statement of earnings and a few simple mathematical calculations.

Revising 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 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 expensive steel in the United States in a series of cost-cutting programs in 1935 could have raised rates of return to all capital suppliers of "conservative" Republic Steel, (11.75%) and Ford Motor Company (from 17 to 34.3%).

Applying his technique to a typical problem, he traces the steps whereby the director of the mythical Corporation, which needs $45,000 to expand, decide whether to borrow from a common stock and (4) common stockholders. He may then determine how use of each type of asset affects the return on subsequent types.

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.

Corning J. Brown


William H. Brand


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 R. Bateman, Ltd., of Palm Beach, Fla.

The purpose of the Fund is to provide the means whereby large and small investors may combine the amounts they wish to invest with companies doing business in Florida and the entire South which are believed to have growth potential, 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 begin operations immediately and after sale of all 2,000,000 shares initially offered, or 30 days after the registration statement becomes effective, whichever is sooner. The board of directors, however, may extend the time up to 90-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 range from $5 to $4.625 per share depending upon the amount purchased, and once the fund 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.

Columbia Gas System Reports From a Very Special Part of America

In 1956, Columbia Gas System delivered more gas to more people than ever before—another year of growth and another year of service in a very special part of the country—the Heartland of American commerce and industry.

Natural gas was first discovered here. The complex techniques for its distribution were developed here. In this area many of the fields that once produced much of the country's original natural gas have been turned into vast underground storage reservoirs.

One-fourth of the nation's storage gas is held here by the System for use in the winter months, assuring a nearby supply of low-cost, versatile fuel. Families here on the average use more natural gas per household than in any other section of the country.

From year to year, expanding industry has required more of this ideal fuel. And from year to year, Columbia Gas System has grown to meet the needs of 3 million of the natural gas users in this growing, dynamic region.

For details of Columbia's latest and greatest year of service, write for the Annual Report for 1956.

THREE-YEAR SUMMARY OF EARNINGS

<table>
<thead>
<tr>
<th></th>
<th>1956</th>
<th>1955</th>
<th>1954</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>$27,658,000</td>
<td>$23,350,000</td>
<td>$19,458,000</td>
</tr>
<tr>
<td>Dividends on Common Stock</td>
<td>$10,546,000</td>
<td>$7,216,000</td>
<td>$6,200,000</td>
</tr>
<tr>
<td>Retained in Business</td>
<td>$11,344,000</td>
<td>$3,595,000</td>
<td>$2,425,000</td>
</tr>
<tr>
<td>Income Per Share</td>
<td>$1.44</td>
<td>$1.08</td>
<td>$1.01</td>
</tr>
<tr>
<td>Dividends Per Share</td>
<td>$0.275</td>
<td>$0.250</td>
<td>$0.20</td>
</tr>
<tr>
<td>(Current Annual Dividend Rate—1.10 per share)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FHLB Retires Notes

The Federal Home Loan Banks will redeem, without refunding, $26,000,000 of 2 1/2% series B-1956 consolidated notes which matured on Feb. 15, 1957. Everett Smith, a fiscal agent of the Banks, said the notes will be paid off in full from cash on hand in the Banks. This redemption reduces outstanding consolidated notes to $909,000,003.

Form Mutual Fund Sales

RUTHERFORD, N.J.—Charles A. Koenig, Jr. is conducting a securities business from offices at 111 Lincoln Avenue under the firm name of Mutual Fund Sales Co.
Federal Reserve Bank of St. Louis
Digitized for FRASER

of the
President,
era-
ations
as a
Bank's
new
of
amount
from
York,
which
of
2,000
«
He
York, another Marine
Ninth
of
Board
of
election
Feb.
4,
James
H.
Marshall,
a
member
of
the
Board
of
Directors
and
General
Savings
and
Loan
Association
of
Chicago
to
accept
the
Presi-
dent's
candidate

Sears-Community
State
Bank,
Chicago,
Ill.,
has
taken
its
Lincoln,
New,
increased
its
stock
from
$1,000,
000
to
$1,250,000
by
the
sale
of
new
stock,
effectively
Feb.
8,
(par
value
$25).

The
Conti-
nental
National
Bank
of
Crockston,
Minn.,
increased
its
share
stock
from
$200,000
to
$250,000
by
the
sale
of
new
stock,
effectively
Feb.
4,
(par
value
$50).

The
First
National
Bank
of
Brenham,
Texas,
increased
its
capital
stock
from
$1,000,
000
to
$1,250,000
by
a
stock
issue
on
March
1, 1956.

On
March
14,
1956,
the
merger
of
the
boards
of
directors
of
Champion-
ship,
Phillips,
Pa.,
and
Trade-
mark,
Phillips,
Pa.,
has
been
announced
for
May
1,
1956.

The
Central
National
Bank
of
Cleveland,
Ohio,
has
in-
creased
its
stock
from
$6,000,000

to
$12,000,000
by
the
sale
of
new
stock,
effectively
Feb.
8,
(par
value
$100).

The
First
National
Bank
of
Palm
Beach,
 Fla.,
has
increased
its
capital
stock

from
$1,000,000
to
$2,500,000
by

a

stock
issue
on
June

17, 1955.

The
First
National
Bank
of
Allentown,
Pa.,
has
been
voted
the
merger
of
its
bank
with
the
Bank
of

Allentown,
Pa.,

which
was
not
approved
by
the
stockholders.

The
First
National
Bank
of
Chattanooga,

Tenn.,
has
been
voted
the
merger
of
its
bank
with
the
First
National
Bank
of

Girard
Trust
Corn
Exchange
Bank,
Philadelphia.

Seven
staff
positions
at
Fidelity
Trust
Company,
Philadelphia,
which
are
being
filled
by
John
A.
Byerly,
President.

The
Trustees
of
the
First
National
Bank
of
Pueblo,
Colo.,
met
Feb.
6,
and
"in
the
merger
of
their
bank
with
the
First
National
Bank
of
Colorado
Springs,
Colo.,
which
was
approved
by
the
stockholders
of
the
First
National
Bank
of
Colorado
Springs.

Mr.
Hoge,
who
will
be
in
charge
of
the
bank's
operations
after
the
merger,
has
been
an
active
member
of
the
national
board
of
directors
since
1946.

The
merger
is
expected
to
be
effective
April
12.

The
merger
is
expected
to
be
effective
April
12.

The
merger
is
expected
to
be
effective
April
12.

Halsey, Stuart Group Offers New England Power Co., $43 1/2% 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 1/2%, due Feb. 1, 1967, at 102% and accrued interest, to yield about 4.23%. Award of the issue was won by the underwriters at a 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 debts and any balance will be used to pay for construction costs.

The series G bonds will be redeemable at optional redemption prices ranging from 106.25% to par, and at special redemption prices ranging 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, 1955, the company showed total operating revenues of $49,802,407 and net income of $7,262,534.

KIDDER, PEABODY & CO. INC.

Worcester, Mass. - Kidder, Peabody & Co. Inc., has opened a branch office at 340 Main Street, under the management of Herbert S. French, Jr.

SEEN BY EYES FOR SCULPTORS OF METAL

A billion battles take place daily as America's machine tool operators watch their super-hard precision cutting tools... There are no mistakes... with an accuracy as close as one ten-thousandth of an inch.

Oil carries away the heat of these battles... flowing constantly over the friction-heated cutting tools to save them from destruction.

Here Texaco Research has made a vital contribution. Once all cutting oil was opaque. The operator could not see his work. Then Texaco developed the first transparent cutting oil, which allowed the operator to see the tool in operation, control them with greater accuracy, guard against the waste of imperfect workmanship.

Texaco Research has scored "firsts" in many fields. Its highly-developed manpower and facilities work in many ways to serve all industry everywhere.

TEXACO RESEARCH - always ahead
Bank and Insurance Stocks

This Week

Bank Stocks

The market for equities is now being determined in the price-earnings ratios of a number of important industrials and leading blue chips. It was not so long ago that 20 and 30 times earnings were considered abnormal. Now, however, up to 50 times earnings for some of the leading issues is not unusual. And the price-earnings ratios of a large number of other blue chip stocks are not too far behind.

Not so with the leading New York Bank stocks. 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 rise in the price-earnings relationships. Although industry prices are holding to bring in a more realistic relationship, there is a condition of outlook. With only two exceptions (one of them, American Tobacco), the price-earnings ratios of the leading New York City banks have shown a gradual decline over the calendar years 1954, 1955, and 1956.

PRICE-EARNINGS RATIOS

<table>
<thead>
<tr>
<th>Bank</th>
<th>1954</th>
<th>1955</th>
<th>1956</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bankers Trust</td>
<td>15.0</td>
<td>14.7</td>
<td>15.4</td>
</tr>
<tr>
<td>Chase Manhattan</td>
<td>13.8</td>
<td>14.1</td>
<td>14.6</td>
</tr>
<tr>
<td>Chemicals Trust</td>
<td>12.8</td>
<td>12.3</td>
<td>11.9</td>
</tr>
<tr>
<td>Manufacturers Trust</td>
<td>13.8</td>
<td>13.6</td>
<td>13.2</td>
</tr>
<tr>
<td>National City</td>
<td>14.4</td>
<td>14.0</td>
<td>13.9</td>
</tr>
<tr>
<td>United States</td>
<td>13.7</td>
<td>13.5</td>
<td>13.4</td>
</tr>
<tr>
<td>Averages</td>
<td>14.1</td>
<td>14.1</td>
<td>13.5</td>
</tr>
</tbody>
</table>

While the trend in the price-earnings relationship of the leading blue chip among industrial stocks has declined, consumer durable goods have continued to have 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 only 15.8). One reason the bank stock ratios are down is primarily because of the bank earnings. And while the profit is down, 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 average for 1953 was 12.7%, whereas the average in 1954 was 13.4%. Essentially this was accomplished by a big lift made in the primary earnings from bank operations, and other securities investments, as analysts do better at their historic function of lending than they do as "investment trusts" in government bonds!

Ball, Burge & Kraus
To Admit Shorshor

Cleveland, Ohio — Fred A. Ball, Burge & Kraus, have acquired a membership in the New York Stock Exchange. Fred A. Shorshor has been with the firm for some time.

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 hour and dinner at the Embassy Club in Minneapolis on Wednesday evening. June 19, an all-day program of golf, tennis, bowling, horseshoe and a bridge tournament at the White Bear Yacht Club, White Bear Lake, will be the highlight of the social hour Thursday, June 20.

Robert Krysof of Harold E. Wood & Co., Cleveland, Ohio, and President of the Twin City Bond Club, is the person who organized the outing.

Continued from page 3

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

By ARTHUR B. WALLACE

The average for 1954 was 12.7% compared to 23.8%. Essentially this was accomplished by a biglift made in the primary earnings from bank operations, and other securities investments, as analysts do better at their historic function of lending than they do as "investment trusts" in government bonds!

(1) Home construction definitely will lower in 1956 than in 1955.ULSEXPORTING SAREAL EARNINGS, while Hanover's 11.5 times was the lowest.

Bank Stocks

As an other evidence of improving value among the New York bank stocks, United States was annually 13.4 times, and while New York Bank and Discount's 14.5 times were next, a steady rising trend in the rate of earnings on book value without single exception.

EARNED ON BOOK VALUE

<table>
<thead>
<tr>
<th>Bank</th>
<th>1954</th>
<th>1955</th>
<th>1956</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bankers Trust</td>
<td>7.45</td>
<td>8.05</td>
<td>8.64</td>
</tr>
<tr>
<td>Chase Manhattan</td>
<td>7.05</td>
<td>7.30</td>
<td>7.59</td>
</tr>
<tr>
<td>Chemicals Trust</td>
<td>5.75</td>
<td>6.20</td>
<td>6.64</td>
</tr>
<tr>
<td>Manufacturers Trust</td>
<td>6.55</td>
<td>7.00</td>
<td>7.39</td>
</tr>
<tr>
<td>National City</td>
<td>6.75</td>
<td>7.10</td>
<td>7.49</td>
</tr>
<tr>
<td>United States</td>
<td>6.55</td>
<td>6.90</td>
<td>7.29</td>
</tr>
<tr>
<td>Averages</td>
<td>6.95</td>
<td>7.30</td>
<td>7.65</td>
</tr>
</tbody>
</table>

Larger Government Spending

But there is another sector that has to be considered, the competitive pressures and Burre's services and the government. In 1955, the government expenditure, by the billions, that is, expenditures for national and local governments in 1956, these expenditures will be $38 to $35 billion. The expenditures of the Federal Government will be larger, and that and local government expenditures are expected to grow, along with the private as well. With the private sector, government expenditures increasing, business activity is bound to slow down.

Upward Wage and Price Trend

Another question that interests us is the trend in wages. During the last 12 to 18 months, we have seen substantial increases in the wages. Wholesale or retail prices rose to 1956, and in 1957 prices have continued to rise, reaching the boiling point. The question is, "Where do we go from here?" These inflationary pressures in the world-wide boom, or is this a sign of recovery? Do we look forward to prices increasing 2% or 3% every year?

For the year 1957, we look to the further rise of prices, and wages, which was so pronounced in 1956, prices will be higher, and wages will be higher. In 1956, prices rose at a rate of about 3% per year, and this rate will continue in 1957. Prices and wages will be higher. We know, however, that this increase in prices will not be as pronounced in 1957 as in 1956, and that some time in 1957 prices will begin to fall, and they're likely to remain at that rate, at least for several years, and that is the conclusion after which prices were as high as we had to 1951 to 1955.

Stable Price Level After 1957

The reasons for this statement, briefly, are these: (1) The present rate of increase in wages and prices is increasing. In many industries, wage increases last year and prices have not been increased, and this certainly applies to the textile industry, the automobile industry, copper, aluminum, etc., and (2) the great pent-up demand for all goods and services has been met. The great pent-up demand has been for all goods and services, and competition became as keen as it is, you know better than I do, that this pent-up demand in prices can not be as pronounced as it was in the past.

Of course, this does not apply to a few new industries that are some certain commodities that are not sold to the ultimate consumer. These prices will 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 I'd, therefore, expect them to level off this year 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've already seen that you know that many industries have signed contracts with the unions whereby an aggregate increase in wages will be programmed that applies to steel, automobiles, and other industries.

Also, as the Consumer Index increases, many labor unions have gains that are automatic and will automatically go up and therefore wages will continue to rise, and, I believe, wages will not be as pronounced as in 1956 but it was during the last year, that we have had increasing and it did not increase, this year that we had the competitive pressures and because of the great efficiency of the new machinery and industrial development, the cost of labor will also increase and therefore we will have an increased rate of production that at least temporarily the average income will be brought to a halt. How long this will last, nobody can say yet.

As said before, competition will increase, and this increased competition will bring even a stabilization on the margins of the profit.

Easier Money Rates

Money rates, which have played quite a part in determining the last year, in all probability, will remain about the same for the next few months. Some time in the middle of the year, when the effect of the rate, of course we shall become apparent, the demand for capital funds will begin to ease off.

The second half of the year one may expect a liquidation of inventories, whereas, through the first part of the year, inventories rose considerably. A liquidation of inventories will cause pressure on the demand for bank credit, and money rates ought to begin to ease off toward the middle of the year than in the first half of the year.

Hot steel inventories will continue to be accumulated during the first half of the year, but in the second half of the year, some of the steel inventories will also be accumulated. Inventories in steel will be increased in steel production will be followed by an increase in prices.

Steel Inventories

Hot Steel inventories, which needs steel now, or will need it in the near future and the days, but now, provided he has the money or the credit. After steel prices have been increased in 1957 there will be no steel strike steel inventories will be accumulated, and this is bound to have an impact on money rates.

Textile Situation

How do the factors affect the textile industry? The textile industry is generally not in a particularly good year in 1958.
Budget Surplus Too Small for Comfort: Nadler

Hanover Bank's consulting economist warns mild recession could easily produce a deficit of public debt and inability to pay taxes. Dr. Nadler scores proposal to obtain additional funds for "Fannie Mae," and calls suggested impartial financial study.

The $1.813 million surplus forecast by President Eisenhower in his State of the Union 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 in the bank's bulletin.

"If a mild recession should set in during the next 12 months, revenue 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 used this year in an effort to balance budgetary desires to private investors.

A. G. Becker Group Offers Danly Machine Specialties Shares

An underwriting group headed by A. G. Becker & Co. Inc., on Feb. 18 offered 150,000 common shares ($5 par) of Danly Machine Specialties Inc. at $15.50 per share.

Net proceeds of the sale will be used along with other funds, to continue the expansion program. On January 1, 1956, the acquisition of the former Torr Corporation plant adjacent to the company's plant in Niles was completed. The net proceeds will be applied to building construction and the balance to machinery and equipment.

A part of the capitalization of the company will be used to retire the $4,414,439 and $4,203,000 common shares, par.


JOINS E. E. Mathews

BOSTON, Mass.—William E. Mathews, of Riddle, Peabody & Co. Inc.; and Riddle, Peabody & Co. Inc.; Riddle, Peabody & Co.; and Riddle, Peabody & Co., has joined the staff of E. E. Mathews Co., 53 State Street, Boston.

Tucker Anthony Adds

(Boston, Mass.)—Robert M. Tucker, of the firm of Tucker Anthony & Co., has been added to the staff of Tucker Anthony & R. L. Day, 74 State Street, Boston.

With Lee Higgason

(Boston, Mass.)—Lee Higgason has joined the staff of Lee Higgason Corporation, 50 Federal Street, Boston.

Guided by forward-moving research, American-Marietta has consistently surpassed its previous records. This trend, continuing in 1956, resulted in a 46% increase in net income.

American-Marietta's production is geared to the essential needs of the nation's economy. Products for the heavy construction industry and highway building accounted for more than 40% of the 1956 sales volume.

The expansion of manufacturing facilities which took place during the past year promises a further improvement in operations of 1957.

If this proposal becomes law, it will only 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 calls 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 '30's."

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 '30's, 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.

34th Year of Continuing Growth for American-Marietta

HIGHLIGHTS OF PROGRESS

1956  1955
Net Sales  $202,310,815  $168,339,971
Net Income  $14,504,547  $11,197,703
Net Worth  $7,163,502  $7,519,143
Total Assets  $147,877,333  $104,484,590
Dividends Paid
Shareholders  $4,924,502  $2,919,117
Number of Shareholders  21,467  14,800

1956 ANNUAL REPORT

SOLD ON REQUEST

American-Marietta's Annual Report has been sent to shareholders. It covers in considerable detail the Company's major activities. If you would like a copy, address Department 11.
Treasuring Pressing Problems

Under the Securities Act

vealed that over $9,000,000 of shares were of high
questionable value, mostly con-
vincently sold for less than
recently sold to approximately
24,000 persons, in all parts of the country. The total proceeds derived from
sales exceeded $330,000. The gross
loss was nearly $4,500,000. Long-distance
telephone bills aggregated $425,
and a special investigation of losses on these securities approxi-
ately 75% of the original
These cases will soon be
presented to grand juries.

Treasurers of many of the se-
curities touted by boiler-rooms have
made a public disclosure
of their business and financial facts. Much of the stock
sold by boiler-rooms are specula-
tive mining and oil securities of
seemingly毫无 origin, but some are industrials later
smuggled by shippers and
changes. The most pernicious
method of evading the registration
requirements is reliance on the
"no sale" principle and the private
offering of securities.

"No Sale" Principle

The "no sale" principle enunci-
ated in Rule 136 provides, in sub-
stantially the same way, or by
similar transaction involving an
underwriting of securities for the
assets of a corporation and effected
by a person not required to register
the securities, for a consideration
than without registration in these
transactions, the merged company
will not take the new securities for
investment but rather for resale.

We have seen, in recent months,
newly organized companies
through the boiler-rooms. Through
these companies, in turn, sales of
newly issued stock have en-
tered the channels of interstate
and foreign commerce, and full
disclosure to public in-

A variation of this technique involves the acquisition by one
the essence of the promoters
in a second company through a
voluntary exchange of securities
with a few of the controlling
shareholders of the second com-
pay. The exchange is made in
purported reliance upon the
private sale exemption. Soon
already the transaction is consum-
atated, the promoters are
makers make a public distribution of the securities received in the
exchange. Corporate empire builders have directed their
activities by the simple scheme of
acquiring authorized capital stock
which will have a greater value
or securities of other corporation-
In the event that the promoters
concerned are not given ade-
quately business or financial facts
able them to vote intelligently,
or to determine its fairness. Fur-
thermore, the preparation and dis-
tribution of the securities offered in the
exchange, the public has been
deceived and the registration
requirements have not been

Since adequate public disclose
laws, its avoidance creates a vital
enforcement problem. The
Commission is considering a variety
of approaches to cope with the
temporary merger transactions and the ex-
ertion of these securities pro-
vided for private offerings and
exchanges of securities.

Mining and Oil Promotions

The Commission is en-
forcing the requirements of
public securities in mining and oil promotions poses
problems for the American public in
the capital markets. The promoters
new, unseasoned, extractive com-
mencing is questionable. The
possibility that heavy losses will be
suffered by public investors is
The Commission has uncovered many
cases of misrepresentation and unfair dealing with the public in
the distribution and trading of
these securities. Over-reaching by promoters and
make concentrates free
the reputation of the entire
industry. Some promoters are
formally to create a source of
returns, instead of any profit.

Their securities are manufactured
stock jobbing purposes. Prom-
oters are selling to public investors
properties having little or no real
value or substance which have been
large blocks of these securities
and the names of dummy promoters
which are then sold to the public at
unreasonably high prices unrelated
to the fundamental value of
these securities. Insolvent issuers
are not equipped with the funds
with the promoters
public. Salesmen of some mining
securities represent that engineer-
ings tests have disclosed some
issue of large quantities of ore when no real tests have
been made. They talk gloatingly
about future profits and stock splits by
unseasoned promoters which are
money. Assets are written
public, but it is well known that they are
they are actually buying promoters' stock and their
money will be spent in furthering
the promoters' interests rather than in
developing the company.

Driletter Is a Dentist

Investigations of filings made
under Regulation A (which ex-
cludes from the full registration
requirements offerings not in ex-
cess of $200,000) have uncovered
a variety of misrepresentations
on the part of mining and
petroleum mining companies
to be their offering circulars
that on the basis of estimates by
promoters, it had 30,000,000 tons of ore
and that the company
The Commission's mining
inspections showed 83 samples from the
ores and found that the company
could not claim any significant
interests. Furthermore, the
estimates has been made by a pro-
ter for the company, but his drilling
experience is best described as dentis-
rate rather than a mining

These abuses in the sale of min-
ning securities to the public creates
problem for the American public
in the capital markets. It is possible
for promoters and other
dealers who distribute and trade
in these securities deal fairly with
the public.

The existence of a flourishing
mining industry is vital to the
continued prosperity and security
of the American public. The
activities of small mining and petroleum
companies in the past have been a
most important contribution to
the development of mineral resources throughout
the country. A study of the filings
mining companies in the
Commission's file from Jan. 1
and Jan. 10, 1934, shows that a total of 465
issues became
ABC list of uranium producers in
stock. Every issue has qualified,应当 be made regard-
nantage (Figure) because the list
covered all shipments having a
total of one-tenth of 1% or
better, regardless of the size of the shipment. The point is,
however, that a substantial, tan-
gible effort has been made by
small mining companies
uranium deposits and developing a uranium industry in this
region.

Revision of Regulation A

The Commission must be ex-
pected to give close attention
due restrictions on their ability
to raise venture capital from the
public for legitimate mining pro-
jects under the necessity
of regulatory burdens. The Com-
mission has amended last sum-
darly designed to affect greater protection for
the interests of public investors. By
enjoined to prevent the
promoters' statements disclosed in our investigations.

They restrict the availability of the
exemption from full registra-

tion for securities of non-
public companies. They also
the Commission's enforcement power.
The New York writers utilizing the Regulation.

The revised Regulation may
not issue any prospectus or offer
the issuer has been convicted of
a felony. The Commission will
case involving securities transac-
tions, a national securities dealers association
for an interval of three years,
and an issue has issued a
disciplinary action against any un-
derwriter of the issuer, or if any
underwriter of any other issuer
which is the subject of a stop
or if such proceeding is pending.

The amended Regulation pro-
vides that an offering circular
must be revised every six months
and that the Commission's authority
over the offering is
amount of the offering aggregated
the amount of securities

The amended regulation pro-
vides that an offering circular
must be revised every six months
and that the Commission's authority
over the offering is
amount of the offering aggregated
the amount of securities

The Commission has under con-
sideration, among other
matters, the issuance of common
stock by mining companies with a history

earnings or, in the alternative, the
acquire a large number

Four Alternative Proposals

There are four alternative
proposals under the first proposal,
the exemption afforded by the
Regulation would be available
the issuer had a net income
of $300,000 or exceeded for at least
$4,500,000 in fiscal years. Under the second al-
proposals, no issue would be
used only if the number of
stocks exceeded 100,000 in the
and 3,000 units for debt sec-
ions. The Commission
would make the exemption avail-
ble the unit limitations on the
offerings would be as
the unit limitation would
be satisfied the requirements.

The Commission is acting
in a forthright effort to
vigorously enforce the pari
ture and anti-fraud provisions of
the Securities Act. In the Cir-
sters, the Commission is able
to carry out, in whole or in
of the area of uninform
Risk-taking by a get-rich-quick

In these proposals, the
public may be never be fully
in its own poor field

Another proposal was convic

ing a so-called "เอกmonic lever" device. He

Another proposal was convic

ing of oil wells located, the
was found and even the total num-
recovered from the well.

The alleged invention was
nisting that there was
by a stick with a spring

Stock in a company which
put up a perfect fuel
ments of a perpetual motion machine was

Our investigation revealed that
this perpetual motion power unit was
the kitchen cabinet containing
He could not prove
involving an "atomic water treatment
machine" which allegedly could

Need Larger Staff and Funds

In carrying out its program to
investigate public and to
prevent, detect, and to stop
of securities, the Commission
is seeking
additional funds. Our budget
for the coming fiscal year, which
is January 1, 1934, is
$71,000. This sum represents
approximately 25% over the appropri-
for this budget is enacted by the Com-
mission, the Commission will be able
to add one additional personnel to carry out its
functions of serving fair and honest securities
markets.

The current dynamic growth
productive power of the American public is
indicated by the
Commercial National Product of $412
billion is sustained by the capital markets.

Paul Heimelz

Paul Heimelz passed away
Feb. 14 at the age of 63. Mr.
Heimelz prior to his retire-
ment, was vice president with
Shear, Hammill & Co.
The announcement of another new money raising operation in the near future by the Treasury, as well as the proposal that the Series E bonds be pushed up to 3½%, had a rather depressing effect upon the outlook for Government securities. A combination of profit-taking and professional operating losses among the institutional issues down very sharply in certain instances. It is reported, however, that several fairly stable orders came into the market as prices turned down.

The prospect for an early weekly offering of Treasury bills, according to certain dealers, will be better determined by new developments. The immediate situation and long-term issues do not seem to have as good a demand as was expected, 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 the money market. The Federal Reserve Board has agreed to permit an increase in the interest rate from 3% to 3½%. The increased rate on the Series E bonds would be achieved by shortening the maturity period from nine years and fifteen months to five and eleven years. The new bonds, it is indicated, will have a set of redemption dates which will lessen the penalty for selling the bonds early in their life. The proposed increase would also affect the current Series H bonds. For bonds which could be offered to buyers of Savings Bonds, with a maximum term of five years, and callable for use in other Government issues. The 3½% rate now proposed by the Treasury would be for a new series H savings bond, which would mature on July 1, 1952. It is pointed out that the top that the Treasury will use in its Savings operation for standardization of time to come. The new rate would effective from Feb. 1.

Treasury Seeks to Halt Tide of Cash-Ins

This move by the Treasury to make Government Savings Bonds more competitive in the money market has been termed a "cash-in" operation. The hope is that the increased rate on the new "E" and "H" bonds would create a tide of savings which will last long enough for the Treasury to take advantage of the opportunity of selling new issues. The new proposals of the kind of obligation is to stimulate sales and to slow down the "redemption" of Series E and H bonds has been topping sales rather recently, with a high of $100,000,000 in one month in which this was true. What the new program for Government Savings Bonds would accomplish in accomplishing the goal 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 latest indication that the Treasury was in the market for financing by the Treasury, as well as the payments which have to be made to our mutual customers, is reflected in the demand for new funds. The Secretary of the Treasury has recently indicated that the federal government would be willing to purchase $500,000,000 of Treasury bills in the near future. This fund raising operation by the Government was not to be unexpected, for it had just been announced that a "bills only" operation had been started in the anticipation that a spring borrowing has been on their agenda for some time. It is being reported that the coming omnibus undertaking of the Treasury will be by means of $350,000,000 of medium-term bonds. 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 note of 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" operations. The holdings of the Federal Reserve Banks for 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.

Unfavorable 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.

With Keystone Custodian

BOSTON, Mass.—Alan F. Frye of Essex has joined the research staff of Keystone Custodian Trust Company, the Boston's largest trust company. Mr. Frye will be senior security analyst for the Old Colony Trust Co., a member of the executive committee of the Boston Security Analysts Society and a member of the Boston Investment Company in Denver.

Also associated with the firm are Earl S. Bogess, Virgil M. Horton and Anthony J. Nicoli, Club.
Deregulation Versus Regulation In Our Transportation Future

person with too much knowledge, or, of course, with too little is a liability to any agency.

They constitute a headless government, with a haphazard deposit of irresponsible agencies and uncoordinated departments. In this sense the basic theory of the American Constitution implies that there should be three major branches of the government. These three branches, as a noted scholar, in commenting upon this critical view, stated that he believes that the six "branches" of government should seem to be a great succor in the light of numerology rather than against a vested interest to put government to do. He is in great transportation, the administrative to the three departments of government that of the Congress and the judicial and the executive. The relationship of these branches must be capable of making the difficult the simple, the impossible possible. The question is whether or not there will be a balance, a constitutional, an administrative, an executive, a legislative. We have not always done so, However, that is a different matter. We need not have to build up a vast bureaucratic empire, as the result of the failure of the public's eye! However, we see the government is a machine that will operate, in which their ultimate effect will be harmful, to our "free enterprise".

For the Interstate Commerce Act which just this year is celebrating its 70th anniversary, has been amended from time to time, to an extent that in many instances has become a dead letter, its provisions are as applicable to the present time as they were when it was enacted.

Under this act, a national transportation system of which is unequaled anywhere in the world, a system that has been created wherein the traditional American spirit of free enterprise has worked at its best, I think that this is proof enough that government can serve a useful purpose in the development of our transportation system.

Deregulation is a term that one hears a great deal. In our society, however, I think it is a good word. To use it in a proper context is to work for a transportation future. In transportation, however, we should not worship the status quo. The Interstate Commerce Act and our administrative agencies have served us well, but in the time of the changing times, we cannot do better if we are to keep pace with the changing times. These changes are being imposed. We must recognize the importance of this fact if we are to remain competitive in the transportation business. It is important that we work for a great transportation future.

Opposes R. P. 3421

The bill before the Senate in this direction is R. P. 3421—a bill to amend the Executive Department of Transportation so as to prevent the transfer of all of the personnel of the National Railroad Corporation to the Interstate Commerce Commission, the Federal Communications Commission, the Civil Aeronautics Board, the National Advisory Committee for Aeronautics, the Federal Maritime Commission, the American Telephone and Telegraph Corporation, 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 government agencies:

"They constitute a headless government, with a haphazard deposit of irresponsible agencies and uncoordinated departments. In this sense the basic theory of the American Constitution implies that there should be three major branches of the government. These three branches, as a noted scholar, in commenting upon this critical view, stated that he believes that the six "branches" of government should seem to be a great succor in the light of numerology rather than against a vested interest to put government to do. He is in great transportation, the administrative to the three departments of government that of the Congress and the judicial and the executive. The relationship of these branches must be capable of making the difficult the simple, the impossible possible. The question is whether or not there will be a balance, a constitutional, an administrative, an executive, a legislative. We have not always done so, However, that is a different matter. We need not have to build up a vast bureaucratic empire, as the result of the failure of the public's eye! However, we see the government is a machine that will operate, in which their ultimate effect will be harmful, to our "free enterprise".

Deregulation is a term that one hears a great deal. In our society, however, I think that this is proof enough that government can serve a useful purpose in the development of our transportation system. It is important that we work for a great transportation future. It is important that we work for a great transportation future. It is important that we work for a great transportation future.

The Interstate Commerce Commission, in its Annual Report for 1959, stated that "It is impossible to estimate the sound, progressive, and profitable effect of the removal of price fixing and economic pressures in the railroad industry. The danger of monopolistic practices has been reduced to the point where, without price fixing and economic pressures, the industry is capable of achieving a more efficient and coordinated production of service.

In the summary of policy position of the Interstate Commerce Commission, "It is true that the railroad industry is a public service industry dedicated to the preservation of the franchise and the right of private ownership and are engaged in developing sound national transportation programs. In this statement, it seems to me, is not to argue whether the railroad industry should be regulated or not. The question is how the industry should be regulated. The association looks upon strong competition, adequate regulation, and adequate national economic organization of the railroad industry. Perhaps that position is not the result of any action by the Interstate Commerce Commission. But I urge you, if you feel as I do, that common carriage is the answer. Common carriage, you voice your positions, with as much force, and as carefully 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 American people the facts of life with regard to transportation. It is important that we support the job alone. Carriers, shippers, receivers, suppliers, investors, and others intimately concerned with the transportation industry must help. Your association is in a position where you can do this. Your association is in a position where you can do this. Your association is in a position where you can do this. Your association is in a position where you can do this. Your association is in a position where you can do this. Your association is in a position where you can do this.

Continued from page 20

Allowing Railroads to Succeed

...
work in the ordinary continuance of life, and to be associated with others in organizations of one's own choosing, and to engage in any lawful occupation, and to own and hold property, and to full and equal enjoyment of the rights and liberties common to all citizens of the United States.

The right to work is still protected by law in 17 states of which none is Federal Reserve Bank of St. Louis. And it is held by the job or any lawful occupation and to own and hold property and to full and equal enjoyment of the rights and liberties common to all citizens of the United States.

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blunders and abuses. In any event, this movement has increased the productive capacity of the 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, in the economic sense, a "happy" and a "productive" flow of funds into productive investment. But do funds taken from the pay envelopes of employees by force really always represent savings? Are they not 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 meet the current crises as 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 remembered. Furthermore, there is every likelihood 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 were "saved" by compulsory savings. Talk is of taxation 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 and savings and loan associations are the depositors 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 borrows the money 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 — and that is often the case — the products of the work of the remainder of the community must provide him with the necessities 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 he wants 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 through purchase of securities by the banks. The problem for individuals still in the earning years of their life merely to refrain from consuming some substantial part of their income, is, of course, a problem entirely cut off from the question to store away goods for consumption purposes. Hence, what savings have to do is to enlarge productive capacity in order that goods for future consumption may be secured 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 which they do not need or want, and which they, in fact, cannot be expected to save. Laws which require the purchase of home insurance is a case in point. It has created a "fund" into which the funds collected temporarily go, and the impression is given to the uninstructed that they remain in such a fund and do not return to the pocket of the owner. The fact is that the money is a cause for misgivings. It is becoming increasingly clear that a major boost in public spending—suffi¬cient to cover the increased expenditures — would mean either an intolerable rise in taxes or an accommodation of money supply to this structure, if not both. As things stand, with the Federal Government has to carry its deficit together with additional major shots-in-the-arm. But is it capa¬ble of doing so? Even if the sta¬

Of course, there is no way that the Federal Government could really invest such vast sums productively except by means which would bring the means of production into government ownership. They could pay off its debt, and leave itself in a much better position to find needed funds for pension later, even to the extent that is shown that this debt, it is very unlikely that there is a more or less still unsolved. The trouble is, of course, that a system which pours these large social security contributions into the Treasury is to be used for ordinary purposes is much too temporary to be considered seriously.

To end where we began, it would be an excellent thing if all of us took a second look at this mammoth pen¬

sion industry in this country.

Continued from first page

Boom Without 'Zest"

is no temptation to the Federal Reserve Bank of St. Louis

The Commerical and Financial Chronicle, Thursday, February 21, 1935

Of course, there is no way that the Federal Government could really invest such vast sums productively exception by means which would bring the means of production into government ownership. They could pay off its debt, and leave itself in a much better position to find needed funds for pension later, even to the extent that is shown that this debt, it is very unlikely that there is a more or less still unsolved. The trouble is, of course, that a system which pours these large social security contributions into the Treasury is to be used for ordinary purposes is much too temporary to be considered seriously.

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 page 4

Circumventing Economic Realities And Accommodating Credit Needs

should be accompanied by action reducing further their availability, particularly in some cases, by increased taxation. Otherwise, the effect will be to intensify the pressures of purchasing power and impair price and monetary stability.

The problem is not insoluble. The correction of economic imbalances will require a combination of rethink- ing forces and prices, and then is generally available to the public. But, we add, it cannot do so on its own power. We need to provide for hard, continuous growth and social progress, under which the old constraints of the past could be replaced by new ones in their place.

**Supplemental Questions**

**Answered By Martin**

(1) **What is the impact of the current economic realities?**

(2) **How do you compare it with big business?**

(3) **What is the significance of the current economic realities?**

(4) **What can be done to address them?**

The Federal Reserve System has a responsibility to keep the nation's money supply, as a whole, in equilibrium with the demand for it. To do this, the Reserve System needs to balance the need for credit with the need to avoid inflation. The Federal Reserve System is responsible for maintaining a balance between the supply of credit and the demand for it. The Federal Reserve System can do this by adjusting the amount of credit available to the economy. This is done by using tools such as the Federal Funds Rate and the discount rate. The Federal Reserve System also has the ability to borrow and lend money to banks, and to purchase and sell government securities.

The Federal Reserve System must also consider the impact of its actions on the economy as a whole. The Federal Reserve System must consider the impact of its actions on the real economy, as well as the financial system. The Federal Reserve System must consider the impact of its actions on the employment rate, the inflation rate, and the interest rate. The Federal Reserve System must also consider the impact of its actions on the financial markets, as well as the real economy. The Federal Reserve System must consider the impact of its actions on the stock market, the bond market, and the foreign exchange market.

The Federal Reserve System must also consider the impact of its actions on the economy's ability to compete internationally. The Federal Reserve System must consider the impact of its actions on the ability of the United States to compete in the global economy. The Federal Reserve System must also consider the impact of its actions on the ability of the United States to compete in the global economy. The Federal Reserve System must also consider the impact of its actions on the ability of the United States to compete in the global economy. The Federal Reserve System must also consider the impact of its actions on the ability of the United States to compete in the global economy. The Federal Reserve System must also consider the impact of its actions on the ability of the United States to compete in the global economy. The Federal Reserve System must also consider the impact of its actions on the ability of the United States to compete in the global economy.
Continued from page 33

Circumventing Economic Realities and Accommodating Credit Needs

of member banks, creates some inequity in the Federal Reserve's ability to determine differences in reserve requirements among member and nonmember banks. 

The situation is so serious that a practical and prac-
tical way of making reserve requirements uniform and consistent with those of member banks has been sought. This is an example of Federal banking authority.

The problems arising out of the Federal Reserve System, that were always less pressing now than they were in the postwar period, when the discrepancy between reserve requirements of member and nonmember banks was greater than it is now.

A policy extending to nonbanking institutions a system of monetary controls analogous to that applied to banks by the Federal Reserve, however, would represent a basic and far-reaching departure from the principles of the Federal Reserve System and the general principles of public banking legislation and Federal Reserve policies. 

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Continued from page 6

The State of Trade and Industry

count; "Ward's" said. Plymouth's bid for a 17,000-unit turnover next year will mark its highest weekly output since December, the statistical publication said that Ford Motor Co. planned 31.4% of last year's car output, compared with 11.1% for Chrysler Corp., was up to 21% from last year's 13% at this time. The total output of the General Motors dropped to 41.3% a week ago, compared to 59.2% the year before. As a result, the American Motors Corp., in 1956 by American Motors with 3.2% and Studebaker-Packard declined the 2.0% to 2.8%.

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 $3,400,000,000 and in December, the month in which the annual report was released.

Despite this on-the-stretch level of output, the Department noted that the total of the year's output, measured in terms of the dollar value, is expected to be higher than the $320,000,000,000 of the previous year.

In addition to inventory transactions, which include wages and salaries, the income of proprietors and partnerships, dividends and interest, rent received by landlords, and other types of income, were included in the statistics. 

Outlays for actual, new construction "declined seasonally" in January but still set a record for the month, a joint report of the United States Department of Commerce and Labor stated. 

Steel Production Expected to Show a Slight Decline This Week

Steel mills operated at 79% 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 1,230,000 tons, or 50,000 tons more than a year ago. 

The metalworking weekly said that steel's biggest consumer, the automobile industry, bought less in January than in the previous year. In January, they were buying 23% more of the 1958 December and exceeded the year-ago level of 11,336 by 9%.

New incorporations in January also surpassed by about 9% the previous record of 12,417 established in March, 1953.

A 120,000,000-ton year would mean a 90% increase. This could be achieved through a 95% average in the first half and an 85% average in the second. The record is the 111,600,000 tons produced in 1953.

Because most forms of steel are readily available, inventories being carried are below the levels considered necessary by users to keep alert for a pickup in demand. If this happens, a larger increase will be registered.

The steel in hot demand is cold-rolled carbon sheets. The major steel product in cold demand is cold-rolled carbon sheets. While it built large inventories of steel last year, it can't live on these. Strengthened demand from the auto industry would quickly deplete them.

Steel prices continue to go up, principally in the form of mill charges, and the situation for the consumer is little less than tragic. Raised were carbon hot-rolled bars, reinforcing bars, tube, sheet, and forging and forging semifinished products.

The publication's arithmetic base price composite on finished steel indexes 135.9, 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, average ! scrap composite on steelmaking scrap slipped to $3.17 a gross ton, down 2c.

The American Iron and Steel Institute announced that the "practical rate, of steel consumption is not the making capacity for the entire industry will be an average of $5 per ton in 1958, as compared to $5.91 per ton in 1957.

The industry's last for the latest week the weeks in 1957 is based on annual capacity of 123,459,150 tons as of Jan. 1, 1958. For the week ending, Feb. 18, 1957, equivalent to 2,475,000,000 tons of ingot and steel for castings, as compared with 97.1% of capacity, and 2,561,000 tons (revised a week ago) was placed at 2,455,000 tons or 98.5%. The operating rate is not expected to improve until the last quarter of the year, when percentage figures for 1958 are based on an annual capacity of 128,455,000 tons as of Jan. 1, 1956.

Electric Output Moved Lower Again This Year

Electric output has fallen again for the week by the electric light and power industry for the week ended Saturday, Feb. 16, 1957, was established at 11,964,000,000 kw., according to the Edison Electric Institute, below the 12,000,000,000 kw. announced last week. The previous week's output dropped 72,000,000 kw., below that of the previous week; it increased 625,000,000 kw., or 5.5% above the comparable 1956 week and 2,034,000,000 kw. over the week ended Feb. 17, 1956.

Car Loadings Rose 2.7% In Latest Week

Loadings of revenue freight for the week ended Feb. 9, 1957, increased by 17,749 cars or 2.7% above the preceding week, the Association of American Railroads reported. 

Loadings for the week ended Feb. 9, 1957, totaled 605,480 cars; a decrease of 19,077 cars or 2.8% below the corresponding 1956 week of 624,557 cars, or 4.1% below the corresponding week in 1955.

U. S. Automotive Outturn Held to the Higher Trend of The Previous Week

Automotive output for the week ended Feb. 15, 1957, according to "Ward's Automotive Reports," pointed higher.

Last week the industry assembled an estimated 144,484 cars, compared with 140,000 in the previous week. Year-to-year production total of cars and trucks amounted to 1,710,770 units or an increase of 10.7% above the sales figure of 1,548,307 units above that of the preceding week's output, states "Ward's." 

Last week's car outturn rose above that of the previous week by 9,436 over the preceding week's 1,601,334 units. In the corresponding week last year 195,320 cars and 23,581 trucks were reported.

Last week the agency reported were there 23,305 true cars made in the United States. This compared with 22,957 in the previous week.

Canadian 3000 t week last week was 7,925 cars and 1,011 trucks. In the previous week Dominion plants built 8,118 cars and 3,540 trucks, and for the comparable 1956 week, 6,358 cars and 1,314 trucks.

Business Failures Rose Moderately in Latest Week

Commercial and industrial failures increased to 317 in the week ended Feb. 4 from 287 in the preceding week, Dun & Bradstreet, Inc., reports. The toll exceeded considerably the 252 occurr-
ing last week, and 328 for the week-ago week. 

The total of the year's failures is 25% above the prevw year level of 293 in the comparable week of 1959.

Liabilities of $5,000 or more were involved in 266 of the week's 317 failures. This compared with 222 in the previous week. Small failures with liabilities under $5,000, rose to 51 from 24 in the corresponding week of 1959. The number failed with liabilities in excess of $10,000, remaining at the same level as a week ago.

The 51 failures 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.

Bonds reporting higher tolls during the week included the Pacific Northwest, and the Mountain States, while declines occurred in the Middle Atlantic and New England States. More businesses failed than last year in all of the Pacific States. Industrial failures increased from 565 in the week ended Feb. 17, 1956 to 616 in the west, with declines in the East and South Central, East and West South Central, and the West North Central regions.

Wholesale Price Index Remained Unchanged In Latest Week

Unchanged from the level of the preceding week, the whole-

Wholesale price index, compiled by Dun & Bradstreet, Inc., regis- tered $8.13 on Feb. 15. This represented a gain of 3.2% from $5.94.
Mortgage—Commercial Banking

Mortgage—Commercial Banking Relations and the Money Market

Continued from page 11

they should do the job required of them to provide the needed service. It is a much increased interest in many places of Commercial Bankers to develop long-term business. Particularly is this true in important home and building mortgage business. In this field there is a tremendous opportunity for Mortgage Bankers and their<br/>

co-operators to work together in the future in both the mortgage and mortgage servicing field. So there are not only that money can actually improve sales and refinancing activity in property security development and previously too closely held. There is definitely a joint responsibility for proper community development and maintenance of the Southwest (with the exception of Oklahoma) to the Banker, to Associations which have grown up to help the Banker, and to most of the real estate financing which has been handled by the mortgage banker and have been doing business directly with some of the Bankers in the field and many of the Bankers have been over-committed to large projects, and have found other sales of mortgages to mortgage bankers. Economical and efficient use of capital is not the same as many of them have allowed themselves to become busy builders, they have not been more creative in meeting the competition and have not been as creative in meeting the competition as the commercial banks for credit if they had tried to reach the limits set for them. The commercial banker really isn't interested in having any more detailed information than the literally note prices, size and volume and profit and loss statements. To properly evaluate the Mortgage Banker, the Commercial Banker must learn to know certain things. He needs the facts on any assets in your statement, and in the case of those not obviously liquids, he needs to know the value. He should know considerable about the value, your inventory include the amount of V.A., F.H.A., and Conventional Loans, classified by original repayment date and term, and also by type of coverage, and beyond—and information regarding future inventory and future standby commitments under which they are held if any held are actually needed and if they definitely should be segregated and the nature of the commitments disclosed.

Any loans not committed for by investors wishing delivery shall be classified and information shall be shown the extent to which they are covered by standbys and builder's warranties shall be classified. Also, although it does not generally ask for commitment also asked if the banker is interested in the composition of your service account and the list of investors in the standbys and credit, the banker definitely does not want the loans that standbys can vary in desirability, depending on the wants of the bankers, and by others who issue them. Those are those who have issued them who would accept the loans and the bankers in over a short period of time, there are very few liabilities of the knowledge of the specific loans covered by them from time to time.

So far as I am concerned, these standby arrangements are all in the first place and should not be used either on a revolving basis or on a standby basis in loans where the originator is specifically looking for standby arrangements. However, if you have any who issue any standbys, before paying for them it will be well for you to check with your commercial banker to see if he approves them.

Conyer in my page 36
Mortgage-Commercial Banking Relations

and to what extent will allow their use.

Some of them are entirely justified to a large extent by the housing loan where the houses are really needed. The development of new markets in the United States has been used to back up an inventory larger in scale and more 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 a large bank or the bank customer borrowing on a secured basis. 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 customer demand for construction on money at presently fancy rates and also for some years, a demand for mortgages at 5% and 5 1/2% on farm fields.

Particularly in periods of tight short-term money, the Mortgage Banker tends to be concerned for other types of loans in the construction market and the liquidity of the collateral as well as the profits to be made on commercial and commensurate banks.

It was usual practice during the '20s and the '30s to carry 20% and 25% of balances from any commodity ever sold at wholesale and earn on consumer credit, we are in for an extended period of strong rates money.

This is not discouraging and is not necessarily good for the commercial business. If you are well established, it is not the ultimate advantage to slow down some on originations: particularly as the other fellow is not going to do the same thing.

But it does make it all the more necessary for a clear understanding with your Commercial Banker. That is why it is so important to take care of your legitimate requirements.

Don't be too critical of the Commercial Banker. He is doing his job. But, be sure he is well informed about your business. If he will not be come 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 nature of your sales outlets and your record for quality sales.

(3) The ratio of total unmortgageable to marketable and ratio of unmortgage to total servicing excluding FNMAs.

(4) The ratio of your total mortgages to normal annual sales.

(5) Your ratio of your total loans, marketable and if they meet requirements of several of your investors.

(6) Something about your overall cash and mortgage funds for investment.

(7) The commitments you have made and your current schedule.

Encourage all the information you can with your bankers, and as a result I am sure you will be better informed and opportunities will benefit...

Continued from page 35

Are Price-Earnings Ratios Likely to Change in 1957?

The Commercial and Financial Chronicle. Thursday, February 21, 1957

Continued from first page

are low. That tendency was evident in the bear markets that followed in the 1920s, 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 price-earnings ratios, perhaps we should see if there is some way to correct the statistics that are affected by the two variables such that prices and earnings. It is possible that we have expected such a ratio to indicate the advantage or disadvantage it takes to take into consideration another important influence—the fact that even if earnings dropped to zero we would not look at the plants and equipment and the net quick as assets and feel that there were some value set. The obvious and easiest thing to deduce from this is that you should be looking at book value since that gives at least a rough idea of the value of a group of stocks if its earnings were to go to zero.

Use of Book Values

There are plenty of good arguments for using book values rather than account values. But aren't earnings and stock market average prices rather fictitious? No one knows what real earnings are, and what are too low because of the influence of accelerated amortization? No, it is the book values that would make the best indicator of the real position or the position of earnings. And in the early period of book values and last year when the averages went up while the book values 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 it component parts. It is a little like the statistician who takes some dirty coal and produces it in a new form. Chart No. 4 shows the result obtained when the book values of the major index of Industrial Stocks are deducted from the same index one third of the months of the years to date. The result is shown in Figure 1. Earnings, as shown in Figure 1, are the last four quarterly totals, book values are the figure taken at the end of the year, the prices are the averages for the year.

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 bottom of the chart and low on the same basis at the top, this study shows that prices are low on the basis of earnings and that the premium above such values is being paid for whatever earnings are available. As a result Bar-

This chart shows that the firms are near the bottoms of the bear markets in the 1920s and 1949 and again in 1949.

Additional Refinement

A further refinement of this study is shown in 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 ratio of earnings over the past 36 years has ranged from 20% to 60% in 1931 to a low of 40% in 1923, and this distorts the relationship of earnings to stock prices. Today we have the problem of deciding whether to include stock dividends as well as cash dividends when we determine yields. The inclusion of stock dividends while excluding stock yields would serve to raise the line shown on the chart. One method is to figure them on the basis of only cash dividends. As a result Bar-

This ratio today is 5 1/2% while the other two services say it is 4 3/4% on industrial stocks and 4 3/4% on 20 general issues. It could of course assume that the average payout over a period of years was 60% but such an adjustment would only change the conclusions in the same way. No, it would change it's value in conclusion must be based on the previous periods in market history. Also, because of the abnormal accommodations in the market, the ratio of dividends to earnings would be higher than it has been in the past. This is done to the average of the highest quarter ratios seen in the past 22 years it would return to around 3%. If it were at the average of the lowest quarter ratios seen in the past 22 years it would go to 350.

The trend of interest rates during the past two years makes bonds more attractive relative to...
stocks than they have been for many years. Tight money also re-
stricts 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 be-
tween its trend and the trend of price-earnings ratios over the past 35 years. Their index turned down in May of 1936 after an upturn that had lasted since Sep-
tember of 1932. (See Chart No. 5.)

The trend of Sensitivity Business Indices is not surprising. Studies of such indices are made by the National Industrial Con-
ference Board and the Statistical Indicators Associates. They are called the Diffusion Index and are explained in Geoffrey Moore’s pamphlet, "Statistical Indicators of Cyclical Revivals and Re-
cessions." Out of hundreds of eco-
nomic 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.)

A downturn in the Index of Confidence which measures the degree of risk that stock buyers are willing to take is a clear index is based on the belief that when our economy is sound, shrewd traders and speculators avoid risks in the more volatile securities or even stay away from the stock market.

(3) Declining influence of some of the bullish factors of the post-
war period such as—
(a) The filling of the deferred demand for many goods whose production was re-
stricted during the war. Eleven years of postponed produc-
tion has done much to remove this as an in-
fluence.
(b) The less urgent need for aid to foreign countries. From 1946 through 1953 this country transferred to the rest of the world $3 billion worth of goods and services. Since our country has risen sharply and many producers are competing with our country, it will not be an easy sell. Textile, for example, has made great strides in the export market.
(c) Both the sharp increase in debt and inventories shows that the business cycle was a great stimulus to business. Now there doubts that they can in-
crease at the same pace without becoming bearish influences. Inventories and debts become a problem when business activ-
ity begins to flag.

(6) The fact that this is a post-
war readjustment. President Roosevelt said "we planned that way" in explaining the de-
cline of the price-earnings market in 1937 there has been a marked increase in the number of figures that has just been elected would prefer to see needed adjustments in this market. The new figures are still in their first year. Since it will take a few years for the stock market's expectations to settle down, it is not surprising that the price-earnings market has been near the plateau over the past 22 years. Although 2029 figures are not strictly comparable with those figures that have been used in the past, it seems evident that we are not far away from the 1937 market that existed in that year. When business conditions are more conservative, their cyclical range the market becomes more sensitive to earning prospects. Furthermore, our business base is so much larger that even a small decline in earnings is, and will be, felt proportionately more by the market than any similar decline could have been in the past.

(7) The trend of profit margins has not been keeping pace with sales although some businesses are not experiencing a large increase due to high-
leveled capitalization. If we are re-
ally bullish and confident we won't buy defensive stocks such as American Tel. & Tel. In-
stead we will buy speculative stocks because we expect conditions to improve in the near future. This index is made up of six indices, each of which com-
pared the price action of a riskier

significant change, it has been corre-
xed by the advance of 25% in the industrial average while earnings gains went up only 1%. As a result, our price-earnings ra-
s are adjusted to the price-earnings market has been near the peaks shown over the past 22 years. Although 2029 figures are not strictly comparable with those figures that have been used in the past, it seems evident that we are not far away from the 1937 market that existed in that year. When business conditions are more conservative, their cyclical range the market becomes more sensitive to earning prospects. Furthermore, our business base is so much larger that even a small decline in earnings is, and will be, felt proportionately more by the market than any similar decline could have been in the past.

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pared the price action of a riskier
Securities Now in Registration

Aid Investment & Discount, Inc.
Jan. 24 filed $1,230,000 of 6% capital notes due Feb. 1, 1977, with interest payable on March 1 and June 1. Filed by amendment. Proceeds—To reduce bank loans and for expansion purposes. Underwriter—William H. Blyearty & Co., Chicago, Ill.

Beautilite Co.

Burma Shores Mines, Ltd., Toronto, Canada
July 26 filed 11,000,000 shares of common stock (par $0.01). Proceeds—To pay off indebtedness and to increase working capital. Underwriter—None.

Capital Bakers, Inc.
Feb. 6 (letter of notification) $30,000 of common stock due Feb. 15, at $1 per share (par $1). Proceeds—To expand the company's operations. Underwriter—None.

Capital Glore, Inc.
Jan. 31 (letter of notification) 100,000 shares of common stock (par 10 cents). Price—$15 per share. Proceeds—To pay expenses of organization and to increase working capital. Underwriter—None.

American Broadcasting-Paramount Theatres Inc.
Fed. 25 showed two million shares of common stock (par $5) to be issued at $20 per share. Proceeds—For working capital, and to adjust the company's operations into the field of new car financing. Underwriter—None.

American Natural Gas Co. (2/27)
Jan. 14 filed 442,114 shares of common stock (par $5) to be sold at $25 per share. Proceeds—To pay $20,000,000 to common stockholders of record on or about Feb. 27, 1971, on the basis of one share of new for each share of old. Underwriter—White, Weld & Co. (jointly); Blair & Son, Inc. (formerly Blyth & Co., Inc.); The First Boston Corp. Bids—To be received at Room 1703, 165 Broadway, New York, N. Y., up to 11 a.m. EST (2/28).

American Provident Investors Corp.
Feb. 14 filed 300,000 shares of common stock (par $1) to be sold at $5 per share. Proceeds—For working capital and general corporate purposes. Office—Dallas, Tex. Underwriter—None.

Anacosta Co., New York
Jan. 19 filed 300,000 shares of capital stock (par $5) being offered for subscription by stockholders of record Feb. 12 (par $5). Filed 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 of company operations. Underwriter—None.

Appalachian Electric Power Co. (3/19)
Feb. 11 filed $20,000,000 of first mortgage bonds due March 1, 1987. Proceeds—To repay bank loans and for construction purposes. Underwriter—To be determined by competitive bidding. Bidders: Halsey, Stuart & Co., New York; R. H. Kuhn, Loeb & Co. (jointly); First Boston Corp. Bids—To be received at Room 1703, 165 Broadway, New York, N. Y.

Bakers, Inc.
Feb. 11 filed 1,000,000 shares of common stock (par $5) to be sold at $8 per share. Proceeds—To redeem bonds by the issuance of additional (truck and warehouse) preferred stock. Price—$25 per share. Proceeds—To redeem bonds.
**NEW ISSUE CALENDAR**

**February 25 (Monday)**

- **Allied Resources Fund, Inc.**
  - Common
  - Bonds
  - (Offering to stockholders—be underwritten by J. E. Goodrich & Co., Philadelphia, Pa.)
  - $15,000,000

- **Loyal American Life Insurance Co.**
  - Common
  - (Offering to stockholders—to be underwritten by J. H. Goodrich & Co., Philadelphia, Pa.)
  - 325,000 shares

- **Tower Manufacturing, Inc.**
  - Class A Common
  - (S. D. Fuller & Co., Inc.)
  - $1,000,000

**February 26 (Tuesday)**

- **Consolidated Gas & Electric Co. of New York, Inc.**, Debts,
  - (Offering of stockholders—be underwritten by The Chase Manhattan Bank)
  - $1,000,000

- **Hushman Factories Corp.**
  - Class A Common
  - (M. Stitely & Co., Inc.)
  - 700,000 shares

- **Illinois Bell Telephone Co.**
  - Bonds
  - (Bids to be Invited)
  - $10,000,000

- **Merchants National Bank of Texarkana**
  - Class A Common
  - (Offering to stockholders—to be underwritten by Kidder, Peabody & Co.)
  - 25,000 shares

- **South Carolina Electric & Gas Co.**
  - Bonds
  - (Offering to stockholders—to be underwritten by Kidder, Peabody & Co.)
  - $20,000,000

- **Indiana Gas & Electric Co.**
  - Bonds
  - (Offering to stockholders—be underwritten by J. H. Goodrich & Co., Philadelphia, Pa.)
  - $30,000,000

- **West Penn Electric Co.**
  - Bonds
  - (Offering to stockholders—to be underwritten by Kidder, Peabody & Co.)
  - $45,000,000

- **February 27 (Wednesday)**

- **American Natural Gas Co.**
  - Common
  - (Offering to stockholders—to be underwritten by $12,514,14
  - (The First Boston Corp.)
  - $12,514,14

- **Elyria Telephone Co.**
  - Preferred
  - (Kidder, Peabody & Co.)
  - $150,000

- **Missouri Portland Cement Co.**
  - Bonds
  - (Interested)
  - $10,000,000

- **Potomac Electric Power Co.**
  - Preferred
  - (Interested)
  - $1,000,000

- **United Gas Corp.**
  - Bonds
  - (Interested)
  - $25,000,000

**February 28 (Thursday)**

- **Daystrom, Inc.**
  - Goldman, Sachs & Co. & W. R. Fesselt, Inc.
  - $8,000,000

- **March 1 (Friday)**

- **King-Spoors, Inc.**
  - Common
  - (Offering of stockholders—to be underwritten by Wells, Wire & Co.)
  - $1,000,000

- **Manning, Maxwell & Fitzhugh, Inc.**
  - Preferred
  - (Interested)
  - $500,000

- **Transition Metals & Chemicals, Inc.**
  - Common
  - (Interested)
  - $100,000

- **March (Monday)**

- **Bayless (J. A.), Inc.**
  - Common
  - (R. M. Bayless & Co. & Co.)
  - $2,000,000

- **Development Corp. of America, Inc.**
  - Common
  - (Interested)
  - $2,000,000

- **Gob Shops of America, Inc.**
  - Stocks, Bonds, Preferred
  - (Interested)
  - $2,000,000

- **March 3 (Tuesday)**

- **Columbus & Southern Ry. & Banking Co.**
  - Bonds
  - (Bids to be Invited)
  - $20,000,000

- **Hill Electric Co.**
  - Preferred
  - (Interested)
  - $2,000,000

- **Stuart-Hall Co., Inc.**
  - Common
  - (Interested)
  - $2,000,000

- **March 6 (Wednesday)**

- **Consumers Power Co.**
  - Common
  - (Interested)
  - $2,000,000

- **Jorgensen (Earle M.), Inc.**
  - Common
  - (Interests)
  - $2,000,000

- **Lone Star Sugar Co.**
  - Preferred
  - (Interested)
  - $2,000,000

- **Southern Counties Gas Co. of California, Inc.**
  - Bonds
  - $3,000,000

- **Texas Eastern Transmission Corp.**
  - Preferred
  - (Interested)
  - $2,000,000

- **March 7 (Thursday)**

- **Rochester Telephone Corp.**
  - Common
  - (Interested of stockholders—underwritten by $1,450,000
  - (Interested)
  - $1,450,000

- **Southern Pacific Co.**
  - Equip, Trust Cfs.
  - (Interested)
  - $2,000,000

- **March 11 (Monday)**

- **Carolina Telephone & Telegraph Co.**
  - Common
  - (Offering of stockholders—underwritten by $4,500,000
  - (Interested)
  - $4,500,000

- **General Public Utilities Corp.**
  - Preferred
  - (Interested)
  - $2,000,000

- **Minnesota Power & Light Co.**
  - Preferred
  - (Interested)
  - $2,000,000

- **March 12 (Tuesday)**

- **Central & South West Corp.**
  - Preferred
  - (Interested)
  - $2,000,000

- **Commonwealth Edison Co.**
  - Preferred
  - (Interested)
  - $2,000,000

- **New England Electric System**
  - Common
  - (Interested)
  - $2,000,000

- **Thifty Drug Stores Co., Inc.**
  - Common
  - (Interested)
  - $2,000,000

- **May 9 (Thursday)**

- **Alabama Power Co.**
  - Bonds
  - (Bids to be Invited)
  - $2,000,000

- **May 28 (Tuesday)**

- **National Trust Co.**
  - Preferred
  - (Interested)
  - $2,000,000

- **June 4 (Tuesday)**

- **Virginia Electric & Power Co.**
  - Common
  - (Interested)
  - $2,000,000

- **June 6 (Thursday)**

- **Georgia Power Co.**
  - Bonds
  - (Bids to be Invited)
  - $2,000,000

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*Continued on page 40*
**Proceeds—For**

**plus**

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Kuhn, Halsey, company’s

Offering—Expected
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be determined by competitive biddings. Probable bidders: Hailey, Stuart & Co., Inc.; Whalen & Co. & Blair & Co. Inc.—East Boston Corp.; Equitable Securities Co. & Eastern Union Underwriters. Bids must be in the hands of the remaining trustee by 11:30 a.m. (EST) on March 28.

- New York Shipbuilding Corp., Camden, N. J. Feb. 28 filed 300,000 shares of preferred stock (par $1).—Price—To be determined by competitive biddings. Probable bidders—None. Underwriter —None.

- Nic-Lon Battery Co., Santa Ana, Calif. Dec. 27 filed 75,000 shares of 5% cumulative participating preferred stock (par $50).—Price—At par ($50 per share).—Proceeds To—Establishing new plant.


- Poyntz Fund, Inc., Miami, Fla. Feb. 24 filed 500,000 shares of capital stock (par $1).—Price—At market. Proceeds To—Construction program.

- Plymouth Bond & Share Corp., Miami, Fla. Feb. 24 filed 1,000,000 shares of capital stock (par $1).—Price—At par. Proceeds To—Construction program.

- Raymond Oil Co., Inc., Wichita, Kansas Feb. 21 filed 500,000 shares of capital stock (par $25).—Price—To be supplied by amendment. Proceeds—For exploration, development and operation of oil and gas properties.

- Raytheon Screen Corp., Feb. 15 (letter of notification) 50,000 shares of common stock (par 10 cents).—Price—$3.25 per share. Proceeds To—Construction program.

- Rochester Telephone Corp. (3/7) Feb. 18 filed 18,000 shares of common stock to be offered for subscription by common stockholders of record March 6, 1937 at the one new share for each ten shares held by them. Price—To be supplied by amendment. Proceeds—To reduce working capital and other corporate purposes.

- Rocky Mountain Research, Inc. Feb. 18 filed 5,000 shares of 6% preferred stock (par $100).—Price—$1 per share. Proceeds To—Construction program.

- Saxon Underwriters, Denver, Colo. Aug. 21 (letter of notification) 23,000 shares of capital stock (par $100) to be offered for subscription by common stockholders of record March 20, 1937 at the one new share for each ten shares held by them. Price—To be supplied by amendment. Proceeds—To reduce working capital and other corporate purposes.

- Security Electronics Corp. Jan. 11 (letter of notification) 280,750 shares of common stock (par five cents).—Price—$1 per share. Proceeds To—Establishing improved model of the Security Check Register (now in use); to purchase 500 such units; and for working capital and general corporate purposes.

- South Carolina Gas & Electric Co. Feb. 4 filed 388,085 shares of common stock (par $4.50) to be offered for subscription by common stockholders of record Feb. 26, 1937 on the basis of one new share for each ten shares held by them. Price—To be supplied by amendment. Proceeds—For construction program.

- Southern Counties Gas of California (3/6) Feb. 13 filed 1,507,304 shares of common stock (par $5).—Proceeds To—Be offered for subscription by common stockholders of record March 13, 1937 on the basis of one new share for each ten shares held by them. Price—To be supplied by amendment. Proceeds—For construction program.


- Southern Trust Co., New York. Feb. 7 filed 80,000 shares of capital stock, of which 8,000 are to be reserved on exercise of options to be granted to employees of the company (latter exercisable within three years from date of grant). Price—To buy or establish a complete sporting goods and electrical appliance store for the use of the corporation. Underwriters, Inc., Atlanta, Ga., Philip H. boiler, sole stockholders of the underwriter, are the Southern Trust Co. of Southern California.

- southern Oils Ltd., Toronto, Canada. Aug. 24 filed 7,400,000 shares of capital stock (par $1).—Price—64 cents per share. Proceeds—To build stock oil.

- Southside Corp., Aniston, Ala. Sept. 7 filed 150,652 shares of capital stock (par $1), of which 21,681 shares are to be publicly offered in $25,300, shares to be offered in exchange for the capital A stock (capital Fire & Casualty Co.), on the basis of one share for each ten shares held by them. Price—To be supplied by amendment. Proceeds—For purchase of StockCapital and Allied forms and for purchase of U. S. Government bonds. Proceeds—Now a selling stock commission will be made to buyers for sales effected by them. Elvin C. McCay, of Aniston, Ala., is President.

- Speckman & Breeden, N. J. Jan. 29 filed 765,360 shares of 6% debentures due March 1, 1939. Proceeds To—Be offered in units of $100 par each, of which $545,300 of the debentures and 10,000 additional debentures, to be offered to the holders of the 54,530 outstanding shares of 5% cumulative preferred stock, of which $30,000 in face value is not for each 10 shares preferred stock. The remaining $350,000 of debentures and 4,000 shares of common stock are to be offered for each 10 shares of preferred stock. Proceeds—For general corporate purposes, including purchase of 5% preferred stock, of which $20,000 is held in the form of preferred stock. Underwriter—Smart, Clay & Oswald, New York, N. Y. Offering—Expected shortly.

- Spokane Nat. Oil Co., Spokane, Wash. Jan. 1 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 by them. Price—To be supplied by amendment. Proceeds—To be supplied by amendment. Proceeds—Continued with the same program. Underwriter—White, Weil & Co., New York.

- Stein, Roe & Farnham Fund, Inc. Feb. 18 filed 60,000 shares of common stock (par $1).—Price—At market. Proceeds—For investment in banks, utilities and other corporate enterprises.


- Texas Fuel Corp., Clarksville, Texas. Nov. 29 (letter of notification) 120,000 shares of common stock (par $100).—Price—To be determined by competitive biddings. Proceeds—to pay bank loans, financing of time payment sales and for working capital. Underwriter—Franklin Securities Co., Dallas, Texas. Offering—Expected soon.

- Texas waitress Plan, Inc., New York City. Oct. 30 filed 52,000 shares of preferred stock (par $25 per share) and 28,000 shares of class B stock (par five cents). Abstracts A, expected at 11:00 a.m. (EST) on March 15, at $3.75. Abstracts B, expected at 11:00 a.m. (EST) on March 15, at $3.75. Abstracts C, expected at 11:00 a.m. (EST) on March 15, at $3.75. Underwriter—Franklin Securities Co., Dallas, Texas. Offering—Expected soon.

- Thrifty Drug Stores Co., Inc. (3/12) Feb. 18 filed 200,000 shares of common stock (par $1).—Price—To be supplied by amendment. Proceeds—To sell to stockholders. Underwriter—Blyth, Blyth & Co., Los Angeles, Calif.


- Pittsburgh Ry. Co., Pittsburgh, Pa. Feb. 18 filed 200,000 shares of capital stock (no par) of which $40,651.75 shares are to be offered for subscription by Standard Gas & Electric Co. common stockholders on the basis of one share for each four Standard Gas & Electric Co. shares held. The subscription period will run for five years or until March 28. Proceeds—To be supplied by amendment (expected to be 61 per share), less any dividends paid on the Pittsburgh Ry. stock after Oct. 10, 1936. Proceeds To—Establishing new plant.


- Plymouth Fund, Inc., Miami, Fla. Feb. 10 filed 5,000,000 shares of capital stock (par $1).—Price—At market. Proceeds To—Construction program.


- Poyntz Fund, Inc., Miami, Fla. Feb. 24 filed 500,000 shares of capital stock (par $1).—Price—At par. Proceeds To—Construction program.

- Plymouth Bond & Share Corp., Miami, Fla. Feb. 24 filed 1,000,000 shares of capital stock (par $1).—Price—At par. Proceeds To—Construction program.
**Prospective Offerings**

### Advance Mortgage Corp., Chicago, Ill.
- Dec. 4 it was reported this company (to be serving the public interest underwriters—Smith, Barney & Co.; and Irwin Jacobs & Co. of Chicago) plans a public offering of 500,000 shares of class A 6% participating convertible stock (par $1). Underwriter—Baker, Simonds & Co., Detroit. Offering—Expected in March.

### American Electronics, Inc., Los Angeles, Calif.
- Feb. 18 it was reported early registration is expected of American Electronics, Inc.—250,000 shares of common stock (par $1). Proceeds—To be used for company’s account and $30,000 for shares of stockholders. Underwriters—van H. B. Burnside & Co., Inc., New York. Offering—Expected about the middle of March.

### Ann Arbor RR. (3/14)
- Bids will be received by the company on March 14 for the construction of a new station at 540 Second Ave. (EST) at a cost of $120,000. Underwriters—Morgan Stanley & Co. (jointly). Bids tentatively scheduled to be received on March 14.

### Australia (Commonwealth of) (3/13)
- Feb. 21 today the Treasurer of the Commonwealth is expected to announce new crown bonds which will be placed on the London market. Underwriter—Morgan Stanley & Co., New York.

### Baltimore & Electric (3/20)
- Feb. 9 it was reported that plans to issue and sell $30,000,000 of common mortgage bonds of which $18,000,000 will be in new securities and $2,000,000 to refinancing existing bonds. Underwriter—Baltimore & Electric Co. (jointly).

### Baltimore & Ohio RR. (4/15)
- Bills are expected to be received by the company on or before March 31 for the sale of approximately $10,000,000 common stock certificates to be due annually in 1 to 15 years. Underwriters: Halsey, Stuart & Co.; and Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co., and B. W. Pressprich & Co. (jointly). Registration: Statement expected to be filed shortly.

### Baltimore Gas Co. (4/1)
- Feb. 15 company announced it plans to offer to the public 5,000,000 of its common stock certificates for sale on the New York stock exchange. Underwriter—None.

### Central Hudson Gas & Electric Corp.
- Feb. 1st it was announced that the company plans, before Dec. 1, to sell $5,000,000 of new securities (two-thirds in debt securities and the balance from sale of common stock). Proceeds—For the expansion of buildings and development of new facilities for the company, the increases in the number of stockholders, and the promotion of the general welfare of the company. Underwriters—Smith, Barney & Co.; Glueck Forgan & Co.; and Harding, Long & Co. of New York City. Underwriting—individually postponed.

### Central Louisiana Electric Co., Jan. 25 it was reported that the company plans some $5,000,000 additional construction programs. Underwriters—Kiefer, Peabody & Co.; and Keeler & Company, New York. Offering—None.

### Chicago, Burlington & Quincy RR. (3/19)
- March 19 for the purchase of 35,000,000,000 shares of common stock certificates due in 30 equal semi-annual installments. Underwriters: Halsey, Stuart & Co.; and Salomon Bros. & Hultz.

### Chicago & North Western Ry. (2/27)
- Bids will be received by the company on March 15, 1955, 4001 West Madison St., Chicago 6, Ill., up to noon (CST) for the underwriting of $5,000,000 common stock certificates to be issued and sold to municipalities and other school districts. Underwriters—None.

### Cincinnati, New Orleans & Texas Pacific Ry.
- Feb. 5 it was reported that the company plans to issue and sell $10,000,000 of common stock certificates. Underwriters: Halsey, Stuart & Co.; and Salomon Bros. & Hultz.

### Consolidated Natural Gas Co.
- Feb. 12 it was reported that plans to issue and sell $10,000,000 of common stock certificates. Underwriters: Halsey, Stuart & Co.; and Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co., and B. W. Pressprich & Co. (jointly). Registration: Statement expected to be filed shortly.

### Denver & Rio Grande Western RR.
- Feb. 11 it was reported company plans to issue and sell $10,000,000 common stock certificates. Underwriters: Halsey, Stuart & Co.; and Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co., and B. W. Pressprich & Co. (jointly). Registration: Statement expected to be filed shortly.

### Detroit Edison Co., Jan. 28 it was reported that the company plans some $15,000,000 for construction programs. Underwriters—Putnam & Co.; and Commercial & Financial Underwriters, New York. Offering—None.
First National Bank of Middletown, Ohio
Feb. 6: Bank entered into an agreement with J. H. Halley, First National Bank of Middletown, Ohio, to purchase $100,000 of additional shares of capital stock (par $50) at the rate of $100 per share in accordance with the terms of the agreement. The bank will receive $52,500 for the purchase of the shares held in deposit. Price—$100 per share. Proceeds—To increase capital and surplus. Underwriter—Greene & Laidly, Dayton, O.

Jan. 31: It was reported that company plans to issue to its stockholders 10,000 additional shares of common stock on a 1-for-10 basis. Underwriters—Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & C., jointly; The First Boston Corp., New York.

General Telephone Corp.
Feb. 5: It was reported company plans to issue and sell $800,000,000 of additional common stock on a 1-for-10 basis. Underwriters—Greene & Laidly, Dayton, O.; Kidder, Peabody & C., jointly; The First Boston Corp., New York.

Jan. 21: It was announced the company is planning issuance and sale of $15,000,000 of first mortgage bonds. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & C.; Blais & Co., jointly; Hambrecht & Quist, Inc., San Francisco, Calif.; and Drexel & Co. (jointly). Bids—Expected to be received up to 11 a.m. (EST) on March 20.

National Fuel Gas Co. (5/28)
Jan. 11: It was announced plans to issue $15,000,000 of new 25-year debentures. Proceeds—to make additional public offerings of securities or of subsidiaries. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; The First Boston Corp.; Kidder, Peabody & C.; Merrill Lynch, Pierce, Fenner & Beane; and Drexel & Co. (jointly). Bids—Expected to be received up to 11 a.m. (EST) on April 30.

New England Electric System
Jan. 18: It was announced company plans to merge its subsidiaries, Essex County Electric Co., Lowell Electric Light Co., Leverett Electric Co., Haverhill Electric Co., and Amherst Electric Light Co. into one entity. This would be followed by a $20,000,000 first mortgage bond issue by the resulting company, to be known as Merrimack-Essex Electric Co. Underwriter—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kuhn, Loeb & Co.; Lemhan Brothers, Eastman Dillon, Union Securities & Co. and White, Weld & Co.; Harriman Ripley & Co. Inc. (EST) on May 28. Registration—Planned for April 18.

New Jersey Power & Light Co.
Feb. 13: It was reported company may expect to raise $30,000,000 of first mortgage bonds, but exact amount will be determined at a later date. Underwriter—To be determined by competitive bidding. Probable bidders: Allen & Co., Morgan Stanley & Co.; Blyth, Eastman Dillon, Union Securities & Co.; and Webster, Ewart & Pillsbury, Inc., San Francisco, Calif.

Philadelphia Electric Co.
Feb. 14: It was announced company plans to issue and sell $800,000,000 of first mortgage bonds to its stockholders about the middle of the year on a basis of one new share for each 20 shares held. Proceeds—to be used for construction program. Underwriter—Dealer-Managers—Drexel & Co., Philadelphia, Pa., and Morgan Stanley & Co., New York, N. Y.

Philadelphia Electric Co.

Pacific Telephone & Telegraph Co.
Jan. 18: The company announced that company plans to issue and sell $125,000,000 of first mortgage bonds to its stockholders in a block of $12,500,000 each. Proceeds—to be used in part, to finance stockholders' loans. An additional $15,000,000 is owned by American Telephone & Telegraph Co. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc. (jointly); Hambrecht & Quist, Inc., San Francisco, Calif.; Kidder, Peabody & C. (jointly).

Pennsylvania Electric Co.
Sept. 12: It was announced company plans to issue and sell $800,000,000 of common stock stock to its stockholders for $40,000,000 each share. Proceeds—to be used for expansion. Underwriter—Dealer-Managers—Drexel & Co., Philadelphia, Pa., and Morgan Stanley & Co., New York, N. Y.

Philadelphia Electric Co.
Feb. 18: It was reported company plans to issue and sell $800,000,000 of additional shares of common stock (par $16.666) on the basis of one new share for each three shares held. Proceeds—to be used for construction program. Underwriter—Goetz & Co., Philadelphia, Pa., and Morgan Stanley & Co., New York.

Lincoln Telephone & Telegraph Co.
Feb. 18: It was reported company plans to issue and sell $800,000,000 of additional shares of common stock (par $16.666) on the basis of one new share for each three shares held. Proceeds—to be used for construction program. Underwriter—Dean Witter & Co., San Francisco, Calif.

Los Angeles Gas Co.
Jan. 29: It was reported company plans to issue to its common stockholders 60,000 additional shares of common stock (par $10) at the rate of $10 per share. Proceeds—to be used for construction program. Underwriter—Trustee certificates to mature annually in 1-to-15 years. Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bro., & Hutzler.

Mississippi Power Co. (4/11)
Jan. 11: It was announced company plans to issue $15,000,000 of new 25-year mortgage bonds. Proceeds—to be used for construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; and Kidder, Peabody & C. (jointly). Bids—Expected to be received up to 11 a.m. (EST) on April 11.

Public Service Electric & Gas Co. (3/20)
Jan. 27: It was announced company plans to issue and sell $50,000,000 of new 25-year mortgage bonds. Proceeds—for construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc. (jointly); Drexel & Co.; Kidder, Peabody & C. and Webster, Ewart & Pillsbury, Inc. (jointly). Bids—Expected to be received up to 11 a.m. (EST) on March 20.

Royal State Bank of New York
Jan. 21: It was announced company plans to offer to its stockholders $30,000,000 additional shares of capital stock (par $50) on the basis of one new share for each six shares. Proceeds—to be used for construction program. Underwriter—The First Boston Corp., and Stone & Webster Securities Corp., both of New York.

South Carolina Electric & Gas Co.
Jan. 18: It was announced 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 Stone & Webster Securities Corp., both of New York.

Savannah Electric & Power Co. (3/15)
Jan. 21: It was reported company plans to issue and sell $50,000,000 of new 25-year mortgage bonds. Proceeds—To be used for construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & C. and White, Weld & C. (jointly); and Drexel & Co. (jointly). Bids—Expected to be received until next fall.

Southern Pacific Co. (3/7)
Feb. 11: It was reported company expects to sell an unspecified amount of equipment trust certificates on its new issues of sinking fund notes. Underwriter—Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler, New York.

Southern Ry. (3/21)
Feb. 21: It was reported company 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.

Texas Electric Service Co.
Jan. 14: It was announced company expects to sell new securities during 1957 to obtain capital for its continuing expansion program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kidder, Peabody & C., jointly; Eastman Dillon, Union Securities & Co., and Drexel & Co. (jointly); Hambrecht & Quist, Inc., jointly; Pierce, Fenner & Beane (jointly); White, Weld & Co., Eastman Dillon, Union Securities & Co. (jointly). Offering—Expected in August or September, 1957.

Western Union Telegraph Co.
Dec. 28: The company announced that company plans to issue and sell $100,000,000 of additional shares of preferred stock (par $100) and 183,334 additional shares of common stock (later 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). Underwriter—The First Boston Corp., and Stone & Webster Securities Corp., both of New York.
Railroad Securities

BY GERALD D. MCKEEVER

Chesapeake & Ohio

The Chesapeake & Ohio has been disappointing Chesapeake & Ohio's stock has not done better in the recent market trends, and the general economic situation has not improved its prospects. However, the stock is still good value and should improve in the next few months.

The Chesapeake & Ohio has many advantages. It has a large network of lines, a strong management team, and a good financial position. The company is well-positioned to benefit from the rebound in the economy.

The Chesapeake & Ohio has a good dividend yield and a strong history of growth. It is a good choice for investors looking for a stable, income-generating investment.

Securities Salesmen's Corner

BY JOHN DUTTON

Two Case Histories

Case 1: Jessica

Jessica is a 28-year-old single woman who recently inherited $1 million from her aunt. She has no idea how to invest this money and decides to consult with a securities salesman. The salesman recommends investing in a real estate fund. Jessica signs the investment contract and puts her money in the fund.

Case 2: Robert

Robert is a 35-year-old married man with two children. He wants to invest $20,000 for his children's education. He consults with a securities salesman who recommends a mutual fund. Robert decides to invest his money in the mutual fund.

The salesman asks what other investments she had and she mentions she has a savings account and government bonds. She also mentioned she had some mutual funds, but the salesman assured her that this was a good investment for the long term.
Mutual Fund Quarterly Review

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. The 12th annual report of Massachusetts Institute of Technology in the country.

Net assets of the 34,369 shareholders at the 1956 year end amounting to $2,068,394,429, with the average shareholder account amounting to $60,000.

This trend and institutional investors numbered 12,401 owned shares worth $148,591,869. These investors range from independent banks and trust companies to hospitals, colleges and libraries throughout the nation.

Fiduciaries alone, including both individuals and banks and trust companies, have 9,361,187 shares worth $705,741,187 with 39,000 more as of 10 years ago when fiduciary investors numbered 5,352, holding some 6,000 more shares with a net total of $252,921,000.

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 Federal Fund Rules.

This famed Rule, first set forth by judicial decision in Massachusetts in 1950, allows 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, sound and conservative, would act.

Thirty-eight states have adopted the philosophy of this rule relating to investing, and together they specifically authorize investment in investment company shares.

Among institutional investors owning M.I.T. shares are 666 religious institutions, including 311 schools and colleges, and 109 libraries. Other such investors include 414 companies, including newspapers, 60 investing companies, and 78 insurance companies.

Among the Trust's largest shareholders with investments of $200,000 or more is a labor union, a fund, and insurance company, a fiduciary, and a savings bank.

Economic Growth Unimpeded By Levelling Off Now

The inherent vitality of the American economy with its pronounced dynamic property seems unimpaired, although there were a peak, a peak of off the current boom, according to the report published by Calvin Schick, that the money of prudence, sound and conservative; with 43 cents a share from holders of $2,000,000,000, compared to 10% in 1956.

Purchases of new shares by in the year increased 52% over 1955 to a new high of approximately $2,000,000,000, compared with $1,000,000,000.

At the year-end approximately $2,000,000,000 in stocks, bonds and preferred were invested in additional shares of the fund.

DIF Growth

The fund in 1956 was Delaware Airplane Company; British American Tractor Company; Connecticut Corporations; Colorado Cement Co.; Consolidated Cement Corp.; Embart Underwriters; Connecticut Mutual Insurance Co.; National Life and Accident Insurance Co. and St. Regis Paper Company.

Common stocks eliminated from the fund during 1956 were Boeing Airplane Company; British American Tractor Company; Ohio-Mathison Chemical Co.; Owens-Corning Fiberglass Corp.; Sprague Manufacturing Co.; Texas Pacific Coal and Coke Co.

Whitball Fund, Inc., sales in January set a new record for the financial year, according to the report of the fund. It was reported today by the general manager, J. H. Stover of the Broad Street Sales Corporation.

Proceeds from gross sales of $1,872,500 for the year were a total of almost $218,000. This compared with a year ago, a net increase from the year-end of $7,942,047, which was the highest figure the Fund had ever reported previously.

Mutual 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 $123,000,000 at the same date a year ago. Asset value per share was $12.44 plus net capital gains distributions of $53 cents per share compared with $11.91.

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 dividends declared. Of this amount, 41 cents was a cash dividend, 56,000, or 53 cents a share, from realized capital gains. The number of shareholders increased to 49,000 compared with 39,000 a year ago, and the number of shares outstanding rose to 10,728,205 compared with 9,056,108.

As of the year-end the total market value of all securities owned exceeded was $272,000,000.

Purchases of new shares by in the year increased 22% over 1955 to a new high record, and net money (purchases less redemptions) increased 39%. At the year-end approximately $300,000 was invested in stocks, bonds and preferred stocks and 60% in common stocks.

New common stock additions to the portfolio include: $30,000 in mutual funds with investment in investment company shares, and investment company, a fiduciary, and a savings bank.

Common stocks eliminated from the fund were: $25,000 in mutual funds with investment in investment company shares, and investment company, a fiduciary, and a savings bank.

Brian B. Bateman, Ltd.
243 South County Road
Palm Beach, Florida

Price $5.00 per Share
(or less in single transaction involving $5,000 or more, as is more fully set forth in the Prospectus.)

Frank B. Bateman, Ltd.

(1%) building and construction (2%) real estate and chemicals (6%).

Over-the-Counter Securities Inc. also reported that the number of shareholders in the fund had increased from 27,000 at the close of the initial private offering of stock. This represented a rise of 0.9% of net assets—was well below the industry average.

The annual report to shareholders, Ralph P. Coleman, President of the fund, also said that the dividends on almost 70% of the shares eligible for the dividend were reinvested in additional shares of the fund.

NEW ISSUE

February 19, 1957

Florida Growth Fund, Inc.
(a diversified management investment company)

Frances P. Rehak

Cary Bates, President

Price $5.00 per Share
(or less in single transaction involving $5,000 or more, as is more fully set forth in the Prospectus.)

Frank B. Bateman, Ltd.
243 South County Road
Palm Beach, Florida

Price $5.00 per Share
(or less in single transaction involving $5,000 or more, as is more fully set forth in the Prospectus.)

Frank B. Bateman, Ltd.

(18%) building and construction (2%) real estate and chemicals (6%).

Over-the-Counter Securities Inc. also reported that the number of shareholders in the fund had increased from 27,000 at the close of the initial private offering of stock. This represented a rise of 0.9% of net assets—was well below the industry average.

The annual report to shareholders, Ralph P. Coleman, President of the fund, also said that the dividends on almost 70% of the shares eligible for the dividend were reinvested in additional shares of the fund.

DIF Growth

Assets Reach $135 Million

Net asset value per share of diversified Growth Stock Fund, Inc. was $12.73 at the fiscal year-end of 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 $6 million, or 3% of the net assets.

Common stocks eliminated from the fund during 1956 were Boeing Airplane Company; British American Tractor Company; Connecticut Corporations; Colorado Cement Co.; Consolidated Cement Corp.; Embart Underwriters; Connecticut Mutual Insurance Co.; National Life and Accident Insurance Co. and St. Regis Paper Company.

Common stocks eliminated from the fund were: $25,000 in mutual funds with investment in investment company shares, and investment company, a fiduciary, and a savings bank.

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The annual report to shareholders, Ralph P. Coleman, President of the fund, also said that the dividends on almost 70% of the shares eligible for the dividend were reinvested in additional shares of the fund.
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:

### Indications of Business Activity

#### AMERICAN IRON AND STEEL INSTITUTE

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<th>Latest</th>
<th>Previous</th>
<th>Month</th>
<th>Year</th>
<th>Age</th>
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<td>Steel ingot and castings (net tons)</td>
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#### CRUDE OIL AND NITRATED OILS—DAILY AVERAGE (THOUS. BARRELS)

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#### EXCHANGE-SECURITIES EXCHANGE COMMISSION

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#### OIL AND PAINT REPORTER PRICE INDEX

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#### NATIONAL BOND PRICES DAILY AVERAGES

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#### NEW YORK CUSTOMS STATISTICS

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#### OIL PICTURE

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#### WHOLESALE PRICES, NEW SERIES—E. S. DEPT. OF COMMERCE

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#### OTHER DEPARTMENTS

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**Note:** The numbers in parentheses indicate the number of times the data was updated. For instance, "1" indicates that the data was updated once. This helps in understanding the frequency of data update and its relevance. The "2.25" indicates that the data was updated 2 times and had a change of 0.25. This is useful for tracking the trend and understanding the updates made throughout the process.
which

Volume 185 Number 5614 . The Commercial and Financial Chronicle

The severest market setback in some 18 months does not appear to have cooled the ardor of corporations which have been planning to raise part of needed new capital through the sale of new securities.

On the contrary, firms having much needed capital to raise are 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. The New York & California Edisons' $75 million of 25-year, first and refunding mortgage bonds, which were the week's largest undertaking.

Successful bidders took the bonds at 4 1/4% at a price of $99.209 and proceeded to resell at 101 for an indicated yield of 4.25%. The issue encountered what was described as "market circles as "fair demand."

Prospective buyers once more appear to have been finicky on the matter of yields and are cutting their bids and show no inclination of 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 for the "stand by" variety, but then the compensation in such undertakings is usually satisfactory.

Largest ever-issuing to hit the list is Consolidated Edison Company's New York's $55,687,500 of convertible debentures due in 35 years, to be offered to holders of record Feb. 25, at the rate of $100 debentures for each $100 of preferred.

Telephone 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 $8 million of bonds.

Wednesday finds United Gas Corp. due to open bids for $50 million of 20-year refunding mortgage bonds, and bankers are slated to offer $80 million of convertible subordinated debentures of Bay Area Rapid Transit.

Equities in the List

South Carolina Electric & Gas Co. touches off a run of equity offerings on "rights" on Tuesday with 326,685 shares being offered holders of record Feb. 16, with the ratio of one share for ten, the rights to expire March 15.

The sum total of the proceeds will open on West Penn Power's 520,000 shares being offered holders of record Feb. 26 in the ratio of 1-for-16, rights to expire March 14. The same date West Electric Power is offering 200,000 shares of its $.50 par preferred.

Paying the Freight

Corporate management apparently are taking a realistic view of the present money market. At any rate higher costs of accommodation have not, thus far, halted the trend of curtailting expansion programs too sharply.

True, there have been some delays in contract back, but these up to this point have been in the minor circles. It is equally interesting to find the Federal Reserve standing by its gun and not being too choosy 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 E. 18th St., New York City to engage in the business of providing independent prospectus services. J. O. Regan, secretary.

Irving Allen Opens

Irving Allen is conducting a securities business offices from at 194

Our

Reporter's Report

DIVIDEND NOTICES

L. E. POPTON IN MEMORIAM & COMPANY

Washington, D.C., February 17, 1957

L. E. Popton, the well known and widely respected president of the Firm for the past 25 years, died on February 15, 1957. He was 70 years old. A man of great personal charm and integrity, Mr. Popton was noted for his excellent business judgment and for his kindness to his associates.

DIVIDEND NOTICES

CUMULATIVE DIVIDENDS

J. O. BOSS ENGINEERING CORPORATION

NEW YORK, N. Y.

At a meeting held on February 18, 1957, the Board of Directors of J. O. Boss Engineering Corporation declared a quarterly dividend of $1.00 per share on the Common Stock of the Corporation, payable March 25, 1957, to stockholders of record March 14, 1957.

F. H. FRENCH

DIVIDENDS

The Board of Directors of the American Cyanamid Company has declared a quarterly dividend of $1.125 per share on the 5% Cumulative Preferred Stock, payable March 15, 1957, to stockholders of record March 1, 1957.

American Cyanamid Company

P. C. HALE, Treasurer

February 15, 1957.

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February 15, 1957.
Washington... And You

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 that competition in pricing is not a "per se" violation of the Sherman Antitrust Act.

Last year this bill, sponsored by Rep. Wright Patman (D., Tex.), was brought in the House by a vote of 393 to 3, having the golden blessing of giving a "small business" bill, it would likely pass again this year by a large margin. Since there is some effective opposition in Congress, groups believe that if this bill were to become law, it would effectively throttle price-cutting.

Other reform proposals pending, and backed by the Eisenhoewer Administration, would require advance notification from the Department of Justice and the Federal Trade Commission of prospective business mergers in the corporate field, and the outlaw of merger bills.

The only reason these schemes have not reached as yet in the Congressional show is that everybody seems to be awaiting the "Civil Rights" bill out of committee and passed so that there can be no effective action on this proposition near the end of the session. The Judiciary Committees, which handle antitrust legislation, also have jurisdiction over "Civil Rights" bills.

Martin Answers Eisenhower

As reported last week in this column, the proposal was oblique but nonetheless definite statement, indicated in his Economic Report, that the Federal Reserve should not be too insistent about non-manufacturing bank credit for fear of depressing "small business" and housing.

Chairman William McChesney Martin of the Board of Governors, in 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 on page 47, 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 administration.

"Economic realities cannot be eliminated or circumvented by governmental action."

"Even the Congress with its enormous powers to redirect the available credit does not have the power to stifle competition (he was addressing a Congressional committee, not the White House directly), must operate within the aggregate resources available."

"In other words, under conditions of depression, with still further use of resources, and the outcome of the community would have to be taken from other sectors either by taxation, or by some form of direction, 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 Rate Was Inflationary

In 1926, 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 created by the supply of marketable goods, the result would have been a smaller rise in interest rates, and at the same time a sharper rise in the prices of goods and services.

Standing Pat

Against the above, the implication is that the Federal Reserve is standing pat. It is standing pat even if it has reduced 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 Treasury Secretary E. L. Stone Cruz and the International Monetary Fund connected to the British fall of the year, together with rising Federal expenses, for which the Treasury to pick up more money than it had heretofore anticipated. While the "Fed" does not support the Treasury except in emergencies, it does keep an eye on taking steps tiemewise 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 1937.

Fear Patman

Curiously the word has been passed around the Hill that one of the main reasons why the White House is inflexion 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 at it 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 President's Commission. The White House, to be notified 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 depicted himself of almost anything but the lunatic fringe following."