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EDITORIAL

As We See It

It is to be hoped that the current controversy in this country and abroad about the propriety or the wisdom of imposing "sanctions" upon Israel will not unduly divert attention from the real cause of the difficulties that the United Nations has encountered in recent times. It is true, of course, that Russia has from the first been not only defiant but contemptuous of the United Nations. It is equally plain that Egypt definitely is not disposed to permit the United Nations to have any say in what her policy is to be. In light of these and other related facts which might be mentioned, it is not difficult to understand why so many are lukewarm to say the least about trying to force Israel into action it does not want to take.

We do not, however, intend at this time to enter in any way into the debate now raging around this whole question of sanctions for Israel. We think it more profitable to ponder the basic source of difficulty surrounding the efforts of the United Nations to impose what it thinks of as justice upon various peoples. The trouble is, of course, that the peoples of the world, or many of them, are simply not ready to yield up their national ambitions. And most have ambitions which infringe upon those of others. This, of course, is a situation that has long existed, existed in fact since time began. It was upon the hope that it had changed sufficiently to permit some sort of effective world government (within limits, of course) that the League of Nations and then the United Nations were founded.

The degree in which such a transformation has taken place is now being called into serious ques-

Continued on page 24

The Capital Gains Myth

By WILLIAM CHAMBERLAIN
Director, American Natural Gas Company
Saratoga, Calif.

The double set of standards employed by our Government, the false assertion regarding claimed gains in capital value, and the unconstitutional denial of fair return on investments, are some of the subjects discussed by Mr. Chamberlain in tracing the consequences resulting from the use of lawfully created unequivalent dollars. The author notes the reduction in the monetary standard of value, the attendant devaluation of the monetary unit and the market recognition of purchasing power erosion, in charging that "not until the selling price in equivalent dollars exceeds the cost is a gain [or, fixed fair return] realized." Believes it is unjustifiable to levy taxes on write up of values which conform to a new and reduced unit of measurement.

I

The accumulated capital of a nation cannot be increased by reducing the dimension of the lawful unit for the measurement of value. Neither can the capital of an individual be increased in this manner. Gain can no more be realized through legislative changes in the lawful unit for the measurement of value and the attendant devaluation of the monetary unit than area can be increased through legislative change in the dimension of the acre or the amount of liquid in a container be increased through change in the dimension of the gallon, or weight increased through changes in the lawful unit for its measurement. It is impossible to suppose that any competent person, in the government or out, will question these statements.

William Chamberlain

Nevertheless the government of the United States through its Internal Revenue Department not only asserts that such capital gains are possible but has collected hundreds of millions of dollars in taxes

Continued on page 20

Investing for Pension And Profit-Sharing Trusts

By ARTHUR L. COBURN, JR.*
Chairman, Trust Investment Committee,
Old Colony Trust Company, Boston

Boston banker presents: (1) pension and profit-sharing trust investment policy in which "we . . . buy fewer stocks higher and more stocks lower than by straight dollar averaging" and adherence to a book value basis; (2) list of 20 growth stocks selected to illustrate the principle that the long view is better than the short; and (3) bond and preferred stock list for specific fixed-income investment. Mr. Coburn believes joint productivity of labor and capital will determine whether we will have price inflation or deflation; endorses orthodox money rate rise to temper excessive business pace; and finds rates on most recent mortgage and real estate under lease offerings unattractive.

It is easy for me to stand here today and state two simple facts: (1) Stocks seem to me less attractive than for years; (2) Bonds seem to me more attractive than for years.

Immediately each of you has a mental reaction in general agreement or disagreement. I wish to be entirely clear, however, that I am not saying: "Buy no stocks; buy only bonds," nor "Stocks will go down; bonds will go up." I am saying, to repeat my concluding sentence of a year ago, that "The portfolio well balanced between bonds and stocks has great merit."

Arthur L. Coburn

There is neither need nor time to discourse at length upon the many components that enter into the making of investment decisions. It may be well, however, just to mention some broad areas in the economic, financial, social, and political background. Then, without assuming the role of

Continued on page 28

*An address by Mr. Coburn before Trust Division of American Bankers Association, New York City, Feb. 4, 1957.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 36.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

JAMES T. BECKMANN
Hallgarten & Company, New York
Members New York Stock Exchange

Equitable Gas Company

Equitable Gas represents an excellent investment opportunity. The present dividend rate provides an attractive yield, is well covered by earnings, and, if the past is any criterion, payments will be increased gradually. The stock appears to have been overlooked in the general market advance of recent years and, a more realistic market valuation is overdue. Strengthening our belief is an apparent change in general investor psychology which has been taking place in recent months. Many stocks which previously had been avidly bought have fallen out of favor and a more constructive attitude taken toward neglected issues, chiefly utilities. All things considered, this represents sound market policy. As a group, utilities have not been over-priced, and are attractive for purchase on a selective basis Equitable Gas is one of the best.

J. Beckmann

At 31, the stock is selling at 13.4 times 1956 earnings of $2.31 per share but only 11.5 times estimated 1957 earnings of $2.70 per share. By 1958 per share results could easily reach $3.00.

Present dividend of $1.60 affords a better than average yield of 5.2% and an increase to $1.80 annual rate by the end of this year is likely. The yield would then rise to 5.8%.

Of the many favorable features inherent in this situation, the following are especially significant:

(1) The better than average yield of over 5% on the indicated dividend of $1.60 represents a pay-out of about 70% compared with 75% in recent years. Management appears to be committed to a pay-out policy of at least 70% so that an increased rate is possible even without regard to the improving earnings.

(2) Results for 1956 of $2.31 per share were 14% higher than in the previous year and a similar gain could be achieved in 1957. A six-year earnings summary is given in table I.

Operating results for the most recent years are a better guide to future earnings power than in those previous. In each year from 1950 through 1954 the company had to pay substantially higher prices for gas purchased from its suppliers, with only one offsetting rate increase. In 1955 further rate relief was obtained with a resultant favorable effect upon earnings. A period of relative stability in pipe line gas prices is now in prospect.

Another obstacle to earnings progress was higher than seasonal temperatures during the 1950-1954 period. This, of course, is an unpredictable factor but it would seem that chances now favor continuation of the normal weather conditions of the past two years. (The U. S. Weather Bureau in its long range forecast predicts colder than normal temperatures in the company's area during February, 1957.)

(3) The probable increase in earnings from a new plant now approaching completion. A $9 million plant to extract ethane (a component of polyethylene) from company produced gas is scheduled to begin production in April, 1957. Total output has been contracted for by Union Carbide. For eight-nine months operation in 1957, earnings of about 22 cents per share are expected and, commencing 1958, the first full year of operation, about 35 cents per share with the plant operating at 100% load factor.

The financing of this plant was arranged on a very advantageous basis. Equitable Gas provided $1,000,000 of equity capital and the balance was obtained through borrowing by the operating subsidiary. For its relatively modest investment of $1 million, therefore, Equitable will obtain about $700,000-$750,000 net income per year.

(4) Management of the company is capable and highly regarded. This is an important consideration since in the final analysis a successful business enterprise is largely the lengthened shadow of competent executive personnel.

(5) Good quality integrated gas companies generally sell at 14 to 15 times earnings and chemicals at 20 times or more. Equitable Gas is a combination of both, and in time there should be appropriate market recognition of this.

The Company

Equitable Gas became publicly owned in March, 1950, although through predecessors (merged in 1925), it dates back to 1888. It is an integrated gas system, engaged in exploration, production, purchase, transmission, storage and distribution of natural gas. The company serves 55% of the residential and commercial gas consumers of Pittsburgh and environs plus more than 200 other communities in Southwestern Pennsylvania and adjacent West Virginia. Present revenue diversification and a tabulation showing a six-year growth trend are set forth in table II.

Revenue diversification is well balanced although admittedly, many consumers are dependent upon the fortunes of heavy industry, particularly steel (the latter represents about 60% of the industrial load). In the past, this might have imparted a snow-balling type of earnings contraction, i.e., heavy industry is curtailed; unemployment ensues; commercial enterprises have reduced sales. Under present conditions, however, this is not as great a threat. Both political parties have a vested interest in prosperity and, if there is any major slackening in industrial activity, every effort will be made to effect a revival. A further cushion is provided by local wage rates which at $2.20 per hour (basic rate) are higher than the national average of $1.93 per hour. Even during layoffs, many wage earners will have the benefits of the Guaranteed Annual Wage Plan negotiated last year. Areawise, therefore, consumer purchasing power should not be as severely impaired as it was in past period of reduced business activity.

Gas Supply and Rates

Equitable produces about 33% of its own gas requirements. It owns about 450 wells in Pennsylvania and 850 in West Virginia and Kentucky. Wells in the latter state are considered by company geologists to be among the richest in the nation. The balance of company requirements is obtained chiefly from Tennessee Gas Transmission and Texas Eastern on contracts extending through 1975. A smaller amount is purchased from independent producers in the Appalachian area. System owned wells have an estimated average life of 25 years and longer.

Since the rate increases granted in 1955, equitable's selling prices have been on a reasonably satisfactory basis. It is estimated that the average cost of gas is about 28 cents per MCF, including both purchased and system produced gas.

Gas Storage

The company has been a pioneer in developing underground

Continued on page 32

TABLE I

	(000's Omitted) Total Revenues	Net Income	Balance for Com.	No. of Shares	Per Share Common Earnings.	Div. *	†Price Range
1956	$43,804	$5.151	$4,782	2.072	$2.31	$1.60	‡33-23
1955	39,541	4,521	4,078	2.007	2.03	1.50	29-25
1954	34,192	4.073	3,625	2,005	1.81	1.40	28-22
1953	32,228	4,017	3,625	2 000	1.81	1.40	25-20
1952	28,789	3,657	3,657	2.000	1.83	1.30	24-21
1951	27.394	3,667	3,667	2.000	1.84	1.30	23-19
% incr. 1951-56	60%	40%	31%	----	26%	23%	----

*Dividend is at annual rate indicated at year-end. †Prices rounded. ‡1956-57 price range to date.

TABLE II

1956 Revenue Diversification		1956 Basic Gas Rates Cents Per MCF
Residential	58%	66.1
Industrial	24	43.5
Commercial	15	55.3
Other	3	26.0

System Growth — 1951-1956

	Total Customers	Avg. Annual Use Per Residential Customer (MCF)	Avg. Annual Rev. Per Residential Customer
1956	245.000	166	$110
1951	226.000	135	74
% Increase 1951-1956	8%	23%	49%

WALTER K. GUTMAN
Research Economist
New York City

Shulton, Inc.

Through an inadvertence in last week's article in this Forum, mention was omitted of the fact that the Shulton Company's outstanding stock now totals 1,210,000 shares.

Current Developments in Federal Regulation of Securities Markets

By J. SINCLAIR ARMSTRONG*

Chairman, Securities and Exchange Commission

Detailing the abuses with which the Commission is chiefly concerned, and for which remedial legislation is contemplated, SEC Chairman cites influx of dishonest brokers and dealers, resurgence of "boiler room" activities, sales of securities under claimed but not available exemptions, and unwarranted reliance on the "no sale" rule. Announces plans for re-introducing legislation for broadening coverage of companies traded over-the-counter, with the elimination of the exemption previously given to insurance companies. Under Commission's Holding Company Act jurisdiction, discusses prospective policies regarding capital ratios and optional features.

A number of matters of vital importance to the securities markets are beginning to come to a head. Some of these are within the existing regulatory authority of the Securities and Exchange Commission to deal with. I am referring to a number of abuses in the securities markets which have arisen in the past several years and with which we have been vigorously coping. Others involve matters which are not within the present statutory powers of the Securities and Exchange Commission, but are pending for legislative decisions by the Congress as to whether they should be. Legislation, some to be introduced at our request and some introduced as a result of the hearings of the Senate Committee on Banking and Currency on the stock market in the Spring of 1955, will have to be acted upon by the Congress or passed over at the present session.

J. Sinclair Armstrong

In addition to these major subjects, I will also touch briefly on several problems which the Commission has been considering under the Public Utility Holding Company Act of 1935 which should be of particular interest to analysts as investors. I am referring here to our study of capital ratios and to our present policy in regard to optional redemption provisions for preferred stocks and bonds issued by companies under our Holding Company Act jurisdiction.

As a matter of orientation, first let me state briefly the objectives of the Congress expressed in the statutes administered by the Securities and Exchange Commission. The Federal securities laws, enacted in the years 1933 through 1940, were intended to provide to public investors in new issues of corporate securities offered and sold in interstate commerce and in issues listed and traded on national securities exchanges certain basic business and financial information about the corporations issuing them; to provide regulation of the exchange markets so as to assure free, fair, open and orderly markets; to provide a limited regulation of the over-the-counter markets; to provide corporate simplification and physical integration and continued regulation of the financial structures of public utility holding company systems; to provide regulation of investment companies to assure adherence to standards protective of public investors, and to provide against manipulation, "pools," rigging of prices, insider advantages, and misrepresentation and fraud in the purchase and sale of securities. These are the statutory objectives.

Helping Capital Formation

Capital formation is tremendously important to the economy of our country. There is nothing in the Federal securities laws designed to impede the raising of capital. These laws if well administered should help, not hurt, the capital formation process.

Capital is formed only by the voluntary cooperation of the public, and the work of the Commission is one of the factors giving the public confidence in the integrity of the capital markets. You cannot have capital formation without willing investors.

In approaching problems, naturally differences of opinion occur between the Commission and the securities industry, and between different segments of the industry, as to administrative methods and procedures or business practices and conduct. But we all share one common interest, the investor. If the Commission or the securities industry fails to serve the investor, or serves him badly, the nation is the loser.

At no time in the Commission's experience have activities and prices in the securities markets reached such highs. This upsurge has taken place in a relatively short period of time. For example, the dollar amount of securities registered under the Securities Act of 1933 increased by 75% from \$7.5 billion in the comparatively recent fiscal year 1953 to \$13.1 billion in fiscal 1956. During the 1930's, the average dollar amount of securities registered was about \$2.5 billion, and in some years was below \$1 billion. In the postwar years from 1945 to 1950 it was \$4.5 billion a year on the average.

Of the \$400 billion gross national product annual rate figure,

Continued on page 30

*An address by Chairman Armstrong before the New York Society of Security Analysts, New York City, Feb. 20, 1957.

INDEX

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The Economic Outlook

By EDWARD A. McQUADE*
Vice-President, Equity Corporation

The likelihood that 1957 will prove to be a leveling-off period —which may carry on much longer than through 1957—is anticipated by Mr. McQuade in weighing variety of economic forces at work, including the changing foreign situation. The author sees the $411 billion 1956 GNP increasing moderately to $428 billion based on such expectations as rising prices and: (1) increasing capital expenditures and backlog, aided by some postponement of 1957 plant and equipment expenditures until 1958 which should prevent sharp 1958 decline and lighten inflationary pressures; (2) neutral affect of housing starts on GNP; (3) consumer expenditures at least equalling 1956, if not increasing $8 to $10 billion; (4) non-vulnerability of inventory position; and (5) government increased outlays. Believes we are "close to the top in yields" that in a number of industries capacity is more than ample.

The year 1956 was a highly prosperous one, despite a substantial decline in automobile production and construction of non-farm homes, and minor setbacks in textiles and farm machinery. Yet the effect of these negative factors was more than offset by: consumer demand for non-durables; heavy spending on the part of local governments; and by business investment needs. GNP reached a new peak of approximately $411 billion, as against $391 billion the preceding year . . . an increase of 5%.

E. A. McQuade

The Federal Reserve Index of Production averaged 143, as compared to the 1955 average of 139.

Employment rose from 64 million at the end of 1955 to 65½ million in 1956 . . . with estimated unemployment representing only about 3½% of the labor force.

Average earnings of workers in manufacturing industry have risen to about $82.42 a week up from $78.50, an increase of about 5% . . . and the decline in farm income appears to be halted.

The big sustaining factor in 1956 was the tremendous expenditures for plant and equipment, estimated at almost $35 billion, compared to about $29 billion in 1955. Such expenditures, as you know, have the most dynamic effect of all, and the confidence shown by business in making them is impressive.

This showing has been made despite the fact that money rates are higher than we have seen for many years . . . although not high by the standards that existed prior to the 30's. The demand for long-term funds has exceeded the supply, and some of the excess has been satisfied by borrowings from banks . . . with the result that many of them are heavily loaned up; with risk assets representing much larger multiples of capital funds than we have seen in recent years. The situation, in fact, is such that some conservative banks are close to a condition where they feel unjustified in adding to their loan portfolios except by the acquisition of practically riskless paper. Some of the great life insurance companies are not only loaned up, but have made forward commitments on loans in amounts that will utilize all the lendable funds they develop over the next year and a half.

Most commodity prices — both raw materials and finished goods —are higher. Finished goods are higer largely due to increases in labor costs in excess of increases in productivity. Raw materials are higher because of the high level of activity at which we have been operating, helped along in recent months by developments in the Middle East. These increases in prices are not as serious as one would imagine from the general inflation psychosis that seems to have developed in recent months. Thus, the Consumer Price Index is up less than 3% since October, 1955, and wholesale prices are up less than 4% since the same date.

Cost of Money

The Federal Reserve authorities are making no attempt to ease the tight money situation, feeling that greater quantities of credit at cheaper prices might lead to an inflationary outburst which in turn could well result in a severe economic set-back.

Although we hear a great deal about the high cost of money and its scarcity, it is worthy of note that total consumer credit increased in the 12 months ended Nov. 30, 1956, $3½ billion, to a total of $40.6 billion; total bank loans (all commercial banks) increased $8.4 billion in the 12 months ended November, 1956, to a total of approximately $90 billion. Mortgage debt in the 12 months ended September, 1956, increased $15 billion. The total increase in mortgage debt and bank loans in the 12-month periods was $23.4 billion, a very hefty figure even though it is approximately $5 billion less than the increase in the previous 12 months.

Turning now to the prospects for 1957, I will briefly examine the chief factors making up the GNP:

Forces Affecting GNP

The first and most important factor to consider is **Business Capital Expenditures.** Heavy construction contracts are currently running 20% ahead of a year ago. A substantial backlog of such work is building up, and highly significant is the invisible backlog represented by projects being deferred because of tight money. New orders for practically all types of machinery continue at high levels, and there is also a heavy backlog of machine tool orders. It is conservatively estimated that expenditures on plant and equipment in 1957 will increase in the neighborhood of $4½ billion over the 1956 figure. The current rate of such expenditures is higher than the average for 1956, so the projected levels of 1957 can be reached with only a small increase over the present rate of expenditure.

Actually, the demands for labor and materials are so great that, on this ground alone, there is little leeway for substantial increase in capital expenditures over present levels. A considerable proportion of anticipated 1956 expenditures have, for one reason or another, been carried forward to 1957 . . . and already, 1957 plans are being postponed to 1958. This is all to the good, as it lightens inflationary pressures, and makes it more likely that instead of facing in, say, 1958, a sharp decline in these expenditures, there will be a leveling off over a period of time.

The second factor to consider is **Housing.** You are all familiar with the decline in housing starts, which has continued steadily, month by month, from an annual rate in December, 1954, of 1,500,000 to an annual rate in November, 1956 of 1,060,000. Total units in 1956 are estimated at 1,125,000 against 1,330,000 for 1955, a decline of approximately 15%. Despite this, however, present volume is still very high, being exceeded in terms of units only in 1950, 1954, and 1955; and due to higher costs, the actual dollar volume in 1956 was the highest on record, except for 1955.

Accounts For Housing Decline

The main reasons for the decline are first, shortage of mortgage money . . . and, second, the increases in labor and material costs. The building costs situation is not likely to be relieved, but the shortage of money is being relieved by the increase in the FHA mortgage interest rate from 4½% to 5%. Also, it is possible, and even probable, that Congress will act to increase the VA mortgage rate by the same amount . . . which will further help the situation.

The Prudential Insurance Company, which does a great deal of research on the subject, has recently stated that "over the next 4 or 5 years, the basic demand for housing (arising from new family formations, replacement of existing homes, and the restoration of a normal vacancy ratio) is likely to average about 1,100,000 housing units per annum" . . . which is approximately the figure for 1956. I am assuming that during 1957, housing starts will be somewhat under 1956 but that total expenditures will be equal to 1956 because of the increased size of many new homes, plus the substantial sums which will probably be spent on enlargement and modernization.

As regards the effect on GNP, therefore, housing starts will be a standoff in 1957, not causing either a decline or an increase in the GNP.

Consumer Expenditures

Consumer expenditures (other than expenditures for homes) have been as follows during recent years:

	Expenditures (Billion)	Number of Employed (Million)
1954	$236.5	60.7
1955	254.0	64.2
*1956	266.0	65.3

*Last quarter estimated

Despite full employment and high incomes, consumer expendi-

Continued on page 24

*An address by Mr. McQuade before a meeting of bankers, industrialists, and businessmen sponsored by Pullman Trust and Savings Bank, Chicago.

The State of Trade and Industry

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

Total industrial production for the nation as a whole in the period ended on Wednesday of last week approximated that of the previous week and moderately surpassed the level of the similar week a year ago.

Increased output of lumber, automobiles and petroleum offset production declines in the electric power and steel industries.

Although unemployment claims fell 3%, they were 6% above those of last year. Washington and Oregon reported the most noticeable declines, where layoffs in the construction and lumber industries slackened. Some new unemployment in the food processing, apparel and electric equipment industries occurred in Illinois, North Carolina and Pennsylvania.

In the steel industry this week steel salespeople have weighed the good with the bad and come up with an encouraging picture. The outlook for second quarter adds up to relatively pleasant reading, states "The Iron Age," national metalworking weekly.

This appraisal of the steel market takes into account the easier demand from the automotive and appliance industries and the especially hard hit sheet market.

Mills producing a good cross-section of steel products are more optimistic than those that lean heavily on sheets and strip. At least one major producer looks for his Pittsburgh area mills to operate at near-capacity in the second quarter. The present operating rate is well above capacity and continued strong demand for plate, structurals, and oil country goods is holding the market together with no sign of a let-up.

In the automotive industry, one of the Big Three is still playing it close to the vest. But the other two major producers are booking substantial tonnages, indicating that the worst is over in the automakers' drive to cut back inventories.

While some observers are looking for a sharp downturn in the steel ingot rate in second quarter, an "Iron Age" survey indicates that this is not likely. A rate close to 90% of capacity appears more likely.

A few of the strong spots in the economy to support an optimistic outlook in the months ahead are: heavy durable goods orders; steel order backlogs are running ahead of a year ago; auto sales outlook is better than a year ago; new plant and equipment spending probably will live up to predictions of a 10% increase over 1956; highway and construction activity are offsetting weakness in home building and farm equipment buying is picking up, concludes "The Iron Age."

Rising 17% in January, business failures reached 1,148, a postwar high for the month. While the toll was 10% greater than a year ago, it remained below the prewar level of 1,237 in 1940.

Current liabilities involved in January failures increased to $54,060,000, the largest volume since August 1956, this was 26% higher than a year ago.

Manufacturing and trade accounted for the month-to-month rise in failures. Retail casualties, at a postwar peak, increased from the preceding month in all trades except eating and drinking places.

The auto industry is confident of a Spring upturn in sales and is scheduling its March production at the same daily rate as February, "Ward's Automotive Reports" stated on Friday last.

"Ward's" said that with February auto assembly 80% complete on Friday of the past week, the entire month's United States total will run at 102% of the scheduled 567,000-unit volume, putting both January and February above the same months last year.

January netted 642,090 car assemblies as against 612,078 a year ago, with the February count projected at 578,370 compared with 555,596 in like 1956.

With March schedules calling for a similar edge over last year, first quarter output is planned at 1,814,000 units or 4% more than 1956 and the second-best January-March performance of all-time.

The industry's present first quarter peak of 2,129,018 was reached in 1955, the next-best count being 1,610,751, hit in 1951.

The statistical agency noted a dip in United States assemblies to 138,537 last week from 145,846 the preceding week, attributing it to a month-end adjustment by Chevrolet. February output of Chevrolets is estimated at 132,000 units compared with 133,000 for Ford.

Industry passenger car assembly, including Chevrolet, is expected to return to the 145,000-unit level this week in keeping with plans to produce an average of 28,300 units daily in March compared with an estimated 28,920 in February and 29,200 in January, "Ward's" declared.

The pattern of five- and six-day auto assembly continued the past week, with Plymouth, Chrysler, Ford and Lincoln scheduling Saturday work at certain plants.

A spurt in construction activity boosted January building permit values above the previous month's total, but volume fell short of the unusually high level of a year ago. For the 217 cities reporting to Dun & Bradstreet, Inc., January building plans were valued at $415,994,396. While this was 8% above the December figure of $386,355,828, it was about 4% below January's $431,357,658. Most of the year-to-year loss was attributable to a decline in building activity in New York City.

Five of the eight geographical regions reported larger building

Continued on page 33

Supply of and Demand for 1957 Long-Term Investment Funds

By GIRARD L. SPENCER
Partner, Salomon Bros. & Hutzler
Members of New York Stock Exchange

Based on given assumptions, prominent investment analyst estimates borrowers may have less difficulty in meeting their needs in 1957 as compared to 1955-56. Estimates the deficiency will be about $1.1 billion in supply of new long-term capital with temporary fluctuations of strain and ease in the months ahead.

Estimates of the supply of and the demand for long-term capital in 1957 are submitted herewith. As in the past, several experts interested in this phase of the investment problem have been most generous in their assistance. This study follows the same general pattern used in previous years, with the exception that savings deposits in commercial banks have been eliminated from the total of the sources of funds, and commercial bank purchases of mortgages and long-term fixed-income securities have been eliminated from the net demands for new capital. Time and savings deposits in commercial banks are generally used for purposes other than purchases of long-term investments.

Girard L. Spencer

While it is anticipated that the publicly-held debt of the United States Government will decrease in 1957, the Treasury may nevertheless include long-term bonds in its fiscal program. Temporarily at least, this would affect the markets for long-term corporate and tax-exempt securities as well as the market for outstanding Treasury issues.

In addition to the unpredictable changes in the economic and international picture that could alter these estimates, there are two recent developments that could have great bearing on capital markets during 1957. The first is that, if the current level of comparatively high interest rates continues, a sizable increase in the supply of funds for investment in non-government securities could result from redemptions at or prior to maturity of United States savings bonds. The second is that if the market permits, a substantial amount of long-term financing by private and public borrowers that was postponed or cancelled in 1956 could be offered this year, and this would materially increase the demand for long-term capital beyond that presently estimated.

Based on our current estimates, there will be a deficiency in the supply of new long-term capital in 1957, but a deficiency somewhat smaller than that in recent years—in fact only about 4.7% of the estimated total uses. This could signify that borrowers may have less difficulty in obtaining their needs in the capital markets in 1957 than was the case during 1955 and 1956. It is possible that at times during the year available funds may equal or temporarily exceed demand.

Since the flow of investment funds and the demand for their use is only rarely evenly matched, it is logical to expect periods of comparative strain as well as ease in the long-term markets in the months ahead. However, the outlook for 1957, as a whole, is that there will be only minor changes in the basic level of long-term interest rates.

Estimates of the accumulation of long-term funds, and the demand for their use by private borrowers, states, municipalities, and public revenue authorities for 1957.

S U P P L Y	
Long-Term Investment Funds:	Billion
Life Insurance Companies	$5.4
After deduction of funds placed in policy loans and real estate holdings.	
Mutual Savings Banks	2.0
Savings and Loan Associations	5.2
Private Pension Funds	2.3
Not funded with insurance companies.	
State and Municipal Retirement and Pension Funds	1.7
Fire and Casualty Insurance Companies	0.6
Other Long-Term Funds	4.9
Funds accumulated by individuals, personal trusts, charitable and educational endowments, and other institutions not included in the above categories of long-term investors. Commercial bank time and savings deposits (as noted) are not included.	
Supply of New Long-Term Funds	$22.1
U S E S	
Mortgage Financing	11.9
The estimate of the net increase in mortgage borrowing for 1- to 4-family housing, multi-family dwellings, farm buildings, and commercial and industrial construction. Gross mortgage requirements are estimated at $24.5 billion, from which amortization and other repayments estimated at $10.1 billion, mortgage purchases by commercial banks estimated at $1.5 billion and $1.0 billion by government agencies have been deducted.	
State, Municipal, and Public Revenue Authority Financing	3.4
The estimate of the net increase after the deduction of retirements, repayments and sinking fund purchases estimated at $2.7 billion, and commercial bank purchases estimated at $0.1 billion from gross offerings of $6.2 billion.	
Corporate, Foreign, and International Bank Financing	7.9
The estimate of the net increase in outstanding debt obligations, preferred and common stocks offered for cash after the deduction of an estimated $2.4 billion of maturities, sinking fund and other retirements from gross offerings of $10.3 billion.	
Demand for Long-Term Funds	$23.2
Indicated Deficiency of Long-Term Investm't Funds in '57	**$1.1**

Observations . . .

By A. WILFRED MAY

THE FRESH CROP OF MARKET "EXPLANATIONS"

About the most interesting aspect of the market's action—with its decline to 15-month lows and subsequent bobbing-around—has been the accompanying plethora of "explanation." True to form, the investment community's commentary has been consisting of bringing round a variety of inconsistent excuses to fit the market fluctuations which have already been registered.

A. Wilfred May

Now—after the market's (unexpected) decline—the public has veered around to pessimism on the business as well as market outlook. Of all the varied pronouncements coming to this writer's attention, only a bunch of unabashed teen-agers have ventured to maintain undiminished bullishness (on "Junior Town Meeting" over WATV Feb. 23).

The Mideast "crisis," "spending and inflation worries," business uncertainty including "profitless prosperity," tight money and "technical factors," constitute the five chief "reasons" offered for the public's ruling market pessimism. Let us examine each of these supposedly "newly found" developments.

War Bullish and Bearish

War threats at the time of *upward* market movements are cited as a bullish—not a bearish—factor in the light of their stimulus to defense spending and "inflation." And so in the case of the current international tension:—the market climbed to its historic all-time high a month after the Suez trouble got real hot last summer. Now, midst market "aimlessness" even the big new aid outlays being forecast in the Eisenhower Doctrine are blandly disregarded by the attenders on quotations.

Double-Listening to Double-Talk

The Street's onset of jitters was ascribed chiefly to its interpretation of statements from Washington's real Big Brass, ranging from the Humphrey thesis that the failure to stop spending-and-inflation may bring on that "hair-curling" unpleasantness, to reiterated cautioning from the suddenly revered Mr. Hoover (apparently entailing some ominous memories) that spending is not all milk and honey. Thus Wall Street, which so persistently staked its extended bull market confidence on the inflation-dollar-depreciation bulwark, now professes simultaneous fear of both inflation and deflation.

Highlighting the investor's psychological aberrations in double-talk about inflation are this week's release of the Bureau of Labor Statistics Consumers' Price Index showing continuation of the recent rises after the anti-inflationary stabilization registered during 1955.

Sudden Writeoff of Business Prospects

Seemingly every potential doubt about the business future has been galvanized into being by the present psychological turnabout. And this too applies to the former confidence in the earnings prospects of the enterprise that is well-managed or/and in a growth industry. Whereas previously "the sky" was the limit on the long-term future of the "good" companies' earnings and hence the market-price multiplier, now — after the market's internal attack of nausea — these prospects are deemed to have suddenly become impaired if not permanently eliminated.

The reversal of their long upward movement by the life insurance stocks demonstrates with particular clarity the change in the public's attitude toward "growth." For negligibility of dividend yield and the inscrutability of the actual earnings applicable to these issues certifies to pure growth as the motivation for their acquisition.

Prosperity Has Gone Profit-Less (?)

In line with this peculiar psychological turnabout is a cover-headlined opus "The Big Squeeze on Business," featured in *U. S. News & World Report*, in which the newly discovered onset of "profitless prosperity" is detailed midst data indicating declining profits in the face of increased volume.

In the first place, it must be pointed out that such a squeeze has been the subject of temporary worry many times over the past 20 years—occasioned principally by corporate tax hikes and upward wage contracts. But business management has always been able to make the necessary profit margin adjustments—perhaps now validating the new Eisenhower Budget's premise of corporate profit maintenance.

The Actual Earnings Results

In the second place, objective scrutiny of the actual returns belies the existence of general uniform profit decline.

Despite special seemingly non-recurrent inroads on Chrysler, Westinghouse and Bethlehem Steel, the total average earnings of the Dow Jones Industrial Average will probably almost equal 1955's record peak. In its regular review of the earnings of leading companies, David L. Babson and Company, investment counsel, find that the results were highly irregular; that exactly half the companies reviewed had a profit ratio greater than in 1955, but with 60% showing a higher net.

The *Digest of Earnings Reports* comprising a tabulation of 94 companies in Monday's "Wall Street Journal," shows 71, or 75% with gains over the preceding year.

The decline in profit margins is importantly concentrated in the chemicals, due to the impact of special factors including price reductions, break-in costs on new plant, and accelerated depreciation charges. And even in the case of the chemical section, gains in net dollar income by American Cyanamid and Union Carbide countered the much-publicized declines in Monsanto, Allied, du Pont and Dow. And may we not venture to doubt whether there is serious expectation that this group of 1956 losers has suddenly become permanently bereft of its persistently re-indicated earnings growth characteristics?

True to its irrationed form, too, are the investment community's swings in attitude toward the supply-and-demand relation between investable funds and the available issues. Now—since the sell-off — much is made of the "over-supply," allegedly existing and expected, of bonds and stocks. Much is made of the glutting effect of some new stock offerings, as Socony-Mobile Oil and Anaconda. Is this perhaps an exaggeration of the true supply situation, equally as off-base as the preceding bullmarket argument, or "explanation," which stressed the insatiable demand from the constantly-fed mutual funds, institutional buyers here and abroad, and new periodic stock-acquiring techniques—which have now supposedly all suddenly flown-the-coop to another planet.

Oscillating Market Interpretations of Tight Money

The interest rate constitutes another "explanatory" item entailing self-contradictory interpretation of stock market effect. Midst the first few months of 1956 interest rate hikes were accompanied by *rising* stock prices, as was the case in September—the view then expressed being that tightening money was a welcome manifestation of booming business.

That "Technical" Escape

As usual when the going gets rough on the explanations, refuge is being found in the so-called "technical" area of the market's doings. The uninitiated reader must be struck by the wealth of comment on the ominous significance of the break-through below the crucial D.-J. 460 "support level" (on that the lower-they-go the lower-will-they-continue thesis), followed by the conversely bullish interpretation of the market's sudden turnabout to 469 in

Continued on page 8

Federal Tax Policy and The Economic Challenge

By HONORABLE WILBUR D. MILLS*

U. S. Congressman from Arkansas

Chairman of the Subcommittee on Internal Revenue Taxation, Committee on Ways and Means

Chairman, Tax Policy Subcommittee, Joint Economic Committee

Congress Democratic tax expert concludes "the only major source of tax rate reduction would be substantive revisions of our tax laws" which, if it can substantially broaden the tax base, might provide individual income tax rate structure beginning at 10-15% and ending at 65-70%. Rep. Mills doubts the President's appeal to labor and business will produce the desired effect of halting inflation and maintains we must continue to rely on public policies and actions to resolve the apparent dilemma posed by opposing goals of stable dollar and promoting maximum growth in employment and output. Detects irrevocable pattern of matching federal revenue increases with spending increases and voices disappointment with last tax revision and changes not made, such as capital gains and loss treatment.

Just about a month ago, President Eisenhower presented to the Congress the largest budget ever submitted when armed forces of the United States were not actively engaged somewhere in the world. Everyone here, I am sure, is aware of the stormy reception accorded that budget. Extensive discussions in various public forums all over the country have explored virtually every facet of the budget. I will, therefore, spare you my own comments on the budget details. I would like, however, to develop with you the broad context in which this budget and its implications for tax policy should be appraised.

Hon. Wilbur D. Mills

As you know, the Joint Economic Committee, on which I am happy to serve, recently completed its hearings on the January 1957 Economic Report of the President. During those hearings we had the benefit of extended discussions with the President's Council of Economic Advisers, the Secretary of the Treasury, the Chairman of the Federal Reserve Board, other governmental officials and outside experts. Our purpose was to develop the economic outlook for 1957 and the major issues of economic policy facing the nation in seeking to attain the objectives of the Employment Act of 1946.

The testimony of these witnesses suggests that 1957 will be a year of further economic growth. In fact the budget for the fiscal year 1958 is predicted on a $14.8 billion increase in personal income in calendar 1957, over the $325.2 billion for 1956 as a whole, and about a $1 billion increase in corporate profits. This growth in personal income and corporate profits, in turn, suggests an increase in the total level of economic activity of between 3 and 3½% over 1956. If we realize this growth, we will attain a Gross National Product of about $435 billion in 1957, measured in prices about equal to those prevailing at the beginning of this year.

There are, unfortunately, some important reservations about this pleasant prospect. Certainly one major reservation is the continuing threat of inflation.

A year ago it was noted that the country was enjoying a record prosperity and that further real economic expansion would necessarily be limited by increases in our productive resources and the efficiency of their use. It was recognized that in such a situation, there was likely to be strong upward pressures on prices as producers and consumers intensified their bidding for limited supplies of goods and services. If costs and prices were not to go up throughout the economy, therefore, it was necessary to restrain the expansion of total spending to a rate consistent with the rate of increase in our productive capacity.

As you all know, the Federal Government maintained monetary and fiscal restraints throughout the year. Tax reductions which were scheduled to go into effect automatically on April 1, 1956 were deferred for another year. The Federal Reserve System, carefully watching a wide range of economic indicators, limited increases in the credit resources of commercial banks. Despite these restrains, costs and prices did rise in 1956. In fact, over half of the increase in Gross National Product during the year was accounted for by price increases, rather than real increases in output.

A considerable amount of evidence was accumulated last year suggesting that these restraints, particularly general credit controls, impose more severe burdens on some groups in the economy than on others. State and local governments, facing rapidly rising interest costs on their debt issues, were forced to cut back their plans for public works, particularly school construction. The housing industry appears to have been hit particularly hard by limitations on the expansion of the credit supply. And small businesses, apparently, have reason to feel that the tight money situation imposed a particularly severe curb on their ability to grow and develop.

As 1956 came to a close, therefore, the major question in economic policy was: Can we, at a time of high employment, reply on fiscal and monetary policy to curb inflationary pressures without at the same time unduly burdening major sectors of the economy and raising serious obstacles to the maintenance of economic growth? In other words, can we have a stable price level and maximum growth in employment and production when our resources are fully employed?

The President has repeatedly raised this question since the beginning of 1957. He has concluded, apparently, that we cannot rely exclusively on the Federal Government's monetary and fiscal policies if both of these objectives are to be simultaneously achieved. Rather he has urged leaders of labor and business to assume part of this responsibility by basing their wage agreements and price policies on considerations of maintaining a stable dollar.

Many serious questions are raised by this recommendation of the President, but permit me to suggest only one. Since the President's statement on this issue, I have been deluged by inquiries—and I am sure many of my colleagues have had the same experience—from business and labor leaders as to how they are to know whether their polices and actions are consistent with maintaining a stable price level. What kind of standards are they to use in providing the cooperation the President requests? What kind of machinery does the President have in mind for aiding responsible business and labor leaders in their efforts to comply with this mandate? One suggestion in reply to these questions is that the President might appoint an "Economic Stabilizer" with whom labor and management representatives might consult to determine whether proposed wage agreements and price changes are consistent with overall price level stability.

I do not, frankly, believe that the President's recommendation is a satisfactory solution to the dilemma posed by the apparent conflict between the objectives of maintaining a stable dollar and of promoting maximum growth in employment and output. I have reached this conclusion after carefully questioning and listening to the expert witnesses, both inside and outside of Government, who testified during the Joint Economic Committee's hearings.

It seems to me, instead, that we must continue to rely on public policies and actions to provide the setting in which the free expression of private incentives basic to the successful operation of our enterprise system will result in a rate of growth consistent, both in the short and long run, with stability in the price level. And it is because of this conviction that I have taken you on this excursion before coming back to the Federal budget for fiscal 1958 and its implications for Federal fiscal policy.

Comparing the President's budget for the fiscal year 1958 with that of the two preceding fiscal years suggests a pattern which I want to sketch for you briefly. The estimated increase in net budget receipts in fiscal 1957 over fiscal 1956 is $2.5 billion. The estimated increase in budget expenditures in the same period is just about the same—$2.4 billion. The estimated increase in receipts in fiscal 1958 over estimated receipts in 1957 is $3 billion. The estimated increase in expenditures is just about the same—$2.9 billion. These comparisons strongly suggest to me, as they have to many others, a pattern in which the increase in revenues of the Federal Government, resulting from growth in the economy, are just about ex-

Continued on page 26

*An address by Rep. Mills to Tax Executives Institute, Washington, D. C., February 18, 1957.

Achieving National Solvency By the Wise Use of Federal Money

By HONORABLE MARGARET CHASE SMITH*

U. S. Senator from Maine

Senior Republican, Senate Subcommittee on Reorganization

The only woman to serve in both Congressional Houses recounts the forces threatening our financial solvency; her challenge to Secretary Humphrey to specify budgetary cuts; and his reply that he could not pinpoint specific items which should be eliminated from the Administration's fiscal 1958 budget. The trend toward financial irresponsibility can be halted, according to Senator Smith, by: (1) reducing government spending to balance the budget; (2) enacting into law Hoover Commission's recommendation to Congress that appropriation be determined on an annual accrued expenditure basis, and (3) obtaining direct correlation between tax receipts and expenditures. Pays tribute to President Hoover for his Hoover Commission leadership.

In my opinion, no problem of greater significance faces us today than that of restoring this Nation to the sound financial foundations upon which its strength, its integrity and its greatness have been forged — and which have made it the mightiest Republic upon the face of the earth.

Margaret Chase Smith

For, surely, it is obvious that we cannot hope to keep our economy strong, maintain the posture of military strength that we must and move forward into what we fervently hope will be the Atomic Age of Peace, except upon a foundation of national solvency.

Today, many events, many forces, imperil our economic stability and our national security. World War II, the seething cauldrons of Hungary, the Middle East and Asia, the ever-present threat of another, perhaps final, Global War, make it imperative that we maintain our military might at the hilt, with resultant imbalances in our own domestic economy and fantastic expenditures which threaten inflationary disaster.

As you are aware, the President on Jan. 16, last, presented the Congress with a 71.8 billion dollar budget for fiscal 1958—the largest peace-time budget in history. It is the fifth largest in the history of this Nation—only three, in 1943, 1944 and 1945, the peak years of World War II, and one, in fiscal 1953, after Korea, have been higher.

And, as each of us knows, the national debt, although reduced slightly in recent years, still amounted to a staggering $272.8 billion last July 1; with the grave danger, despite high Government receipts in 1953, that, if some curb is not placed upon expenditures, we could witness additional increases in the future.

Forces Threatening Financial Solvency

Interest on the national debt, I might remind you, even with reductions in the amount of the debt, it is estimated will reach the all-time high-water mark of $7.3 billion for fiscal 1958—because of higher interest charges in the current "tight-money" market.

To me it is almost a frightening comparison that the Federal Government today pays more in interest on its national debt than it paid for all Governmental expenditures in fiscal 1938—just 19 years ago.

In addition to our fantastic budget — in addition to our "Frankenstein" of a national debt —the Federal Government has more than $450 billion in loans, commitments, obligations and guarantees outstanding — commitments which this Government must some day meet—debts which future generations some day must pay.

These are some of the forces which threaten our financial solvency—forces which, if not controlled, could set a torch to inflation, which, like a prairie fire sweeping across the plains, could wreck the financial stability of this Government—and this Nation.

In relation to this, it is a harrowing thought to consider that the Government today has outstanding in unexpended appropriation balances the tremendous sum of $74 billion hanging over the head of the Secretary of the Treasury like a dark ominous cloud—more in unexpended balances than the total Government budget for fiscal 1958.

I ask you, how can we have any semblance of sound financial policy when the Government has more money outstanding in unexpended appropriations, some dating back as many as five years, than it takes in either annually in tax receipts or appropriates annually for its operations.

How could any business firm or corporation operate in the black in such a Wizard-of-Oz atmosphere?

Praises Secretary Humphrey

I think our commendations should go to those officials of the Government who have held Federal spending down, who have "held the line against inflation and who have balanced the budget. I refer, among others, to the Honorable George H. Humphrey, the Secretary of the Treasury, who has steadfastly combatted tremendous pressures for more Government spending — the near ruinous policies of the 20 years between 1932 and 1952 which largely are responsible for the dangerous predicament we find ourselves in today.

Challenges Humphrey

Parenthetically, I would inform you that on the morning of Jan. 17, 1957, immediately after reading in the papers that Secretary Humphrey had stated that "there are a lot of places in this budget that can be cut" I wrote him a letter stating that as a member of the Appropriations Committee charged with the responsibility of passing on the budget spending requests, and as one who has been rated by the Council of State Chambers of Commerce as being a Champion of Economy in the Senate, that I would greatly appreciate such information and identification as to those places in the President's budget he felt could be cut. I could have stated that I am equally interested in this in my capacity on the Government Operations Committee, as ranking

Continued on page 21

*Text of an address by Senator Smith before the Third National Reorganization Conference of the Citizens Committee for the Hoover Report, Washington, D. C., Feb. 5, 1957.

Three Province Petroleum Play

By IRA U. COBLEIGH

Enterprise Economist

A swift outline of the forthcoming merger between Canadian Pipelines and Petroleums, Ltd. and Scurry-Rainbow Oil Limited creating one of the largest independent petroleum land production and royalty companies in West Canada.

Since the strike of oil at Le Duc in 1947 we have seen in West Canada, a decade of the most exciting land grabbing, exploration drilling and development over a broad swatch of land since the Spindletop days in Texas. Individuals bought or leased land, rustled up the money for drilling and either struck oil, or struck out! Next sprang up a whole batch of small companies, many of them with meager bankrolls, delicatessen-type managements, often betting their entire corporate future on the luck of a single well drill. As a logical result there were casualties—lots of them. Quite a few of these small independents, however, survived either by fortunate early hits, or by husbanding their resources and waiting till some big outfit brought in a well near them. Then the value of their acreage soared and they could sell or release sections; or, with excellent prospects, drill an offset themselves.

Ira U. Cobleigh

Another technique for survival, and ultimate attainment of stature and profitability was by merger. And that is our chief topic for today. For Scurry-Rainbow Oil Limited (itself a merger of Scurry Oil Co. and Rainbow Oil Co.) is about to merge with Canadian Pipelines and Petroleums Ltd. which expanded rapidly in its five years of corporate existence, as a result of assimilation by merger of 20 individual companies. So you see merger is our main motif.

First we'll talk about Scurry-Rainbow since the new combination will bear this name, and because Scurry-Rainbow, by virtue of the listing of its shares on American Stock Exchange, is perhaps somewhat better known to American investors.

Scurry-Rainbow Oil Limited concluded the third year of its corporate existence on Sept. 30, 1956. From the report of that date, the following pertinent items have been gleaned. Scurry-Rainbow is a producing development and exploration company with two subsidiaries in Alberta. Gross land holdings in the area total 2,791,405 acres; and net oil production was 434,790 barrels for the fiscal year, delivering a net profit for the year of $315,967 up from $17,856 in 1955. Proven oil reserves stood at four million barrels. Main production has come from Pembina, presently the largest oil field in Canada.

Development program centered around policy of acquiring proven acreage at sales of Crown lands. Some drilling has been done. Exploration on lands in which Scurry-Rainbow has an interest has been proceeding briskly. The most attractive and promising areal agreement appears to be a 13½% net carried interest in 1,179,722 acres in the Wapiti-Smoky River area in West Alberta. This promising real estate is being explored under farm-out agreements by Standard Oil and Gas Co., and Richfield Oil Corp. (Only within the last ten days Simonette No. 1 came in as a commercial producer in this area.) Other land blocks of future promise include a 50% working interest in 400,000 acres in the Caribou Mountain area, and varying interests in 600,000 acres at Peace River.

Altogether Scurry-Rainbow has evidenced good management; racked up a record of prudent assembly of petroleum land in areas of rising productivity; and in the past 15 months has steadily advanced its cash flow and net earnings.

Canadian Pipelines and Petroleums Ltd., on its part, brings to the merger a panoramic land play unfolding over five million gross acres from Manitoba to the Pacific. In none of the "independents" in Canada is the land spread so extensive and so strategically related to large scale proven oil and gas fields. Canpipe has existing production of roughly 800 barrels per day and excellent prospects of many times that; plus some potential in uranium from about 20,000 controlled claim acres in the Beaver Lodge district.

In Saskatchewan, Canpipe controls rights (or 33 to 99-year leases) covering the mineral including oil, natural gas and potash in about 1,100,000 net acres. These are not just random claims but spread over, or adjacent to, some of the major proven oil pastures in the province—Alida, Nottingham, Lampman, Steelman, Frobisher and Quinn Fields. Nowhere else in Canada has the success ratio in wildcatting been so high To develop this acreage Canpipe in 1955 worked out an agreement whereby United States Smelting and Refining Co. (1) loaned Canpipe $1 million, (2) became a large stockholder (it now owns 400,000 shares), (3) agreed to provide exploration money up to $30 million over a 30-year period, (4) gave Canpipe four choices in sharing the resulting profits varying from a straight 2½% gross royalty to a third drilling interest.

From Alberta comes Canpipe's largest production, the best wells being Erskine No. 8-1 which could produce 1,000 barrels per day of high gravity oil (the allowable is 42 B/D) and the Hanmatton field falls. Totally Canpipe has over 250 producing wells bringing in cash flow to the company of over $750,000 in 1956.

Also in Alberta, Canpipe has a king-size ride by virtue of its 7,000 points of royalty (a point is 1% of the product from 160 acres) in that province These royalties brought into the Treasury about $300,000 in 1956 and they represent an attractive outlook for expanded income since much of the subject land is in the Joffre field now being avidly drilled by the "majors."

Finally, there's British Columbia wherein Canpipe has interests of varying extent in over 2,400,000 acres of land. 1,700,000 acres of this is potentially gas productive and lies along the path of Westcoast Transmission Lines, indicating the strong possibility of immediate sale and delivery of future gas production directly to the pipeline.

Canpipe has, in summary, done a remarkable job in putting together a really impressive land play in oil, mainly by shrewd management and conserving its cash by exchanging its own shares, for the properties of the companies it absorbed.

With the foregoing thumbnail sketches of the two subject companies, we are now ready to dilate for a few moments on the effects and advantages of their merging. Foremost is the fact that the newly constituted Scurry-Rainbow Oil Ltd. will have interests in over 8½ million acres (2.9 million net) and 379 gross wells which makes it perhaps the largest independent oil and gas producer in West Canada. Actual merger will be effected by share for share exchange of Scurry-Rainbow for Canpipe; and the result will be about 13,270,000 total shares outstanding (assuming the exercise of certain options) with some 217,000 additional shares authorized for employee purchase at prices ranging from $1.45 to $2.75. Ahead of this equity lies $1,330,000 in Scurry 5% debentures (convertible into common at $5) and $1,000,000 in debt of Canpipe. It's remarkable, if not amazing, to find such an extensive producing and development enterprise with so little debt, which brings us to a very important advantage of the merger.

The merger will permit a new policy of expanding profitability by developing company properties instead of farming them out. There are dozens of Scurry-Rainbow acreages, where offset wells appear certain to become fine producers. But drilling them takes quite a lot of money, particularly when the shallowest will run upwards of $65,000. The consolidated physical assets, however, and the strengthened corporate resources resulting from the merger give a lot more substance to corporate credit; and an institutional type loan secured by the company's uncommitted oil wells could swiftly be arranged to provide the requisite expansion of working capital.

Key officers in Scurry-Rainbow will include Thomas H. Jones, President and Board Chairman, John Ellis (partner in Eastman Dillon, Union Securities Corp.) as Chairman of the Executive Committee, W. H. Farrand, Vice-President in Charge of Operations, and Lawrence C. Morrisroe in charge of land operations. E. George Meschi, retiring President of Canpipe, will continue with the new company as financial consultant. The merger comes up for stockholder approval by both companies April 29, 1957.

Most speculators in shares selling at $3 are forced to take whacking risks in companies with meager cash, thin balance sheets, remote earning power, and so-so management. In the new and revised edition of Scurry-Rainbow, however, it appears there emerges a quite impressive combination of skilled and experienced management, actual oil and gas reserves, rising oil and gas production and cash flow; and an exciting land play covering an area four times the size of Delaware. A three province petroleum play that is.

Oh, No?

"I am not pessimistic about the ability of American society to adjust to the new technology. Neither do I believe, however, that the adjustments will be automatic.

"There is no machine, automatic or otherwise, than can produce customers for an expanding economy. Nor are there self-correcting machines that will automatically provide jobs for a growing labor force. And there is no mechanical device that will automatically train a technically skilled work force or spread the benefits of automation to all groups in society." — George Meany, President, AFL-CIO.

George Meany

There may not be any mechanical devices that will do these things, but natural forces if given opportunity can and will do most of them. This simple truth is one that many of us in this day and time apparently can not grasp.

Dealer-Broker Investment Recommendations & Literature

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

Aircraft Common Stocks—Survey with particular reference to to **Boeing Airplane, General Dynamics, Lockheed Aircraft, National Aviation, North American Aviation,** and **United Aircraft**—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Area Resources—Booklet explaining why area served offers such opportunities to industry—Utah Power & Light Co., Dept. K, Box 899, Salt Lake City 10, Utah.

Atomic Letter (No. 24)—Includes Atomic Highlights of 1956. Comments on French atomic power program, British submarine and ship propulsion, and items on Robertshaw-Fulton Controls Co., Lindsay Chemical Co., Consolidated Denison Mines, Ltd. and Can-Met Explorations, Ltd. — Atomic Development Mutual Fund, Inc., Dept. C. 1033—30th Street, N. W., Washington 7, D. C.

Bank Stocks—Comparison of 21 leading bank stocks outside New York—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Canada's Treasure House of Minerals and Oils—10-issue trial subscription to "Stock Market News and Comment"—$5—Stock Market News & Comment Ltd., Securities Advisor, Dept. E, 80 Richmond Street, West, Toronto, Ont., Canada.

Foreign Ownership and the Gordon Report—Brochure—Midland Securities Corp. Limited, 50 King Street West, Toronto, Ont., Canada.

Gas Pipeline Stocks—Discussion with particular reference to **Tennessee Gas Transmission** in current "Monthly Investment Letter"—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also in the same issue are discussions of **Aluminum Stocks** and the current market, and a memorandum on **Piper Aircraft Corp.**

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

High Cost of Borrowing—A discussion of money and interest rates—Brush, Slocumb & Co. Inc., 465 California Street, San Francisco 4, Calif.

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

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

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

Year End Roundup—Comparison of 1955-1956 earnings for 11 selected companies—Boenning & Co., 1529 Walnut Street, Philadelphia 2, Pa.

* * *

Acme Electric Corp.—Report—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Allis Chalmers Manufacturing Co. — Annual report — Allis-Chalmers Manufacturing Co., Shareholder Relations Dept., 1125 South 70th Street, Milwaukee 1, Wis.

Arroyo Grande Union High School District School Bonds—Circular—Bank of America, N. T. & S. A., 300 Montgomery Street, San Francisco 20, Calif. Also available is a circular on **Armijo Union High School District** Bonds.

Bahamas Helicopters, Inc. — Report — Leason & Co. Inc., 39 South La Salle Street, Chicago 3, Ill.

Bristol Myers Co.—Memorandum—Walston & Co., 120 Broadway, New York 5, N. Y.

Bucyrus-Erie—Data—Hardy & Co., 30 Broad Street, New York 4, N. Y. Also in the same circular is a discussion of the present market.

Canadian Homestead Oils Limited — Memorandum — Rowles, Winston & Co., Bank of the Southwest Building, Houston 2, Tex.

Chicago National Bank—Bulletin—Wm. H. Tegtmeyer & Co., 39 South La Salle Street, Chicago 3, Ill.

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

Duke Power Company—Bulletin—R. S. Dickson & Co., Wilder Building, Charlotte, N. C.

Eaton & Howard Stock Fund—1957 Yearbook—Eaton & Howard, Incorporated, 24 Federal Street, Boston 10, Mass. Also available is the 1957 Yearbook for **Eaton & Howard Balanced Fund.**

Equitable Credit Corp.—Report—General Investing Corp., 80 Wall Street, New York 5, N. Y. Also available is a memorandum on **Lake Shore Mines.**

Fireman's Fund Insurance — Report — Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Freeport Sulphur Company—Report—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Gamble Skogmo Inc.—Brochure—D. M. S. Hegarty & Associates, Inc., 39 Broadway, New York 6, N. Y.

Georgia Pacific Corporation—Analysis—Ross, Lyon & Co., Inc., 487 Broadway, New York 13, N. Y.

Hydrocarbons Chemical Inc.—Memorandum—Harry Simmons Co., 40 Exchange Place, New York 5, N. Y.

International Nickel Company of Canada — Report — Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

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

Glenn L. Martin Co. — Memorandum — Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available is a memorandum on **United Shoe Manufacturing Corp.**

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

McColl Frontenac Oil Company Limited—Analysis—McLeod, Young Weir & Company, Limited, 50 King Street, West, Toronto, Ont., Canada.

Meadow Brook National Bank of Nassau County—Report—A. J. Grayson & Co., Inc., 92 Liberty Street, New York 6, N. Y.

New York Central Railroad—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Shell Transport & Trading — Report — Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are reports on **Paramount Pictures, Newport News Shipbuilding, Combustion Engineering.**

Supercrete Limited — Memorandum — Straus, Blosser & McDowell, 39 South La Salle Street, Chicago 3, Ill.

Twentieth Century Fox Film Corp.—Analysis—Stanley, Heller & Co., 30 Pine Street, New York 5, N. Y. Also available is a discussion of the current market.

Union Carbide & Carbon Corporation—Annual report—Secretary, Union Carbide and Carbon Corporation, 30 East 42nd Street, New York 17, N. Y. Also available is a booklet describing the products and processes of Union Carbide.

NSTA Notes

THE SECURITY TRADERS ASSOCIATION OF NEW YORK, INC.

1957 is the 21st birthday of the Security Traders Association of New York. It will be celebrated at the annual STANY DINNER, at the Waldorf Astoria, April 26, 1957.

The Arrangements Committee, headed by Arnold J. Wechsler, Ogden, Wechsler & Co., is making every effort to have this a truly memorable Birthday Party.

Members are requested to send reservations ($15 per person), accompanied with guest list for publication in the STANY Journal to:

FRANK J. ORLANDO, Goodbody & Co.

For Hotel reservations, please contact: Raymond C. Forbes, Shearson, Hammill & Co.

Continued from page 5

Observations

the immediately ensuing "Humphrey change of mind" upswing.

And how are to be interpreted the latest short-interest figures, showing the largest bear position increase, at 25% over Jan. 15, since the Exchange began compiling figures in 1933? If, the market should continue downward: — as indicating the wisdom of the sophisticated professionals? But if, and after, the market should advance: — as showing that, of course, "the professional shorts are always wrong"?

* * *

Thus, as usual no embarrassment is being evoked in omitting consideration of simple *value* factors in filling the public's insatiable need for more dramatic market explanations.

COMING EVENTS
In Investment Field

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

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

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

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

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

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

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

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

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

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

Competitive Nuclear Power And an Accelerated Program

By WILLIS GALE*
Chairman, Commonwealth Edison Company
Chicago, Illinois

Scheduled construction of the largest private nuclear electric power plant outside of Chicago prompts Commonwealth Edison Chairman to "state with some assurance that competitive nuclear power is not just around the corner" where fossil fuels are plentiful and cheap, but that in the long run competitive nuclear power will become a reality as construction costs decline and fossil fuel costs increase. Mr. Gale offers proposal to accelerate nuclear power program, which retains the ratio of public to private power and allows AEC subsidization of costs over comparable conventional facility, to maximize participation by existing utilities in making competitive atomic power. Discusses need for Indemnity Bill's passage, stresses our "know how" need over kilowatts in commenting on the atomic power race, and outlines important developments taking place.

The first part of this discussion will cover a few of the fundamentals. Even though this involves getting somewhat technical, I think it is necessary to an understanding of nuclear power and the important developments taking place in this field.


Willis Gale

Point 1 is that atomic energy, in the generation of power, is merely a substitute for fossil fuel. Today's conventional generating unit consists of a boiler and a turbo-generator. The atomic plant, in place of the boiler, has a reactor in which heat to make steam is generated by nuclear fission.

Point 2 is that a tremendous amount of heat results from fission. Our nuclear plant will have a capacity of 180,000 kilowatts. A conventional plant of this size would burn about 1,800 tons of coal per day. The atomic plant will be fueled with about 60 tons of uranium. This will last as long as six years when full efficiency has been achieved. Note the comparison of 1,800 tons per day with 60 tons for six years.

Point 3 is that there are different kinds of uranium. Natural uranium consists of one atom of U-235 and 139 atoms of U-238. What is the difference? U-235 fissions readily. U-238 does not but it can be transformed into plutonium which does, and so is called a "fertile material."

Point 4 is that the trick in a reactor is to keep the U-235 fissioning—in other words, to maintain the chain reaction. When a neutron hits an atom of U-235, the U-235 splits and gives off an average of 2½ neutrons. On the face of it, these should maintain and enlarge the chain reaction. The problem is to keep too many of the neutrons from getting lost. What happens to them? Some escape altogether. Some are absorbed by the U-238 to form plutonium. Some are absorbed by the structural materials of the reactor. Still others are absorbed by the coolant and the moderator.

Point 5 is "What is a coolant?" All types of reactors require the use of a coolant to transfer heat away from the core of the reactor. A good coolant is a substance like water which has good ability to absorb heat but not too many neutrons.

Point 6 is "What is a moderator." Most reactors require the use of a moderator which is a substance, like water or graphite, to slow up neutrons without absorbing too many.

Why slow the neutrons? When an atom splits, the neutrons break off at tremendous speed. The faster they go, the greater the chance they will escape without hitting another atom of U-235. Thus, the moderator is used to help conserve neutrons.

Point 7 is that the number of neutrons can be increased by adding extra U-235 to natural uranium. This is called "enrichment." Most United States reactors call for enrichment. For example, the fuel for our plant will contain about twice the U-235 of natural uranium.

U-235, separated from U-238, is needed for enrichment and also for military purposes. The separation is carried out in plants at Oak Ridge, Tenn.; Paducah, Ky.; and Portsmouth, Ohio. These use tremendous amounts of power furnished from coal-fired plants.

Now that I have completed these preliminary explanations, I shall turn to a brief discussion of the principal types of reactors.

Principal Reactor Types

The first I shall mention is the gas-cooled, graphite-moderated type chosen by the British Government. The first two of these, at Calder Hall, are said to have a total capacity of 92,000 kilowatts. The plant was dedicated last October.

In the United States, this type has not been regarded favorably as to economics because gas is not an efficient heat transfer agent.

Gas and graphite, however, are excellent as to neutron capture. The use of these materials, although not economically favorable as we see it, does permit the chain reaction to be sustained without the use of enriched fuel.

The British do not have large-scale facilities for separating U-235. One reason is that they cannot spare the coal to make the large amounts of electricity needed to operate separation plants.

This means that the British, badly in need of additional power, have found it desirable to use the gas-cooled, graphite-moderated reactor, regardless of economics. Also, this type of reactor is a good by-product producer of plutonium for military purposes.

The second type that I shall mention is the pressurized water reactor. This has been a favorite in the United States.

It uses ordinary water as both coolant and moderator. The reactor is pressurized to the extent necessary to keep the coolant from turning into steam. The coolant, heated radioactive water, is piped to a heat exchanger where steam is made in a separate circuit to drive a conventional turbine.

The first full-scale reactor of this type is the one built by Westinghouse to power the "Nautilus." It has been a tremendous success technically, but I am sure that the power is very costly indeed. One reason is that the fuel is a high concentration of U-235, perhaps 90%, which costs around $7,000 per pound compared with $20 for natural uranium.

Another of the pressurized water type is the 65,000-kilowatt plant being built by the AEC in cooperation with Duquesne Light Company and Westinghouse at Shippingport, Pa. The fuel will be enriched natural uranium. It is expected to go into operation this year and will be this country's first large-scale atomic plant.

Available data indicate that the power will be far from competitive.

Consolidated Edison's Plant

People in New York know about the 236,000-kilowatt combined atomic and oil-fired plant which Consolidated Edison is building in cooperation with Babcock and Wilcox. The reactor also will be of the pressurized water type. However, it will be different from Shippingport in that the fuel will be uranium in combination with thorium. Thorium, like U-238, but more plentiful and cheaper, is a fertile material.

Another essential difference is that Consolidated Edison is paying all the cost. The private power industry owes a debt to Consolidated for its courage in proceeding with this undertaking entirely on its own.

Still another pressurized water reactor is the 134,000-kilowatt plant proposed by Yankee Atomic Electric Company. This company is being organized by private utilities in New England. Part of the cost, in the form of research, is to be provided by the AEC.

A third kind of reactor is the boiling water type, which Commonwealth Edison is building with the aid of its associates in Nuclear Power Group.

We regard the boiling water reactor as one of the most promising from the point of view of competitive power. One significant reason for this is that the steam—or most of it — will be made directly in the reactor rather than in a heat exchanger, which cuts the investment cost. The coolant and moderator are ordinary water; the fuel, slightly enriched natural uranium.

Just two weeks ago, a group headed by Northern States Power Company announced a proposal to build a 60,000-kilowatt plant of the boiling water type.

Nebraska Power Project

A fourth type is the 75,000-kilowatt plant which North American Aviation proposes to build for Nebraska Consumers Public Power District. The fuel will be enriched uranium; the coolant, liquid sodium; and the moderator, graphite. Liquid sodium is one of the best heat transfer agents and graphite is an excellent moderator. Neither captures too many neutrons.

Sodium, however, is a difficult metal to work with. If the metallurgical problems can be solved economically, this should be a promising type.

The fifth type I shall mention is the so-called "homogeneous reactor," a concept developed at Oak Ridge. Its design would eliminate the need for a shutdown to replace fuel elements, a disadvantage of other types. The atomic fuel would be in liquid form. A small amount of the liquid fuel would be removed continuously for cleaning up in an adjacent chemical separation plant. At the same time a corresponding amount of cleaned-up liquid fuel would be added.

This is a fine concept. The difficulty is to find materials which can stand the corrosive action of the liquid fuel and the high investment cost of the clean-up plant.

Pennsylvania Power and Light, in cooperation with Westinghouse, is considering the building of a homogeneous reactor. With Westinghouse's experience, it is to be hoped that the technical and economic problems can be solved.

Each of the reactors I have described so far uses a moderator and operates with slow neutrons. Before leaving this general type, I should refer to the possibility of using heavy water rather than ordinary water in pressurized and boiling water reactors.

Heavy Water

Heavy water looks and tastes like ordinary water but is slightly different atomically. A minute part of all ordinary water is heavy water. Separating it is a very expensive process and a glassful costs about $10. No doubt the cost could be reduced if sufficient demand developed.

The advantage of heavy water is that it does not capture as many neutrons as ordinary water. Its use would eliminate the need for enrichment. This would make the pressurized heavy water or boiling heavy water reactor especially attractive in countries where separated U-235 is not available. In the United States it would be a case of balancing the cost of fuel enrichment against the cost of heavy water.

So much for reactors with moderators.

Fast Breeder Reactor

This brings me to a sixth type, the 100,000-kilowatt "fast breeder"

Continued on page 18

*An address by Mr. Gale before the Bond Club of New York, February 20, 1957.

Executive Leadership Shortage And Barriers Against Women

By MRS. CHARLES ULRICK BAY*

Chairman and President of A. M. Kidder & Co., N. Y. City
Chairman of the Executive Committee and Director, American Export Lines, Inc.

Decrying the paucity of women in top executive positions in today's business world, first woman to achieve high Wall Street position maintains it is a tragedy to discriminate on basis of sex, particularly when the nation is facing the most acute shortage of top executives in our history. Mrs. Bay draws upon "the truth . . . that much of the basic business judgments of the nation are made by women—and—these judgments are followed by men" to berate many women for underrating themselves. Wants more able and enterprising women to go after executive responsibility and shatter the plaguing superstition against women.

Our mothers and grandmothers were much concerned about women's rights. In those days they had reason to be. Today we have our rights.


Mrs. C. Ulrick Bay

But these are more than just mere rights. They are a trust. And they carry responsibility.

We certainly don't assert that a woman has any special claim to authority and position just because she is a woman.

But, what we do assert that today's woman—especially the gifted and enterprising woman—has a new and deeper responsibility than ever before in our history. She has a responsibility to carry her share of the leadership along with men of equal ability.

Frankly, there are not enough women in top executive positions in today's business world.

Thousands of men are serving as top brass in thousands of businesses—but the number of women in such jobs you can count on the fingers of your two hands.

A top executive position requires many abilities. It requires a combination of good judgment . . . emotional maturity . . . stamina . . . and enterprise.

Only a minority of business people possess these needed abilities.

It is a rare man who can serve as a good chief executive.

And—while some people may be surprised—let me say right here that there are just as many rare women in this country as there are rare men.

This is an unusual situation.

It's unusual because men have a tremendous — and yet unknowing —respect for the judgment of women.

That may sound a bit involved, but the truth is that much of the basic business judgments of the nation are made by women—and —these judgments are followed by men.

Please allow me to explain.

Both you and I are in the service of investors. You through the institution of the savings bank—and I as chief executive of an investment house.

The Brookings Institution, in a recent study, reports that holdings of shares of common stock registered in the names of women are 8% more than those registered in the names of men. In other words, most common stockholders in publicly held corporations are women.

This larger percentage of women shareholders is important to my argument because one of the best barometers of the business outlook are the changes in common stock prices.

Today's business executives must constantly plan ahead. They must constantly analyze the markets for their products. They must adapt their sales and production plans to the business outlook.

How do executives determine the business outlook?

One of the best factors is found in the general tone of the securities markets.

If stock prices are firm or moving up and many investors want to buy stocks, the executive usually reasons that the public considers the business outlook to be good—and that there is a desire to get in on a share of future earnings.

Conversely, when the public does not consider the business outlook to be favorable stock prices fall.

These stock market rises — and market falls—constituting as they do the actions of some ten million investors form an important beacon for the business leaders.

Yet in all of this, one fact has escaped most of our businessmen. That is the fact that most of our investors are women.

The business executive will accept stock market rises and falls as barometer readings for his business outlook day after day . . . yet.

When he gets home from the office and his wife makes some inquiry about business, he'll come up with:

"Oh, a woman wouldn't understand such things."

Women today hold more power than they realize.

It is true that among individual holders men hold larger blocks of stock than women do, on the average, and so men have most of the voting shares.

But it is also true that if we add stockholdings in the joint accounts, in which women also have a large share, women are very close to holding half of the voting shares of publicly held corporate stocks in this country.

In many of our leading corporations women hold an even larger share than men. This is true in General Electric, in A. T. & T., in Du Pont and in Eastman Kodak.

This fact also holds for a number of other corporations, too.

So it's easy to see that under the American business system in which the stockholder is the boss —that women are sharing equally with men the ultimate authority over corporate affairs.

And, though this is true, we don't get into executive positions ourselves.

One of the reasons this doesn't happen—so it seems to me—is that too many women underrate themselves.

Many women do an expert job in home management.

I have seen women lay out a rock garden or plan an addition of a new recreation room to the house . . . supervising the contractor in the process . . . in a manner that would do credit to the administration of a major iron and steel company.

You could quickly point out that these women have self confidence because the sums are small.

I don't consider this to be true. Take a capable, gifted, talented woman who can do her home jobs well . . . and give her a bigger job . . . and I'm certain she'll do the new job just as well.

All she needs to do is to add five ciphers after each dollar figure and give herself more time . . . and exactly the same kind of thinking will plan the layout of a ten-million-dollar shopping center.

The skillful, intuitive bargaining abilities of women as retail shoppers are well known.

This is real business ability and aptitude . . . and there is no necessary reason why it cannot be applied to the large sums involved in business negotiations as effectively as to the small sums of retail shopping.

Of course, we have to face the fact that executive positions are largely in the hands of men.

And when women seek these executive positions they encounter the old barriers of a man's world.

I don't have to remind you that in the world of men there's a superstition that a women . . . just because she's a woman . . . is somehow incapable of carrying the big job.

This will be a superstition to plague you and I—and the nation —until more able and enterprising women go after executive responsibility with all the abilities at their command.

You have all been in the business world long enough to know that things just don't drop into your lap.

You know too that you never really attain anything of importance unless you really go after it.

So it follows then—that anything you desire you can get . . . provided, of course, that you go after it fairly and squarely . . . and that you keep after it long enough and intelligently enough. . . .

And I feel certain that this applies to top executive positions for qualified women.

I am hopeful that my words will inspire you to action.

We need leaders.

Our country is woefully short of executive leadership.

And this situation promises to become worse as the years roll on.

This can be quickly illustrated.

Our nation is growing. It's growing fast. In just the last six years, almost 17 million persons have been added to our nation's rolls. This is more than the entire population of Canada.

In the same six years, our gross national product has gone up by more than 115 billion dollars. This is an increase greater than the entire gross national product of the United States in that year of high prosperity, 1929.

This country is going to keep right on growing. Growing fast!

We need more able people . . . and most especially we will need enterprising executives in ever increasing numbers . . . more than ever before.

A few facts are all that is needed to convince us.

For example, while the population of the country was increasing by 17 million the number of people in the most crucial age group—between 20 and 30 years of age—actually declined by one and one-half million persons.

And soon these people will be moving into their 30's . . . the age group when people emerge into their full executive capacities. Thus . . . all through the 1960's the number of people in the executive age groups will be smaller while the country gets enormously bigger.

We are running into the most acute shortage of top executives in all our history!

What a tragedy it would be if we were to maintain the old superstitions which wall out millions of capable executives merely because they are women.

What a loss it would be to the nation in economic misdirection . . . in lagging product designs . . . in impaired employment relations . . . and in ill conceived financing.

Indeed, in this crucial period of rivalry with the Soviets the very security of our nation is involved in this problem.

No talented woman should stand back today.

You can renew your enterprise and your seeking for executive responsibility with a real sense of serving your country's need. There is nothing selfish about it.

All of the great civilizations of the world have been marked by the full participation of women in high office.

In the United States we first allowed women to vote only a generation ago.

But in ancient Egypt, 3000 years before Columbus discovered America, a host of Queens occupied the throne. In the ancient Minoan civilization, women enjoyed a social status equal to that of men. Greece and Rome saw women in the market place and forum.

It is only when nations sink into decadence that women are submerged.

One of the aims of the program of Adolf Hitler was to drive the women of Germany back to the kitchens.

Viewing again the magnificent accomplishments of Imperial Britain under the first Queen Elizabeth . . . how can anyone say . . . now 400 years later . . . that women are lacking in executive ability.

The full sharing by women in the opportunities for leadership in the 20th century is the very color and shape of the flowering civilization of the free world.

All of us share a deep responsibility in the serious and challenging times that lie ahead.

If each and every woman among us works with her full energies . . . and if, at the right time, she has the undaunted courage to reach over her head to the bigger jobs, the outworn superstitions of a man's world will most surely give way . . . and we will be a better nation for it.

With this thought in mind I'd like to take the liberty of adding the word "women" to the memorable lines written a number of years ago by the editor Sam Foss.

These amended lines . . . I believe . . . fully state our nation's need.

May I close, then, with . . .

"Bring me men and women to
match my mountains,
Bring me men and women to
match my plains,
Men and women with empires in their purpose
And new eras in their brains."

*An address by Mrs. Bay before the Savings Bank Women of New York, Feb. 20, 1957.

Mrs. Dallas Joins Parrish Co. Staff

PHILADELPHIA, Pa. — Parrish & Co., 1421 Chestnut Street, members of the New York Stock Exchange and other leading exchanges, announce that Constance H. Dallas has become associated with their Philadelphia office as a registered representative.

Mrs. Dallas was a member of the Philadelphia City Council for four years, 1952-1956, representing the 8th Councilmanic District. During that period Mrs. Dallas was chairman of Council's committee of public health, chairman of the public welfare committee and chairman of the finance committee.

De la Marre Joins Keith Reed & Co.

DALLAS, Texas—Jacques de la Marre has joined Keith Reed & Co., Fidelity Union Life Building, and has been named a Vice-President of the company. He will be an executive officer with general duties principally concentrated in trading, and institutional and retail sales, it was said.


Jacques de la Marre

Mr. de la Marre, a native of Fort Worth, was formerly with a Houston investment house. Until joining the Dallas firm he was President of his own investment business in Victoria (Buhler-de la Marre & Co.).

His college is Northwestern University, Evanston, Ill., where he majored in business and finance.

Four Asst. V.-Ps. Named by Bankers Tr.

Four new assistant presidents and one assistant auditor were named Tuesday, Feb. 26 at Bankers Trust Co., it was announced by S. Sloan Colt, Chairman of the Board.

In the Pension Trust Division, Richard Boyd, Edward H. Eckfeldt, Jr. and Howard Koster, all formerly assistant trust officers, were named Assistant Vice-Presidents and at the bank's Fifth Avenue branch, Norman E. Wiebe, formerly an assistant treasurer, was also named to the position. The newly appointed Assistant Auditor is Robert M. Weber.

Mr. Boyd, in pension trust work since 1941 when he joined the bank, is a graduate of Princeton University, class of 1935, with a Bachelor of Arts degree. During World War II, he served with the Office of Strategic Service from 1942 through 1945.

Mr. Eckfeldt, with Bankers Trust Co. since 1929, is also a graduate of Princeton University, class of 1922, with a BA degree. A member of the United States Naval Reserve from 1942 through 1945, he saw service in the southwest Pacific and Newfoundland. Mr. Eckfeldt was appointed an assistant trust officer in 1947.

Mr. Koster, a member of the bank's staff since 1942, is a graduate of St. John's University, class of 1936, with a BBA degree. He subsequently obtained an MBA degree from New York University in 1938. Currently, Mr. Koster is attending Harvard University's Advanced Management Program. He was appointed an assistant trust officer in 1950.

Mr. Wiebe, a member of Bankers Trust Co. since 1927, was named an assistant treasurer in 1948. He joined the Fifth Avenue branch of the company in 1950 and served with the United States Army in the European Theatre from 1942 through 1945.

Mr. Weber, who graduated from Princeton University in 1941 with a BA degree, joined the bank the same year. He also holds an MBA degree from New York University, having graduated in 1949. During World War II, Mr. Weber served with the United States Army Air Force in the Pacific Theatre.

Outlook for Corporation Profits

By A. MOYER KULP*

Vice-President and Chairman Investment Committee
The Wellington Fund, Philadelphia

Wellington Fund investment manager outlines the profit outlook of 85 representative industrial firms in 18 industries, based on their ten-year experience and on the assumption of 4-5% rise in 1957 GNP, half in price and half in output, and assumption of a moderate widening in 1957 profit margins. Mr. Kulp foresees: (1) earnings varying widely, but generally on the favorable side, except non-ferrous metals other than aluminum; (2) rebound on the recovery side for textiles; and (3) income investor facing favorable prospect in electric utilities, and modest outlook in commercial banks, finance companies and telephone industry.

This paper discusses the profit outlook of 85 representative industrial companies in 18 industries. This is a cross-section of industry in which this forum is vitally interested, because of the key role these companies occupy in the economy and because their securities are held by a large body of investors.

A. Moyer Kulp

Whereas 60% of the aggregate of all corporation profits reported by the Department of Commerce represents mining and manufacturing, 96% of our 85-company sample is composed of mining and manufacturing. Our 85-company sample accounts for 30% of pretax and 34% of net earnings of all corporations. Sales, pretax and net earnings in this cross-section have generally moved up from 1947 through 1956. This contrasts with the relatively flat trend in net profits of all private corporations as reported by the Department of Commerce during this period.

The conclusions reached in this paper are the result of careful company and industry analyses done by the Investment Research Staff of the Wellington group. It is a result of periodic visits and calls to almost all of the companies concerned.

In order to obtain a sound perspective this study covered on examination, through the 10 years 1947-1956, of each of the 85 industrial companies used in this paper. Particular attention was given to:

Sales.
Impact of excess profits tax on net profits.
Impact of depreciation charges on pretax profits.
Relationship of pretax profit margin to sales.

Factors Affecting Profits

The factors affecting profits that often receive inadequate recognition were — (a) excess profits tax 1950-1953 (for example, in our 85-company sample from 1950 to 1953, sales rose 60%, pretax profits rose 7%, and net profits declined 5%); and (b) impact of depreciation charges on pretax profits because of (1) a high level of capital expenditures; (2) use of accelerated amortization by many companies; (3) adoption of new methods of depreciation several years ago which results in a higher writeoff in the earlier life of plant and equipment. In this 85-company sample straight line depreciation is being replaced by the newer methods of depreciation.

Industries in which depreciation has been moving upward at a relatively constant rate are:

Electric Equipment
Office Equipment
Petroleum
Building Materials
Chemicals
Food
Paper
Containers
Soap
Rubber
Merchandising

Industries where the rate of increased depreciation is tapering off or leveling are:

Agricultural Equipment
Steel
Textile
Industrial Machinery
Automobile
Drugs
Non-Ferrous Metals
(except aluminum)

Industries where depreciation increases at a faster rate than sales have a tendency, therefore, to report earnings rising at a slower rate than the rate of gain in sales. Industries where depreciation is leveling off, or slowing down, are likely to report improvement in earnings relative to sales.

Two Crucial Factors

Turning now to the profit outlook of the 85-company sample for 1957, this hinges on two factors:

(a) Business outlook assumptions.
(b) Outcome of profit margin squeeze.

As to the business outlook, we are assuming that Gross National Product will rise about 4-5% over 1956, with about half of the rise in physical volume and half generated by higher prices. The year 1957 at this early date looks a little better than 1956. There will be numerous cross-currents, but generally a high level of activity.

However, a given level of business activity does not automatically indicate a given level of profits. The critical factor confronting corporate managements is the amount of profit they can obtain from a given level of sales. To overcome the squeeze on profit margins will require:

(a) higher sales price, or
(b) reduction of other costs, or
(c) increase in labor productivity.

There is definite evidence throughout this representative sample that the pretax profit margin has been severe pressure. Industrial machinery is the only industry in our 18-industry sample with a rising pretax profit margin in each year of the 1955-1957 period.

We are assuming a moderate widening in profit margins in 1957 over 1956 for the following reasons:

(a) slowing in rate of wage increases.
(b) increase in rate of labor productivity, owing to absence of major strikes in 1957.
(c) larger and more efficient productive capacity.

These factors imply a flattening in the rate of increase of unit labor costs which have been the main factor in the recent profit squeeze.

In 1956 the larger companies lost ground to the smaller companies. The steel, electrical equipment and agricultural equipment strikes probably were an important factor in this trend. However, this survey indicates that the larger companies may regain their previous relationship during 1957.

Profit Expectations

This study finds the 1957 earnings outlook for the 18 industries used in this paper varies widely, but generally on the favorable side.

The profit expectations are:

Profit decline: non-ferrous metals (except aluminum); copper prices have fallen sharply from the high levels caused by strikes, stock piling and booming conditions in the last three years. Sales are expected to decline.

Profits even to up 4%: Drug; Automotive; Merchandising.

While slightly higher sales are expected in these industries, the rise may not be large enough to carry the improvement fully down to profits, because of higher costs in the automobile and merchandising groups. Significant improvement in the drug field depends largely on introduction of important new drugs with a wide market. Sales are rising gradually.

Better Than Average Profit Prospects

Profits up 5 to 9%
Paper
Soap
Building materials
Rubber
Industrial machinery
Container
Food
Chemicals

These groups appear to have typical better-than-average profit prospects this year. Sales and net profits are in a gradually rising trend. The companies in the building materials group vary widely in profit expectations which is natural, because of the diverse nature of this group. The companies used here are predominately large and well managed, and their profit expectations are not indicative of the building industry as a whole.

Profits up 10% or more
Petroleum
Office Equipment
Textiles (weavers-processors)
Agricultural Equipment
Steel
Electrical Equipment

The petroleum, office equipment and electrical groups appear to remain in a rising sales and earnings trend. Steel, agricultural and electrical equipment groups were set back by costly strikes last year. The textile group (weavers and processors) profit expectations are largely of a rebound nature, following last year's sharp profit decline.

Looking, therefore, at the large industrial manufacturing corporations, the companies about which I believe this forum is primarily wondering today, the 1957 profits' picture generally ranges from reassuring to favorable, with several major industries standing out. Obviously, if any change in our business assumptions becomes necessary, these profit outlook estimates would need revision.

The emphasis in this profit outlook study is in the sensitive and volatile areas of the economy. However, no doubt you are also interested in the 1957 profit outlook for some of the great industries which are primarily used to serve investors' income objectives.

Gross revenues of the electric utility industry are expected to advance during 1957 in line with the long-term 7% growth trend. Any rise in operating costs will be more significant than in 1956, and common stock financing will be greater—reflecting larger construction programs. Earnings in 1957 are expected to range from even to plus 10% above 1956, depending upon the individual company and the territory served.

The profit outlook in 1957 for commercial banks indicates continuation of a favorable trend. A survey of a representative sample of large commercial banks in major financial and industrial centers, indicates a rise in earnings of around 5-8%. This is based on continuation of a high loan demand, a firm lending rate, and some increase in loan volume.

The income investor appears to be facing a definitely favorable profit outlook in the electric utility industry, and an increase of modest dimensions in the earnings outlook for commercial banks, finance companies and the telephone industry.

In conclusion, the corporation profit outlook for 1957 presented in this paper depends on:

(a) validity of the cautiously optimistic business assumptions;
(b) ability and inclination of managements to overcome the squeeze on profits

The record of the past decade indicates that profits of leading industrial corporations should be well maintained. This foreshadows dividends of these leading companies in 1957 will be at least as good and probably a little higher than in 1956.

*The text of an address by Mr. Kulp before the New York University, Graduate School of Business Administration, Dean's Alumni Homecoming Conference, Feb. 16, 1957.

A. J. McGowan With John R. Boland Co.

Alfred J. McGowan has become associated with John R. Boland &

Alfred J. McGowan

Co., Inc., 30 Broad Street, New York City, and will be in charge of the trading department. Mr. McGowan was previously with Hayden, Stone & Co.

Financial Public Relations

By H. M. GARTLEY*

Gartley & Associates, Inc., New York City

The rapid advancement of financial public relations, since it was initiated by utilities, and the accelerated trend since World War II is accounted for by Mr. Gartley in terms of what it can do and how such a program should be done. Author stresses ability to reach financial opinion leaders and to compete for fair and favorable investor recognition, and its advantages to both management and shareholders.

My discussion gives special emphasis to the care and feeding of financial opinion leaders, as well as shareholders—and I might add, I have cared for and fed a lot of them.

Financial Public Relations (I shall call them F.P.R.)—or, to be more specific, relations with investors and the financial community—are, in essence, the telling and retelling of a company's story not only to its own shareholders, **but even** more importantly, to the 30,000 men and women in the securities business. These 30,000 pros **think for** and guide the several million families who are the real owners of American enterprise.

A soundly conceived, skillfully executed F.P.R. program serves at least four good and practical purposes.

Purpose One: To achieve and maintain a fair evaluation of the company's securities in the marketplace.

Although it does not appear on the balance sheet, fair evaluation is a very real asset. It reflects the company's credit rating, the reputation of its management, its industry standing, and the welfare of every one of its shareholders.

Shareowners want and deserve a fair evaluation of their investment. Good management performance . . . a good earnings and dividend record . . . no longer are enough. Increasingly, they look to management to make their company known and well regarded by other investors.

Efforts to maintain fair evaluation have become part of management's modern responsibilities — and a continuing responsibility.

Purpose Two: To provide well priced "share money."

Frequently a company considering an acquisition or merger finds that its shares provide the most practicable means of exchange.

The market price of its shares is often the principal yardstick of negotiation.

Or perhaps the company faces new financing. Again the price of its shares becomes an important yardstick. This is especially true if the financing involves the issuance of convertible senior securities.

Purpose Three: To meet competition in the nationwide financial community.

In competitive capitalism, there is a corollary competition for financial community recognition.

A well planned, sustained and well supported F.P.R. program prepares the way for expansion by creating a constructive attitude among financial opinion leaders and the investing families for whom they speak.

Purpose Four: To prevent misunderstandings, and maintain the loyalty of both share owners and financial opinion leaders.

*An address by Mr. Gartley before the Public Relations Society of America, 9th National Public Relations Conference, Milwaukee, Wis.

A do-nothing attitude often leaves management (which rarely owns control) in a vulnerable position. The arguments of those antagonistic to management can best be answered by a large group of well-informed, understanding shareholders and their advisers.

The time for conducting a program of F.P.R. is before—not after—it is needed.

Sellers Versus Buyers

Let me suggest a practical reason for F.P.R. in quite **another way:**—

The ownership of shares represents a temporary storehouse of accumulated savings. All shareholders are potential sellers. Shares are sold when money is needed for one purpose or another—to buy a house, to send a child to college, to meet a medical bill or to set up an estate. Such necessary liquidation has nothing to do with management's accomplishments.

The buyer of a security, on the other hand, feels no such urgency. He puts his money into the market only because he believes it will profit him. He buys a particular stock only because he has been taught to like the company and its record.

The point is that through effective Financial Public Relations, shareholders can be **kept** on the list, and new buyers can be created to offset necessitous selling.

The Story Which Should Be Told

Invariably, a company's financial story divides into five main subjects:

(1) PEOPLE—in particular, management.

(2) PLANTS—the facilities and their operating efficiency.

(3) PRODUCTS—the reasons for the company's existence.

(4) PROFITS—operating results and the consequent financial position.

(5) PROSPECTS—research, development and planning for growth.

The last two—PROFITS and PROSPECTS—are the most important to the financial audience.

Who comprises this special audience?

In the foreground, of course, are the owners, theoretically the boss men—the existing shareholders.

Much already is being done in this field. The old attitude that operating results and financial position are none of the shareholder's business, so long as he is paid dividends, has virtually disappeared.

Most companies now issue modern, informative annual reports (although, when a poor year comes along, some managements still refuse to tell their shareholders the real reasons); many supplement annual reports with interim reports, dividend enclosures and other information of interest. New shareholders are welcomed and their questions are invited.

A few companies have spent the research money to determine shareholders' preferences, and are tailoring their communications to meet the owners' specifications.

But shareholder communication is only the beginning. Management should look at the forest instead of the trees!—it should examine the broad panorama of the whole financial community, rather than just the foreground.

What Kind of People Make Up the Financial Community?

They are the 30,000 men and women who invest money for others. They are to be found on the staffs of stock brokers, investment advisers, bank trust departments and institutional investors—including mutual funds, investment trusts, insurance companies, foundations, pension funds and union welfare funds.

At the core of this group of professionals are five or six thousand security analysts and investment advisers. They may be found in all the important investment centers—but almost half of them work in New York City.

These security analysts and investment advisers are investment sophisticates, whose trained and skeptical minds demand—and deserve—full and accurate information. They are multipliers of investment opinion. Even one alert security analyst can generate interest in a company among hundreds of potential shareholders.

Their panorama of interest is several thousand corporate stocks and bonds.

On their judgment and say-so are based most investment programs.

So, if management wants its company story to penetrate the nationwide financial audience, it must recognize that the security analyst is of central significance. It pays to think and talk his language.

What Has Been Done

Financial Public Relations has advanced rapidly since it was pioneered long ago by the telephone, electric and gas utilities. The trend has accelerated since World War II.

Today, some great corporations have their own special departments for the job.

Many others—large as well as moderate-sized and even small companies—are actively engaged in F.P.R. usually with the help of independent counsel.

How Should the Story Be Told?

First, and most important, a financial public relations story must be honest and frank. It must deal with all the factors—negative as well as positive. Management must be willing to tell the negative side of the story as it occurs. Doing so builds a reputation for integrity.

Remember that financial opinion leaders are knowledgeable, sophisticated and skeptical. They can, by digging, find out the real truth about a company and, accordingly, judge management's honesty and frankness. It stands to reason that they must trust management, if they are going to put other people's money into its securities.

Second, an F.P.R. story directed to financial audiences should be factual. Most financial opinion leaders like to take the facts and draw their own conclusions. Anything that hints of "promotion" or "stock touting" is looked upon with suspicion.

Third, the story should be as brief as possible. Most analysts these days have much more literature crossing their desks than they can possibly read. To gain their attention, a story should be short and to the point. Those stories which necessarily must be longer should be summarized **in the introduction.**

Fourth, the story should reach the financial opinion leader promptly. News that is several days or a week late often is useless to the analyst—either it is "old hat," or he feels he has "missed his market."

Summary

(1) F.P.R. is unquestionably increasing its specialty role in corporate thinking.

(2) An F.P.R. program is essential if a company is to compete for fair and favorable investor recognition.

(3) F.P.R. requires special skills, and, in particular, the big **Plus** factor of **Related Experience.**

(4) F.P.R. succeeds best when conducted by people who know their way around the financial community, and who are trusted by financial opinion leaders — people who think and talk the language of investments.

(5) F.P.R.—properly pursued by skilled personnel—and consistently supported by top company executives—will unquestionably benefit both management and shareholders.

(6) F.P.R. can build an inventory of potential new shareholders — buyers to offset sellers.

(7) An F.P.R. program can also generate fringe benefits. Experience has shown that it assists in the sale of the company's products—particularly of consumer goods.

The influence of financial people prevades the whole realm of trade and industry.

Higher VA Rates, Lower FHA Down Payments Urged

Cessation of VA loans unless the rate is raised and need for substantially lower FHA downpayments are discussed by Dime Savings Bank head in explaining probable consequences of present federal mortgage policies.

George C. Johnson, President of The Dime Savings Bank of Brooklyn, declared Feb. 22 that "many segments of the nation's economy will be adversely affected, and considerable unemployment will result" unless Congress permits a higher interest rate on home mortgages guaranteed by the Veterans Administration and also allows substantially lower down payments on mortgages insured by the Federal Housing Administration.

George C. Johnson

In a letter sent to members of Congress, the Brooklyn banker urged reconsideration of action by the House Veterans Affairs Committee which earlier this week rejected Administration proposals for a higher VA interest rate. At the same time, Mr. Johnson also urged legislation to permit lower initial payments on FHA mortgages, such as provided in a bill introduced recently by Congressman Olin E. Teague (D.-Tex.)

Asserting that "virtually all mortgage lenders will withdraw from the VA market" because of the low yield from VA home loans with their interest rate pegged at 4½%, Mr. Johnson said that his own bank will cease making VA loans unless the rate is raised.

The Dime Savings Bank of Brooklyn, which originates and holds more home mortgages than any other savings bank in the nation and currently has invested nearly $335,000,000 in VA mortgages, has continued making VA loans for the past several months although many other lenders had withdrawn from that market, Mr. Johnson pointed out.

This policy was maintained, he said, because public statements of Government officials indicated that the VA rate would be increased to the 5% permitted by the FHA.

Cease VA Loans

"However," Mr. Johnson explained today, "since it is the duty of this bank, as well as all other lending institutions, to invest the funds of its depositors to produce current market returns, we now must re-examine and probably withdraw the approximately $100,000,000 we have outstanding in advance VA mortgage commitments and turn to other investments which will produce a better return than the present unrealistic low yield from VA loans."

The banker said such action would be taken "with extreme reluctance" because of the considerable amount of unemployment which would result both within the building trades and in allied industries, as well as the fact that thousands of veterans would be denied home ownership.

Urges Congressional Action

Action by Congress "at the earliest possible date," both on the higher interest rate for VA loans and lower down payments on FHA mortgages, was urged by Mr. Johnson so that uncertainties would be removed from the building industry and increase the volume of home construction.

The banker said that the lower FHA down payments are necessary "in order to broaden the base for all home-buyers, veterans and non-veterans alike." Legislation introduced by Congressman Teague would permit a down payment of 2% on the first $10,000 of appraised value, ranging up to 15% of the value between $24,000 and $30,000. The present requirement is 7% of the first $9,000 and 27% of the remainder with a maximum mortgage amount of $20,000.

Lower down payments are necessary, Mr. Johnson contended, to make home ownership possible for families who cannot accumulate high down payments, but are able to meet monthly amortization and other carrying charges.

From Washington Ahead of the News

By CARLISLE BARGERON

Republican organizations in Washington, both the Republican National Committee and the Republican Congressional Campaign Committee, looking apprehensively to the 1958 Congressional elections have been toying with the idea of expanding their staffs with writers. The purpose would be to make Republicans more articulate. The trouble is in getting the speakers to make the speeches even if expert writers could come up with ideas.

Carlisle Bargeron

I was discussing the problem with a Republican leader recently. He said he had accepted only one speaking engagement since Congress returned. "What on earth can I say?" he asked. He meant that, of course, he could talk on the state of the nation, on economics; give a lecture after the fashion of a college professor talking to his class.

But with a speech ringing the virtues of Republicanism, giving reasons why the electorate should support the Republican party rather than the Democrats, he was at a loss for words. He can harp upon the fact that we are enjoying an unusual degree of prosperity—a theme worked generously in the last campaign—but even then he had better select his audience and stay away from those who are victims of the tight money policy. Furthermore, the stock market makes him a little wary of waxing too enthusiastic on this topic. The old reliable issue of Eisenhower keeping us out of war, quite effective in the last campaign, has lost some of its flavor because of the Middle East situation. We are not at war, it is true, but Dulles is under such a fire that a Republican orator figures that the less that is said about foreign policy just now, the better off he is.

The pride and joy of Republican orators that their party is exponent of the private enterprise system as against the Democrats' hankering for socialism, given a brief lift in the last campaign, is now likely to fall on less receptive ears in the increased light of the managed economy in which we are living, particularly when the Administration is backing away from its so-called partnership policy in the matter of power projects.

What hurts most just now, what particularly tongue-ties Republican spellbinders, is the loss of the economy issue. In the last election there was hardly a Republican candidate who did not imply a tax reduction this year, was inescapable with continued prosperity and the continued economy to which the Administration was committed. The Republican platform definitely promised small business a reduction. Instead the Administration turned completely around and sent to Capitol Hill a record breaking peacetime budget.

Republican barnstormers can, of course, regale their audiences with the virtues of President Eisenhower. He still has the confidence of the people. But the vendors of Republicanism feel there has been too much of that. In the first place, the President is not an issue any more. He can't run again. And if he could and did that doesn't do the Republican party much good. This the Republicans have learned in two Congressional elections.

Congressman Dick Simpson, Chairman of the Republican Congressional Campaign Committee, was roundly denounced by several editors when he said a few weeks ago that the last campaign had been too "Ikified." What he meant was that there had been too much emphasis on the President and not enough on the party. He was eminently right.

Even now Republican party workers have to labor under the propaganda term of "modern" Republicanism. The President has been a party to this, perhaps unwitting of its damage. It is helpful to him personally when he doesn't need it but it hurts the party. It suggests that the party has sinned in the past but is now reforming and can be trusted as long as Eisenhower is at the helm. Well, he won't be there indefinitely and it is not fair to picture the party as a former convict. Certainly it has come to accept new ideas, new theories of government. It has accepted many innovations of the New Deal, not necessarily because they were good but because they have become deeply embodied in the economic fabric. Succeeding governments usually accept that which is too deep rooted to remove. Only in the case of a revolutionary government such as was the New Deal are the roots pulled up. Once pulled up it takes even more of a revolution to restore them.

The Republicans are not revolutionaries. They recognize what has gone on in the past as established fact. It is not, they are pleading guilty to not having done what the New Dealers did, but a realization that they did it and that unless the country is to be turned upside down the New Deal innovations are largely here to stay. This is not "modern" Republicanism, simply a look at the facts of life.

Edward Mathews Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Roger Kane has been added to the staff of Edward E. Mathews & Co., 53 State Street.

Two With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Llewellyn I. Morack and Benjamin J. Bernhardt, Jr., are now with Paine, Webber, Jackson & Curtis, 605 North Broadway. Both were formerly with Bache & Co.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Richard C. Draper is now affiliated with Merrill Lynch, Pierce, Fenner & Beane, 216 Superior Avenue, Northeast.

Two With Suburban Secs.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — John J. Ilkanic and Ronald F. O'Connell have joined the staff of Suburban Securities Co., 732 East 200th Street.

State-Local Taxes and Schools

By ROGER W. BABSON

Mr. Babson believes state and local taxes offer the prospect of being reduced and focuses attention on cost of education as an attractive point of departure. Suggests cuts come not from teachers' salaries but from changes in: curriculum, school building maintenance, interest rates, luxury buildings and school parking lots.

Total taxes for the year, including Federal, State, and Local taxes, will amount to more than $100,000,000,000 for 170,000,000 people. There is very little possibility of relief from Federal or City taxes. On the other hand, if we would really put up a fight, we should be able to keep down State and Local taxes. State taxes amount to about $90 an individual. They range from a low of about $50 in New Jersey (where city taxes are relatively high) to a top of around $135 in the State of Washington (where city taxes are especially low).

Roger W. Babson

State Tax Revenue Sources

More than 30 states have income taxes or sales taxes, or both. The states also get a big amount from automobile taxes, with cuts on alcohol and tobacco taxes. Unfortunately, most states are careless in their expenditures because their money comes so easily.

As a result, total state debts have increased almost fivefold during the last 10 years—from about $2½ billion to over $11 billion. Now there is a row on as to who should pay for the new schools. School costs are really the responsibility of the cities and counties, but they are being passed on to the states, which in turn are trying to hand them over to the Federal Government.

What About Teachers' Salaries?

It is generally agreed that cities, towns, and counties should pay teachers' salaries. It is unfair to believe that pressure for higher teachers' salaries is coming from the teachers themselves. Almost all good school teachers could get more money in industry, department stores, or offices, but they are sticking by their teaching from loyalty and because they have shorter hours and longer vacations.

This means that the cut in school costs must come from a change in the curriculum or in school building maintenance, and especially in the high interest on building costs. This latter is particularly important now, when it is so difficult for municipalities to sell their bonds.

The Fundamental Question

When discussing taxes for schools, we should avoid talking only about saving money. We must remember the old adage, "penny wise—pound foolish." If I felt that luxurious schools produced better students, I would be the last to criticize the present craze for "bigger and better" school buildings. From my observation, however, I am sure such school buildings do not produce better and more efficient students. Schools were so crowded in my youth that we were obliged to have three grades in each classroom. Furthermore, we had two sessions—morning and afternoon—and no bus to take us to school! I really believe these rough conditions were a good part of our education.

Talking with students, I do not find much objection to having the schools used more or the curriculum made more practical. They welcome the use of television and radio. It is the teachers who complain about longer hours a day and working 11 months. The State Legislatures are also responsible for passing various laws regulating teachers' professional requirements and sanitary conditions in schools. These laws are actively promoted by P.T.A.'s, as well as by professional men and tradesmen who have interests at stake. Increased State Taxes are due not only to the cost of luxury buildings, but also to all these laws supposed to benefit the **"health and comfort"** of the children. The facts are that the graduates today need to be made **tougher** rather than **softer**. This is the way to cut costs, reduce taxes, and graduate better students.

School Parking

Although the automobile has given the state and counties more income, yet it has vastly increased their expenses for roads, police protection, and parking facilities. This last is becoming a most important question. Good downtown parking facilities must be provided to enable retailers to continue prosperous. However, parents not only believe that the city should provide parking facilities for their automobiles but also parking facilities for their children.

I believe the present school system is luxurious and expensive because of the desire of parents for places to park their children while they are at club meetings or out working. I therefore forecast a complete revolution in school construction, in school maintenance, in the number of teachers required, and in the school curriculum.

Smith, Barney Co. In New Location

Smith, Barney & Co., members of the New York Stock Exchange and other leading exchanges, announce the removal of their main office to 20 Broad Street, New York City.

Unified Transportation Policy And the National Economy

By E. ROLAND HARRIMAN*
Chairman of the Board, Union Pacific Railroad

Union Pacific Railroad head calls for an independent full scale reexamination of the transportation industry, in place of the narrow and segmented efforts made to date, in order to determine what kind of unified transportation policy would serve America best and how we can get it. Problems discussed by Mr. Harriman include: congested airways and airports, clogged cities, inadequate highways and ocean ports, rails' loss of high value traffic, tax inequities, how to pay for improvements, and taking advantage of advancing transportation technology. The noted banker deplores lack of information and singles out motor and inland water transport as examples of gaps in our transportation knowledge.

I have always been proud to be a railroader, and I am just as proud of that association today as I have ever been. However, this seminar is dealing with transportation in its broadest aspects, and what I have to say today likewise is directed to this broad question, rather than from a strictly railroad viewpoint.

Transportation is one of the nation's largest industries—probably the largest. Some estimates suggest that it annually accounts for as much as one-sixth of our gross national product. It's a fact, though, that the transportation function is discharged by a group of industries, largely separate from one another, some of which devote themselves entirely to the business of transportation while others are part of other businesses and perform some, if not all, of the transportation required by their owners.

It is anomalous that America has the greatest and most adequate transportation system of the world, yet never seems to be free of a transportation problem. Both in good times and bad, transportation questions have worried us. In recent times responsible persons have raised serious questions whether the lush growth of our transportation industries follows a pattern which is most beneficial to the nation, whether indeed the great growth over the postwar years has not sown the seed for future trouble.

*An address by Mr. Harriman before the Transportation Management Program, Arden House, Harriman, N. Y., Jan. 20, 1957.

Lack Coordinated Transportation Policy

In fact, this nation has not and never has had a complete and coordinated transportation policy. The so-called national transportation policy of the Interstate Commerce Act applies only to those carriers that are regulated by the Interstate Commerce Commission. While that includes all of our railroads and most interstate petroleum pipe lines, it covers perhaps only a third of our intercity trucking and 10% of our domestic water-carrier movement of freight. It excludes both air transportation and ocean shipping, both of which are subjected to other and separately stated policies and regulated by separate governmental agencies. Both in government and in business we look at separate portions of transportation most of the time and rarely at the whole. We develop not only clearly distinct transportation industries, but distinct government agencies charged with fostering, developing and regulating certain of these industries. But to certain large segments of transportation we allow free and virtually unregulated development, while we place others under heavy restraint. It would appear strange indeed were such a mixture to produce for us the best of which we are capable.

The past 40 years have been marked by the gradual and, in recent times, rapid development of means of transport other than the railroad. Each of these—the bus and truck, the aircraft, the pipe line, the river tow—has its own particular capabilities with respect to the character of service it is equipped to supply and the cost at which it can produce that service. Differences among them both in cost and service are wide. But they are not stable, for each is undergoing rapid technical development which tends to enlarge its capabilities and to open up even greater opportunities for progress. For our whole history has been deeply affected by the progress of our transportation facilities and it will continue to be so affected as we move to higher levels of population and of economic abundance.

Rail-Ton Costs

When in the space of three decades our freight transportation by rail has shifted from more than 70% of the whole to less than 45%, because of the rise of two new forms of transport and the resurgence of reshaping of another, questions cannot help but arise whether the course of events has resulted in a wise combination of these alternative types of transport. The growth of ton miles by all forms of transport in the aggregate has held quite a close relationship to the Gross National Product in constant dollars. Thus we are producing about as many ton miles per billion dollars of Gross National Product yearly. But the bill for that freight transportation as a portion of the Gross National Product has grown substantially. That is to say that we are spending more of our income for freight transporation — much more, although the deficiencies of our statistics do not enable us to say with certainty how much. True, we are buying superior service, but the query is whether we are in any position to weight the worth of that service as against less costly alternatives. For while the bill for the average ton mile produced by all types of transportation taken together has gone up rapidly, with the changing distribution of the traffic, the average rail ton mile, again in constant dollars, is available to shippers today more cheaply than ever before.

In a given total resources we can spend more for the creation of transportation only at the expense of directly consumable goods and services. Apparently that is what we have been doing and I doubt that we are in any position today to evaluate the consequences. It is this set of over-all results, crudely though we may be able to measure them, that no doubt leads "Fortune" in its January issue to call attention to efficiency in transport as the major problem today in this phase of industry. And "Fortune" says something has got to be done about it. That's why we are here.

Our concern about transportation has shifted three times in three decades. In the thirties we worried about oversupply and about the redundancy of plant and equipment; in the forties we were concerned about sheer physical shortage of plant and equipment to supply the total of transportation needed; in the fifties we have moderated our concern, but find ourselves troubled with seasonal shortages of equipment, persistent shortages of certain specialized equipment and other shortcomings in the quality of service rendered by commercial transporters. The over-all costs of distribution, too, are again

Continued on page 34

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

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

Mr. Pinto joined Manufacturers Trust Company in 1939 after over 20 years experience with other New York banks. He was appointed an Assistant Secretary in 1939 and in 1948 was placed in charge of the bank's Greenwich office, 378 Avenue of the Americas, the office to which he is presently assigned.

The appointment of John J. Handley Jr. as an Assistant Secretary of Manufacturers Trust Company was also announced by Mr. Flanigan.

Mr. Handley joined Manufacturers Trust Company in 1951.

At present he is assigned to the bank's Fifth Avenue at 43rd St. office.

The appointment of Lawrence Pinto as an Assistant Vice-President of Manufacturers Trust Company was announced by Mr. Flanigan on Feb. 25.

Mr. Pinto joined Manufacturers Trust Company in 1939 after over 20 years experience with other New York banks. He was appointed an Assistant Secretary in 1939 and in 1948 was placed in charge of the bank's Greenwich office, 378 Avenue of the Americas, the office to which he is presently assigned.

* * *

The **Toronto-Dominion Bank, New York** branch, announces the appointment of T. F. R. Elliott as

T. F. R. Elliott

New York Agent. He succeeds B. E. Hull who is retiring after more than 43 years of service with the bank. Mr. Elliott was formerly Manager of the Toronto-Dominion branch office in Montreal.

* * *

Election of Harold E. Harris and Sumner A. Williams as Vice-

Harold E. Harris

Sumner A. Williams

Presidents of **Chemical Corn Exchange Bank, New York** was announced on Feb. 27 by Harold H. Helm, Chairman.

Both men, who are members of the Bank's Quarter Century Club, are being promoted from the rank of Assistant Vice-President. They are affiliated with the bank's Rockefeller Center Office at 11 West 51st Street, New York.

The Franklin National Bank of Franklin Square, New York increased its common capital stock from $12,500,000 to $12,812,500 by a stock dividend, effective Feb. 15 (2,562,500 shares, par value $5).

* * *

Retiring today after 55 years and nine months as a Westchester banker is David R. Ravekes, Vice-President in charge of **The County Trust Company's** Dobbs Ferry office. His length of service with a single institution exceeds that of any active banker in the county.

Mr. Ravekes started as a clerk with the Dobbs Ferry Bank in 1901. He became Cashier, Trust Officer and Secretary to the Board of Directors in 1933 and the next year he was elected a member of the board. In 1940, he was elected Vice-President of the Dobbs Ferry Bank and two years ago when The County Trust Company and **Dobbs Ferry Bank** merged, he became a Vice-President of the larger organization.

Richard J. Haug, Assistant Treasurer, now will be in charge of the Dobbs Ferry office of the bank.

* * *

The title of the **"Highland-Quassaick National Bank and Trust Company of Newburgh," New York** was changed to **"Highland National Bank of Newburgh,"** effective Feb. 15.

* * *

"The National Bank of Fair-Haven," Mass., changed its title to **"National Bank of Fairhaven,"** effective Feb. 15.

* * *

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

The board of directors of the combined institution, to be known as **Provident Tradesmens Bank and Trust Company,** will consist of 25 members, divided into three classes.

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Mr. Reed H. Albig, President of the **National Bank of McKeesport, McKeesport, Pa.** announces that the board of directors have elected the following men to executive positions in the bank. Mr. Addison A. Clarke, formerly an Assistant Cashier, to Vice-President, Mr. Wilson C. Byerley newly elected to the office of Assistant Cashier, and Mr. George T. Steele to the office of Assistant Vice-President in addition to his duties as Manager of the Installment Loan Department.

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The First National Bank in Wabash, Ind. increased its common capital stock from $150,000 to $250,000 by a stock dividend and from $250,000 to $300,000 by the sale of new stock, effective Feb. 15 (30,000 shares, par value $10).

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Pullman Trust & Savings Bank, Chicago, Ill. announces the election of James H. Ingersoll, President, Ingersoll Products Division, Borg-Warner Corp., to the board of directors on Jan. 17.

Harold C. Dykstra has been named Assistant Cashier by the **Merchandise National Bank of Chicago,** President Kenneth K. Du Vall announced.

His duties will include management of the savings department and collection division of the customer service department.

Dykstra joined Merchandise Bank in November of last year.

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Effective Feb. 14 the common capital stock of **The Security National Bank Savings and Trust Company of St. Louis, Mo.** was increased from $600,000 to $750,000 by a stock dividend (30,000 shares, par value $25).

* * *

The common capital stock of the **First Atlantic National Bank of Daytona Beach, Fla.** was increased from $500,000 to $600,000 by the sale of new stock, effective Feb. 15 (60,000 shares, par value $10).

* * *

The **Commercial National Bank of Iron Mountain, Michigan** increased its common capital stock from $100,000 to $200,000 by a stock dividend, effective Feb. 11 (2,000 shares, par value $100).

* * *

The Austin National Bank, Austin, Texas increased its common capital stock from $1,250,000 to $1,375,000 by a stock dividend and from $1,375,000 to $1,625,000 by the sale of new stock, effective Feb. 14 (65,000 shares, par value $25).

* * *

A merger certificate was issued on Feb. 11 by the Comptroller of the Currency approving and making effective as of the close of business Feb. 11 the merger of **Bank of Flagstaff, Flagstaff, Ariz.**, with common stock of $250,000, into **The Valley National Bank of Phoenix, Phoenix, Ariz.**, with common stock of $6,300,000. The merger was effected under the charter and title of "The Valley National Bank of Phoenix."

At the effective date of merger, the receiving association will have capital stock of $6,950,000, divided into 1,390,000 shares of common stock of the par value of $5 each; surplus of $17,225,000; and undivided profits of not less than $4,005,041.

* * *

Frank F. Risso, Vice-President and Personnel Relations Officer for **Bank of America, San Francisco, Calif.** has been promoted to a newly created post in the statewide bank.

President S. Clark Beise said that Vice-President Risso had been named President's Assistant—Personnel.

"In relinquishing his role as Personnel Relations Officer and accepting this position on my personal staff, Risso will represent me as a special personnel counsellor, particularly of our senior branch and administration officers."

Mr. Beise pointed out that Risso had been with the bank longer than any other person on the active staff, 44 years, and that he is well acquainted with Bank of America operations and its personnel, thousands of whom he knows personally.

Mr. Risso joined the bank on Jan. 6, 1913 as a savings teller. For a short period in 1909 he had been employed as a chauffeur for Bank of America Founder A. P. Giannini.

Mr. Risso was named an officer in 1918 and in 1923 was promoted to Assistant Vice-President. Serving in various branch and administrative posts he was named Vice-President in 1937 and advanced to his present position four years later.

Joins Columbine Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Howard J. Burnell, Richard H. Jones and Edward E. Sargent have been added to the staff of Columbine Securities Corp., 1780 South Broadway.

The Cost of British Disarmament

By PAUL EINZIG

Whether there will be any net savings achieved as a result of British disarmament is viewed with skepticism by prominent British Economist who fears such savings will be dissipated in increased pensions providing half of annual wages. Moreover, Dr. Einzig anticipates individual savings will decline, prices and wages will mount.

Paul Einzig

LONDON, Eng.—The dismay caused among Britain's Allies by the recent announcement of drastic cuts in the armed forces is shared in many British quarters, even if these quarters realize that, to a large extent, the present reduction has become a political necessity. Germany's reluctance to assume a fair share in the financial burden of the British forces stationed on her territory, together with the slow pace of German rearmament, has created in Britain an atmosphere amidst which the government would have found it difficult to justify the maintenance of its present military strength on the continent.

The cuts are subject to criticism because many thinking British people entertain serious doubt whether the weakening of Britain's military strength will really be offset by a corresponding increase of her economic strength. The government's argument to that effect is viewed with much skepticism. There is a widespread feeling in Britain that, amidst prevailing conditions, anything that is saved through arms cuts is liable to be given away in the form of higher social service benefits or higher wages, so that the economic benefit on balance will be nil.

Pension Increase Demanded

It is true, the government made a gesture, simultaneously with the announcement of arms cuts, by reducing some social service benefits. As a result of the impending increase of some social service contributions by the beneficiaries the deficit on the social services concerned, which has to be covered out of taxation, will be reduced slightly. But if the long-suffering taxpayer is inclined to be grateful for such small mercies, he only has to remember the pressure that is in operation in favor of a substantial increase in retirement pensions. The savings effected by the recent measures are a bare drop in the ocean compared with the cost of this planned increase. The idea is that employees should be entitled to a pension equal to half their wages at the time of their retirement. It was first put forward by the Socialist opposition, but there is every reason to believe that the government too is also considering it seriously.

Admittedly the Socialist plan does not go so far as to suggest that the taxpayer should contribute towards the current charges of the scheme. The proposal provides for an equal contribution by employers and employees. But if, as is probable, employees should become qualified to full benefits after having contributed toward the scheme for something like two years, then the scheme would entail a gigantic actuarial deficit that may well reach thousands of millions of pounds per annum. Obviously, the State would be called upon sooner or later to shoulder the burdens of such a deficit.

"The Economist," when commenting on the Socialist proposal, remarked that its author must have worked out its arithmetics while having his bath, and that the Labor Party exposed itself to ridicule by putting forward such a scheme. Yet within 48 hours, after this scathing condemnation of Socialist irresponsibility, it became known that the government, anxious not to lose ground among the electorate, is seriously considering the idea of stealing the Opposition's electoral thunder by adopting its scheme. The cost of such a scheme to the Treasury would be so heavy that even if Britain were to disarm s ark naked the savings effected would not cover it.

Higher Prices and Less Savings

Nor is this the whole story. Amidst prevailing conditions of employment the workers would be in a position to pass on to the employers their share in the new superannuation contributions, and the employers would be in a position to pass on to the consumer, in the form of higher prices, the total cost of the scheme. So there would be no question of financing the scheme by saving part of the wages and profits earned by employees and employers. Indeed the extent of small savings would fall sharply, if old age pensions, which amount to £2 a week at present, were to be raised to a multiple of that figure.

Today most workers feel the need of supplementing their prospective incomes after retirement, by saving up some of their high earnings. If, however, the retirement benefits are raised to a figure which insures reasonably comfortable existence, the chances are that most people would live right to the limit of their incomes while in employment. And the resulting sharp fall in savings would produce a very strong inflationary effect, as a result of which employees and employers would find no difficulty in passing on to the consumer the total cost of the new scheme.

There seems to be rather more than a possibility for the adoption of the scheme. The government's present intention is to make the scheme entirely self-supporting by confining it to employees who will have paid an adequate number of contributions before reaching retiring age. But if the Socialists should come out with a scheme under which employees would qualify after a short period, its appeal to the electorate might induce the government to follow the example. In that case a heavy deficit, in addition to the very subtantial actuarial deficit of the existing old age pension system that is expected to develop in a few years, would be inevitable. The more will be saved on national defense the stronger will be the temptation to cut down the period of contribution payments that would qualify employees to full benefit. Even if the government's present intentions are to keep the scheme genuinely self-supporting, political pressure in favor of spending on it the money saved through defense cuts might well become irresistible.

Foresees High Wages

Apart altogether from this aspect of the defense cuts, there are strong reasons for fearing that any improvement in the economic situation that would be achieved through the effect of the cuts on the balance of payments would be offset by increased wages demands. As and when domestic inflation and the resulting outflow of gold abates, wages demands tend to become bigger and bolder. So it may well be that, long before the amounts saved on military expenditure are expended on increased social service benefits, they are expended several times over on higher wages. The fact that it is not the government but industry that will pay the additional amounts will make no difference to the inflationary effect of this expenditure.

One cannot help feeling that it is short-sighted to jeopardize the security of the country and of the free world by an untimely weakening of Britain's military defenses for the sake of an illusory strengthening of Britain's economic defenses. But this is a very unpopular line to take, because almost every section of the public hopes to derive benefit from the lowering of defense costs.

Managem't Conference To Be Held in March

CHICAGO, Ill. — The corporation—its managers, workers, customers, community, and investors—will be the subject of the fifth annual Management Conference sponsored by the University of Chicago School of Business and its Executive Program Club, Saturday, March 9. Robert L. Reid, Assistant Professor of the school, and Director of the Executive Program, is in charge of the conference.

Willard L. Throp, Professor of Economics at Amherst College, and Director of the Merrill Center for Economics, who has served as Director of the Bureau of Foreign and Domestic Commerce, Economic Advisor to the Secretary of Commerce, Director of Economic Research for Dun and Bradstreet, among other posts, will be the principal speaker. He will talk on "The Corporation in the 1957 World" at the luncheon session.

Other programs of the conference will be panel sessions. Approximately 1,200 business and financial executives attend the conference annually.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks continued in their stalemated rut again this week, most pivotal issues given to backing and filling that solved little and kept the future direction of the market well shrouded.

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International oils were given to swaying with the ebb and flow of hopes of getting the Middle Eastern situation cleared up. Generally they seemed a bit more willing to respond to high hopes than to sell off when the picture was bleak.

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Motors were something of a disappointment, notably Chrysler which was unable to muster any impressive strength although the trade reports indicate the company is in a good rebound toward capturing a bigger share of the auto market.

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General Motors slipped to a new low since the stock was split late in 1955 in advance of publication of its 1956 earnings report. This was as bleak as anticipated although the earnings were the second best in history. Once the bad news was out of the way, however, the stock met moderate support.

New Low in Volume

Out of this welter came little to inspire any general market action and the turnover dipped to a new low since late in 1956. It was a graphic illustration of the fact that both buyers and sellers are pretty much on the sidelines pending some more valid reason for action.

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What is perhaps more significant about the market's action, or lack of it, is that the violation of a so-called "signal" area earlier this month was unable to budge most investors from their positions and the high margin requirement has kept margin calls and forced selling to an insignificant level.

The Average Questioned

As happens when the blue chip-loaded averages give pessimistic signs, there has been much criticism of some of the averages for not truly representing the entire market, an age-old argument. One of the financial services consequently will compute a 500-stock average hourly in the customary divisions of industrials, rails and utilities, but with the solid assist of representing nine-tenths of the total value of all the common stocks on N. Y. Stock Exchange. With the markets continuing ultra-selective, such a broad index could over-diversify. In any event, the most heard advice from brokers generally is to concentrate on issues and ignore averages.

* * *

There was still a bit of shying away from common stocks for new commitments and one of the stock-of-the-month recommendations from one service were Phillips Petroleum's convertible debentures. And such items as higher yields on senior obligations than on that same company's equities were being bandied about, including the debentures of American & Foreign Power with their 6% yield and the higher dividend return over the common stock on Elliott Co.'s convertible second preferred.

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In the common stock field the argument still raged over whether the times called for hunting among the quality issues already well deflated, or whether it was a case of only following strength in desultory markets. Cooper Bessemer, incidentally, was one of the real features on strength including several appearances in a row on the daily lists of new highs.

Bargain-Hunting in the Aluminums

Aluminum shares, which have been prominent on the selling for months now and have been cut back around 30% from their highs, were considered the group back at reasonable levels by the bargain-hunting element. Both Reynolds Metals and Kaiser Aluminum, the smaller producers who nevertheless account from some half of total U. S. capacity together, were both generally regarded as candidates for higher earnings this year.

* * *

Buying by Carrier Corp. in Elliott Co., power generator maker, focussed attention on the latter which is one of the many cases around where book value is substantially in excess of market value. In line with the heavy utility plant expansions, Elliott is a candidate for even better profit recovery this year than last year's estimated improvement. It is also considered a possible entry for the higher-dividend category.

* * *

Another company regarded highly likely to continue to show better results despite the over-all economy is General Cable which boosted its profits handily last year, and with all the stress on modernization of home wiring, plus general expansion of electrical use, is expected to do even better this year. Dividends have been increased, twice last year in fact, and it is still on the list of companies where an even larger payout would be in line with developments. The company's minor troubles several years back stemmed from copper shortages and that is an unlikely development now.

Earnings Optimism on Nickel

International Nickel which dominates the market in that metal is also among the issues recommended rather widely and earnings are being projected upward for this year. Nickel prices were only boosted last December and should find reflection in this year's results. In addition nickel is virtually a must for the jet as well as the missile ages.

* * *

General American Transportation is another "strength" item and, although more restrained than Cooper Bessemer, has been as frequent on the new highs list. Unlike the blue chips where pinched profit margins are starting to be the pattern, General was able to post new record earnings last year. Its new method of making portland cement is only arriving at the output stage and company estimates forecast better earnings through all the divisions this year.

* * *

Mack Trucks, which subsisted only on stock dividends for several years, has made enough progress recently to resume cash payments this year. It, too, was able to boost earnings a fat 55% on a sales boost of less than a third which is another good showing when the trend is otherwise. The company entered this year with a backlog that was nearly two-thirds again as large as it was the year before which augurs well for this year's results.

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Food Machinery & Chemical also is confidently predicting higher earnings again this year on top of last year's record-breaking results. The company is emerging as an important factor in missile handling and launching apparatus as well as military vehicles which give it a broad outlook not hinted in its firm name.

An Undervalued Stock Exchange Debutante

Shell Transport & Trading is the latest of the big foreign oil companies being readied for N. Y. Stock Exchange listing, which usually kindles a bit more interest in the issue. Like most foreign outfits, a case can be made that the stock is undervalued when compared with the larger American companies. Moreover, it rounds out the interests involved in the Royal Dutch-Shell Oil combine. One analysis indicates a market-times-cash-flow of a meager 4.7 times in Shell Transport, against a 10.3-times ratio for Standard Oil of New Jersey with the present market placing "no value on the potential of its Middle East holdings."

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

N. Y. State Consumer Credit Conference

SYRACUSE, N. Y. — Consumer credit leaders, headed by C. Canby Balderson, Vice-Chairman, Board of Governors of the Federal Reserve System, will be in Syracuse April 16 for the Fourth Annual New York State Consumer Credit Conference.

Mr. Balderson will speak on the impact of expanding consumer credit on the national economy at a noonday luncheon on Syracuse University campus. Sessions are open to officers and employees of sales finance companies; licensed lenders; commercial banks and credit unions as well as college teachers.

Other speakers in the all-day session at the university will include Dr. Persia Campbell, consumer counsel to Governor Harriman, on "Consumer Credit and the Public Interest"; William R. Brennan, Jr. deputy superintendent of banks, State Department of Banking, on "Regulation of Sales Finance Activities in New York State"; Jerry Miner, Survey Research Center, University of Michigan, on "Factors in Consumer Credit"; and Dr. John Chapman, emeritus professor of banking, Graduate School of Business Administration, Columbia University.

Dr. Eric W. Lawson, professor and chairman, Department of Finance, Syracuse University, will be academic chairman of the conference.

Seymour Fabricant With Wertheim & Co.

Wertheim & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have announced that Seymour Fabricant is associated with them. Mr. Fabricant was formerly a Vice-President of Wm. E. Pollock & Co., Inc.

Veterans Launch Essay Contest For Hospitalized & Paraplegic Veterans

Veterans present portrait to Surrogate DiFalco at Essay Contest Launching. Left to right are Heyman, Rothbart, Joint Chairman; Charles O'Brien Murphy III, Wall Street Post Commander; Surrogate DiFalco, Harry A. Scheweikert, Executive Secretary of the Paraplegic group and Vincent Trotta, well known artist who has sketched more than 1,200 portraits of G.I.s overseas.

The Ninth Annual Essay Contest for Hospitalized and Paraplegic Veterans was launched Feb. 26 by Wall Street Post No. 310, V. F. W., at a Testimonial Luncheon to Surrogate S. Samuel DiFalco Subject of the 1957 competition is "Citizenship, What It Means to Me."

The luncheon was attended by representatives of the First Army, Third Naval District and all Veterans Hospitals in the area. Heyman Rothbart, Contest Chairman, announced that an additional feature of the contest is the establishment of a new award called the "S. Samuel DiFalco Paraplegic Award" by the Eastern Paralyzed Veterans Association.

The invocation was offered by Monsignor Aloysius C. Dineen, P.A., Pastor of St. Agnes Church, who represented Cardinal Spellman at the luncheon.

Commander Charles O'Brien Murphy, III of Wall Street Post announced that the new prize will make non-hospitalized veterans eligible for the first time in the history of the contest. He stated that the humanitarian interest of Surrogate DiFalco and other public leaders had made the contest a success over the years.

A portrait of the Surrogate was presented by Vincent Trotta, well known artist, who has sketched portraits of the prize winners since the contest was established nine years ago. He has also done more than 1,200 portraits of G.I.'s in Korea and other theatres of action.

Price Pressure Cited by Purchasing Agents

N.A.P.A. survey indicates competition and supply of most materials will be abundant in 1957 with stronger price resistance. Majority of purchasing executives estimate 1957 hours worked by employees would remain as high as in 1956.

While purchasing executives refuse to agree entirely with the current talk of a 1957 recession, they are, according to the composite opinion of purchasing agents who comprise the N.A.P.A. Business Survey Committee, whose Chairman is Chester F. Ogden, Manager of Purchases, The Detroit Edison Company, exercising caution in their buying policies. Many predict that most materials will be in abundant supply this year, with competition developing in areas where it has not been present for some time.

Production remains high and 27% say it is better than January, 55% the same and 18% worse. New orders are being booked in satisfactory volume and 27% report them to be better, 50% the same and 23% worse.

While prices are continuing their upward movement, there is strong evidence of increased buyer resistance to higher prices. Moreover, the fact that buyers are generally unwilling to increase their inventories, or to buy any further into the future than necessary to insure deliveries of needed materials, might lead to the conclusion that they believe prices are not going to rise much further in the immediate period ahead.

It is evident that, whatever else is happening, employment has remained remarkably steady for the past three months.

As a guide to future sales expectations and production plans, purchasing executives were asked to estimate if the hours worked by the employees of their companies would increase, remain constant or decrease in the next few months. Sixty-five per cent thought they would be as high as in 1956, 26% thought they would be reduced and only 9% thought they would be increased.

Commodity Prices

There is evidence of increased buyer resistance to higher prices. While the general price trend is still upward, there are real indications that the somewhat forgotten element of competition is again being added to the picture. Reductions in the price of copper, steel scrap and rubber are indicative of the price pressures that have been built up. Buyers, generally, expect most materials to be readily available in 1957. They predict that, in view of this adequate supply situation and the many 1957 wage increases that have already been negotiated, many companies are going to face a real "profit squeeze."

Inventories

The reports this month show that purchasing executives are making determined efforts to hold their inventories at present levels. So little movement is noted from last month's figures that the changes aren't statistically significant. There is no apparent desire to build up inventories to protect against any possible future price increases, nor are there any concerted efforts to reduce them. Extended commitments are being held to a minimum.

Employment

Again, in February, practically no change is noted in the employment statistics. Those reporting employment as greater this month than in January remains at 17%. Sixty-four per cent of the committee members say employment remains unchanged from last month, a decrease of 4% in this category. This leaves 19% who feel their employment situation has worsened slightly.

Buying Policy

The continued shortening of lead time on production materials is again evident this month. There are now 70% of the reporting members who are buying hand-to-mouth to 60 days ahead. The largest single grouping, 37%, continue to buy in the 60-day range, but those limiting their coverage to 30 days increased from 24% to 30%. This resulted in a drop in the number reporting in the 90-120 days-and-longer ranges.

No significant change is reported in the lead time requirements on either MRO or in commitments for capital expenditures.

Specific Commodity Changes

The number of items in short supply is diminishing. The most difficult items to get continue to be nickel and certain steel items such as structurals, plate and pipe.

On the up side are: Nickel, several steel items, solvents, newsprint, fuel oil, gasoline, coal, paint pigments, dyestuffs, lamp bulbs, manila rope and hemp.

On the down side are: Copper and brass, aluminum extrusions, steel scrap, rubber, lumber and print cloth.

In short supply are: Nickel, steel, stainless steel and cellophane.

Real Estate Investment Banking Firm Founded

The Fund Company to employ new techniques in undertaking originations, private placements and the development of marketing and distributing real estate securities.

Formation of The Fund Company, a firm to specialize in investment real estate and financing, is announced. Conceived to function within the financial community it is believed to be the first of its kind to be established in the United States.

Headed by Paul A. Fund, well-known in real estate financing, as President, it is the company's intention to function in this field as does the investment banker in the corporate field.

At the same time it was announced that Joseph Milner, a dean of the real estate field and John J. Renz, real estate consultant and formerly an executive of the Prudential Life Insurance Co. of America, have been named Vice-Presidents of the new company. Henry Gale, prominent attorney, will act as resident counsel and Vice-Chairman of the Board. Sidney M. Zneimer, recently a Vice-President with Namm-Loeser's department stores, has been appointed Treasurer.

The new company will fill a needed service, undertaking originations, private placements and the development of marketing and distribution procedures in real estate securities.

Form Fund Research

Fund Research & Management, Inc. has been formed with offices at 67 Wall Street, New York City to engage in a securities business. Officers are Wayne R. Benzing, President; William F. Byrne, Treasurer and Secretary; and John W. Meader, Vice-President; and Elizabeth A. Grant, Assistant Secretary and Assistant Treasurer. All were formerly with Granbery, Marache & Co.

The Soviet Outlook

By HERBERT G. KING
Member, New York Stock Exchange

U. S. S. R. disappointed hopes of a U. S. A. depression and growing specter of economic difficulties are set forth by Mr. King in depicting a lugubrious economic outlook for the hegemonical Soviet state.

Col. Herbert G. King

For several years Soviet leaders have been hopefully predicting an economic depression in the United States and expecting that the subsequent general crisis of capitalism would pull their "chestnuts out of the fire." However, it begins to look as though they will be the first to succumb to the great economic forces that they confidently believed they could master.

The victory of the Chinese Communists and the expansion of communism into Southeast Asia have brought added responsibilities and demands that the Soviet leaders are finding increasingly difficult to satisfy. It looks very much as though China will be faced with a real famine during the coming year and as the ever increasing Russian heavy industry and military demands are continually lowering the food, housing and living standards within the Soviet, the starving Chinese will receive very little aid from them. They will find that Marxist propaganda is a poor substitute for food.

Malthusian Specter

The various "Five Year Plans" have built up heavy industry at the expense of agriculture. The increase in the output of agricultural commodities during the last 25 years has not been able to keep up with the increase in population, therefore, the agricultural output per capita keeps going down. The three main food products; grain, livestock and dairy products are not as large per capita as they were a quarter of a century ago. Half of the total labor force is in agriculture. In the United States it is about 10%. As the Soviet farms are mechanized, an effort is made to free more laborers for work in heavy industry and the army, instead of increasing the farm production, whereas, one American farmer feeds himself and 20 other Americans, one Russian farmer only feeds himself and three other Russians. The growing season is shorter, the annual rainfall is less and the quality of the farm land in Russia is far inferior to that of the United States. Nature has not been too generous to Russia for agriculture.

The increasing difficulties with the Satellites and the unfortunate meddling in the near East have put an added strain upon the Soviet economy, which is already at the danger point. Instead of trying to improve relations with the United States, the Soviet leaders have only made things worse and now their handling of the Hungarian uprising has antagonized the entire world. The great Soviet aim for many years has been to eliminate the system of bases which surround them and from which atomic retaliation would follow any Soviet aggression. In this they have been unsuccessful and any military advances they have made have been neutralized.

Had Better Become Friendlier

No wonder they have been hoping for a depression in the United States. But they have "backed the wrong horse" and their own increasing problems are growing more menacing every day. They had better start making friends for they will soon need them.

Western Oil Secs. Formed

LAS VEGAS, Nev.—Joseph P. Pugel is engaging in a securities business from offices at 300 Wall Street under the firm name of Western Oil Securities Co.

J. E. Curington Opens

NEPTUNE BEACH, Fla.—James E. Curington is engaging in a securities business from offices at 1001 Penman Road. He was formerly with Thomson & McKinnon.

J. G. Nichols Opens

DALLAS, Texas—John G. Nichols is engaging in a securities business from offices at 6603 Banders.

Chicagoland Utilities Forum by Chi. Analysts

CHICAGO, Ill.—A luncheon meeting of The Investment Analysts Society of Chicago featuring top management speakers of the three major utility companies in the Chicago area has been scheduled for Thursday, Feb. 28, 1957 at the Midland Hotel, 172 West Adams Street. The program for luncheon, the forums and the reception follows:

12:15 to 1:45

Luncheon—Ballroom.

Speaker — George R. Perrine; Chairman, Illinois Commerce Commission.

Forums—Adams Room.

2:00 to 2:45

Peoples Gas, Light & Coke Co.

Forum Chairman—Clarence E. Torrey, Jr.

Speaker — James F. Oates, Jr., Chairman of the Board.

2:55 to 3:40

Commonwealth Edison Co.

Forum Chairman — William C. Norby.

Speaker—Willis Gale, Chairman of the Board.

Subject—**Developments in Atomic Power.**

3:50 to 4:35

Northern Illinois Gas Co.

Forum Chairman — Russell J. Eddy.

Speakers—Marvin Chandler, President; Edward D. Sheehan, Vice-President; H. A. Diekmann, Vice President.

Reception and Cocktail Party—Ballroom—4:45—6:00 The participating companies will be hosts. Each company will have an exhibit in the Ballroom.

Named Directors

Edwin H. Herzog of New York City and Amon G. Carter, Jr., of Fort Worth, Texas, have been elected directors of American Airlines, Inc., at the regular meeting of the Board of Directors.

Mr. Herzog is a member of the New York Stock Exchange and a partner in the investment banking firm of Lazard Freres & Co. Mr. Carter is President of the Fort Worth Star-Telegram.

With Denver Secs. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Leonard J. Poage is now connected with Denver Securities Company, 1420 Mile High Center.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

There can be little argument now, in the face of the income accounts of insurance companies that are beginning to appear, that 1956 will be recorded as a really bad year as far as concerns underwriting operations in the fire-casualty field. Also, this column's expectation that specialty companies would show up better than the regular run of multiple-line carriers of fire and casualty coverage is being borne out. The combination of lower rates and higher losses in almost all lines of writings were the undoing of these latter companies' underwriting.

Normally, the industry will have bad experience in one or only several lines, but will have favorable underwriting results in other categories to offset. This was seen when hurricane losses in recent years were so severe, but were balanced off by satisfactory results in other important lines of business.

In 1956 even though we experienced no devastating hurricane losses in the Northeast, where the high values had been so hard hit in several preceding seasons, there were very heavy losses from other storms, tornadoes, etc., in the Middle West and South Central areas. Only a few lines, such as fidelity and surety bonds, turned in a favorable showing, and this fact is reflected in the good reports released by the specialists in these lines.

For example, Fidelity & Deposit, about 80% of whose writings are in fidelity and surety categories reported a statutory gain of $2,601,000, versus $2,205,000 in 1955, while the great majority of multiple-line carriers were reporting extremely high statutory losses or negligible profits, relatively.

Again, while Continental Casualty is essentially a multiple line writer (now that it has acquired National Fire of Hartford it will partake more fully of this description), it does have somewhat over 50% of its premium volume in accident and health, group accident and health, and in hospital and medical, and so may be ranked as a specialty writer. Its 1956 showing was considerably better than was turned in by most of the big units, a statutory gain of $6,910,000 compared with a gain of $10,381,000 in 1955.

There is given here a schedule of statutory results for both years. It will be noted that even where the statutory loss is comparatively small, or there is a small gain, the descent of the showing from the 1955 result was quite precipitous. These companies' results were taken as they appeared in Moody's or in the "Wall Street Journal" and no attempt was made to single out units that showed up poorly.

It should be noted that, as, generally speaking, higher volume was written by the industry, there will be an offset to the 1956 statutory losses in the form of the customary equity in the change in the unearned premium for the year, to arrive at the adjusted underwriting result. Naturally this equity will vary considerably as some companies had sizable changes in this reserve, while others did not.

Attention is directed particularly to the turn-over from the 1955 result when most amounts were plus, to become heavily minus in 1956.

Statutory Underwriting Results

		1955		1956
Springfield Fire	—	$886,000	—	$4,964,000
United States Fidelity & Gty.	+	3,201,000	—	5,234,000
Fidelity & Deposit	+	2,205,000	+	2,601,000
Hartford Steam Boiler	+	2,516,000	+	1,576,000
Maryland Casualty	+	4,504,000	—	2,825,000
St. Paul Fire & Marine	+	4,727,000	+	496,000
Continental Casualty	+	10,381,000	+	6,910,000
Continental Insurance	+	2,231,000	—	2,846,000
Fidelity Phenix	+	1,661,000	—	3,773,000
Home Insurance	+	636,000	—	17,731,000
Insurance Co. No. Amer.	+	4,732,000	—	134,000
Glens Falls Ins.	+	732,000	—	3,312,000
Great American Ins.	+	575,000	—	6,972,000
Standard Accident	+	791,000	—	2,654,000
Fireman's Fund	—	780,000	—	22,251,000
Aetna Insurance	+	517,000	—	7,965,000

This is a sufficiently large sampling to give the pattern for the industry, especially as it is applied to the multiple-line writers. It will be interesting to see what the full industry showing will be when the total figures are in. It is this writer's expectation that, while 1957 may be a better year in this respect than 1956, it will also be a very unsatisfactory showing.

Continued from page 9

Competitive Nuclear Power And Accelerated Program

proposed by the group headed by Detroit Edison Company. It is called a "fast" reactor because the neutrons from the fissioning of straight U-235 in the core are not to be moderated or slowed down. They will be permitted to go into a surrounding blanket of natural uranium, where they will hit and be absorbed by U-238 atoms to create plutonium. Plutonium, like U-235, is a fissionable material.

The objective is to create more plutonium in the blanket than the U-235 used in the core; in other words, to create more fissionable material than is burned up. Hence the term "breeding" which means that all the U-238 as well as all the U-235 in natural uranium would be utilized.

When the problems involved in the fast breeder, for example, the use of liquid sodium as coolant, are solved economically, this type is likely to produce power at the lowest cost. In other words, it may offer the greatest ultimate promise.

Fission and Fusion Power

If you are not sufficiently confused at this point, perhaps you will be after I discuss briefly the prospects for making electricity from fusion.

Fission is the splitting of certain types of uranium or plutonium atoms, which are among the heaviest of elements. Fusion is the joining of certain types of hydrogen atoms, which are among the lightest of elements. Lithium, another light element, may also be utilized indirectly in the fusion process. As the fusion takes place, a tremendous amount of heat is released.

Uncontrolled nuclear fission gives us the atom bomb. In a reactor, nuclear fission is controlled to produce heat for the generation of power.

Uncontrolled nuclear fusion gives us the hydrogen bomb. To utilize nuclear fusion for the generation of power, one of the principal problems is that a temperature of millions of degrees is necessary. How can we contain a process which operates at a temperature greater than that of the sun? Scientists talk of accomplishing this by using a magnetic field to confine the fusion reaction.

Controlled fusion may come some day, but to all appearances not soon. Its romance lies in the fact that there is enough fusionable material in ocean water and elsewhere to provide all of the world's power requirements for millions of years.

Now we return to earth to consider the prospects for the achievement of competitive power from nuclear fission.

What I know about this first hand is confined to our plant. Before discussing its competitive aspects, I desire to mention a few of its features.

Chicago Private Power Plant

The plant, called "Dresden Station," will be located on a 950-acre site about 50 miles southwest of Chicago.

Dresden is based on the principle of Argonne Laboratory's 5,000-kilowatt Experimental Boiling Water Reactor near Chicago. I was privileged to be a guest at the dedication ceremony at Argonne 10 days ago.

Commonwealth Edison has a contract with General Electric for the construction of Dresden for $45,000,000. It is the largest all-nuclear plant yet authorized.

Associated with Commonwealth Edison in what we call "Nuclear Power Group" are American Gas and Electric Service Corporation, Bechtel Corporation, Central Illinois Light Company, Illinois Power Company, Kansas City Power & Light Company, Pacific Gas and Electric Company, and Union Electric Company.

Commonwealth Edison will own and operate the plant and is paying thirty million of the forty-five million dollar contract price. Edison is also furnishing the site and incurring substantial overhead costs.

We and our partners in NPG are providing $15,000,000 of the contract price as a research and development expense.

Thus, this plant is being built entirely with private funds. It is scheduled for completion in 1960. General Electric plans to start field construction soon.

Competitive Kilowatt Cost?

How close will Dresden come to producing competitive power? On the basis of disregarding the $15,000,000 of research contributions, we estimate that the plant ultimately will produce power at a cost, including fixed charges, operating expenses and fuel, of approximately three-quarters of a cent per kilowatt-hour. This is about the same as the cost of power from our newest coal-fired plants.

If the $15,000,000 of research contributions were included, the estimated cost would be about 1¢ per kilowatt-hour, or one-third higher than that from our conventional facilities.

These unit power costs, of course, assume that General Electric's expenditures will not exceed the $45,000,000 contract price. I doubt if this is a valid assumption.

All this means that if General Electric can sell the second, third, or fourth plant of our size and type for $15,000,000 less than the first, we may be on the track of competitive nuclear power. But that "if" is a big one.

Having first-hand knowledge of the problems involved in actually building a plant, I can state with some assurance that competitive nuclear power is not just around the corner. This is especially true in the United States where fossil fuels are plentiful and cheap.

On the other hand, I am equally confident that sooner or later competitive nuclear power will become a reality. It will be achieved through the building of a series of full-scale model T's resulting in gradual improvement in our technology. Also, it may come in part as a result of a rise in the cost of fossil fuel.

So the first lesson is—

Don't go overboard on atomic power for the short term but be optimistic for the long term.

World Atomic Power Race

Now I want to dwell on the question of where the United States stands in relation to what has been publicized as an atomic power race with England and Russia.

On the basis of the developments I have described, I believe it is safe to say that we need not be concerned about the technical progress of our nuclear power program in the United States. Note that I refer specifically to technical progress.

We may not have as many kilowatts of nuclear capacity as England or Russia five or 10 years from now. In my opinion, that is not of overwhelming significance. What is important is that we stay in the lead in technological development which I believe we will do. That, for America, should be the significant fact. We are not faced with a shortage of power. It is "know how" we need, not kilowatts.

On the other hand, there is a growing opinion, in and out of government, that international prestige makes it desirable for us to accelerate our program. Commissioner Harold S. Vance of the AEC made an excellent statement of this problem in his appearance before the Atomic Industrial Forum in Chicago last September.

Accelerating Our Progress

I know from personal contacts that a number of men in Congress, wholly without reference to the public versus private power issue, sincerely believe that our atomic power program should be accelerated for this reason.

Toward the close of the last session of Congress, Senator Gore and others sought to bring about the passage of a bill which called for the construction by the AEC of $400,000,000 of atomic plants.

The bill was the subject of heated controversy. It has been reintroduced this year and may be the subject of further controversy.

Everything considered, I do not disagree with those who believe that our atomic power program should be expanded beyond the ability of private industry to carry the entire cost. In my opinion, however, the expansion should be accomplished so that public power is not favored over private power. In fact, the matter is of such importance that the public power controversy ought to be kept out of it entirely.

At the Atomic Industrial Forum in September, I suggested a solution. I shall take the liberty of restating it because I believe that there is need for an informed public opinion on this subject.

In 1955, the AEC adopted the so-called "Power Demonstration Reactor Program" under which the AEC makes research contributions toward the cost of reactors.

Offers Proposed Solution

The framework of this program offers the way for the government and the utilities, both private and public, to cooperate in the building of additional power reactors.

My suggestions are these:

(1) That Congress declare as a matter of national policy that the demonstration program be expanded.

(2) That Congress specify the extent of the expansion.

(3) That Congress appropriate the necessary funds.

(4) That Congress give the AEC specific authority to make direct cash contributions toward the capital cost of a reactor to be built by an existing privately- or publicly-owned utility.

(5) That Congress specify that the government funds appropriated for the demonstration program be allocated between privately- and publicly-owned systems roughly in proportion to the present amount of private power compared with the present amount of public power.

Under the Demonstration Program, the AEC has made or is negotiating contracts with both privately- and publicly-owned utilities. The Yankee Atomic Electric project is an example of the former. The Nebraska Consumers Public Power District project is an example of the latter. This policy should be continued.

(6) That Congress specify the general principles on which contributions would be based.

Subsidize Research Cost

Any utility, public or private, ought to be willing to put into a project an amount justified on the basis of its own conventional power costs.

The utility should pay an amount on the basis of which the over-all unit cost of power would be the same as that from its conventional facilities.

The contribution by the AEC should be the difference between the utility's investment and the total cost of the plant. It would be highly desirable if a large part of the utility's share could be fixed, and the AEC's contribution most of the uncertain excess. It is almost impossible to estimate accurately the final cost of a project where new concepts are involved.

Such was my proposal for accelerating our nuclear power program through cooperation between the utility industry and the AEC. The principal advantages of this proposal are:

First — It would minimize the public versus private power controversy in relation to atomic power.

Second—It would encourage a maximum of financial participation by existing utilities and would correspondingly reduce the burden on the Federal treasury.

Third — It would provide the foundation for a true atomic power industry in the United States. We will not have such an industry until existing utilities, after a careful study of relative costs, walk up to the counter and buy nuclear plants as a strictly business matter. Actual experience with demonstration reactors would provide the basis for these decisions.

Up to now our principal concern has been to learn how to make power from the atom. Now that we have, our principal concern is to learn how to make competitive atomic power. In this phase, we must have a maximum of participation by existing utilities.

I have been pleased by the favorable response my proposal has received. An example is the report of the Nuclear Industry Committee of the Investment Bankers' Association last November.

Indemnity Bill's Passage

Now I want to put in a plug for the Indemnity Bill in which every private and public builder of a reactor has a vital interest. This Bill was favorably reported last year by the Joint Committee on Atomic Energy. It would provide Federal indemnity up to $500,000,000 against third party public liability in excess of the private liability insurance carried by the reactor owner.

In time, atomic power plants will prove to be at least as safe as conventional plants. As Mr. Satterfield of the AEC staff recently said, the opinion is that the risk of disaster resulting from an atomic power plant is substantially zero. Nevertheless no scientist can demonstrate this without actual extended experience in the operation of reactors and none is willing to say that the risk is zero. It is in the interest of the public at large, as well as in the interest of reactor owners, that this remote, but potentially large, risk be provided for.

There was almost universal agreement as to the need for Federal indemnity and almost universal approval of the form of the bill proposed by the Joint Committee. It failed to pass only because it became involved with the Gore Bill controversy.

It is of vital importance that the Indemnity Bill, which has been reintroduced, be passed by the present Congress.

Congress Is Cooperative

In the past year, we have had a number of contacts with the Joint Committee and particularly its then Chairman, Senator Clinton P. Anderson, and our Illinois member, Mr. Melvin Price. In our presentation of the indemnity problem, we were given every consideration. We believe that the entire Committee approached this problem with true statesmanship. I am confident that this will be true also under Chairman Durham's leadership.

Our experience convinced us that it is possible to get along with Congress on a fair give-and-take basis and that our industry ought to make every effort to do so. If we do, I am sure that it will help speed the development of competitive atomic power. This will be good for both the electric industry and the country.

Congratulations!

James J. Lynch

Congratulations are in order to James J. Lynch, Manager of the Trading Department of Paul D. Sheeline & Co., 31 Milk Street, Boston. Jim, an active member of the Boston Securities Traders Association, came in like a lion on March 1st, 39 years ago. . . .

N. J. Mtg. Bankers Annual Dinner Meeting

NEWARK, New Jersey — The Mortgage Bankers Association of New Jersey will hold their 18th Annual Dinner Meeting for the installation of Officers and Governors at the Robert Treat Hotel, Tuesday, March 5, 1957. Our guest of honor and principal speaker will be Mr. John F. Austin, Jr., President of the Mortgage Bankers Association of America and President of T. J. Bettes Company, Houston, Texas. In addition we will also have as our guest Mr. Henry P. Dart of the Teachers Insurance and Annuity Association of America, also a member of the School of Mortgage Banking Alumni, who will speak briefly about the School of Banking. The Officers to be installed are to be as follows:

President: Robert E. Smith, Mutual Benefit Life, Newark.

First Vice-President: Frederick C. Stobaeus, National Mortgage Co., Newark.

Second Vice-President: Raymond A. Mulhern, Underwood Mortgage & Title Company, Irvington.

Treasurer: Chas. J. Horn, National State Bank, Newark.

Governors: G. Kenneth Beisheim, Murdoch - Fairchild Co., Montclair; Cassuis H. Daly, Jr., The Ridgefield National Bank, Ridgefield; Garrison 7. Rice, Peter F. Pasbjerg & Co., Inc., Newark; W. Albert Salmon, Bloomfield Savings Bank, Bloomfield.

Dinner will be served at 7 p.m. preceded by a cocktail reception for our guests at 6 o'clock. Included in the guest list will be representatives from the Federal Housing Administration, Veterans Administration, Federal National Mortgage Association, New Jersey Title Insurance Associations, New Jersey Association of Real Estate Boards, New Jersey Bankers Association, New Jersey Savings & Loan League, New Jersey Home Builders Association, Savings Banks Association of New Jersey and the New Jersey State Bar Association.

Mr. Philip Zinman, President of the South Jersey Mortgage Company, Camden, N. J., will relinquish the gavel of the Presidency to Mr. Robert E. Smith, Second Vice-President of the Mutual Benefit Life Insurance Co., Newark, N. J. It is expected that there will be a record attendance at this affair.

LETTER TO THE EDITOR:

Foreign Exchange Depreciation Views Scrutinized By F. G. Shull

New Haven monetary scholar queries what he considers are seriously misleading statements by Franz Pick. In calling Mr. Pick's attention to the difference between currency purchasing power and standard-of-value, Mr. Shull contends "currencies can and should remain stable in value" and cites the experience of American Dollar from 1837 to 1933.

Editor, Commercial and Financial Chronicle:

No person seems to delight more in spreading monetary heresy than Mr. Franz Pick, publisher of **Pick's World Currency Report;** and—with his ability to glibly comment on the currencies of the world (franc, mark, lira, guilder, peseta, cruzeiro and all the rest)—no person can do greater harm in misleading people as to what constitutes **honest money.** To prove my point, let's take the following two quotes from Mr. Pick's address before the **Export Managers Club of New York** on Feb. 5, and as published in your issue of Feb. 14. Here are his words:

Frederick G. Shull

1. "To start with, you must grow accustomed to believe that currencies not only cannot remain stable in value, but have to be depreciated one way or the other."

2. "Do not forget that currencies are made to lose value. If they were not, our modern economic systems could not work as well as they do."

It is amazing that one who styles himself a "world currency expert" would have the effrontery to inflict such nonsense on his audiences of intelligent people. Doesn't Mr. Pick know that currencies **can and should** "remain stable in value? Doesn't he know that the Pound Sterling was firmly held to a value of 113 grains of fine gold from 1821 until 1914? and that the American Dollar was, likewise, held to a value of 23.22 grains of gold from 1837 until 1933? If that isn't "remaining stable in value," and for practically a century in each case, then I will eat my hat. Currencies will, of course, fluctuate in **purchasing power,** according to the law of supply-and-demand affecting the commodities and services involved; but the standard-of-value — whether it be the Pound, Dollar, or any other currency — cannot, in honesty, fluctuate in **value.**

To accept Mr. Pick's view would be to discredit the world's greatest economist, Adam Smith, who said that "raising the denomination of the coin" — which is one and the same thing as depreciating a currency — has been the "most usual expedient for disguising a real public bankruptcy." It would discredit Andrew D. White, who strongly asserts ("Fiat Money Inflation In France") that "there are financial laws as real in their operation as those which hold the planets in their courses." And it would discredit the Gold Standard, itself, of which Theodore Roosevelt said: "So long as the Republican party is in power the gold standard is settled, not as a matter of temporary political expediency, not because of shifting conditions in the production of gold in certain mining centers, but in accordance with what we regard as the fundamental principles of national morality and wisdom."

Yes, currencies, to be **honest, must remain stable in value.** And Franz Pick, of all people, should know that.

FREDERICK G. SHULL
2009 Chapel Street
New Haven 15, Connecticut
February 15, 1957.

MacCoy Dir. of Sp. Services for NYSE

Ruddick C. Lawrence, Vice-President of the New York Stock Exchange in charge of public relations and market development, has announced a realignment of the Exchange's public relations organization.

Cecil MacCoy, Vice-President, has been named Director of Special Services.

Paul Kolton has been appointed Director of Public Information and Press Relations, a new position created to service the steadily increasing demand from all news media for information about the Exchange. Kolton was formerly with the New York "Journal of Commerce," and Cecil & Presbrey Advertising prior to joining the Exchange in 1955.

William D. Horgan has been appointed Manager of the Exchange's News Bureau and will have the responsibility of maintaining liaison with the press. Prior to coming with the Exchange several years ago he was with the Associated Press in New York, where he was on the financial staff.

In his new assignment Mr. MacCoy will have executive responsibility for the Exchange's Exhibit Hall and Visitors' Gallery and for The Exchange Magazine, of which Kenneth Hayes is editor.

Merrill Lynch to Exhibit in Chicago

"Your Money, and How to Invest It," will be the theme of Merrill Lynch, Pierce, Fenner & Beane's exhibit at the Chicagoland Fair to be held next June 28-July 14 at Navy Pier.

The exhibit will include illuminated charts and panels, an information booth, and even an electronic computer which will allow Fair visitors to "invest" in any of the securities of 20 of the largest Chicagoland firms.

The computer will tell in a matter of seconds what an annual investment of $500 in any of these 20 securities, starting anytime between 1929 and 1955, would be worth today.

A team of account executives from the firm's Chicago office will be available in the information booth to give expert answers to investment queries, from the very simple, to the very complex.

Those who already hold some securities and would like an expert evaluation of their portfolio can get it at the Merrill Lynch exhibit. All they need do is list their securities on a card provided and leave it at the booth. They will be mailed an expert evaluation in a few days.

Eight different displays, including one intended to answer the popular question, "Should I Invest?" will be included in the Merrill Lynch exhibit.

These displays, many of them illuminated or animated, will detail the investment story from the definition of a common stock to a chart which traces the movement of stock prices over the years and compares them with fluctuations in the cost of living. In addition, more than a dozen free informational booklets will be distributed.

The Fair, which is sponsored by the Association of Commerce and Industry, is expected to be Chicago's greatest exposition since the Century of Progress.

More than 500,000 persons are expected to visit the five miles of colorful exhibits planned to focus attention on the "New Chicago" as the heart of business and industry for the world, Revnes said.

A Sober Warning!

"In many unions, there is little sign that the leaders are even trying to maintain contact with their membership. Some seem to feel that union-shop contracts and compulsory check-off of union dues have made it unnecessary for them to know what the members want or need. Too many such leaders live in a world apart—a world in which the badges of achievement are high salaries, expensive automobiles, membership in country clubs and the other appurtenances of wealth.

"It is not my purpose to suggest that any of these things is bad in and of itself. Nor is it my purpose to contend that the only true union leader is one who takes a monastic vow of poverty. What requires vigilance is that we in positions of leadership not succumb to the notion that power, public acclaim or good living are the important things. Each one of us derives his strength from the men and women in the shop; we have value only to the extent that we serve them faithfully and well."—Louis Hallander, Labor Leader

Excellent—if serving "them faithfully and well" is meant as something other than grabbing all that can be squeezed from the traffic, and a little more upon occasion.

Continued from first page

Capital Gains Myth

upon this premise. It still continues to collect such taxes. These taxes are levied under claim that upon present day sale of a capital asset purchased prior to the devaluation a taxable gain is automatically realized in the amount that the devalued dollars received exceed the pre-devaluation dollars paid. They are levied notwithstanding the fact that assertion of gain *in value* in a given transaction is demonstrably false. I speak of gain in value in terms of the lawfully established unit for the measurement of value, and I assert that where legislative reduction in the unit of measurement has occurred and received market recognition between the time of the purchase of a capital asset and that of its sale, recognition must be given this reduction in ascertaining whether there has been gain or loss or neither. In a word, gain over cost, if any, must be determined by application of a common yardstick. Otherwise the conclusion reached is without truth and meaningless. To presume that value has been created and gain realized because of legislative change in the unit of measurement is to defy reason and give supremacy to form over fact. It is to depart from the realm of reality and enter that of make-believe.

But it is not alone in presuming that capital gains have been realized under such circumstances that citizens are being denied their Constitutional rights. In the case of all public service corporations, many State and Federal regulatory bodies have refused to recognize the express and commercially recognized changes in the monetary unit. This refusal takes form under what has come to be known as the Original Cost theory of rate making, and the form it takes is devoid of truth. By treating the dollar in which the return is now paid as of identical value with the dollar invested, the return to the owner upon great amounts of property has been reduced by as much as one-half and his Constitutional right to a fair return denied.

Factual demonstration of the untenable character of the suggestion that upon sale of a capital asset a gain is automatically realized in the amount that devalued dollars received exceed the pre-devalued dollars of its cost is not difficult. This demonstration will also make clear the true character of that system of rate making through which Constitutional rights are denied under the curious doctrine that in fixing a Constitutional return only the name of the monetary unit matters, its lawfully reduced and market established value being irrelevant.

II

Standard of Value and Monetary Unit

The Congressional Legislation of the year 1933, known as the Devaluation Acts had first to do with the long established Standard Unit for the Measurement of Value, which was reduced by 40% and second with the Monetary Unit which was declared devalued by an equivalent amount.

Value is an intangible concept capable of measurement only in terms of a tangible thing of value. For this reason, and to serve the necessities of commerce and the administration of justice, it is the practice of governments to establish Standard Units for its measurement. These units ordinarily consist of a given amount of one of the precious metals — in our own case, of gold. It is also the practice to tie the Monetary Unit directly to the Unit for the Measurement of Value, the value of the Monetary Unit being declared to be identical with that of the Unit of Measurement. But the Unit for the Measurement of Value and the Monetary Unit are not identical things. In fact and in purpose they are separate and distinct things, though the one is tied to the other and both may bear the same name, as in the case in the United States. As pointed out, the Unit for the Measurement of Value *must* be a thing of value, since value cannot be measured in terms of a thing without value. The Monetary Unit, however, may consist of a thing without value, as in the case of our paper dollar, the declaration that its value is identical with that of the standard Unit of Measurement being nothing more than a naked Congressional declaration or fiat.

Extent of Legal Devaluation

Specifically the change in the Standard Unit of Value effected by the Acts consisted of a reduction from the long established 25 8/10 grains of fine gold to 15 5/21 grains. An equivalent reduction was also enacted in the declared value of the Monetary Unit. As an aid to the reader's understanding, the text of the statute, naming, defining and establishing the Standard Unit of Value prior to the change and of that reducing it, follow:

Section 314 Standard Unit of Value. The dollar consisting of twenty-five and eight-tenths grains of gold, nine-tenths fine shall be the Standard Unit of Value and all forms of money issued or coined by the United States shall be maintained at a parity of value with the standard, and it shall be the duty of the Secretary of the Treasury to maintain such parity.

See U. S. Code Annotated, Money and Finance, Title 31 Section 314 Page 176.

By Act of Congress approved May 12, 1933, Section 314 was amended to read as follows:

Section 314 Standard of Value. "The dollar of gold nine-tenths fine consisting of the weight determined under the provisions of Section 821 of this title shall be the Standard Unit of Value," continuing as before.

Section 821 gave to the President the power to fix the gold content of the Standard Unit of Value. This power President Roosevelt exercised by Proclamation No. 2972, effective at midnight on Jan. 31, 1934, fixing the Standard Unit of Value at fifteen and five-twenty-firsts grains of gold nine-tenths fine.

The procedure constituted what has been commonly known as the "devaluation of the dollar." In amount the devaluation, as stated before, was 40%.

III

Equivalent Dollar Yardstick

In any consideration of present dollar selling price and dollar original cost of property owned prior to the year 1934, an understanding of the foregoing is of paramount importance. Comparison of the values represented by the two items, original cost and selling price without mathematical adjustment is obviously impossible. It is no less obvious in respect to public service companies that an annual return of six of the devalued dollars is not the equivalent of six of the pre-devaluation dollars. A simple example will serve as illustration. Let an item be taken which was purchased prior to the devaluation and sold at a recent date. Let its cost be taken as One Thousand Dollars ($1,000.00). Each dollar of this cost consisted of 25 8/10 grains of fine gold and was convertible into that gold. On the contrary the selling price was received in paper dollars each of a fiat value of 15 8/10 grains of fine gold but convertible into nothing of intrinsic value. Now it is obvious that even if convertible One Thousand Dollars of 15 5/21 grains of fine gold are not the equivalent in value of One Thousand Dollars each containing 25 8/10 grains and that a thousand of such dollars are not and cannot be the equivalent of the cost of this property. This is proven in the inexorable school of reality.

Problems of Fixed Income Recipients

Not until the selling price in equivalent dollars exceeds the cost is a gain realized. Under a different rule many possessions if sold at even less than presently established market prices would show a handsome dollar profit, although as shown by replacement cost the transaction has resulted in loss not gain. Abundant examples of this may be found in the field of housing. Equally clear examples may be found in the field of Depreciation Reserves where like percentage Reserves accumulated in the new dollar are notoriously inadequate to make good the depreciation of property purchased with the pre-devaluation dollar. And who realizes more keenly the difference in these Monetary Units than recipients of a fixed dollar return whether it result from contract obligations or rate making in the case of public service corporations. In the case of the latter, many hundreds of millions of dollars of Capital Investment were made in dollars each of the fixed and convertible value of 25 8/10 grains of fine gold. Upon this investment they were constitutionally entitled to a fair return, ordinarily of not less than 6% per annum.

This annual return was payable and received in six dollars of 25 8/10 grains of fine gold upon each one hundred dollars of investment. Is this constitutional right accorded them by payment of six dollars of 15 5/21 grains of gold? The market places of the world give the answer since there the truth is given recognition. The return upon this investment has actually been cut by approximately one-half, and tested by many consumer articles by much more.

IV

Government Faces Devaluation Facts

There is interest in comparing the conduct of the government in respect to its own property with its conduct in respect to the property of its citizens. Did the government refuse recognition of the devaluation in respect to its own property? It did not. On the contrary, it made immediate public recognition of the devaluation in respect to its own property when, having on hand a large amount of gold standing on its books at a dollar value determined by the old unit of 25 8/10 grains of fine gold, it forthwith revalued this gold in terms of the new unit of 15 5/21 grains. As a result, it announced a dollar gain upon precisely the same gold of in excess of two billion dollars. This of itself is significant. Of greater significance was its conduct toward those whose gold it expropriated as part of the devaluation program. The owners of this coined gold were forced to accept dollar for dollar in paper. But the gold secured in this manner, once in government hands, went onto its books at the rate of one dollar for each 15 5/21 grains.

Double Standards

Is it true to say that the dollar value of government owned property was automatically increased by the devaluation Acts but false to say the same of privately owned property? This question deserves careful consideration since it is the position in which government agencies find themselves in their refusal to recognize the devaluations in ascertaining capital gains or fixing adequate return.

Can either reason or the inexorable requirement of common honesty be summoned to support the contention that capital assets acquired and property dedicated to public service prior to the effective period of the devaluations can be denied recognition of those Acts?

V

Market Recognition

It will be urged in justification of the action of government agencies that market recognition of the devaluations was not immediate; that as a consequence price changes were gradual and the actual market value of the paper dollar difficult of determination. There is merit in this contention. But all merit disappeared when full market recognition of the change became apparent. That day has long since passed and there remains no shred of justification for refusing its recognition.

I have spoken only of the express reduction in the Unit for the Measurement of value and the attendant devaluation of the Monetary Unit. I have said nothing of that indirect, but no less effective erosion in purchasing power of the paper dollar. This is quite as certainly the act of government as the express devaluations. It is ceaselessly building up putative "capital gains" which have no existence in fact. It is also cutting away the real return of all public service companies. In the course of time "capital gains" from this indirect source will reach greater heights than those now apparent from the express Act of Government.

False Accounting

In this manner pointed out and in usurpation of powers expressly denied it by the Constitution, the Federal Government is levying and collecting direct taxes upon the property of its citizens. These taxes assessed under pretense of gain are collected from individuals, corporations and estates. They result in consumption of the accumulated capital of the nation since the sums collected are immediately spent by the government in its operations. They result in false accounting since property owners are compelled to enter upon their books as capital gains sums which are not gains but no more than a write up of values to conform to a new and reduced unit of measurement. They nurture a false concept of individual and corporate wealth and afford spurious justification for private and public expenditures wholly unwarranted upon the basis of reality.

Two With Plankinton

(Special to The Financial Chronicle)

DENVER, Colo. — Willis F. Boyer and Ronald W. Murray have joined the staff of Walter R. Plankinton, 1637 South Broadway.

With Securities, Inc.

(Special to The Financial Chronicle)

DENVER, Colo. — Wayne E. Thompson has become affiliated with Securities, Inc., Farmers' Union Building.

Allied Secs. Adds

ATLANTA, Ga. — Gloria Neal has been added to the staff of Allied Securities Corporation, 87 Walton Street, Northwest.

Huge Market Seen for Paper, Pulp Products

Paper and Pulp Export Committee's study of growing markets in 20 countries reveals they offer a potential $200 million market for U. S. paper, board and paper products.

Twenty selected countries offer a potential $200 million market for United States paper, board and paper products.

This was revealed in a study prepared by Eric Lagerloef, Secretary of the American Paper and Pulp Association's Export Committee, in cooperation with the U. S. Department of Commerce.

The study, first of its kind, is a special report on economic and pulp and paper industry developments in 20 countries viewed as potential growing markets. It presents current economic information and industrial developments as they may relate to the growth of paper and board consumption.

The report was released at the Export Committee's 9th Annual Open Meeting held in New York City on Feb. 19 as part of the APPA's 80th annual convention.

In a separate review of the Export Committee's program of world market information, Mr. Lagerloef reported that last year world consumption of paper and paperboard reached a new high with an estimated 68,400,000 tons.

This was more than double the world consumption of 1937, and about 5,000,000 tons above 1955.

Excluding North America, the largest consuming area, world consumption of paper and board has increased about 70% since 1937. The principal increase, Mr. Lagerloef said, has taken place since World War II.

20 Expanding Markets

The special survey of 20 countries contains charts and tables showing expanding markets for United States paper and board in the following:

Argentina, Australia, Belgium, Brazil, Cuba, the Dominican Republic, El Salvador, France, Guatemala, India, Indonesia and Mexico. Also the Netherlands, Panama, Peru, the Philippine Islands, the Union of South Africa, the United Kingdom, Venezuela and West Germany.

In a preface to the survey, Mr. Lagerloef says that world trade is expected to continue expanding in 1957, contingent upon the oil crisis in Western Europe being resolved and inflationary forces in many countries being kept under control.

The principal long-term development which may ultimately affect United States markets in Western Europe, according to Mr. Lagerloef, is the recent creation of the European Free Trade Area. This is designed to create free movement of goods, services, labor and capital among Belgium, France, Holland, Italy, Luxembourg, the United Kingdom and West Germany.

With Dietenhofer Co.

(Special to The Financial Chronicle)

SOUTHERN PINES, N. C. — Wayne E. Hess is now with Dietenhofer and Heartfield, 670 Southwest Broad Street.

Joins Merrill Lynch

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Joseph T. Resor, Jr. has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, Dixie Terminal Building.

McGhee Co. Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio. — Charles P. Lucas has been added to the staff of McGhee & Company, Inc., 2587 East 55th Street.

Continued from page 6

Achieving National Solvency By the Wise Use of Federal Money

Republican and former Chairman of the Reorganization Subcommittee and as a sponsor of legislation I shall mention later in my remarks.

I sincerely believe that Secretary Humphrey has a solemn obligation and responsibility to the American people and to Congress to specify where he feels the Budget can be cut. It is not enough to say that the Budget can be cut in several places. Such a public statement carries with it the serious obligation to specify those places instead of placing Congress in the position of guessing as to what those places are.

At this point in my paper, I must digress somewhat from the original text in the advance release that I made. The digression is caused by the fact that on Feb. 1, two days after giving the advance release, I received a reply from Secretary Humphrey to my letter. I now read that letter to you:

"My dear Senator Smith: Thanks for your letter regarding my comments on the budget. As I have said publicly several times, as well as to the full House Appropriations Committee, I felt that the budget as presented was the best that we could do at that particular time, and I could point to no specific items which should be eliminated. I do believe, however, that in the next 18 months before spending under this budget is ended we should be able on a day-to-day, case-by-case basis to find savings that can be made without hurting our security or necessary services. To do this effectively will require the most earnest cooperation of the public, the Congress, and all the departments and agencies of the government in searching out not only things which are no longer needed but make sure that the things we have to do are done in the most efficient manner.

"The President in his State of the Union message asked that everyone in the Executive Branch continue to search out ways to save money and urged the cooperation of the Congress as well. The President has also expressed publicly the firm belief that if the Congress can find ways to cut spending without impairing security and services that it would be the duty of the Congress to do so.

"If we can achieve more effective control of our spending we will have brought about a desirable restraint on inflationary pressures which can open the way to lower taxes, greater incentive, and the making of more and better jobs for the long-run well being of our nation.

Sincerely, /s/ G. M. Humphrey"

I note with interest that Secretary Humphrey replies that he "could point to no specific items which should be eliminated." Apparently the press statement attributed to him that "there are a lot of places in this budget that can be cut" was in error and he was misquoted. I gather from his reply that he feels the President's Budget is fat free.

Prefers Reducing Expenditures

I say here, with all respect to those in high position in the nation's financial councils, that balancing the budget by taking more money from the people in taxes as their personal income rises or by taking more money from corporate industry as business actively expands **is not the way to national solvency**—as good as it might look in the newspaper headlines. Balancing the budget by reducing Governmental expenditures **is.**

Time does not permit, nor am I a seer who can prophesy all the steps that must be taken by responsible authorities to bring to halt this trend toward increasing expenditures, toward financial irresponsibility, and, eventually, toward insolvency, but I do wish to mention what I consider to be one of the most significant developments toward financial **responsibility** of the last decade.

Annual Accrued Expenditures

I refer to the Hoover Commission's recommendation to the Congress that appropriations be determined on an annual accrued expenditure basis—Recommendation No. 7 in its Budgeting and Accounting Report.

The Senate last June 20 acted favorably upon the Hoover Commission's recommendation when it approved Senate bill 3897, which incorporated all the Commission's recommendations on budgeting and accounting.

However, as you may recall, the all-important section relating to preparing appropriation estimates on an expenditures basis was stricken in conference between the two Houses of the Congress when it became obvious because of the objections of the House of Representatives that we could not get a bill through the Congress implementing the other Hoover Commission recommendations, with the aforementioned appropriations provision in it.

As I stated on the Senate floor when the Conference Report was filed on July 25, 1956, deletion of the Hoover Commission's highly recommended revision of our appropriations procedures struck at the very heart of the objective we seek: Namely, (1) improving financial management within the Executive Branch; and (2) restoring control of the public purse to the Congress.

A few days after that, and again on January 7, last, in the first days of the present 85th Congress, I introduced legislation to write the Hoover Commission's recommendation into law. I was joined this year in the introduction of this measure by Senator Frederick G. Payne of Maine and Senator John F. Kennedy of Massachusetts on Senate bill 316.

I am confident you will agree that there is no more important legislation pending before the Congress than that which would provide for strengthening the financial foundation upon which this government rests. The amount of money that the Federal Government spends is controlled when it is appropriated by the Congress — not when it is expended by the Executive Agencies, although improved fiscal management within the agencies can produce economies in operation which should have sizable sums.

The bill I have introduced would place the entire governmental financial structure on an annual accrued expenditures basis. In other words, the Congress would appropriate for each fiscal year upon the budget estimates of government expenditures actually to be made or to be accrued during the fiscal year.

The Executive Agencies would present their estimates for the forthcoming fiscal year, their expenditures for the preceding fiscal year and their justification for new appropriations on the basis of the current fiscal year only—not on the confused, complicated "obligation" system presently in effect which frequently covers three or four fiscal years, thereby completely clouding any intelligent grasp of the current state of our finances.

Correlate Taxes and Spending

To obtain firm command of government finances there must be a direct correlation between tax receipts and expenditures for **each fiscal year**—because the annual budget surplus or budget deficit is measured by the difference between the two — and not the difference between appropriations and expenditures, as many people believe.

By establishing this direct correlation between annual appropriations and annual expenditures as the Hoover Commission wisely recommended, we vest not only in the Congress, but in the President as well much greater opportunity to control the level of government operations during the budget year on the basis of actual conditions existing that year.

Moreover, this would eventually mean the elimination of the vast carry-over balances to which I have previously referred now available for expenditure some time in the distant future at the discretion of the Executive Agencies, with little or no control over their spending by the Congress, which is responsible in the final analysis to the people for the use of their money.

Wants Hoover Recommendation Implemented

I conclude, therefore, with this thought upon the subject "**The Wise Use of Federal Money**"—I say without hesitation that I can think of no more important legislation to bring about the "wise use of Federal money" than the implementation of the Hoover Commission's recommendation toward that goal.

In concluding, I would be remiss were I not to pay tribute to President Hoover for his leadership of the two Reorganization Commissions which bear his name.

The former President not only made a great contribution in heading up these two "Crusades for Better Government," but he did something else. He practiced what he preached.

At the expiration of both the Commissions he headed he returned to the Treasury of the United States a surplus. In other words, he took the appropriation the Congress gave him, did the job the Congress asked him to, and then had something left over. A rarity, indeed, in bureaucratic Washington, where the emphasis seems to be to "spend" not "save."

I am glad to say that I can join President Hoover's exclusive company. As Chairman of the Subcommittee on Reorganization of the Senate Committee on Government Operations in the 83rd Congress, I, too, returned to the Treasury a surplus, using less money than the Congress appropriated to get the job done.

So, I, too, "practice what I preach."

Saunders, Stiver Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Adelbert L. Knight is now connected with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

With Suburban Secs.

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Charles E. Muckley is now associated with Suburban Securities Co., 732 East 200th Street.

With Columbine Secs.

(Special to The Financial Chronicle)

DENVER, Colo.—Earl R. Hobbs, Norville C. Miller, Merwyn R. Sandsted and Melvin Snyder have joined the staff of Columbine Securities Corp., 1780 So. Broadway.

Guaranty Trust Views "Tight Money" Protest

With high level output, freeing by Federal Reserve of additional money, according to "Guaranty Survey," could only raise bids for goods and services and thus produce price inflation.

Tight money is a natural reflection of keen competition for a limited supply of goods and services and an essential means of preserving the balance between demand and supply when the competition becomes too keen, according to the March issue of "The Guaranty Survey," business and economic review published by Guaranty Trust Company of New York.

In an article titled "Competition: The Price of Free Enterprise" the "Survey" comments that "it is generally agreed that free enterprise and competition necessarily go hand in hand and that the combination has made possible the phenomenal economic progress of the Western World during the last two centuries."

The article notes, "most of those who have joined in the outcry against tight money during the past year or more would perhaps be surprised to discover that what they have actually been attacking is not governmental or Federal Reserve policy but the natural competition of the free market. This confusion between form and substance is not surprising in view of the financial history of recent times. For about 20 years prior to 1951, the money market was a manipulated market, and it was continuously manipulated in favor of easy money. During the 1930s the manipulation was practiced in a largely futile effort to promote business recovery. During World War II and for five and a half years thereafter, its main purpose was to enable the Federal Treasury to borrow as cheaply as possible.

"In 1951, after it had become apparent that the continuing fulfillment of the Federal Reserve's supposed wartime commitment to the Treasury was making monetary policy an instrument of inflation, the Federal Reserve reached an "accord" with the Treasury, whereby it was enabled to allow the money market to fluctuate much as a truly free market would do. The long period of manipulation, however, has left the impression in many people's minds that the money market is at the mercy of the Federal Reserve, behaving as the central banking authorities want it to behave. In a superficial sense, this is true. The Federal Reserve could make money easier, but it could not control the economic consequences of such action.

Free Market Virtues

"It is impossible to appreciate the function of the money market in a free economy without recognizing that the money market is, to a large extent, a mirror of the market for goods and services. Men are continually bidding against one another for the limited supply of the products of industry. The more money they have, the higher they are able to bid. The higher bids, however, cannot appreciably increase the output of an industrial system that is already operating virtually at capacity. Hence, the Federal Reserve, while it could make more money available, could not thereby make more goods and services available. It could only enable would-be buyers to raise their price offers still higher in the effort to outbid each other. In short, it could only produce inflation.

"Tight money, therefore, is a natural reflection of keen competition for a limited supply of goods and services and an essential means of preserving the balance between demand and supply when the competition becomes too keen. Those who demand easier money at such a time are really protesting against the necessary pinch of competition and are, in effect, demanding inflation."

Underwood, Neuhaus Open Branch in Texas

VICTORIA, Texas—Underwood, Neuhaus & Co. have opened a branch office in the McFaddin Building under the management of Ted B. Reed.

Worthington, Gurian Head Berk Depts.

T. F. Worthington

Thomas F. Worthington has been appointed Manager of the Trading Department for Berk & Co., 165 Broadway, New York City. Jeanne Rice Gurian is Manager of the Canadian Trading Department.

Mr. Worthington was formerly associated with C. Herbert Onderdonk & Co. for many years.

Hofstein V. P. of Cantor, Fitzgerald

BEVERLY HILLS, Calif.—Irving Hofstein, long one of the top executives of the Beverly Hills investment banking firm of Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive, has been named Vice-President in Charge of Research and Development, it was announced by President B. Gerald Cantor.

Illustrating the importance of the appointment was Cantor's statement that the search for investment opportunities will be one of the major functions of Cantor, Fitzgerald & Co.

Mr. Hofstein, a graduate of New York University, has been with Cantor, Fitzgerald for the past ten years.

With Gallagher-Roach

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Edward A. Doering is with Gallagher-Roach and Company, Lincoln-LeVeque Tower.

Brown, Bechard Formed

NORFOLK, Va.—Brown, Bechard & Co. is engaging in a securities business from offices at 1101 West Little Creek Road. Robert H. Brown, Jr. is a principal of the firm.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is backing and filling because there is some profit taking along with a rather rapid movement of quotations up and down. The thinness of the market in the intermediate and long-term sectors make it readily movable in both directions. After the sharp upturn which took place from the start of the year it was not surprising that a sizable part of these gains would be given up. Nonetheless, it is reported that not unimportant amounts of these securities are being taken out of the market by investors.

The larger offering of weekly Treasury bills are being well taken and the higher rates that are available to buyers of these issues are not to their disliking. It seems as though more money is becoming available for the purchase of short-term Government obligations.

Less Credit Stringency on "Fading Boom"

The money market continues in much the same vein that it has been in since the start of the year, which means that it is still tight and restricted, although the opinions which are being expressed indicate that the belief is growing that the worst is over in the bond market for the foreseeable future. It should be borne in mind that quotations in the bond market, that is all phases of it, whether it be corporates, tax-exempts or Governments, will be subject to movements in both directions, especially as the pressure is lifted or put on the money market.

However, it is believed in some quarters of the money market that the boom is fading, and if this is to be true, then the very restrictive pressure will be off the money market. This would not necessarily forecast an immediate change in policy as far as monetary policies are concerned, because it is evident that the powers that be are not likely to be too fast in taking the brakes off.

Capital Demand Strong, Despite Slower Economic Pace

The demand for funds in the capital market is still very strong in spite of evidence that this rate of increase seems to be slowing down somewhat. Inventory accumulation also appears to have slowed down considerably since the fourth quarter of last year. Home construction is also proceeding at a slower pace. Prices of certain products and commodities are likewise showing declining tendencies. Thus it is evident that soft spots are developing in the economy. Nonetheless, the signs of retrogression are not yet so strong as to be alarming, but it does seem as though it indicates that the inflationary pressures are not as strong as they have been in the past.

The taking of the froth off the boom could mean eventually that the demand for funds will slacken, and in the opinion of some money market specialists, this will be true in the not too distant future. Such a development of itself would bring about a considerable degree of ease in the money market unless there is action by the monetary authorities to offset it.

However, if the business pattern is changing, and there is to be a let-down in the economic picture, it is not likely that there will be the same desire to keep the money market as restrictive as it was when the boom and inflationary pressures were so strong.

Smaller Borrowing for Tax Purposes Indicated

Because the *ides* of March is approaching, with it will come the need to make income tax payments, and as is generally the case, there will be borrowings to obtain funds that will be turned over to the Federal Government. Last year, loans to meet income tax payments were very large, with the big money center institutions supplying most of these funds. It is a matter of considered opinion among some money market followers that there was more than a little overborrowing in the so-called "income tax loans" in 1956. It is believed that a fairly substantial part of these loans were for expansion, inventory and other purposes than for income tax payments.

As for the 1957 loans to take care of income tax payments on March 15, it is now expected that they will be considerably smaller than was the case a year ago. It is being pointed out that the proportion of taxes due on middle of March will be smaller, and that profits in some cases will be lower, which means less income tax to be paid. With little or no "overborrowing," this should mean a decreased demand for tax loans. With some help from the authorities the money market should have no trouble in getting over the March 15 hurdle.

Eastern Inv. to Be FIF Wholesaler

RED BANK, N. J. — Eastman Investment Co. of 157 Broad St. in Red Bank has been appointed Central and Southern New Jersey wholesaler of Financial Industrial Fund, a $65 million mutual investment trust, Jack Skakandy, Eastern's President, announced here yesterday.

The franchise was granted by FIF Investing Associates, Inc. of New York City, Eastern United States distributors of the Denver, Colo. fund.

Mr. Skakandy said the franchise covers all of New Jersey South of and including New Brunswick. He added that his company will continue its brokerage and mutual fund retail operations in the Red Bank area.

In its new wholesaling role, Eastern will send members of its executive staff to several New Jersey communities to familiarize local investment dealers with the various planned investment programs offered by Financial Industrial Fund. Among the cities in which the firm will conduct its wholesaling activities are New Brunswick, Trenton, Atlantic City, Camden, Asbury Park, Long Branch, Ocean City and Cape May.

With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — C. Parker Simpson is with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

NAM Urges $8.2 Billion Budget Slash

Association's directors specify areas where reductions can be made to prune Administration's proposed Federal budget for fiscal 1958. Board also urges continued implementation of Hoover Commission recommended economies; decentralization of central government powers; and Presidential and Congressional leadership to effectuate reductions in Federal spending.

The National Association of Manufacturers called recently for stringent pruning of proposed federal spending for fiscal 1958, strongly urging a $8.2 billion cut in the Eisenhower administration's $71.8 billion budget.

The association's board of directors, meeting at Boca Raton, Fla., said that proposed Federal spending of $73.5 billion (including the Federal highway program) carries both an "inflation potential and jeopardy to continued economic growth" of the nation.

Specific recommendations of the NAM included reductions of $4.1 billion in civilian spending, $2.2 billion in foreign aid, and $1.9 billion in military spending.

"In dealing with the budget," the directors said, "both the President and the Congress should recognize their responsibility to the wishes and needs of the whole people as distinct from the special interests of militant, articulate minority groups."

Three Other Suggestions

The NAM board urged that the President take "firm leadership in the implementation of budget reductions."

In addition to its specific budget recommendations, the NAM urged the speed-up of the economies in federal spending proposed by the second Hoover Commission.

The NAM board further urged a decrease in the "unwholesome concentration of power in the central government" and a "diffusion of power, resources and responsibilities among the several levels of government.

The NAM said that Congress should take legislative and organizational action to effect greater control of federal spending. It suggested the following steps: (1) restrict appropriations to demonstrated real needs and rescind existing appropriations backlogs to the maximum extent; (2) restrict open-end commitments whereby federal expenditures are determined by non-federal agencies; (3) review, modify, and repeal, as necessary, substantive legislation involving long-term fiscal commitments.

Reducing Domestic Spending

In the field of domestic spending, the NAM said that $4.1 billion could be cut from the budget by judicious pruning, such as holding certain programs down to 1956 or 1957 spending levels, avoiding new programs, and by completely eliminating certain programs which have been set up in the 1958 proposals. For example, the NAM said that $1.7 billion could be trimmed by holding a number of programs to 1956 or 1957 levels and by avoiding new projects; that $1.4 billion could be saved by eliminating certain programs; that $411 million could be saved by a 20% cut in grants-in-aid, as a first step in returning functions to the states.

Reducing Federal Centralization

In regard to the federal-state relationship, the NAM said that the Federal Government should restrain exercise of its powers, observe prudent fiscal and related policies, and by efficient reorganization manage competently the services delegated to it. The association urged that the federal government promote acceptance by the states of their full responsibilities and encourage the establishment of interstate compacts as a means of dealing with the regional problems.

"Individual citizens and voluntary groups," the NAM said, "should attend more closely and constructively to the affairs of their own state and local governments, to the end that dependence on the central government for doing the things that should be done at home may be terminated."

The NAM will release shortly a detailed study of the 1958 budget with specific recommendations for economies in each department and in individual programs.

Mortgage Repayments Termed Excellent

Mortgage Bankers release data showing excellent repayment record was maintained in 1956.

Mortgage borrowers last year established an excellent record of maintaining their payments, total loan delinquency for the year ended Dec. 31 amounting to only 2.27% based upon a study of 2,418,475 loans by the Mortgage Bankers Association of America. Of this number, 55,119 loans were delinquent at year-end as against 45,507, or 2.18%, a year earlier and 42,135, or 2.45%, on Dec. 31, 1954.

Veterans continued to maintain a good record of payment, G. I. loans three months or more overdue amounting to only 0.22 of 1%, two months overdue 0.41 of 1% and one month 2.14%.

2.27% Average

For Federal Housing Administration borrowers, the record is generally similar. Three months' or more delinquencies amounted to only 0.11 of 1%, two months 0.26 of 1% and one month 1.62%. Holders of conventional-type mortgages—those without government insurance or guaranty—showed 0.14 of 1% for three months delinquencies, 0.29 of 1% for two months and 1.23% for one month. Thus, for all three types of mortgages, the pattern was generally the same—a sharp drop between delinquent loans one and two months overdue. The overall average of 2.27% on Dec. 31 is for all delinquent loans regardless of the overdue period. The survey, made quarterly by the accounting and servicing division of the Association, covers one to four family residential loans and reflects mortgage holdings of investors in every section of the country.

Elliott M. Anderson

Elliott M. Anderson, member of the New York Stock Exchange, passed away Feb. 17 at the age of 59.

Edward M. Baker

Edward M. Baker, Cleveland Manager for Bache & Co., passed away Feb. 17 at the age of 81.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—William H. Shackelford III has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 1003 Walnut Street.

Special Situation Co.

Joseph R. Seidman is engaging in a securities business from offices at 120 Liberty Street, New York City, under the firm name of Special Situation Analysts.

Continued from first page

As We See It

tion. It has long been evident that Russia has in no way and in no measure altered its course, and that it has no intention of doing so. The Kremlin has from the first made use of the United Nations as a forum to preach its gospel and to push its power and influence further and further around the world. It has from time to time pretended to be interested in "justice" and international law, but usually the underlying purpose of stirring up trouble or its own aggrandizement has been plain enough. There is no reason whatever to suppose that Communist China is in the least interested in anything but ways and means of expanding its place and position in the world. Neither Russia nor Red China has the slightest interest in bringing an end to imperialism or exploitation except when indulged in by capitalist countries.

More to Lose Than to Gain

England and France yielded to pressure and withdrew their forces from Egyptian soil, but they did so doubtless because it became obvious to them that they had much more to lose than to gain from not doing so. Winston Churchill when he became war Prime Minister of Britain said that he had not come into office to preside over the dissolution of the British Empire. That or similar sentiments without question dominate much of the current thought in Britain and in France. They can, of course, be expected on the whole to employ much more finesse in their dealings with the world than is to be found in the actions of the Kremlin. They, particularly perhaps Britain, have long been relatively enlightened rulers of large sections of the earth. They will without doubt pursue their interests with moderation and circumspection—and ordinarily with foresight—but they have interests which at times run counter to those of other peoples in various parts of the world and they do not intend to surrender or neglect them. They probably could not long survive as first rate powers if they did.

In other large sections of the globe, other problems exist which tax the patience, the wisdom and the tolerance of mankind, all growing out of ardent nationalism or the equivalent of it among backward peoples. The Middle East, and India (together with surrounding regions) are cases in point. Most of these peoples have been "colonies" or parts of Western empires, and are suspicious of and hostile to any sort of interference or even attempted persuasion which emanates or seems to emanate from the west. But as the overlords vanish local rivalries and jealousies soon become evident. The efforts of the Kremlin to fish in these troubled waters do not help the cause. These parts of the world are politically speaking in a formative stage. Few, if any of them are ready to become internationalists in any sense of the term.

Similar difficulties have beset efforts to form a sort of "United States of Europe." In point of fact the peoples of the world generally are perhaps more diverse and more intent each upon its own ends than the various countries of Europe. There have been times when it almost appeared as if the logic of necessity might drive the countries of Europe into some sort of at least semi-effective political Federation or the like. But as always in such cases a *sine qua non* of success is a greater interest in the progress of the group as a whole than in purely local advancement, and that condition has not been present as yet.

The Time May Come

There may come a time when man's thinking will effectively support some sort of world government which at least would be strong enough to maintain the peace of the world, an internationalism which dreamers have dreamed about for a long while past. We are afraid that that time has not yet arrived. The United Nations will have served as good a purpose as could reasonably be expected of it at this time if it is able to act as an effective mediator in disputes which arise and which threaten the peace of the world. Possibly such a career for the world organization would in the end do about as much to advance the cause of world peace as could be done by organization of man in circumstances now existing.

We should be ill-advised, however, to permit ourselves to be led into the idea that meanwhile peoples are likely to lose sight of their "interests" and their ambitions. We must also expect that these ambitions will continue to clash from time to time. Time was when large sections of the world were so much under the domination of one or perhaps a very few powers that a sort of peace was enforced throughout most of the world. There is little doubt that a sort of pax Britannica prevailed for a good many years. The decline of the British Empire is what has led many to find a "power vacuum" in the Middle East and to suggest that the United States step in to fill it. But, of course, any such suggestion as this immediately arouses dark suspicion in the minds of the peoples in these areas—suspicions which our protestations of innocence of imperialistic interests do not allay.

The task of reducing the causes of conflict among the peoples of the world is a colossal one not likely to be completed for a long while to come, but that is no reason why it should not be undertaken as opportunity presents itself.

Continued from page 4

The Economic Outlook

tures did not increase as much in 1956 as they did in 1955. In 1956, the consumer showed an inclination to increase his savings . . . and consumer savings in 1956 are estimated at $20 billion, as against $17 billion in 1955. In 1957, the labor force will increase . . . wages in many industries will increase . . . and, with the support of high business capital expenditures and government expenditures of all kinds, there is every reason to believe consumer expenditures will at least equal those of 1956.

It must be borne in mind that this assumption is dependent upon a continuance of the state of fair equilibrium that presently exists in the economy . . . under which the 65 million employed spend a good percentage of their incomes. This, supported by big expenditures of business and government, develops a sort of perpetual-motion aspect. As we have seen in the past, this can be interrupted if some important imbalance should appear . . . an imbalance, for instance, such as wage increases far in excess of productivity. While, as you all know, this is recognized as a problem, I do not visualize it as likely to become sufficiently serious in 1957 to bring about a set-back.

It will be recognized that a substantial percentage of consumer expenditures are optional, . . . that is, they are of the nature of luxuries, and are not essential to keeping properly clothed, fed, and housed. A change in psychology, brought about by fears of whatever nature, could change the spending habits of the consumer and result in a decline in the spending described as optional. . . . However that may be, I am not anticipating any such change, and my estimate is that consumer expenditures in 1957 will increase by $8 billion to $10 billion.

Inventory's Prospect

Inventories are another important factor in the GNP, because a change in any one year from an inventory accumulation of, say, $3 or $4 billion to a decline of $3 or $4 billion . . . makes a total negative swing which, even today, is a fairly large sum. The mild set-backs of 1949 and 1953-1954 were, in part, accounted for by such a swing in the inventory position. In the 12 months ending October, 1956, inventories have increased about $6¼ billion . . . and are a higher percentage of sales than was the situation a year ago. . . . This sounds somewhat ominous, but a detailed examination of the figures is fairly reasuring. . . . Retail trade inventories were unchanged from 1955 levels, and wholesale trade inventories increased less than $1 billion. There was an increase of $1.7 billion in non-durable manufacturing inventories. The greater part of the increase—$3.6 billion — was in manufacturing durable inventories . . . $2½ billion of this $3.6 billion was in the machinery and aircraft industries. These industries have had a very substantial increase in unfilled orders; such orders in the durable goods industries increased $10 billion in the year ended September, 1956; $9 billion of this figure was represented by the increase in unfilled orders in the machinery and aircraft industries. This would appear to justify the increase in inventories in those industries. . . . I conclude, therefore, that the present inventory position is not paticularly vulnerable.

As to the movement of inventories in 1957; it is a well known fact that businessmen usually increase inventories as sales increase or show signs of increasing . . . decrease them if sales decline or show signs of declining. Since I believe sales in 1957 will be somewhat in excess of 1956—due to the movement of the various other factors making up the GNP—it seems probable that inventories in 1957 will remain at least at present levels with the probability that they may increase moderately.

Rising Government Spending

Government spending, as we all know, is a high-voltage factor in the national economy. Despite the high cost of money and its restraining effect on borrowings by states and municipalities, demands for schools, hospitals, municipal buildings, etc., continue high. In addition, we have the new highway programs, which call for substantial expenditures by both Federal and state governments. It is expected that the new Federal budget, for the year ending July, 1958, will call for larger expenditures than in the preceding year. In the calendar year 1957, actual cash disbursements by the Federal Government will probably increase $1.5 billion to $2 billion; state and municipal expenditures are likely to increase as much as $3 billion.

Moderate GNP Increase

All of this adds up to a GNP in the neighborhood of $428 billion . . . up 3¾% over the estimated $411 billion for 1956. Only part of the increase will be in actual physical volume . . . the balance, possibly one-half, will represent the effect of higher prices.

This percentage of increase in GNP is moderate . . . particularly that precentage which represents an increase in actual physical volume. Accordingly, I would expect the Federal Reserve Index of Production to show in 1957 only a nominal increase . . . of, say, 2%, to a figure of 146, as against the estimated 1956 figure of 143.

Close to Top on Yields

Turning now to the outlook for the money market in 1957: In view of the loaned-up position of the banks and insurance companies, and the prospects for business that I foresee for this year, it would appear that no consequential easing should be expected, except possibly for the seasonal softening that usually develops around this time of the year. However, with yields of 4½% on prime bonds . . . and with medium-term Governments yielding close to 3½%, I rather feel that we are close to the top in yields. This, of course, will not be true if business expands this year more than I now visualize.

It is interesting to consider the possible developments beyond 1957, although any such attempt must necessarily be quite speculative since economies is far from an exact science—with much depending upon imponderables (such as the general psychology of the consumer and the business-man).

Let us bear in mind that we have had nearly 12 years of almost continuous advances in production. In the early years following the end of the war, we were busy making good the shortages of the war years . . . then we had a new impetus arising out of the Korean War and the consequent enlargement in our defense spending. Then, coincidentally or otherwise, a new boom followed the election of President Eisenhower. This entire boom period is now old, judged by past economic history, and appears to be waning slightly. For example, business activity, as shown by the Federal Reserve Index of Production, has not been moving forward dynamically since the fall of 1955. In October of that year, the Federal Reserve Index was 143 . . . in October of 1956, it was 146 . . . never having gotten higher in the interim. (The estimate for December, 1956, is a little higher, about 147.) The Index for the entire year of 1956 improved 3% over 1955, and, as previously indicated, the probable 1957 increase will be smaller than that of 1956.

Secondary Postwar Recession?

A great change for the worse has taken place in the liquidity position of banks, business and consumers. There are signs in a number of industries (e. g., paper, chemicals, aluminum) that the capacity is more than ample for demands. Profit margins are being squeezed in various lines of business, and this could well affect plans for capital expenditures by industry. Also . . . there is the historic record of secondary post-war recessions, the great example of which appeared following the first world war. You may remember that after a fairly moderate set-back in 1919 and 1920, the economy moved forward in a very dynamic manner until 1929, when we had what many economists called the secondary post-war recession, which was certainly an understatement if there ever was one. The same thing happened after the Civil War and there have been similar occurrences in Europe. We have not had such an occurrence following the end of the second world war, and there is no visible evidence as yet indicating that we are close to any such development. The fact that we twice in this country suffered through so-called secondary postwar recessions, does not mean that it is bound to happen again. But, in view of the other considerations I have just mentioned, it is something to keep in mind.

All of this leads me to believe that in 1957 we are likely to go through what will prove to be largely a leveling-off-period. While I am not yet ready to suggest holding up the red light . . . as I have made clear in expressing my view of 1957's prospects . . . I do believe we should carefully follow developments, particularly in the capital goods sector.

On the other hand, the balance —that vital equilibrium to which

I have referred—is still with us and may carry on much longer than through 1957. One can never tell what may disrupt this equilibrium . . . but, certainly, an obvious disrupting influence would be a sharp decline in business capital expenditures. What I am suggesting is that the private capitalistic system has not produced an ever-advancing economy . . . and it will, I believe, be well to bear in mind the longer term considerations just referred to.

Foreign Situation

In discussing the economic picture, it would be unrealistic not to consider the foreign situation. We have, thank God, come through the disturbing events in Egypt without war involving Russia, England and France, in which we would in all likelihood have found ourselves ultimately participating. The highly ill-advised actions of the English and French, and the implications of their quick acceptance of a cease-fire following the threatening notes from Russia, just about removed the last vestages of prestige they had retained in the Middle and Far East, not to mention Africa. On the other hand, for what it's worth, the so-called non-committed nations have, as a result of events in Hungary, received some education on the true character of the Russians. These Hungarian events have even had their repercussions in Italy and France, the home of large Communist parties, the memberships of which seem to have substantially declined recently.

Apart from matters of prestige, France appears to lack the material and moral fiber to be a factor in the Middle East and England is showing signs of a similar nature. A vacuum certainly exists in the Middle East, despite faint pipings to the contrary from various Arab states, and Russia is likely to fill up the vacuum if we don't offer support to states in the area desiring help. I personally feel that we could not afford to have the Middle East oil in the control of the Russians. It is essential to the economy of Europe and it is my guess that this is definitely a factor in the thinking in Washington. With ex-President Truman supporting President Eisenhower it seems likely that the Congress will adopt the joint resolution proposed by the President, or something very much like it. Whether we like it or not—and there is, of course, good reason for concern at taking on this new responsibility — we must recognize that the assumption of these responsibilities is undertaken for our own security. Ever since Russia recovered from the effects of the second world war, we have been conducting a fight for our lives—bloodless since Korea—against a powerful and ruthless enemy of Western civilization.

Keep Military Strength

Both Russia and we possess the atomic and hydrogen bombs, in effect creating a stalemate. We never would start a preventative war, and the Russians, I believe, will not start something they are not sure they can finish. Therefore, if we remain strong not only in arms but throughout our whole economy and in our whole spirit, I do not believe we will have to face the prospect of all out war in the near future.

It is my belief that one of the important factors responsible for the world-wide improvement in trade that has taken place in recent years was the belief that the world faced a period of peace and a reduction in international tensions. The appearance of more conservative governments in many countries of the Western world also added to the confidence of the businessman. Combined with the actual economic conditions existing, we thus had an environment which was favorable to a great forward movement in business. . . . It must be recognized that this confidence regarding the foreign situation has diminished as a result of recent events in Europe and the Middle East . . . and that this cannot be considered as anything but an unfavorable development in the overall picture. However, I do not feel that its effects, in terms of economics, are likely to be felt in the immediate future. Over a longer period, the implications of this loss of confidence could well affect business conditions in all industrialized countries conducting international trade, and to a degree that would offset further increases in defense expenditures.

To recapitulate: We have reviewed 1956 and found, not to our surprise, that it was a good year, but not greatly better than 1955. As to 1957, we reviewed the various factors of the GNP, etc., and concluded that the year would be another good one, but only moderately better than 1956. We then advanced various considerations—mainly negative in character—regarding the longer term future.

Arthur Weir Adds

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—Alexander R. Ormon has been added to the staff of Arthur Weir & Company, Burns Building.

Joins Filosa Secs.

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo. — William B. Cline is now with Filosa Securities Company, 407 Main Street.

With Bardon Higgins

(Special to THE FINANCIAL CHRONICLE)

DULUTH, Minn. — Robert W. Hanft is now connected with Bardon Higgins & Company, Inc., Torrey Building.

Continued from page 6

Federal Tax Policy and The Economic Challenge

actly matched by increases in expenditures.

When M. Brundage, Director of the Bureau of the Budget, appeared before the Joint Economic Committee in its hearings on the President's Economic Report, I sought to determine from him whether there is any substantial basis for believing this pattern will be changed in the future. Specifically, I asked him: "Do you see any prospects in the succeeding fiscal year (that is 1959) that our budget estimates of expenditures and actual expenditures will be less than the $71.8 billion which is projected in this budget?" Mr. Brundage replied: "I doubt it. I am going to try. We are already starting on our 1959 projections and I would hope that we would be able to hold to the present levels, but I doubt if we could cut it very much."

I will not predict that we will fail to arrest this growth in Federal expenditures in the near future. But if we approach this question realistically and observe the recent trends in the budget, I think we must have some serious reservations as to whether this pattern of matching revenue increases with spending increases will soon be changed.

Forces Prompting Spending

There are, I believe, three factors principally responsible for this pattern. The first is the increase in our expenditures for national security, which accounts, incidentally, for about $2.4 billion of the $2.9 billion increase in total spending shown in the 1958 budget. Perhaps this amount could be reduced by increases in efficiency, in real terms, but so long as the world remains in its present troubled state of affairs, few if any of us will question the need for continuing and possibly increasing efforts in this category of governmental functions.

The second factor underlying increasing Government spending, I think, was expressed elegantly and concisely by the President in his press conference on Jan. 24. Let me quote his words: "And I will say this: as long as the American people demand, and, in my opinion, deserve the kind of services that this budget provides, we have got to spend this kind of money."

The President is, of course, right. Our representative Federal Government is quickly responsive to the wishes of the people of our country, and there is no aspect of our life which the nation more dearly prizes than this responsiveness. It is evident that the people have increased their demands on the Federal Government in the last few years. Can we predict that these demands, which result in large part from a rapid increase in population, particularly in urban communities, will soon slacken?

The third factor underlying the pattern of rising Government spending is inflation. The prices of virtually all the goods and services which the Government buys have gone up. For example, total net purchases of goods and services by the Federal Government in calendar 1956 were $300 million more than in calendar 1955, measured in the prices prevailing in each of those years. They were actually $1.3 billion less in 1956 than in 1955, however, when measured in the fixed prices of 1956. Continuing inflation, therefore, will result in increases in Federal budget expenditures even if the volume of goods and services provided, in real terms, remains constant.

Implications for Tax Policy

There are, I believe, serious and important implications for fiscal policy, and more specifically for tax policy, in this budget pattern.

First, while we agree with the President that the growing demands of the American people for public services will in time be met, we may nevertheless inquire as to which level of Government can best satisfy these wants. Most of us, I think, recognize that at certain times the Federal Government may have to assume a greater proportion of the over-all responsibility for public services than it has customarily in the past. But looking ahead, we have to seek ways in which State and local governments may overcome their present financial limitations in order to avoid an ever-increasing recourse to Federal aid.

Responsibility for increasing the financial capacity of State and local governments to provide increasing services must rest primarily with them. But some redistribution of tax sources among the Federal Government, the States, and the localities may also be required. When the Federal Government is ready to face up to this problem squarely, a primary consideration should be to prevent such shifts from adversely affecting the fairness of the combined Federal, State and local tax structure or its responsiveness to changing economic circumstances.

Second, we must reexamine prospects for general tax reduction. The modest budget surpluses estimated for the fiscal years 1957 and 1958 impose at least a slight curb on current, widespread inflationary pressures. These surpluses are based, of course, on continuation of present tax rates. Tax reduction, so long as these pressures persist, would contribute to general economic instability. They would aggravate the already heavy burden on general credit controls for restraining the rise in the general price level. By adding to inflationary pressures, tax reductions would also contribute to further increases in government spending.

Experience has shown us, of course, that we must always be prepared for quite rapid changes in the economic outlook. If during the coming months it becomes apparent that inflationary forces have subsided and that a stimulus to total demand is needed to maintain full use of our growing productive capacity, we should be ready to supplement easing of general credit restraints with a balanced program of tax reduction. Under such conditions, tax reduction will increase the opportunities of the private sectors of the economy to expand their spending programs and provide impetus for further real growth without general price increases.

Third, and I believe most important, we can no longer afford to defer serious, large-scale efforts for constructive revision of our Federal tax system. If we could count on being able to make substantial, general tax reductions in the near future, which all of us would welcome, there would be much less urgency for tax reform now. Many inequities and imbalances in the distribution of tax burdens would almost automatically be alleviated by sizable, widespread tax reductions. But so long as both budgetary and economic considerations make the prospects for such reductions relatively remote, we must now get on with the work of tax reform. If the Federal tax system is to be required to continue carrying fiscal burdens of the magnitude of the past several years, we must be sure that it is the fairest and the best system we can devise.

There is, I venture to say, not a single economic activity which is not affected or conditioned by our Federal tax laws. Evidence of the enormous impact of the Federal tax system is constantly brought to the attention of the Congress and the Administration by demands from taxpayer groups for tax revisions, and these demands are constantly increasing in scope and complexity. The professional journals of lawyers, accountants, and economists are replete with instances of the way in which taxes affect decision-making at the personal and business level, and with arguments for and against various approaches to tax reduction on the basis of their alleged importance to the nation's economic development. In short, without losing sight of the basic purpose of Federal taxation—raising revenues to defray the expenses of government—there is an ever-widening awareness of the significance of the Federal tax structure in shaping the complexion of our economic growth.

This awareness led to the broad program of tax changes which culminated in the Internal Revenue Code of 1954. There was in 1953 a general realization that our changing economy required review of existing tax law to determine how well it conformed with the nation's long-range economic requirements and with our standards of justice and fairness. No one, I am sure, will quarrel with these broad objectives.

In terms of the resources committed to the job, the Code of 1954 was a monumental undertaking. In many respects, it was a successful venture which resulted in a vast number of significant improvements in our tax structure. Nevertheless, it is evident that in many other important respects, the Code failed to meet the demands for simplification, greater equity, and closer conformity with the economic facts of life.

Throughout the income tax sections of the Code, for example, efforts were made to afford tax relief in the hardship cases which had been brought to the attention of the Congress and the Treasury. Today we find numerous instances in which these provisions have failed to this objective or have resulted in demands for equivalent relief from similarly situated taxpayers who, because of superficial differences, do not qualify for the benefits in the present law.

In the revision of the income tax, efforts were also made to eliminate tax obstacles to customary and respectable practices in the management of business and personal affairs. Today we find that having done so, we have also opened up new, unsuspected avenues of tax avoidance. The 1954 Code sought to provide greater precision in the law in order to minimize taxpayer uncertainties and therefore ease compliance and administrative burdens. Today we find new uncertainties have replaced old ones and that the application of the new provisions imposes burdens of confusion and complexity which are an even match for those in the old Code. Finally, the new Code was intended to remove tax barriers to business growth and to encourage certain activities which, presumably, were peculiarly important to economic development. Today we find a highly unbalanced growth in which new and small businesses are lagging behind their big, established rivals. We are also hard put to justify discrimination in tax treatment among creative activities which are apparently equally valued by the economy as a whole.

Actual experience to date in those areas of the Code where major efforts for technical and substantive revision were made have shown them deficient in terms of administrability, compliance, and fairness. Additional evidence is found in the difficulty which the Treasury Department, despite its wholly commendable efforts, has found in issuing regulations pursuant to these new statutory provisions. It has had to resort, as perhaps never before, to interpretation of statutes which were intended to eliminate the need for administrative discretion and ruling. In many instances, it has had to gloss over provisions, the precise application of which has so far defied the capacity of our vocabulary. And in many other instances, it has been necessary, apparently, to rely on judicial and administrative rules and interpretations under the 1939 Code to satisfy the daily demands of administration.

Apart from the errors of commission, the 1954 Code reflects numerous errors of omission. Many provisions of the 1939 Code pertaining to some of the most pressing problem areas were carried over virtually unchanged into the new law, at least insofar as the basic substance of these provisions is concerned. An outstanding example is afforded by Subchapters O and P, dealing with capital gains and losses. Since the inception of the income tax, the tax lawmaker has been plagued with problems of definition in this area. We have seen capital gains treatment extensively proliferated to the point where it now applies to a significant number of transactions in which nothing recognizable as a capital asset or as a sale or exchange is involved. The Code of 1954 made no contribution toward resolution of these difficulties, but rather added to them.

On balance, I have had to conclude that much of the work of structural improvement in our tax system remains to be done.

As a result of our experience in the preparation of the Code of 1954, many members of the Ways and Means Committee became more than ever aware of the tremendous burdens imposed on them in discharging their responsibility. The present Chairman of the Ways and Means Committee, my friend Jere Cooper, was I believe, particularly impressed by the strain which the requirements of responsible legislation imposed on the Committee as it was then functioning. By the middle of last summer, he was, I believe, convinced of the need for more extensive use than ever before of Subcommittees which would permit closer concentration on the principal problems lying within the Committee's jurisdiction. Because of his long experience in the field of Federal taxation, he appreciated more than the rest of us the benefits which the whole Committee would obtain as a result of the specialization in inquiry which use of subcommittees would make possible. His decision to set up three such subcommittees — the Subcommittee on Internal Revenue Taxation, the Subcommittee on Excise Taxes, and the Subcommittee on Customs, Tariffs, and Reciprocal Trade Agreements—will, I am confident, prove to be a milestone in our nation's fiscal history and a monument to Chairman Cooper's vision and insight into the highly complex field of Federal taxation.

Let me describe briefly the work of the Subcommittee on Internal Revenue Taxation, which it is my great privilege to serve as Chairman.

The broad purpose of the Subcommittee is a close, objective review of the major provisions of the Internal Revenue Code of 1954. I say "objective" advisedly. The spirit of the Subcommittee is one of searching, constructive appraisal and criticism, as devoid as possible of partisan bias. We seek to build upon the present to attain the best possible tax law and to establish a precedent in the revision of the nation's tax system based on a nonpartisan approach.

The Subcommittee's work, as now organized, has two major aspects: One involves an investigation of the substantive policy and technical adequacy of our tax statutes, and the other is concerned with the administration and enforcement of our tax laws. In connection with the first aspect, our initial approach has been a review of a number—certainly not all—of technical and clerical errors, ambiguities, and instances in which unintended benefits or hardships have been experienced by taxpayers. As you know, considerable progress has been made in this phase of our work, which has served not only to clarify issues in many cases, but to establish a strong foundation for cooperation among the Subcommittee and the staffs serving it, and the Treasury Department and Internal Revenue Service. It has also served, I am confident, to establish the non-partisan character of the Subcommittee's work. It is only on this basis that real progress can be made in providing long-range forward-looking improvements in our tax laws.

A second phase of the Subcommittee's endeavors is now under way. Advisory groups have been established to investigate the substantive policy and technical problems in Subchapters C, J, and K, and a fourth advisory group has reported on some of the problems confronting the Internal Revenue Service in administration and enforcement of the provisions of the 1954 Code. We have been fortunate in securing for these groups the services of many outstanding tax lawyers and accountants, assisted by the able staffs of the Ways and Means Committee, the Joint Committee on Internal Revenue Taxation, the Treasury Department, and the Internal Revenue Service.

Without in any way minimizing the importance of the work so far done and now under way, I must point out that it represents only a beginning in the task of revising our tax system in the light of basic standards of fairness, simplicity, and economic adequacy. The requirements of all of these standards point to the same objective—a tax system characterized by simplicity, relative ease of compliance and administration, absence of discrimination, neutrality in impact among alternative uses of productive resources, a high degree of responsiveness to changes in economic conditions, and finally, lack of bias against new and small businesses. Enumeration of these standards and characteristics highlights the magnitude of the job still to be undertaken.

There are major substantive areas with which our work so far has been concerned only peripherally. One of these, as I've indicated, is the whole broad question of capital gains. Another is the tax treatment of income derived from the extractive industries. A third concerns the large and varied issues in tax exemption.

I think we must move rapidly to resolve the problems in these and other important tax areas. A major limitation on our ability to do so is lack of widespread public awareness and interest. Until we have an adequate public response upon which to predicate major substantive reform, we will necessarily have to proceed slowly.

I would like to point out, however, that failure to meet these issues head-on and to resolve them is very costly, indeed. If the inferences I have drawn about future budget prospects are correct — namely, that increases in revenues will bbe matched by increases in spending — about the only major source of tax rate reduction would be substantive revisions of our tax laws. If, through such devision, by eliminating the myriad provisions which provide exceptional treatment for selected groups of taxpayers and in the process woefully complicate the law and make its administration extremely difficult — if through such revision we can substantially broaden the tax base, we can begin to make real progress in providing an individual income tax rate structure which might begin at 10% or 15% and top off at, say, 65% or 70%, perhaps even lower. I am sure you will all agree that this is an objective well worth our major efforts.

O C S Fund Adds

ORELAND, Pa. — A prominent investment banker and a well-known electronics executive have joined the Advisory Board of Over-the-Counter Securities Fund, Inc., the only mutual fund devoted exclusively to investments in over-the-counter securities. The new board members are Bertram M. Wilde, President of Jannev, Dulles & Battles, Inc., Philadelphia investment house, and James M. Riddle, Jr., President of National Aeronautical Corp., Fort Washington, Pa., aviation electronics manufacturers. Mr. Wilde is also a director and Vice-President of Boone County Coal Corp. Mr. Riddle has been a past President of the Aviation Distributors & Manufacturers Association and was a scientific consultant to the Air Force during World War II.

Other members of the Advisory Board of Over-the-Counter Securities Fund, Inc., are: Edward J. Caughlin, Senior Partner of Edward J. Caughlin & Co., Philadelphia investment firm, and President of American Insulator Corp.; Robert T. Sheen, President of Milton Roy Co., pump manufacturers; Lloyd Christianson, President of Electronics Associates, Inc., analog computer manufacturers; Thomas Graham, President of Bankers Bond Co., Louisville investment firm; and Joseph T. Smith, Jr., technical representative of Monsanto Chemical Co., Philadelphia, Pa.

P & S Division Elects Officers

The following officers of the Purchases and Sales-Tabulating Division of Wall Street, Association of Stock Exchange Firms, have been elected for the term of one year:

President: Albert J. Eisenberg, of Bache & Co.

First Vice-President, Raymond Schibowski, of Hirsch & Co.

Second Vice-President: Carmine Carmello, of Richard J. Buck & Co.

Treasurer: John E. Jacobs, of Eastman Dillon, Union Securities & Co.

Assistant Treasurer: Robert Gerber, of Troster, Singer & Co.

Secretary: John H. Kirvin, of Stock Clearing Corp.

Assistant Secretary: Gerald Pyper, of Shields & Co.

Financial Secretary: Howard Sundheimer, of Sartorius & Co.

Allen Shaw in New York

Allen Shaw Co., of San Marino, Calif., has opened an office at 415 Lexington Ave., New York City.

Forms J. R. Veditz

Jean R. Veditz Co., Inc., has been formed with office at 160 Broadway, New York City, to conduct a securities business.

With Ellis, Holyoke

(Special to The Financial Chronicle)

LINCOLN, Neb.—Carl R. Brasee is with Ellis, Holyoke & Co., 134 North 13th Street.

Underwood Elects

Directors of Underwood Corporation have elected William G. Zaenglein as a member of the Board. In addition, Albert J. Hettinger, Jr., now a director, was elected a member of the Executive Committee.

Mr. Zaenglein has been Executive Vice-President of Underwood since March, 1956. Prior to that he was President and later Vice-Chairman of the Board of the Monroe Calculating Machine Company. He is a member of the American Management Association, Office Equipment Manufacturers Institute, American Ordnance Association, and also serves as Chairman of the Payroll Savings Defense Bond Committee of the State of New Jersey.

Mr. Hettinger is partner in Lazard Freres & Company. He also serves as a director of Jones & Laughlin Steel Corp., Pacific Finance Corp., Western Pacific Railroad, Lincoln National Life Insurance Co., and many other nationally known companies.

With Merrill Lynch

(Special to The Financial Chronicle)

CHICAGO, Ill. — William L. Dioner, Jr., Alvin B. Epstein, Lloyd I. Israels, Simon J. Morand, III, Ralph W. Schott and Albert P. Wojtar are with Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

Shearson, Hammill Branch

MANCHESTER, Conn.—Shearson, Hammill & Co. have opened a branch at 913 Main Street under the management of Edward W. Krasenics.

Form H. R. Baird Co.

(Special to The Financial Chronicle)

SOUTH YARMOUTH, Mass. — Harold R. Baird is now engaging in the securities business from offices on Studley Road under the firm name of H. R. Baird & Co.

Kneeland Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Robert D. Kafka has become connected with Kneeland & Co., Board of Trade Building, members of the Midwest Stock Exchange.

Continued from first page

Investing for Pension And Profit-Sharing Trusts

forecaster, I shall try to express one point of view on how investors of retirement trusts may live with the existing situation. I respect other choices of program and admire all favorable investment results.

I shall not dwell upon our gross national product; the spending of consumers, industries, and governments; the Federal Reserve index of production; the inventory situation; too high distribution costs; too low depreciation charges; or the ebb and flow of activity in construction, in manufacturing, in distribution, in agriculture, or in service lines. Neither shall I speak of all the ramifications of commodity price movements, competition, labor, wages, productivity, measures for full employment, retirement benefits, debt, and savings. Nor am I to discuss as such the domestic political scene, topped by an executive of one party, a Congress of the other; or the foreign situation, which itself has the same economic, financial, social, and political aspects as the domestic scene.

Suffice it to say that these are but a part of the factors for consideration by any investor. We must have general acquaintance with current basic data and trends to enable making decisions between possible alternatives. Our task is to determine which possibilities will be translated into probabilities. To the extent that our decisions are wise ones, we shall achieve investment success.

Retirement Trust Investment Policy

I turn now directly to the matter of retirement trust investment policy. With us, in Old Colony Trust Company and The First National Bank of Boston, the key to present investment lies in the following, taken from our minute book:

"It is recommended that, in general, retirement trusts continue to make limited purchases of common stocks, giving consideration at the time of any purchase to the proportion of market value already in common stocks and to the ratio of current and anticipated increments to the then existing account."

Seven points are to be made in explanation of this policy. For illustrative purposes, reference is made to our most typical accounts, those with a 30% "basic percentage."

(1) Basic percentage defines the proportion of the particular account at book value to be invested in common stocks. A new account is to be invested in commons to the extent of its basic percentage within its first investment period.

(2) The term "cash increment," when applied to retirement trusts, includes cash received from the employer, income to be invested, and net profits from security transactions. Cash contributions of employees may or may not be invested in the same way as cash received from the employer, depending upon the circumstances of the particular account.

(3) Were a straight dollar-averaging program to be followed, the basic percentage of each cash increment would be invested in common stocks. Where we have discretion in our trust function, we have modified dollar-averaging as the stock market has risen (above 450 Dow Jones).

(4) As long as the market value percentage of commons in an account remains within five percentage points of the basic percentage, each cash increment is invested in commons to the extent of the basic percentage.

(5) If the market value percentage of commons drops 5 percentage points below the basic percentage, such proportion of each cash increment is invested in commons as will restore the market value percentage to the basic percentage.

(6) If the market value percentage of commons becomes more than five percentage points above the basic percentage, the proportion of each cash increment to be invested in commons is reduced on a graduated scale as the gap widens. In our 30% based accounts, we have chosen to put 24% of each cash increment into commons when market value percentage is in the 36% to 40% range, 15% of increment when market is in the 41% to 45% range, 6% of increment when market is in the 46% to 50% range, and none if market is above 50%. Accounts based at another level use somewhat different graduated scales.

(7) Exceptions from the general policy may be made where appropriate.

Now, all this may sound pretty complicated, but it really is not. We think we shall buy fewer stocks higher and more stocks lower than by straight dollar-averaging. In any event, we reserve the right to change our minds. We refuse to abdicate from the position that a trustee must always exercise the best possible judgment. We think the program consistent with our modest selling of stocks from accounts other than retirement trusts.

I know that some of my good friends do not agree with this policy outlined for pension and profit-sharing trusts; they prefer straight dollar-averaging and adherence to a book value basis.

Common Stock Investment

Having expressed a policy geared to common stocks, I am going to do common stock investment the injustice of covering it very briefly. That is what I did with bond investment a year ago. You know what has happened to the bond market.

I did refer last year to a list of 20 growth stocks put together at the end of 1955 as a $100,000 investment. (see table I). Did it grow, or did it not? For the year 1956 the answer is "Yes." The market value became $110,059, up 10.1%, which compares with a 2.3% rise in the Dow-Jones Industrials. Income, which would have been but $2,500.27 in 1955, was actually $2,789.39 in 1956, and is now estimated as $2,903.93 for 1957. Taking the list as a whole, then, yield this year is indicated as only 2.90% when related to cost at Dec. 30, 1955, and 2.64% when related to market values a year later. Needless to say, such a stock yield has a more difficult time competing with a 4½% bond market than with a 3½% bond market.

The problem of stock selection, so vitally important, is demonstrated by my list, which was specifically designated as biased toward growth at some sacrifice of immediate income. Among the 20 stocks, the one selling at the highest price per share, and yielding the least, rose the most, 67.5% in 1956; another three were up by more than 25%; a total of 14 beat the Dow-Jones Industrial performance; and four actually declined. Income from one of the issues was smaller in 1956 than in 1955, but for each of the other 19 it was higher.

On the whole, I think the list a fairly representative one for trustees who think as we do, using such growth stocks in combination with special situations. As a matter of personal interest, I am going to let the list stand unchanged at this time by way of illustration of the principle that the long view is better than the short.

I cannot leave this subject of common stocks without reminding you of my personal philosophy on stocks, in a nutshell:

Management is by far the most important determinant of business success. What others think of a stock is important. The future is more significant than the past. The problems of specialty companies and regulated industries are great. All judgments are relative. Excess diversification invites carelessness. Never fight a defensive investment war in common stocks. Watch your capital exposure. Markets may go down faster than up. Set your investment sights high, for each $20,000 of original investment compounded at 75% seven times grows to more than $1,000,000.

Bond Investment

How many of us here today can say that our bond investments did well in 1956? Very few, I think—if any. The money market was not conducive to good bond performance.

Fortunately, our investment for retirement trusts permits purchases over a period of time. We cannot now be sure that the bond market has hit bottom, but we do know that yields are much more generous than they were 12 months ago. Still better buying opportunities may lie ahead.

If visibility as to the business outlook is now low, it naturally follows that one's view of the money market is not clear. The banking system is heavily loaned. Bankers, uncertain as to the future deposit trend, are shooing borrowers toward the security markets—out of the short and into the long-term field. At the same time, some enterprises find capital unavailable or consider it too high-priced for public offering or private placement of securities. These head into the banks for

TABLE II

Specimen Bonds for Purchase — December 31, 1956

Face Value	Issue			Dec. 31, 1956 Market At About	Approx. Amount	Indicated 1957 Income	Approx. Yield
$8,000	U.S.A. Treasury Bills		4/ 4/57	99.186	$7,935	$331.12†	4.15%†
8,000	U.S.A. Treasury	2½	6/15/69-64	88 28/32	7,110	200	3.61
8,000	U.S.A. Treasury	3¼	6/15/83-78	96 20/32	7,730	260	3.45
8,000	Australia	4½	6/15/71	99	7,920	360	4.60
8,000	Ontario	3⅝	11/ 1/78	93	7,440	290	4.11
8,000	Associates Investment	3⅜	9/ 1/62	94 1/2	7,560	270	4.45
8,000	C. I. T. Financial	4	1/ 1/60	100 1/8	8,010	320	3.96
8,000	General Motors Acceptance	4	7/ 1/58	100	8,000	320	4.00
8,000	James Talcott, Inc.	5¼	4/ 1/70	100	8,000	403.08‡	5.06§
8,000	General Electric	3½	5/ 1/76	96 3/8	7,710	280	3.77
8,000	General Motors	3¼	1/ 1/79	90 1/2	7,240	260	3.90
8,000	Kendall Company	5¼	11/ 1/77	100	8,000	361*	4.51§
8,000	Scott Paper convertible	3	3/ 1/71	95	7,600	240	3.44
8,000	Standard Oil (New Jersey)	2⅜	5/15/71	82 7/8	6,630	190	3.85
8,000	Florida Power & Light	4⅜	12/ 1/86	100 3/4	8,060	350	4.33
8,000	Georgia Power	3⅜	12/ 1/78	91 1/4	7,300	270	3.97
8,000	Public Service Electric & Gas	4⅜	11/ 1/86	101 5/8	8,130	350	4.27
8,000	Northern Natural Gas	3¼	11/ 1/73	90 1/2	7,240	260	4.02
8,000	Tennessee Gas Transmission	4¾	11/ 1/76	100 1/2	8,040	380	4.71
8,000	Michigan Bell Telephone	4⅜	12/ 1/91	103	8,240	350	4.21
8,000	Pacific Telephone & Telegraph	4⅜	8/15/88	102	8,160	350	4.26
8,000	Atlantic Coast Line equipment	4¼	1/ 1/61	100 3/8	8,030	340	4.15
8,000	Baltimore & Ohio	3⅞	8/ 1/70	83 1/2	6,680	310	5.64
8,000	Chesapeake & Ohio equipment	4⅛	10/23/59	100 3/8	8,030	330	4.09
8,000	Great Northern	5	1/ 1/73	104 1/2	8,360	400	4.60
$200,000				Totals	$193,155	$7,795.20	
						Current Yield	4.04%

† Assumes reinvestment at 4.50% at maturity.
‡ Forward commitment payable 2/1/57 so income includes $18.08 discount on U.S. bills due 1/31/57.
* Forward commitment payable 9/3/57 so includes $202.50 interest on Fed. Int. Cred. Bank 3.75 due 9/3/57 plus $27 standby fee at ½%, less $5. premium paid on F.I.C.B. 3.75s.
§ Yield in subsequent years 5¼%.

Specimen Preferred Stocks — December 31, 1956

Shares	Issue	Dec. 31, 1956 Market At About	Approx. Amount	Indicated 1957 Income	Approx. Yield
50	Kansas City Power & Light 4.35% preferred	87 1/2	$4,375	$217.50	4.97%
200	Pacific Gas & Electric 4.36% preferred	21 3/4	4,350	218	5.01
50	Eastern Gas & Fuel Associates 4½% preferred	78 1/2	3,925	225	5.73
100	Sunray Mid-Continent Oil 5½% convertible preferred	36 1/2	3,650	165	4.52
		Totals	$16,300	$325.50	5.06%

TABLE I

$100,000 Growth Stock Investment — Bought December 30, 1955 — Performance for 1956

Shares	—$100,000 Investment—	Cost Dec. 30, 1955	1. Dec. 30, 1955 Close	2. 1955 Dividend Paid	3. 1955 Yield: 2./1.	4. 1956 Estimated Dividend	5. 1956 Yield: 4./1.	6. Shares at Dec. 31, 1956	7. Dec. 31, 1956 Close	8. Dec. 31, 1956 Amount	9. Percent Increase 1956	10. 1956 Income: ex-div.	11. Yield on Cost: 10./Cost	12. 1957 Estimated Income	13. 1957 Yield on Cost: 12./Cost	14. 1957 Yd. on Dec. 31, '56 Amt.: 12./8.
25	du Pont	$5,775	231	$7.00	3.03%	$7.00	3.03%	25	192¾	$4,819	—16.6%	$162.50	2.81%	$162.50	2.81%	3.37%
45	Union Carbide & Carbon	4,956	110⅛	3.00	2.72	3.00	2.72	45	115¾	5,209	5.1	141.75	2.86	162.00	3.27	3.11
80	Dow Chemical	4,840	60½	.9804	1.62	1.00	1.65	81.6	67⅛	5,477	13.2	92.43	1.91	97.92	2.02	1.79
40	Standard Oil (N. J.)	6,105	152⅝	5.2674	3.45	5.25	3.44	120	58¾	7,050	15.5	252.00	4.13	264.00	4.32	3.74
50	Gulf Oil	4,625	92½	2.1635	2.34	2.50	2.70	52.5	123⅞	6,503	40.6	125.00	2.70	131.25	2.84	2.02
49	Continental Oil	4,900	100	2.85	2.35	3.00	3.00	49	126½	6,198	26.5	149.45	3.05	156.80	3.20	2.53
40	Aluminium, Ltd.*	4,300	107½	1.8275	1.70	1.87	1.74	40	120	4,800	11.6	79.90	1.86	81.60	1.90	1.70
70	Corning Glass Works	4,813	68¾	1.50	2.18	1.50	2.18	70	69¾	4,883	1.5	105.00	2.18	105.00	2.18	2.15
60	Eastman Kodak	4,860	81	2.1429	2.65	2.65	3.27	63	87¾	5,528	13.7	159.00	3.27	166.95	3.44	3.02
100	General Electric	5,775	57¾	1.60	2.77	2.00	3.46	100	60¼	6,025	4.3	200.00	3.46	200.00	3.46	3.32
12	International Business Machines	4,836	403	3.9024	.97	4.00	.99	15	540	8,100	67.5	57.00	1.18	60.00	1.24	.74
44	International Paper	5,005	113¾	2.8929	2.54	3.00	2.64	45.32	105	4,759	— 4.9	132.99	2.66	135.96	2.72	2.86
45	Minnesota Mining & Mfg.	5,040	112	1.65	1.47	1.80	1.61	90	67⅛	6,041	19.9	87.75	1.74	90.00	1.79	1.49
60	Pittsburgh Plate Glass	4,935	82¼	2.3895	2.91	2.50	3.04	60	83¼	4,995	1.2	165.00	3.34	165.00	3.34	3.30
135	Sears Roebuck	4,860	36	.9901	2.75	1.15	3.19	136.35	28⅝	3,903	—19.7	135.00	2.78	136.35	2.81	3.49
30	Hartford Fire Insurance	4,890	163	2.70	1.66	3.00	1.84	30	136	4,080	—16.6	90.00	1.84	90.00	1.84	2.21
45	Insurance Co. of North America	4,905	109	2.50	2.29	2.50	2.29	54	95	5,130	4.6	129.37	2.64	135.00	2.75	2.63
130	Florida Power & Light	4,875	37½	1.025	2.73	1.20	3.20	130	47⅞	6,224	27.7	158.60	3.25	166.40	3.41	2.67
130	Texas Utilities	4,875	37½	1.16	3.09	1.28	3.41	130	40⅛	5,216	7.0	171.60	3.52	187.20	3.84	3.59
75	First National City Bank—N.Y.	4,829	64⅜	2.45	3.31	2.60	4.04	75	68¼	5,119	6.0	195.00	4.04	210.00	4.35	4.10
		$99,999								$110,059	10.1%					
	Total Income on Above List			$2,500.27		$2,694.95						$2,789.39		$2,903.93		
	Yield on Above List				2.50%		2.69%						2.79%		2.90%	2.64%

*Aluminium, Ltd. dividend used is after 15% Canadian tax—not recoverable by a pension trust.

"temporary" accommodations. The result is a veritable rationing of available credit.

Money, along with men and materials, has become a limiting factor in the economy. Its price is up because it is in short supply. Meanwhile, working capital requirements of industry remain high. Full employment keeps consumer spending high; businessmen think of plant and equipment expenditures as matters of necessity rather than choice; an increasing defense undertaking is jointly shouldered by industry and the Federal Government; and our growing tax burden is testimony to the great spending at all government levels.

Inflation Ahead?

There is certainly the real question whether we are headed for a runaway price level and inflation or for inventory problems and deflation. Probably the answer lies in our productivity—not the productivity of labor alone, but the joint and interdependent productivity of labor and capital. Have we the collective fortitude to meet the challenge; put on the brakes; and ease the men, money, and material shortages? Perhaps 1957 will bring the answer.

In the perspective of "What would I have done in their place?," I find myself pretty much in accord with recent Federal Reserve policy. Alert to its responsibilities as a force for stabilization, an agency to lean against the wind, the Fed seems to be letting the law of supply and demand take its course. After all, might it not be preferable to have one man unemployed at the end of 1957 out of each 1,000 now in the labor force, than to have five out of each 1,000 lose their jobs one, two, or three years later, should a further bubble on the boom collapse? In short, is an orthodox rise of money rates that might temper the business pace of 1957 really to be feared? I would prefer to apply the snaffle now rather than the curb bit later; to take the long view rather than the short. I am convinced that this will better serve the interests of both labor and capital. Temporarily unfavorable to the bond market, it would better protect the long-term position of all bonds.

The situation of the Treasury is not enviable under current conditions. Much of the Federal debt is short. I believe, however, that a higher interest charge on the debt is preferable to runaway commodity prices. Were I in the Treasury's shoes, I would fight for adequate taxes to enable some debt reduction. I would use a competitive rate to get for the government its share of available long-term money, keeping constantly before such buyers as pension trusts the opportunity to take down long bonds. After all, government bonds remain the strongest security in the world, a good backlog for the fixed-income side of any investment list. Can we expect a stabilized corporate or tax-exempt bond market before Federal Government issues have stabilized?

Questions to Answer

It is easier for the bond buyer today to ask questions than to find their answers. For example: What are the aggregate magnitudes of supply and demand? Are the buyers who continue to take bonds at 4% to 4½% yields better judges of the situation than those now insisting on 5% to 5½%? To what extent will reluctance to take losses keep the largely nominal price level of old bonds above that of new issues? Will oversupply of tax-exempts bring their yields to levels generally attractive to new types of buyers, including retirement trusts? How much spread may be expected in the future between governments and top-grade corporates? What maturities are most appealing on today's yield curves? Are callable features yet sufficiently attractive? Are sinking fund terms suitable? Which convertibles are bargains? Are capitalization ratios adequate?

On the answers to these questions opinions will differ widely. They are, however, a few of the many things about which we must think when making bond investments.

The biggest question of all for 1957 is perhaps whether business will remain sufficiently active to keep money tight and bond portfolios depressed, while making bond purchases increasingly attractive, particularly as against stocks; or whether business may soften to the point of easing money and improving bond prices, while squeezing profit margins further. Possibly a cue to the answer will come from the action of commodity prices and, later, from employment figures.

Other Investments

Mortgages and real estate under lease are specialized fixed-return investments of which I shall not speak except to acknowledge their merit when rates are attractive. For most recent offerings that has not seemed the case. One must also recognize possible pitfalls in these areas, particularly if a trustee operates across state lines.

Preferred stocks, approaching the 5% yield basis for some pretty good names, have more appeal now than a year ago. I am tempted to nibble at certain utility preferreds and a few others, including some with improving characteristics or convertibility.

A Specific Fixed-Income Investment

I shall not detail a specific bond and preferred stock list for current investment, but I did prepare one, (see Table II). In summary, let me say that it consists of 25 units of $8,000 each of bonds and of four units of preferreds. At Dec. 31, 1956 markets the values were $193,155 in bonds, $16,300 in preferreds. In combination with values of the same date for my growth stock list of a year ago, we now have a $319,514 pension trust invested roughly 60% in bonds, 5% in preferreds, and 35% in commons.

The specimen bonds of this list, based on face values, include: United States Government, 12%; foreign government and provincial, 8%; finance company, 16%; industrial, 20%; power and light, 12%; natural gas, 8%; telephone, 8%; and railroad, 16% (of which one-half are equipment trusts). Maturities are 24% within 10 years, 40% from 10 to 20 years, and 36% over 20 years. Quality averages nearer Aa than A, with 32% Aaa, 12% Aa, 44% A, 4% Ba, and 8% unrated. Current yield of the bond list is estimated at 4.04% for 1957.

The four preferred stock specimens include two utilities, a coal, and a convertible oil issue. The yield for the group is 5.06%.

Finally, then, with the growth common stocks included at their 1957 estimated yield of 2.64%, (see Table I), the account, put together from selections at two year-ends, looks as though its composite current return this year will approximate 3.61%. Note well, however, that this is current yield, without benefit of a net discount accumulation on the bond list. Then, too, we have used a "loaded" common stock list, with subnormal immediate income characteristics but expectations of long-term growth of both principal and interest. We also have set up our purchases on but two arbitrary dates, without benefit of dollar-averaging. In actual practice, with such averaging, we may expect to have some stock investments whose yields on book value will climb to 6%, 8%, and even more. If our sights are set sufficiently high and our selections are sound, both income and principal performance will well reward our efforts.

New York Stock Exchange Weekly Firm Changes

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

Samuel Hirsch & Co. will be dissolved effective Feb. 28.

James P. Magill, general partner in Eastman Dillon, Union Securities & Co., will become a limited partner effective March 1.

S. Cliffton Mabon, general partner in Mabon & Co., will become a limited partner effective March 1 at which time Mabon Kingsley, general and limited partner, will cease to be a general partner, but will continue as a limited partner.

Effective March 1, J. Henry Fellers and Jack Wiggin, general partners in Merrill Lynch, Pierce, Fenner & Beane, will become limited partners, and Alpheus C. Beane, John J. Gurian, Edward A. Pierce and Richard A. Woods, general partners, will become general and limited partners.

With Rodman & Renshaw

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Harry B. Hamilton has become associated with Rodman & Renshaw, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Hamilton was formerly with Bache & Co. and prior thereto for many years with Fairman, Harris & Co.

Rejoins L. W. Chamberlain

(Special to THE FINANCIAL CHRONICLE)

RED WING, Minn.—Reuben A. Skogland has rejoined the staff of L. W. Chamberlain & Co., 315 East Avenue.

First Southeastern Corp. Being Formed

COLUMBUS, Ga. — Effective March 1 the firm name of Cabell Hopkins & Co., Inc., Fourth National Bank Building, members of the New York and Richmond Stock Exchanges, will be changed to First Southeastern Corporation. On that date Paul A. McDougal will be admitted to the firm. Mr. McDougal has been conducting his own investment business in Columbus.

Joins Straus, Blosser

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Norman B. Libman has joined the staff of Straus, Blosser & McDowell, 39 South La Salle Street, members of the New York and Midwest Stock Exchgs.

Continued from page 3

Current Developments in Federal Regulation of Securities Markets

over $60 billion is applied for capital purposes of industry, that is to say, to provide plant facilities, tools and working capital needed by American industry. Much of the $60 billion amount is supplied from internal sources, such as depreciation accruals and retained earnings. The capital formation process supplies the balance estimated at $7 to $8 billion annually through investments in the capital markets by the American people.

Increase in Market Values

The aggregate market value of all stock on all stock exchanges, which never exceeded $100 billion before 1946, except briefly in 1929, increased from $111 billion at Dec. 31, 1950, to over $250 billion at June 30, 1956. The Dow Jones Industrial average of stock prices on the New York Stock Exchange reached an all-time high of 521.05 on April 6, 1956, and close on Feb. 19 of 466.84 is considerable when you remember that during the years 1933 to 1949 it never exceeded 220. The value of the gross national product broke through the $400 billion annual rate figure in 1956 as compared with $340 billion in 1952.

The dollar value of securities which changed hands on the New York Stock Exchange rose to $32 billion in fiscal 1956, more than double the comparable figures of fiscal 1953, and like increases were registered on the regional exchanges and are believed to have also occurred in the over-the-counter market.

The work of the Commission in sustaining the investors' confidence in the integrity of the capital markets must take into account conditions which if permitted to exist can only result, ultimately, in the destruction of investor confidence and the thwarting of the Congressional objectives set forth in the Federal securities laws. Our free enterprise system will be damaged if these conditions grow and are not stamped out. A few of these problems with which the Commission has been faced and our efforts to cope with them are deserving of your consideration.

Influx of Brokers and Dealers

First, the activity in the capital markets has attracted many new brokers and dealers to the securities business, some of whom are inexperienced and unfamiliar with the obligations owed to their customers, some of whom have been drawn into the business in the hope of a quick profit rather than the establishment of a sound business reputation built painstakingly upon just and equitable principles of trade, and some of whom are downright dishonest. A number of new brokers and dealers have lacked adequate financial resources or speculated unwisely, thus getting into financial difficulties which threaten the safety of customers' funds or securities entrusted to them.

In order to meet this problem, the Commission has expanded its broker-dealer inspection program. We are making more frequent broker-dealer inspections and investigations of irregularities by brokers discovered in inspections or as a result of complaints received from the public, and we are presently instituting more disciplinary proceedings for broker-dealer revocation, and injunctive actions in the Federal Courts and are referring more cases in which violations have been wilful to the Department of Justice for criminal prosecution, than at any time in the Commission's history.

Second, as an outgrowth of the dishonest broker-dealer problem, there has been a resurgence of the old-fashioned "boiler room." Investment analysts might ask why it is appropriate for a member of a Federal law enforcement agency to "lecture" to them about "boiler rooms." Obviously, a skilled financial analyst should have sufficient common sense and prudence to avoid the purchase of speculative securities on the basis of a long distance telephone call from a broker whom the analyst has never met and this is undoubtedly true, except occasionally. The fact of the matter is that, not only has the general investing public been gullible and foolish when the high pressure salesman calls up on the long distance telephone purporting to represent a reputable house on Wall Street or from Canada and holds out promises of speculative profit, but we have had occasional instances in which men of skill and experience in finance have become the unwitting victim of these "boiler room" high pressure selling techniques.

An investment counselor of a western city recently called up my office and expressed great criticism of the Commission that a particular stock, in which he had purchased $65,000 worth, had by action of the Commission been temporarily suspended from trading on the American Stock Exchange pursuant to Section 19(a)(4) of the Securities Exchange Act. When we asked him how he happened to buy it, he stated that a man he had never heard of or met before called him up from a brokerage firm in New York City, of which he had never heard and in whose offices he had never been, and gave him a wonderful story about what a fine investment it was. Of the $65,000 of stock he purchased, he placed $40,000 worth in teachers' pension funds. The next day he arrived in my office in Washington and apologized for his criticism, because he realized that the action taken by the Commission in the case had one, and only one, objective, namely the best possible protection pending the development of the facts as to the company's actual financial condition in proceedings under Section 19(a)(2) of the Act that could be afforded present and prospective investors in the particular stock. This was an unusual case, and I cite it only to highlight the danger to unsophisticated investors of these high pressure selling techniques used by boiler rooms in New York City and in Caanda. I am happy to say that, as a result of the Commission's stepped up enforcement program of the past several years, some of these firms have been enjoined.

Claimed But Not Available Exemptions

Another problem which has been acute is the sale of securities without registration under the Securities Act of 1933 based upon claimed exemptions which, in fact, are not available. The number of securities which have been sold in violation of the registration, prospectus and anti-fraud provisions of the Act, pursuant to such claimed but not available exemptions, is substantial, but the exact amount cannot be determined because there is no requirement in the law or our rules that the Commission be notified of transactions made in reliance on exemptions. But we find, months after they have taken place, large offerings, which purported to be non-public and hence exempt, in which promptly or shortly after the initial distribution of the securities, usually to an inside group, large public distribution to hundreds of investors has been made.

The "Intra-State" Exemption

We find similar conditions with respect to the "intra-state" exemption. We believe it is time that issuers, underwriters, brokers and dealers, and lawyers interested in the financial markets re-examine the policy of the Congress expressed in the registration and prospectus requirements of the Securities Act. The Securities Act provides for registration of new issues of securities and the delivery of prospectuses so that the prospective investor may receive adequate information on which to base an informed investment judgment whether or not to buy the securities being offered. These are the well-known "disclosure" provisions. The Congress, giving the public the protection of the disclosure and anti-fraud provisions, then, very wisely in my opinion, provided against any action of the Commission which would involve passing on the merits of the securities and left to investors responsibility for their own investment judgments.

The registration provision is broad, but the Congress provided certain exemptions. The non-public offering exemption was made available by the Congress because it seemed that an offering to a small group of people would be likely to be made under circumstances in which all of the offerees would already have available or be able to obtain the basic financial data and hence would not need the protection of the registration requirements. The Committee on Interstate and Foreign Commerce of the House of Representatives, in a report in 1954, referred to the "non-public" exemption as an avenue for "the making of an offering to a limited number of persons who presumably may be expected to possess some familiarity with the business involved" and stated: "There is no limit to the amount which thus may be offered, provided it is not 'publicly' but 'privately' offered, which the Commission by rule of thumb construes as being to no more than some 25 offerees."[1] But we have recently seen some offerings which were unregistered in reliance on the non-public offering exemption. If these securities had been registered and the information which would have been required in the registration statement made available to the offerees a successful offering of them could never have been made because of the financial condition of the issuer. In other words, the private offering has been used as a means of concealment of the basic business facts which Congress specified in the Securities Act should be given to the prospective investor.

The intra-state exemption provided by the Act was intended by the Congress to make possible an offering of securities to persons residing within a single state. The Congress left to the states their traditional "blue sky" regulation. But we have seen many securities which purport to be made to residents of a single state—for example, some of the western uranium issues—which appear in the channels of trade here on Wall Street within weeks after their original distribution.

Abuse of the "No Sale" Rule

We are also deeply concerned by cases of evasion of the registration requirements in reliance upon the Commission's so-called "no sale" rule. This is a technical interpretive rule, which has been in effect during the history of the Commission, under which certain types of corporate mergers, consolidations, reclassifications of securities, and acquisitions of assets have been deemed not to constitute a "sale" of securities for purposes of the registration provisions of the Securities Act. Under this rule, many merger transactions, ostensibly exempted, have in fact been consummated in order to "free up" large blocks of stock of the surviving corporation for distribution to the public without registration. Again, because these transactions have occurred without notification to the Commission, we are not able to estimate their dollar amount, but on the basis of figures compiled in known cases of this kind by our New York Regional Office, we estimate amounts approaching $100 million of securities sold to the public in which great losses to the investing public have later occurred. These are situations in which, had adequate disclosure been made of the financial facts pertaining to the issuer, a fair-minded financial analyst would have been hard put to it to justify the purchase of the securities. We have proposed changes of our "no sale" rule, and are presently considering including a statutory amendment to deal with the problem for inclusion in our forthcoming recommendations for legislation.

Our program at the Commission to cope with these problems has again been in the strengthening of our enforcement activity. We are conducting more intensive investigations and more disciplinary proceedings within the Commission and legal proceedings in the Federal Courts than at any time in the Commission's history. We are limited, of course, by the number of hours in the day and the number and strength of the members of our professional staff. We have a total staff of 800 persons, nationwide, in the present fiscal year, and in the President's budget is included a request for an appropriation for 950 persons in fiscal 1958. We must depend, too, upon the public to use good judgment and good sense, and, if they have been victimized, to report the facts to the Commission.

Congressional Proposals to Be Re-Introduced

Also, we proposed to the Congress in the last session, and will again soon propose to the new Congress, amendments of the basic statutes designed to strenghten the jurisdictional provisions, correct certain inadequacies, facilitate criminal prosecutions, and generally strengthen the Commission's enforcement capabilities. These proposals, if enacted, would prohibit embazzlement of money or securities of, or entrusted to the care of, a registered broker-dealer; extend criminal liability to false statements in documents filed with the Commission in connection with small exempted securities offerings: enact the anti-fraud provisions of the Commission's rules under the Securities Exchange Act in statutory form as an aid to criminal prosecutions: make it clear that a showing of past violations is a sufficient basis for injunctive relief: make it clear that a registration statement under the Securities Act may be withdrawn only with the consent of the Commission: clarify and strengthen the statutory provisions relating to financial responsibility of brokers and dealers; and authorize the Commission, by rule, to regulate the borrowing, holding or lending of customers' securities by a broker or dealer. Many other minor amendments were also proposed and some additional amendments will be proposed.

In order to facilitate the work of the Congressional Committees, with their approval the Commission [held] conferences on these proposals with various industry groups and members of the public on Feb. 25 and 26, after which the proposals will be promptly submitted to the Congress.

We believe that our enforcement program, including the legislative recommendations which we have made and will make, is of vital importance to the successful performance of the economic function of the capital markets of the country.

We are appreciative of, and believe eminently sound, the request contained in the President's Economic Report to the Congress, Jan. 23, 1957, that the Congress "give favorable consideration to proposals that will be made for strengthening the Securities and Exchange Commission's authority to prevent certain remaining types of abuses in the distribution and sale of securities."

New Proposals

Now let me turn to proposed legislation which was not originally sponsored by the Commission but the broad principles of which we have endorsed on the basis of studies made in the past year and a half. This legislation, it seems to us, should be of particular interest to financial analysts.

In May, 1955, at the conclusion of the stock market study of the Senate Committee on Banking and Currency, Senator J. W. Fulbright, Chairman of the Committee, introduced a bill to extend the reporting, proxy and insider-trading provisions of the Securities Exchange Act to additional corporations not presently subject to the Act. In the final report of the Committee, a majority had expressed the view that "as a general policy, it is in the public interest that companies whose stocks are traded over the counter be required to comply with the same statutory provisions and the same rules and regulations as companies whose stocks are listed on national securities exchanges." A minority of the Committee recommended further study of the over-the-counter markets, with the objective of developing specific legislation if needed.[2]

In August, 1955, the Subcommittee on Securities reported a revised Committee Print adopting some changes suggested by the Commission and certain other changes, including a provision exempting securities of regulated insurance companies from the coverage of the bill. As revised, the bill would apply to corporations having 750 or more stockholders, or debt securities of $1 million or more outstanding in the hands of the public, and $2 million of assets.

During the following winter and spring, the Commission made a complete factual study of the financial reporting and proxy soliciting practices of the corporations which would be subject to the bill which number about 1,200 and have estimated assets of more than $35 billion. Review of proxy soliciting materials of these corporations showed that in very few instances were stockholders furnished with information comparable to that required by the Commission's proxy rules. Examination of the financial statements contained in the stockholders reports indicated that approximately 21% were deficient by Commission reporting standards. These findings were made available to the Committee in May, 1956, together with our endorsement of the enactment of the financial reporting, proxy and insider reporting provisions of the bill, but our recommendation of deferral of action on the provision for recovery of profits from short swing trading by insiders until a further study of this could be made.

The Committee did not take final action on the bill in the 84th Congress, but Senator Fulbright

1 p. 19, House of Representatives, 83d Congress, 2d Session, Report No. 1542 to accompany S. 2846, A Bill to amend certain portions of the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, and the Investment Company Act of 1940.

2 Senate Report 376, 84th Congress.

requested the Commission to extend the study we had made so as to obtain information about the financial reporting and proxy practices of insurance companies which we had not previously done because of the exemption for such companies contained in the Subcommittee's August, 1955, Print of the bill. We have recently completed that study, estimating that 169 insurance companies with assets of approximately $24 billion would be subject to the bill if the exemption for insurance companies were deleted. We found that both the proxy soliciting material and the financial reports to stockholders of these companies to be significantly deficient by Commission proxy and accounting regulation standards and, accordingly, expressed the opinion to the Committee that it would be consistent with the provisions of the Federal securities laws and of the Fulbright bill that the exemption for insurance companies be deleted and the bill passed, subject to certain other technical suggestions for amendment.

In expressing this view, we limited ourselves to a consideration of the Congressional purposes expressed in the Federal securities laws and refrained from expressing views as to any other areas of Federal or State regulation of the insurance industry.

I am happy to observe that Senator Fulbright has again introduced the bill (S. 1168, 85th Congress, 1st Session), omitting the insurance company exemption, and I sincerely hope that the 85th Congress will give it favorable consideration.

Administration of the Public Utility Act

Finally, let me turn for a few minutes to our jurisdiction under the Public Utility Holding Company Act of 1935. Our Division of Corporate Regulation is currently making a study of capitalization ratios of companies subject to the Act. So much attention has been directed toward those sections of the Holding Company Act which caused the simplification and integration of the huge holding company systems of the early 1930's that the Act's other provisions often tend to be overlooked. In fact, the Act permits the survival of holding company systems which meet certain standards and provides for continuing regulation of such companies by the Securities and Exchange Commission as to corporate and financial matters. In particular, a registered holding company or a subsidiary of such a company cannot issue securities without Commission approval.

As an indication of the magnitude of this regulatory activity, during fiscal 1956 the Commission approved the issue and sale by registered holding companies and their subsidiaries to the public and institutional investors of $565 million of securities, all to raise new capital, or 22% of all the external financing of all electric and gas utility companies during that period. The aggregate assets, less valuation reserves, at Dec. 31, 1955, of the 23 registered holding company systems was $10.4 billion.

The Commission's responsibility in this field is great and it naturally gives us a strong interest in the financial stability of registered companies. The ordinary occasion for our expressing such interest arises when we are asked to approve a financing, and the specific provisions lie in sections 1(b), 6(b), and 7(d) of the Act.

That the achievement and preservation of sound capitalization ratios are essential to the financial health of the public utility industry has been recognized not only by the Commission and some other regulatory bodies, but also by informed writers on the subject. Most of these authorities are generally agreed on the necessity for an adequate "cushion" of common stock equity to withstand the shock of a severe decline in earnings, and for not too excessive an amount of debt, notwithstanding the apparent cheapness of bond money versus common stock money and the deductibility for tax purposes of interest expense.

The improvement in the financial health of the utility industry since 1935 is little short of remarkable. The utility industry today is in a strong economic and financial position, and we are anxious that it stay that way. At the end of 1955, on the basis of the aggregate of the balance sheets of all Class A and Class B privately-owned electric utility companies in the United States, the composite capital structure was as follows: long-term debt 50.7%; preferred stock 12.3%; and common stock and surplus 37.0%.

In the **Eastern Utilities Associates** case (Holding Company Act Release No. 11625, p. 55, Dec. 18, 1952), the Commission prescribed, in connection with its approval of collateral trust bonds, that the system's funded debt ratio should not exceed 60% and that the common stock equity ratio should not be less than 30%. Since the remaining component of capital in a system with this maximum debt and minimum common stock equity would ordinarily be preferred stock, this prescription is sometimes characterized as expressing a 60-10-30 policy. Although the Commission has not attempted to prescribe optimum or ideal capitalization ratios, nor assumed that the 60-10-30 policy of the **Eastern Utilities Associates** case sets a fixed or permanent standard to be applied to all systems, these ratios have been generally regarded as embodying the present working policy of the Commission.

On Sept. 5, 1956, the Commission announced that its Division of Corporate Regulation was undertaking a study for the purpose of determining the advisability of recommending that the Commission issue for comment by interested persons a proposed Statement of Policy relative to appropriate capitalization ratios in connection with security issues by registered holding companies and their subsidiary operating companies subject to the Holding Company Act. Any Statement of Policy issued on this subject would have as its purpose the apprising of issuers subject to the Act and investors and consumers of the standards respecting capitalization ratios which the Commission would generally apply in determining whether to impose terms and conditions or make adverse findings.

In order to obtain the benefit of the views of as large a number of interested and informed persons as possible, the Division of Corporate Regulation sent a letter questionnaire directly to over 1,000 Federal and State regulatory agencies, utility companies, insurance companies, investment companies, banks, underwriters, text book writers, educators in finance, security analysts, and other interested persons. In addition, the Commission made general distribution of the letter questionnaire to 1,000 other persons on the Commission's mailing lists. The response has been gratifying. To date, 220 letters comprising approximately 700 pages have been received. The views and comments contained in these letters are quite varied in their scope and detail and are being very carefully studied by our staff.

Essentially what the study seeks to determine are the maximum debt and minimum common stock equity ratios which the Commission should permit under the standards of the Holding Company Act; what the optimum or ideal capitalization ratios, if there be such things, should be; and whether or not the Commission should promulgate a Statement of Policy on the subject of capitalization ratios.

In this connection, I wish to thank the New York Society of Security Analysts for taking the trouble to establish a Temporary Utility Committee, under the Chairmanship of Mr. Cecil E. Trefthen, to study our letter questionnaire. As you know, the position taken by your Society is, in summary, that the setting up of specific capitalization ratio standards can lead to harmful inflexibility and that the question as to appropriate ratios should be considered on a case-by-case basis which takes account of the many variations existing among the various utility companies as well as the economic climate at any given time when securities are issued.

We at the Commission hope that the views and comments which we have received will be examined and studied not only by the Commission and its staff, but by many others, including your Society, and that they will prove of benefit to other regulatory agencies, to utility company managements, and to security analysts.

I would also like to say a few words about call prices on public utility preferred stocks and bonds and the problems we face in dealing with this question under the Holding Company Act. The rates charged by electric and gas utility companies for the services which they render to consumers are closely regulated by the States in which they operate. The rates charged for services across State lines are also regulated by the Federal Power Commission. The interest paid by a public utility company on its bonds and the dividends which it pays on its preferred and common stocks are generally regarded by most rate regulatory authorities as an important element in the rate-making formula. We do not regulate rates under the Holding Company Act. This statute is designed to supplement and strengthen State regulation and not to duplicate it. However, we are concerned with the costs of capital to the public utilities under our jurisdiction by the mandate of the Congress.

As you probably know, the policy guide-lines laid down by the Congress, which we and the Courts are required to follow in interpreting the Act, require that we concern ourselves with the prices at which bonds, debentures or preferred stock may be redeemed for refunding purposes.

During the periods of wide variations in interest and preferred dividend rates which we have witnessed since the "Treasury-Federal Reserve Accord" of March 1951, the problem has assumed added significance. The Commission's standards in respect of the call prices on bonds and preferred stocks issued by holding companies registered under the Act and by their public utility subsidiaries have evolved on a case by case basis through the years. Our policy became pretty well settled that the price at which bonds or debentures could be redeemed by the issuer for refunding and general purposes should not exceed the sum of the initial public offering price plus the coupon rate. In the case of preferred stock the policy was the same, i.e., the initial redemption price could not exceed the sum of the public offering price plus the dividend rate per share.

However, the Commission has recognized that strict adherence to rigid formulae might prove to be an unreasonable burden upon the issuers under certain circumstances. In February 1956, the Commission adopted Statements of Policy in which it attempted to codify its standards concerning protective provisions for the bond and preferred stocks of public utility companies subject to the Act. In these Statements the Commission prescribed a broader standard for call prices than the formula I have just described, i.e., that the first mortgage bonds and preferred stocks of public utility companies subject to the Act be redeemable ". . . at any time upon reasonable notice and with reasonable redemption premiums, if any." In no case presented for decision since these Statements of Policy were adopted has the Commission had occasion to determine that the formula of the public offering price plus the coupon or annual dividend rate is unreasonable. However, the Commission intends to consider each case as it comes before it for approval, in the light of all the pertinent circumstances of the case at the time and under the market conditions when it must be passed upon.

Because of the great importance of this question of redemption prices for refunding purposes in periods of high interest rates like the present, we were glad to learn that the Life Insurance Association is sponsoring a comprehensive study of redemption provisions and their effect on the offering prices of securities by the Wharton School of Business Administration of the University of Pennsylvania. A member of our staff has been invited to serve as a member of the Committee which has been formed to direct this study. The report of this Committee should provide a most valuable addition to our present limited store of knowledge on the subject.

The success of our free enterprise system depends on the proper functioning of the capital markets. The statutory objectives expressed in the Federal securities laws which we administer and our operating policies and programs, some of which I have just described, are vitally important to the proper functioning of the markets. The work of the Securities and Exchange Commission should help to justify and maintain public investor confidence in the integrity of the securities markets, and thus contribute to the success of our free enterprise system and the welfare of all our people.

With Marshall Company

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Lester C. Berryman and Juliana A. Giuntoli are with The Marshall Company, 30 North La Salle Street.

With Spencer, Zimmerman

COLUMBUS, Ga. — Gwynedd Jones is with Spencer, Zimmerman, Pound & Co., Inc., 1238 Second Avenue.

Uhlmann & Benjamin Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Andrew G. Bertoncini has been added to the staff of Uhlmann & Benjamin, Board of Trade Building, members of the Midwest Stock Exchange.

With Webber-Simpson

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Harold K. Dart is now with Webber-Simpson & Co., 208 South La Salle Street, members of the Midwest Stock Exchange.

W. E. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

LEXINGTON, Ky.—Richard R. French has become associated with W. E. Hutton & Co., 267 West Short Street. He was formerly representative for A. C. Allyn & Company, Inc.

Joins Hines, Galvin

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John P. Murray is now connected with Hines, Galvin Co., 53 State Street, members of the Boston Stock Exchange.

With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard M. McLaughlin is now affiliated with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Forming Droulia Co.

Effective March 8 Droulia & Co., members of the New York Stock Exchange, will be formed with offices at 25 Broad Street, New York City. Partners will be George Droulia, who will acquire an Exchange membership, and Regina Krois.

Public Utility Securities

By OWEN ELY

Texas Gas Transmission Corp.

Texas Gas Transmission operates a 3,442 mile natural gas pipe line system with a daily capacity of 1,110,000 Mcf. It extends from the Carthage Field in east Texas, and the southwestern Louisiana Gulf Coast fields, to Middletown, Ohio. There are feeder lines in southern Indiana, eastern Illinois and western Kentucky. Sales to utility companies account for about 88% of the volume of sales. (34% to utilities supplied entirely by the company and 54% to other utilities). Natural gas is sold to 45 utilities serving 208 communities, along the Mississippi River and Ohio River valleys, in Louisiana, Arkansas, Tennessee, Mississippi, Indiana, Illinois and Kentucky; also to Columbia Gas, American Natural Gas and Texas Eastern Transmission for resale.

About 43% of sales go into the Appalachian and eastern markets, via Ohio Fuel Gas of the Columbia Gas system and Texas Eastern. Last August the company began deliveries to American Louisiana Pipeline for resale in the Milwaukee-Detroit service area, the contract being for 18 billion cf. a year, mostly in the summer. About 12% of sale are made directly to industrial customers and there is no serious competitive fuel problem with any of these customers.

Texas Gas Transmission has enjoyed very rapid growth, with revenues increasing from less than $10 million in 1949 to over $80 million last year. During the same period net income jumped from $1.8 million to over $7 million. While share earnings were somewhat irregular in earlier years, they have increased consistently from $1.14 in 1952 to $2.17 last year. The book value of the common stock has increased steadily from $7.94 in 1948 to $15.35 at the end of last year. The demand for gas in the company's service area is increasing rapidly along with the diversification of industry in the states bordering the Mississippi and Ohio Rivers. The company is planning for continued expansion and customers are expected to need an additional 100 million cf. per day of peak day capacity in 1958.

The company purchases most of its gas supply, and has dedicated gas reserves estimated at 6.5 trillion cf. A wholly-owned subsidiary, Texas Gas Exploration, is engaged in exploration and development, and wildcat operations thus far have shown better than average success. About $4 million has thus far been invested in exploration work by the subsidiary. Last year the Exploration Corporation participated in the drilling of 22 wells, six of which were completed as producers. At the end of the year it had an interest in 23 producing gas wells and 15 producing oil wells in Louisiana and Texas, and had estimated reserves of 72 billion cf. of gas and 1.5 million barrels of oil. Texas Gas Exploration contributed about 18c a share to the consolidated earnings of $2.17 in 1956 and the company's importance is expected to increase. Together with Union Oil & Gas, it has begun construction of a $6 million extraction plant to extract liquid hydro-carbons from natural gas.

Texas Gas' reserves amount to about 20 times 1956 sales. Sources of supply are quite well diversified and the company is in good position to acquire new reserves from future discoveries along the Gulf Coast. It is now connected to 30 fields on the coast, two of which have reserves of nearly two trillion feet dedicated to Texas Gas Transmission. Discoveries of deeper sands and extensions of the producing area are continuing. In northern Louisiana and east Texas the company is connected to seven fields and new reserves are being acquired.

The company now has five underground storage fields capable of delivering about 9% of the winter's peak-day load. The company is working on development of other storage fields and expects to double present storage capacity by the winter of 1959-60.

Regarding the cost of gas, President Stevenson recently stated that the going price of Gulf Coast gas has increased since 1948 from 6c to 20c or over. However, he felt that gas would now stay around the 20c level (excluding taxes) for a considerable period of time except as costs may be affected by general inflation. The average cost of gas purchased by the company in south Louisiana will approximate slightly less than 18c and its proposed new rates will be based on this cost. In North Louisiana and in the Carthage field in Texas the company's contracts do not include any "favored nation clauses" and gas can be purchased at somewhat lower levels. The cost of purchased gas increased about $8 million a year on Jan. 1 this year. The company on the same date raised its own rates by slightly more than this amount, both increases being subject to FPC action.

Capital structure at the end of 1956 was approximately as follows:

	Millions	Per Cent
Long-Term Debt	$86	50%
Bank Loans	25	15
Preferred Stock	17	10
Com. Stock Equity	43	25
	$171	100%

The company has arranged for sale of $25 million bonds, including $14 million sold in January, the proceeds of which will be used to pay bank debt. It does not plan to issue any additional bonds this year.

President Stevenson estimates earnings at $2 per share for 1957 compared with $2.17 earned in 1956. The apparent reason for the decline is that rate increases to be put into effect under bond this year will not fully offset the higher price of gas from suppliers. The increase by the principal supplier, Union Oil of Louisiana, will be fully offset, but it will be difficult to offset **immediately** the increases for a large number of small suppliers.

The company has been paying $1 annual dividends since 1952 with year-end stock dividends of 2%. At the recent Over-counter price around 23½ the yield based on the cash dividend is 4.25%, and including the stock dividend would be about 6.25%. Based on last year's earnings of $2.17 the price-earnings ratio is 10.8—but based on this year's estimate would be 11.8. Both figures are low as compared with industry averages.

Continued from page 2

The Security I Like Best

storage facilities and last year 12 reservoirs were in operation with others planned. This is of particular benefit during the peak heating season of November through February, and offers the further advantage of enabling the company to take gas deliveries from the pipe lines at high load factors all year around, storing excess gas during the summer months. As a result, the cost of purchased gas is lower than it would be ordinarily.

Area Growth

It is estimated that the net increase in homes in the company's service area is approximately 5,000 annually. Furthermore, as is typical of most heavily populated areas, there is a tendency for the city dwellers to move to the suburbs. Although this may not represent a net increase in number of customers, the new suburbanites almost invariably use more appliances. An additional factor stimulating load growth is the company's sales division, which in 1956 sold $1 million in appliances. Most items were of the semi-durable type and, therefore, represent an assured demand for many years.

Future Outlook

All things considered, the outlook for Equitable Gas is extremely favorable. The area served is showing moderate population increase; key industries are operating at or near peak levels; personal incomes on average are among the highest in the nation and a significant number of wage earners are protected against complete loss of incomes. Finally, the contribution to earnings of the petro-chemical plant will be material.

IRVING KOMANOFF

Herzfeld & Stern, New York City
Members, New York Stock Exchange, American Stock Exchange and Chicago Board of Trade

United Biscuit Company

I always like to refer back to the previous times I participated in this worthwhile forum—not in order to pat myself on the back, but rather to see whether my thinking had been productive and if the recommendation advanced could have been a source of potential profit to our readers.

I. Komanoff

My last discussion in this column took place on July 12, 1956, when I strongly recommended Elliott Company at a price of $22 per share. At that time the Dow Jones Industrials stood at approximately 520. Since that time the Dow has retreated to its current level of 466, a decline of almost 15%, while the price of Elliott has advanced to above 34, a rise of more than 50%.

Today, without attempting to forecast in any way the action of the Dow Industrials over the next six to nine months, I present The Security I Like Best for worthwhile appreciation the common stock of United Biscuit Company of America, selling on the New York Stock Exchange at about $26½.

From the action of the Stock Markets over the last two months, it has become apparent that a considerable mistrust of the current boom has affected investor psychology. Not only have blue chip stocks commanding high price earnings ratios declined, but cyclical stocks with current large earnings and low price earnings ratios have also fallen sharply. In an atmosphere of caution and doubts over the continuation of present high prosperity conditions, it is only natural that investors should concentrate on so-called **defensive** issues. This explains to a considerable degree the much smaller decline in the utility average as against the sharp fall in the Dow Rail and Industrial averages.

It is partly against this background in addition to its own favorable prospects, that United Biscuit at its present price of 26½ shapes up as an investment with comparatively small risk and yet with substantial prospects of appreciation.

United Biscuit is the 3rd largest baker of crackers, biscuits, and cookies, accounting for about one-fifth of the total United States output. It is not so well known in the New York area as National Biscuit and Sunshine, because most of its operations are conducted in the Western and Southern states; where it distributes its products under various brand names. Of the three leaders, United has shown, by far, the most rapid sales growth in recent years. For example, between 1950 and 1955, its dollar volume increased 38%, against 18% for Sunshine and 31% for National. (Much of Nabisco's gain, incidentally, was due to products other than biscuits.)

Despite its superior sales growth, however, United did not measure as well as its two chief competitors in the matter of operating efficiency. Whereas about 90% of the biscuits and crackers produced by United's major rivals are baked on modern band ovens, only about 75% of United's production is prepared the same way. For the remainder United until now has used old fashioned reel ovens involving substantially higher costs. This explains why UBS in 1954 embarked upon an extensive program of modernization and rehabilitation of its baking plants. Already these improvements have begun to show up in earnings, although actually this improvement will not be fully reflected until the middle of 1958, by which time virtually all UBS output will be produced on band ovens.

In vivid demonstration of the beginning of a sharp recovery in its earning power brought about by its modernization program is UBS's earnings for 1955 of $3.30 per share as against only $1.45 in 1954. In about two weeks UBS will report earnings for 1956 of about $3.50 per share — despite substantial non-recurring expenses still inherent in its rehabilitation. For 1957 management is hopeful of reaching a minimum figure of $4.00 per share. By the end of next year, with the bulk of these non-recurring expenses over, it is not overly optimistic to look for an additional increase in earning power to the area of $5.00 per share. In this connection it might be pointed out that the $5.00 per share earnings was maintained by UBS for a number of years before the rehabilitation program was started.

UBS has paid dividends uninterruptedly since 1928. At present it is paying $1.40 per share, giving a yield currently of 5.5%. From my conversations with management, I get the impression that there is an excellent prospect of a dividend increase (possibly at the April meeting) to $1.60, or even to a $1.80 basis. On such a basis UBS at its present price would yield from 6% to 6.8%, an excellent yield considering the quality of the stock and its well-defined prospects.

Furthermore, at its present price of about 26½, it is selling at only about seven times earnings per share. With every likelihood that earnings could rise to about $5.00 per share by the end of next year, this price earnings ratio would drop to an almost incredible five times prospective earnings. Certainly it is reasonable to expect a company of this type with its strong defensive and growth characteristics to sell at a minimum of ten times earnings per share. If so, its price over the next 18 months could range from 35 to 50. It might be pointed out that National Biscuit, although admittedly of better quality, is now selling at about 14 times earnings per share. It is certainly logical to expect UBS, with a much stronger growth trend, and with its modernization program behind it, to narrow the gap between its current price earnings ratio of seven times and that of its chief rival's price earnings ratio of 14 times.

Because of all these factors, the writer considers United Biscuit one of the finest security values available today amongst good grade common stocks. Both my family and myself have invested in the common stock of United Biscuit.

Alfred Levinger

Alfred Levinger, limited partner in G. C. Haas & Co., passed away Feb. 18.

Robert E. Ruse

Robert E. Ruse, partner in Singer, Deane & Scribner, of Pittsburgh, passed away Feb. 18.

Form Bocco Corp.

(Special to THE FINANCIAL CHRONICLE)

MANITOU SPRINGS, Colo.—Bocco Development Corporation, 148 Manitou Avenue has been formed to engage in a securities business. Officers are William M. Cochran, President; Grant A. Wilson, Vice-President; D. R. Cochran, Secretary; and William F. Cochran, Treasurer.

Now Corporation

LOS ANGELES, Calif. — California Investors, 3932 Wilshire Boulevard, is now doing business as a corporation. Officers are Stanley L. Ross, President; Eugene R. Cuthbertson, Vice-President; Edward W. Mitchell, Vice-President and Treasurer; and P. Feldman, Secretary.

Form Coastal Secs.

HOUSTON, Texas—Coastal Securities, Inc., has been formed with offices at 145 Ashburn, to conduct an investment business. Officers are Wilfred F. McKenzie, President; E. G. McKenzie, Secretary-Treasurer and M. A. McKenzie, Vice-President.

L. W. Fiake Opens

SIOUX FALLS, S. Dak.—Lester W. Fiake is engaging in a securities business from offices at 1508 East 10th Street.

R. F. Gilbert Opens

Robert F. Gilbert is engaging in a securities business from offices at 7 East 42nd Street, New York City.

Continued from page 4

The State of Trade and Industry

permit volume this January than a year ago. A gain of 17% in the South Atlantic region contrasted with the sharp losses of 15% in the East Central and 31% in the Mountain states.

Steel Production This Week Placed at 96% of Capacity

Consumer spending is on the increase and will help quiet the jitters recently expressed about the country's economic health, "Steel" magazine reported on Monday of this week.

Bolstering consumer spending power, the metalworking weekly said, are the assurances that millions of workers will receive automatic wage increases this summer, without fear of income interruption due to strikes. That is enabling consumers to plan their spending more confidently.

Employment, now at high levels, will continue to gain and will reach 67,000,000 workers by mid-year, it stated.

Production of steel for ingots and castings rose half a point in the week ended Feb. 24, putting the rate of output up to 97.5% of capacity which means a yield equal to 2,495,503 net tons. Eight weeks of this year have passed, and the ingot rate has not been lower than 96.5%, "Steel" continues.

A number of steel men queried by the publication last week reaffirmed predictions that steel output this year will reach a new record, perhaps as high as 120,000,000 ingot tons.

Prices of scrap, a basic raw material of the industry, showed signs of leveling the past week after plunging from record heights.

The firming is reflected by "Steel's" price composite on steelmaking scrap. In the week ended Feb. 20, it declined 34 cents a ton, the smallest weekly drop since late December. It now is $52.83 a gross ton or $13.34 below the December record.

The publication said that steel prices continue to move upward, mainly through revision of extras, and there's speculation that pig iron prices will rise because of recent advances in prices of iron ore and coal. The publication's arithmetical composite on base prices of finished steel at $139.60 a net ton was up $1.62. Much of this is accounted for by a rise in pipe prices.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry will be an average of 96.0% of capacity for the week beginning Feb. 25, 1957, equivalent to 2,456,000 tons of ingot and steel for castings, as compared with 97.8% of capacity, and 2,504,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,459,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 97.6% and production 2,498,000 tons. A year ago the actual weekly production was placed at 2,459,000 tons or 99.9%. The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Holds to Lower Trend of Past Weeks

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 23, 1957, was estimated at 11,920,000,000 kwh., according to the Edison Electric Institute. This was a further decrease from the week before.

The past week's output dropped 26,000,000 kwh. below that of the previous week; it increased 643,000,000 kwh. or 5.7% above the comparable 1956 week and 2,195,000,000 kwh. over the week ended Feb. 26, 1955.

Car Loadings Increased 1.6% in Latest Week

Loadings of revenue freight for the week ended Feb. 16, 1957, increased by 10,715 cars or 1.6% above the preceding week, the Association of American Railroads reports.

Loadings for the week ended Feb. 16, 1957, totaled 675,966 cars, a decrease of 22,353 cars or 3.2% below the corresponding 1956 week, but an increase of 25,718 cars, or 4% above the corresponding week in 1955.

U. S. Automotive Output Dipped in Past Week Due to Month-End Adjustment by Chevrolet

Automotive output for the latest week ended Feb. 22, 1957, according to "Ward's Automotive Reports," registered a decline attributed to a month-end adjustment by Chevrolet.

Last week the industry assembled an estimated 138,527 cars, compared with 145,846 in the previous week. The past week's production total of cars and trucks amounted to 161,438 units, or a decrease of 8,521 units below that of the preceding week's output, states "Ward's."

Last week's car output fell below that of the previous week by 7,309 cars, while truck output declined by 1,212 vehicles during the week. In the corresponding week last year 125,537 cars and 22,673 trucks were assembled.

Last week the agency reported there were 22,901 trucks made in the United States. This compared with 24,113 in the previous week and 22,673 a year ago.

Canadian output last week was placed at 5,735 cars and 1,521 trucks. In the previous week Dominion plants built 8,049 cars and 1,827 trucks, and for the comparable 1956 week, 6,464 cars and 1,619 trucks.

Business Failures Edged Slightly Lower Last Week

Commercial and industrial failures declined to 300 in the week ended Feb. 21 from 317 in the preceding week, Dun & Bradstreet, Inc., reports. However, the toll was considerably higher than the 230 a year ago and the 178 in 1955. For the second consecutive week, failures remained above the pre-war level and exceeded by 12% the 267 occurring in the similar week of 1939.

Failures involving liabilities of $5,000 or more dipped to 252 from 266 in the previous week, but remained above the 199 of this size last year. Among small casualties with liabilities under $5,000, there was a slight decrease to 48 from 51 a week ago, although they exceeded the 1956 toll of 31. Liabilities of $100,000 or more were incurred by 27 of the week's failures as against 25 last week.

Wholesale Food Price Index Moved Slightly Lower Last Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., slipped somewhat the past week to $6.12 on Feb. 19, compared with $6.13 a week earlier. This level was 3.2% higher than the $5.93 of a year ago.

Commodities quoted higher last week were wheat, corn, rye, oats, beef, lard, butter, sugar and eggs. Lower in price were flour, barley, cottonseed oil, cocoa, potatoes, steers, hogs and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and metals in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Eased Further in Latest Week

Reflecting a series of declines in the over-all level of wholesale prices, the Dun & Bradstreet wholesale commodity price index fell to 291.95 (1930-1932=100) on Feb. 15. While this was slightly below the 292.73 a week earlier, it surpassed the 280.89 of a year ago.

A rally in wheat trading in the early part of last week pushed prices up, but most of the gains were offset when rains on Thursday improved the growing conditions in part of the drought-stricken wheat belt.

Wheat prices at the end of the week closed slightly higher than at the beginning, although the prices for other grains had dropped.

Continued drought in most of the Plains area and the Atlantic Coast port strike curtailed wheat selling, while offering some price support. Trading volume in grains and soybeans on the Chicago Board of Trade averaged 50,000,000 bushels a day last week, compared with about 60,000,000 bushels in the previous week and 42,000,000 bushels a year ago.

There was little change in either trading volume or the prices for flour last week, as bakers continued to display a minimum of interest in enlarging their stocks. Flour receipts in New York on Friday totalled 50,985 sacks, with 9,330 for export and the remainder for domestic use.

Cocoa futures settled to a new low level the past week; cocoa shipments to this country so far during the current season amounted to 672,941 bags, compared with 779,334 bags in the corresponding period a year ago.

Coffee prices softened a week ago. Roasters had bought heavily in anticipation of their current needs just before the port strike occurred and have been slow to buy since the strike's outbreak.

World sugar trading volume dropped to about half of what it was a week earlier and sugar prices lost ground. Strong domestic demand, coupled with heavy export buying, helped to maintain the strength in rice prices.

Livestock prices edged lower last week. Hog receipts in Chicago were the smallest for any five-day period since last August, while hog shipments were the smallest since last June. Steer price trends were mixed, from steady to moderately lower in the better grades.

Cotton prices dropped in slow trading. Drought in some of the cotton growing areas combined with the expectation that 3 to 3.5 million acres of cotton land will be retired from cultivation under the soil bank program helped to support the sagging market. Cotton exports so far this season amounted to 3,926,015 bales, more than four times as large as a year ago. There was a revival of interest in cotton print cloths, although the actual volume of sales in the cotton gray goods markets was for current or near-future delivery.

Trade Volume Rose in the Latest Week 4 to 8% Above Similar Week in 1956

There was a considerable rise in consumer buying last week, and total retail volume was moderately above that of the similar 1956 period. Retailers of apparel, furniture and housewares reported the most noticeable sales gains.

Although dealer inventories of new passenger cars expanded somewhat, they were appreciably below those of a year ago.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 4% to 8% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England and Middle Atlantic +5 to +9; East North Central, West North Central and West South Central +4 to +8; South Atlantic and East South Central +1 to +5; Mountain and Pacific Coast +3 to +7%.

An upsurge in the buying of women's Spring apparel occurred and Valentine's Day sales promotions sharply boosted sales of jewelry and toiletries. The call for men's apparel climbed moderately and exceeded that of last year.

Food buying rose moderately the past week, and was slightly higher than that of last year. Although volume in frozen foods improved considerably, the call for canned goods and fresh fruit and vegetables slackened.

Although wholesale orders were close to those of the preceding week, volume moderately exceeded the level of the corresponding period last year.

Department store sales on a country-wide basis is taken from the Federal Reserve Board's index for the week ended Feb. 16, 1957, increased 7% from the like period last year. In the preceding week, Feb. 9, 1957, an increase of 4% (revised) was reported. For the four weeks ended Feb. 16, 1957, an increase of 4% was recorded. For the period Jan. 1, 1957 to Feb. 16, 1957, a gain of 3% was registered above that of 1956.

Retail sales volume in New York City the past week as a result of favorable weather rose 9% to 11% higher than the comparable period in 1956, according to trade observers.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Feb. 16, 1957, showed an increase of 13% above the like period of last year. In the preceding week Feb. 9, 1957, an increase of 3% (revised) was reported. For the four weeks ending Feb. 16, 1957, an increase of 6% was registered. For the period of Jan. 1, 1957 to Feb. 16, 1957, the index recorded a rise of 5% above that of the corresponding period in 1956.

Halsey, Stuart Group Offers Ill. Bell Bonds

Halsey, Stuart & Co. Inc. is manager of an investment banking syndicate which offered yesterday (Feb. 27) $40,000,000 of Illinois Bell Telephone Co. first mortgage 4¼% bonds, series E, due March 1, 1988, at 101.384%, and accrued interest, to yield 4.17%. The underwriters won award of the issue at competitive sale on Feb. 26 on a bid of 100.659%.

Net proceeds from the sale of the bonds will be used by the company to reimburse its treasury for expenditures made for construction purposes and to repay advances from the parent organization, American Telephone & Telegraph Co. The balance of the proceeds will be used for general corporate purposes, including additions and improvements to the company's telephone plant.

The series E bonds will be redeemable at optional redemption prices ranging from 106.884% to par, plus accrued interest.

Illinois Bell Telephone Co. is engaged in the business of furnishing communication services, mainly telephone service, in the State of Illinois and in Lake and Porter Counties in the State of Indiana. On Dec. 31, 1956, the company had 3,374,186 telephones in service of which 3,231,456 were in Illinois and 142,730 in Indiana. About 52% of the company's telephones are located in the city of Chicago. Services of the company also include teletypewriter exchange service and services and facilities for private line telephone and teletypewriter use, for the transmission of radio and television programs and for other purposes.

For the year 1956, the company had total operating revenues of $416,520,177 and net income of $50,469,728.

So. Ind. Gas & Electric 4⅜% Bonds Offered

Kuhn, Loeb & Co. and Salomon Bros. & Hutzler yesterday (Feb. 27) offered $5,000,000 of Southern Indiana Gas & Electric Co. 4⅜% first mortgage bonds due March 1, 1987, at 102.623% and accrued interest, to yield 4.22%. The group was awarded the bonds at competitive sale on Feb. 26 on its bid of 101.80%.

The proceeds from the sale of the bonds will be used to repay outstanding bank loans totaling $4,100,000 and to provide part of the funds required for the utility's expansion and improvement program, or to reimburse the company's treasury in part for expenditures made for such purposes.

The bonds will be redeemable at regular redemption prices ranging from 107% to par and at special redemption prices ranging from 102.623% to par, plus accrued interest in each case.

Southern Indiana Gas & Electric Co. is engaged in the generation, purchase, distribution and sale of electricity in 76 communities in the southern part of Indiana, and the purchase, distribution and sale of natural gas in Evansville and Newburgh. For the year 1956 the company had gross revenues of $16,554,152 and net income of $2,312,301.

Roberts & Co. Formed in Denver

DENVER, Colo.—Roberts & Co. has been formed with offices in the First National Bank Building to engage in a securities business. Officers are Edward Roberts, President and Treasurer; Dorothy Mason, Secretary. Both were formerly with Shelley, Roberts & Co.

Railroad Securities

By GERALD D. McKEEVER

NORTHERN PACIFIC RAILWAY

The strong preference of the market for "growth situations" is seen in the exceptionally good price behavior of Northern Pacific stock in the midst of general weakness during the past month. At the present price of about 41¾ this stock is down only 5% from its 1956-57 high of 45, or less than one-fourth of the corresponding decline of the rails on the average. Although it broke below 40 in the extreme weakness of Feb. 11 and Feb. 12, it rallied sharply on the following day to about the present price level which it has held.

The preference for a growth situation is also seen in the rather high rate of capitalization of the road's earnings that is represented by the present price and the yield of only 4½% on this stock, which is low for a medium quality rail equity. The current price of 41¾ capitalizes 1956 earnings of $4.23 per share at almost ten times as against the more normal ratio of eight times or less for rail stocks of comparable quality.

The growth potential of the Northern Pacific does not stem from its rail operations alone even though the trends of both its revenues and its traffic have outpaced those of the Northwestern District and of the class I average as well for the the past several years. What appeals more to the imagination of the investor is the growing importance of this road's earnings from its oil lands which are farmed out to developers, including a number of the major concerns on a royalty basis. This income is on the increase, having been just under $1.7 million in 1955 but jumped to $3.2 million last year. A much larger gain is forecast for the current year, placing oil income of the road at about $5.7 million, according to official estimate.

These are gross figures, but it is stated that the 1956 net from oil sources was about $2 million, and it may be roughly estimated that the current year's net from this source should be around $4-4½ million. At the 1956 year-end the Northern Pacific was sharing in the production from 166 wells as against 99 at the end of 1955.

The increase in oil production in the Williston Basin and adjacent areas is due to hit a faster pace now that transportation facilities are being increased. The Butte Pipe Line, in which the Northern Pacific has a 10% interest, stepped up its delivery rate to 36,000 barrels daily in December of last year and its daily capacity has been increased to 49,000 barrels.

While the growth aspects of the Northern Pacific are based primarily on its oil potential, this road is also rich in other natural resources, notably coal, iron ore and timber in addition to the land itself that bears these riches. Uranium is also a possibility although this is only in the exploratory stage in the road's lignite deposits. Most of the coal and timber had been owned directly by the road's wholly-owned subsidiary, Northwestern Improvement Co., but this concern is now being liquidated and its properties are being transferred to the direct ownership of the Northern Pacific, if this has not been already accomplished.

Timber sales last year came to $1,764,000 as against $1,310,000 in 1955, while iron ore brought in $1.9 million as against $756,000 in 1955. Coal produced on the road's lands and on those of the former subsidiary is largely, if not entirely, for the road's own use. With the progress that has been made in dieselization and the heavy reduction in coal "sales" to the parent road, there is little further reason for the separate existence of the subsidiary as a purveyor of coal.

Because of its supply of low-cost coal, the Northern Pacific has been slow to dieselize in spite of the fact that it was one of the early starters in this direction, with its first installation in 1938. The $30 million capital budget for 1957 includes $14 million for 80 additional diesels and 60 more are projected for 1958. Another 30 to be installed in 1959 will complete dieselization at anticipated traffic levels. However, in spite of this rather gingerly approach, the Northern Pacific has kept fairly well apace in operating efficiency. The 53,930 gross ton-miles per freight train-hour of 1955 represented a 36% gain in this over-all efficiency measure in the 1946-55 period while the road's Transportation Ratio has been held under 40% for a number of years excepting 1954. The wage ratio has tended to be on the high side, but this has been explained as being largely due to the fact that the road builds a large proportion of its cars in its own shops as well as doing a great deal of its own construction work elsewhere, such as bridge-building.

The outlook for 1957 earnings of the Northern Pacific has been rather simply stated in that a further expected gain in income from oil and other non-rail sources should offset a possible drop in operating income. Shipments of lumber and lumber products are expected to be lower this year and this traffic is of great importance to the Northern Pacific. Lumber, shingles and lath traffic, for instance, produced 18.6% of total 1956 freight revenues, and veneer and plywood contributed another 4.2%. The movement of these commodities has been adversely affected by the cut-back in private home construction.

There may be gains from other directions, however, for the official forecast at this time is that ton-mileage may be about the same as in 1956, but not more. An increase in traffic volume would probably be necessary to absorb increased cost, and hence the doubt concerning the 1957 level of operating income. The 1956 round of wage increases alone will cost the road $5 million annually. While the freight rate increase, placed at 4.8% for the Northern Pacific, would seem to provide more than sufficient offset, it was stated authoritatively, nevertheless, that the freight rate increase would cover only the wage increase. This prediction may have been inspired by the 1956 experience where the 6% allowable freight rate increase for almost 80% of the year produced only a 2.8% gain in revenues.

It is thus not difficult to see that the allure in the Northern Pacific situation centers around the oil potential. This, however, involves the question of how the present stockholders' interests in the oil element will be protected without dilution in the event of a merger with the Great Northern, Burlington and "SPS." This project is still under study by an outside firm, and with the Northern Pacific and the Great Northern in full agreement in the matter. It is said, however, considerable further time will be required for the evaluation of these studies when they are completed.

Continued from page 14

Unified Transportation Policy And the National Economy

causing concern. Throughout this period, however, no major segment of our for-hire or commercial transport except petroleum pipelines has been reasonably profitable with consistency. In the postwar period a struggle to keep ahead of inflation has been required which is without parallel in any other major line of industry.

Transport Problems

As we survey the transportation scene today we see a wide variety of problems which seem, by their magnitude and persistence, to submerge the progress which we have been and are making. To notice only some of the more outstanding of these problems supplied a long list:

(1) Our railroads present a tragic case of arrested development from financial anemia. They have gone through a revolution in motive power at the cost of dissipating their ready reserves and yet have barely preserved the margin between their revenues and expenses. That revolution has disclosed that much of their other plant is obsolescent and prevents securing the full advantage of the diesel power. Economies which could be placed at the service of the nation are barred by the want of investment capital. This condition will continue as long as legislation continues to reflect the ancient, and originally correct, doctrine that railroads are a monopoly.

(2) Our shippers of bulk and staple commodities are caught in a tightening squeeze to the extent they must continue to rely on railroad transportation. This is so because other forms of transport have moved in upon the more high valued traffic which was hitherto relied upon to extend a sort of internal subsidization to much low grade traffic, because railroads have been compelled to continue to operate a wide variety of obsolete and losing services and for other reasons, all of which have necessitated rate increases on these basic flows of traffic which are still little subject to diversion. For instance, the shipper of freight pays the bill for the loss in railroad passenger and commuter service.

(3) Our for-hire system of regulated motor transport is under severe and growing pressure from the lengthening span of exempt operations and from the rapid growth of private operations. Hence, it has not paralleled the rapid rate of growth which characterizes motor transport generally and it will find its difficulties increase as the regular flows of truckload traffic are more and more absorbed by private and specialized carriers leaving to it a mixture of freight of less favorable transportation characteristics.

(4) Our highway system has become notoriously inadequate to pace the increase in vehicle population and vehicle mileage. It is an open question whether even the vast 10-year program adopted in the 1956 legislation can sufficiently transcend the rate of vehicle increase to be a real help.

(5) Our airways and principal airports have become congested to the point of danger and our air traffic control facilities and procedures appear to be obsolete. The system is in no position to continue to absorb the present rate of traffic increase or to accommodate the pending shift to commercial jets.

(6) Certain of our busier inland waterways are being pressed by the growth of traffic and by the strong trend to ever larger tows beyond the capacity of their governmentally provided facilities—particularly their locks and terminal facilities.

(7) Many of our ocean ports labor with incredibly obsolete piers, wharves and docks that have lagged decades behind the advance in ships and the high cost of cargo handling has crushed much of our coastwise and intercoastal trade and deprived us of the advantages of the low port-to-port costs of the ocean-going ship.

(8) In rail, motor, and water transport operating inflexibilities and restraint upon the adoption of modern equipment and facilities are imposed by the provisions of labor contracts which stem, in many instances, from conditions that long since have disappeared. (Cheyenne to Laramie, about 50 miles—1 hr. 20 m.)

(9) Our major cities become steadily more clogged with street traffic, but find new facilities often overwhelmed as promptly as they are opened. The staggering cost of urban congestion is becoming an important drag upon our economic life.

(10) We lack entirely any economic policy which is designed to capitalize wisely upon the steadily growing opportunity which advancing technology in transportation affords us, just as we lack any policy which recognizes the obsolescence of transport service of one type and facilitates transition to the types that, perhaps, should supercede them in whole or in part. Finally, without ample study of the possibilities or advantages, we have developed an attitude generally hostile to the coordination of one type of transport with another, although their varied characteristics suggest that transportation companies should be allowed to own and operate any form of service which would work to its advantage in rendering economic and efficient transportation service.

(11) Except in the case of railroads, we have no policy with respect to who should pay for needed improvements, the taxpayer or the user. Nor do we have a policy, except a punitive one, with respect to tax inequities between various types of transportation companies, nor a policy, except a "do-nothing" one with respect to the opportunity for them to earn a reasonably uniform return on their respective capital investments.

Present Approach to Problems

This would appear to be a sufficient docket of problems, although they are here stated only in the most general terms and each subsumes a host of complexities, some peculiarly baffling. Yet how do we propose to deal with them? All are known to exist and many are known to be acute, although there will be sharp differences of opinion as to their nature and significance. All are interrelated, since what we do about one will effect others and lessen or aggravate the problems we have there. It is no accident that students of transportation are coming more and more to emphasize the interrelationships and to emphasize, also, the necessity of breadth in our efforts to chart the course for a better transport future.

Yet, in fact, we continue to approach our transport problems in this more complex era as we almost always have—by the shotgun technique when the burden of the problem has begun to be intolerable. We approach the various elements separately as each happens to be sufficiently troublesome to gather public attention for the moment. And we seem to fail to find reasonably permanent solutions even for the limited problems to which we turn our thoughts—perhaps inevitably we refuse to recognize the interrelationships of the various aspects of our transportation world.

Studies in Segments

To illustrate these aspects of our approach to the transportation problem from very recent history alone, we may note:

(1) A long effort by the Air Coordinating Committee, an agency which brings together all those bureaus of the Federal Government concerned with aviation matters, culminated in 1953 in an air policy report which received a measure of endorsement from the President.

(2) On the same day in 1954 two separate and unrelated efforts to secure policy recommendations in the transportation field were announced:

(a) The Clay Committee to study our highway needs; and

(b) The President's Advisory Committee on Transport Policy and Organization composed on cabinet-level officers and chaired by Secretary Weeks.

(3) The Week's Committee appeared to be broadly conceived to survey the whole field of transport policy. But the simultaneous appointment of the Clay Committee naturally led it to withdraw from a consideration of highway policy, the recency of the air policy report which appeared to have Presidential approval led to a neglect of that field, and simultaneous work underway on intercoastal shipping and on merchant marine policy by the agencies charged with the government's principal responsibilities in these areas led the Week's Committee to further retract the area of its study. In the end its report was essentially a series of recommendations concerning the regulation of domestic surface transportation. Even so, it is the broadest government report in transportation since the National Resources Planning Board published its findings in 1942.

(4) A year later the critical situation in air transport led to a new investigation, largely upon the technical level with particular reference to capacity and safety, from which the present assignment of Gen. Curtis grew.

(5) In each case the particular and opposing interests of various groups moved rapidly into the limelight and such efforts as were made to focus on the interests of the nation as a whole were quickly submerged.

Lack of Knowledge

Not only are the narrowness and separateness of these several efforts noteworthy, but also that they were for the most part hasty efforts done under time pressure and on the presumption that existing information was quite adequate to lead us to appropriate and correct policy conclusions. And this is a mistake made not alone by government, but frequently by industry groups as well. Indeed some of the limited efforts made from time to time to fill vital gaps in our knowledge have faced the unyielding opposition of certain of the transportation industries.

We do face enormous gaps in our knowledge of transportation, a fact which becomes more and more apparent as our unguided growth continues and as technical change and shifts in the business world increase the complexity of the transportation scene. The ICC has published railroad statistics on a comparable basis as among companies since 1889, but it is astonishing how far existing data fall short of answering the more important questions of the present —witness the controversies over the passenger deficit, over the costs of conducting freight transportation and over the usefulness of available data for the measurement of efficiency and the control of operations.

Truck and Inland Water Transport

About most motor freight transportation we know virtually nothing. It would appear that only about 37% of the intercity trucking is covered by ICC regulation and a moderate amount of statistical information is collected only from the Class I carriers among that 37%. Until recently we have not known, even for the Class I carriers, what commodities are hauled or at what revenue levels. About the remaining 63% we know nothing — not the number of carriers, of vehicles or of ton miles, except for some vague estimates. We know not what is carried, for what distances, at what rates or costs or for what reasons. A transportation census to get at some of these matters upon a sample basis has been talked of for at least 10 years, but still it has not mustered the requisite support to get underway.

With inland water transport the case is possibly worse, since it is likely that only 10% of the business is regulated and our information on the nonregulated portion is not much more complete than on the unregulated trucking activities. Our statistics on pile lines are, by contrast, reasonably adequate and the same is true for the scheduled air carriers, but there is a growing amount of private aircraft operation in personnel, and to some degree in cargo, transport, about which we know little.

In the purely engineering sphere we know much too little about the relation of highway design standards and costs to the multiple uses being made of highways. In particular we are ill informed about the effects of axle loads and of vehicle speeds and frequencies upon pavements of various kinds, although such knowledge would be helpful toward clearing up the arguments about truck and bus subsidy as well as providing guidance in highway design and in the adjustment of size and weight limits. (Recent research has shed some light, although it has not stilled controversy, and the pending Illinois tests may further strengthen our understanding.)

Clearly, if we are to devise a wise transportation policy for the nation at least the more important gaps in our knowledge must be filled. And an enlarged stock of information must be analyzed in such a way that it is brought to bear on the question "What kind of a **transportation** system would serve America best and how can we get it?" In a recent address Howard Freas of the Interstate Commerce Commission called attention to the need for much deeper study of our present transportation problems and proposed that such study be undertaken with the cooperation and financial backing of all elements of the transportation industry. This is an excellent proposal. I would suggest, however, the extraordinary importance of securing conditions for such a study which leave as little room as possible for questioning of the motives of those chosen to carry out the work and as little room as possible for cries of bias or prejudice, for if any changes of consequences are proposed they will tend to hurt some interests in this complex field and to benefit others.

University or Foundation

It may be that the universities in some cooperative fashion and with foundation or other support could undertake a work even of this magnitude, standing as they do independent of government and of industry alike. A number of important studies have been made in the universities of certain aspects of the transportation problem and others are in progress. An effort is being made at Northwestern University to develop a transportation research and teaching center with industry-wide support. Significant special studies are underway at Harvard, at Stanford and at other institutions. But up to the present no one has come forward with a broader proposal which would utilize in so far as possible the resources available in a goodly number of institutions with a view to making a relatively massive attack upon the problem. As the report of the President's Advisory Committee, usually called the Cabinet Committee, has created more stir in the transportation industries than for many years past, the time is perhaps particularly ripe for independent re-examination. I wish you God-Speed!

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering today (Feb. 28) $1,335,000 of Chicago & North Western Ry. Co. 5½% equipment trust certificates, maturing annually March 15, 1958 to 1972, inclusive.

The certificates are scaled to yield from 4.75% to 5.50%, according to maturity. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by 12 Diesel-electric road switching locomotives to cost not less than $1,907,143.

Associates in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Freeman & Co.; and McMaster Hutchinson & Co.

Bankers Offer 4¾% Debs. of Daystrom At 100% and Interest

Goldman, Sachs & Co. and R. W. Pressprich & Co. are joint managers of an investment banking syndicate which is offering today (Feb. 28) $8,000.000 of Daystrom, Inc. 4¾% convertible subordinated debentures due March 1, 1977, at 100% and accrued interest, to yield 4.75%. The offering represents the first public financing by the company in more than 30 years.

The debentures will be convertible prior to maturity, unless previously redeemed, into three shares of common stock for each $100 principal amount.

Net proceeds from the sale of the debentures will be used for general corporate purposes, including proposed expansion of the company's manufacturing facilities and increased working capital.

The debentures will be redeemable at optional redemption prices ranging from 104¾% to 100%, and through the sinking fund, beginning on March 1, 1963, at 100%; plus accrued interest in each case.

Daystrom Inc. manufactures and sells a wide variety of electrical, electronic, mechanical and electro-mechanical equipment and components. Current sales of the company are represented about 85% by such products and 15% by metal and plastic furniture, reflecting the transition of the company from the graphic arts business, which constituted substantially all of its sales for many years, to the electrical-electronic equipment industry.

For the eight months ended Nov. 30, 1956, the company and its wholly-owned subsidiaries showed consolidated net sales of $46,-174,740 and consolidated net profit of $1,509.780, equal to $1.70 per common share.

Consolidated Edison Convertible Debentures Offered Stockholders

Consolidated Edison Co. of New York, Inc., is offering today (Feb. 28) to its common stockholders rights to subscribe at $100 for a maximum of $54.827,500 of 4½% convertible debentures, due Feb. 15, 1972, on the basis of $100 of debentures for each 25 shares of common stock held of record at the close of business on Feb. 25, 1957.

A group headed jointly by Morgan Stanley & Co. and The First Boston Corp. will purchase any unsubscribed debentures at the termination of the offer on March 15, 1957.

The debentures are convertible after June 1, 1967 until maturity, unless previously redeemed, into common stock at $45.45 per share.

Proceeds from the sale of the convertible debentures will be applied to the payment of short-term bank notes aggregating approximately $43,000.000 incurred in connection with the interim financing of the company's construction program and the balance toward payment for additions to utility plant on or after Dec. 1, 1956. The company and its subsidiary are engaged in a construction program which it is estimated, on the basis of present price levels and conditions, will involve expenditures for the year 1957 through 1961 of approximately $650,000,000, of which $595,000,000 is for electric, $30,-000,000 for gas, $10.000.000 for steam and $15,000,000 for common plant.

The debentures are redeemable at prices ranging from 105% if redeemed prior to Feb. 15, 1958, to 100% in the last year. The indenture contains no amortization or sinking fund provisions.

Consolidated Edison supplies electric service in the Boroughs of Manhattan, The Bronx, Brooklyn, Richmond and Queens excepting the Rockaway District, and in Westchester County excepting its northeastern portions; gas service in Manhattan and The Bronx, in the First and Third Wards of Queens, and in the more populous parts of Westchester; and steam service in parts of Manhattan. In 1956 approximately 80% of the company's operating revenue was derived from sales of electricity, about 15% from sales of gas and some 5% from sales of steam.

During the year ended Dec. 31, 1956, total operating revenues amounted to $522,531,000 and net income to $53,398.000, equal to $3.20 per share of common stock. This compares with total operating revenues of $493.620,000 and net income of $52,320,000, or $3.12 per share, for 1955.

Consolidated Edison has paid dividends on its common stock in each year since 1885 and beginning in 1954 quarterly payments have been on a $2.40 per share annual basis. The most recent dividend declared was a quarterly dividend of 60 cents per share payable March 15, 1957 to stockholders of record Feb. 8, 1957.

White, Weld Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — George E. Springer has become affiliated with White, Weld & Co., 231 South La Salle Street. He was previously with E. F. Hutton & Company.

La Frence Carmichael

Effective March 1 the firm name of Carmichael and Carson, 44 Wall Street, New York City, members of the New York Stock Exchange, will be changed to La Frence & Carmichael.

Securities Salesman's Corner

By JOHN DUTTON

Joe Was Not A Customer Although He Owned $250,000 Of Good Securities

Some years ago I made a talk on investments and the economic outlook before a group of retired people and, after the question and answer period, one of the members of the association came up to me and asked if he could come to see me at my office. He said he had a few common stocks he had bought years ago at much lower levels and he was now living in retirement from the income he received. We arranged a conference and one day he came to my office and we took a look at his investments.

Some of the viewpoints which I held and expressed during the talk I had made he agreed with, and being a likeable fellow it wasn't long until we were calling each other by our first names. When I looked at his list I knew there was nothing I could do but tell him to hold everything. His stocks were the best values in high grade common stocks that any man could own. That was my opinion and I couldn't say anything else. "Joe," I said, "I could take this list and go over it again and again, but for the life of me I don't think it could be improved. You have one of the best selections of diversified, retirement, income, stocks I have ever seen. He looked at me somewhat in surprise and with a half smile on his face, he replied, "You are not kidding me are you?" I said that I was as serious as I could ever be, and that when it came to his investments I would never make any jokes."

Then we went out to lunch together and we talked a while longer. Joe told me that for the past six months a customer's representative for one of the firm's where he occasionally spent some time visiting with his retired cronies who liked to "look at the board" had been telling him that he should sell about half of his high grade stocks, take his profits, and move out of the market. He told me that possibly this man was right but that he didn't care whether his stocks went up or down; that he only wanted his income, and he had such tremendous gains that selling out and buying back just did not seem to be worth the risk and the effort involved. I agreed with him!

Objective Income

Here was a man who did not want to trade or make any more capital gains. He had a living income that was sufficient unto his needs. His home was owned without a mortgage. He and his wife had ample income for their needs. He didn't want any investment problems. HE JUST WANTED TO BE SURE THAT HIS INCOME WOULD CONTINUE. That meant, first of all, that his capital should be reasonably secure. Incidentally, he backed up that $250,000 of highest quality, diversified, investment type, common stocks with $25,000 of government bonds and savings accounts. Not a bad picture for a man of 63 and I told him so.

Joe Still Has His Good Common Stocks

Several years have passed. During this period I have had the opportunity of meeting several of Joe's friends. Six months ago he brought a man to my office and this is the way he introduced him, "This is one fellow who tells you what he thinks will be best for you. The first time he looked at my list he told me to keep everything and I am still doing so." Since that time I have sold Joe one investment but his friend has been an excellent client. During the market break recently, Joe telephoned me and asked me if I thought he should sell anything and I gave him my opinion. He said he agreed with me. He wasn't worried. He was still an investor for income and he'd stay with what he now owns as long as these companies remained the leaders in American industry. Just last week another one of his friends telephoned me at my office and said that she had some funds that she wished to invest for "income". Joe told her that I was O. K.

Joe's account has netted me exactly $60.00 in commissions over a period of several years. But Joe has a lot of good friends and they don't own the very best common stocks in America as he does. Get the point?

Bankers Offer Potomac Electric Pow. Pfd. Stk.

Dillon, Read & Co. Inc. and Johnston, Lemon & Co. headed an investment banking group which offered yesterday (Feb. 27) 300,-000 shares of serial preferred stock, $2.44 series of 1957, of Potomac Electric Power Co. at par ($50 per share) and accrued dividends from March 1, 1957.

The proceeds from the sale of these shares, together with the balance of proceeds from a recent sale of $30,000,000 principal amount of debentures, after applying approximately $12,000,000 to redeem the company's preferred stock theretofore outstanding, will be used together with other funds of the company to pay its $15,000,000 bank loan, to reimburse its treasury for a portion of construction expenditures already made, and to provide in part, for future construction. It is estimated that gross property additions from Sept. 30, 1956 through Dec. 31, 1957 will aggregate about $46,000,000.

The company furnishes electric power to an area of approximately 643 square miles, having a population of about 1,460,000, comprising the entire District of Columbia and portions of adjoining counties in Maryland and Virginia.

For the 12 months ended Sept. 30, 1956, operating revenues of the company were $62,601,634 and net income $9,283,727, compared with operating revenues of $57,754,739 and net income of $8,457,369 for the year 1955.

R. L. Speer Opens

FT. SMITH, Ark. — Robert L. Speer is conducting a securities business from offices in the Mercantile Bank Building.

M. M. Zook Opens

WASHINGTON, D. C.—Maurice M. Zook is engaging in a securities business from offices at 1110 Twentieth Street, Northwest.

With Allen Investment

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Wanda J. Boden, Kenneth K. Hoehner, Erwin Koch and Richard C. Mulroy, Jr., have joined the staff of Allen Investment Company, Mile High Center.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Aerovias Sud Americana, Inc., St. Petersburg, Florida
Feb. 19 (letter of notification) 9,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—To three selling stockholders. **Office**—Pinellas International Airport, St. Petersburg, Fla. **Underwriter**—None.

Allied Resources Fund, Inc.
Dec. 14 filed 400,000 shares of common stock (par one cent). **Price**—At market. **Proceeds** — For investment. **Underwriter**—Fund Corp., 523 Marquette Ave., Minneapolis, Minn.

Amalgamated Minerals, Ltd.
Nov. 23 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For mining expenses and development of oil properties. **Office** — 901 Sherman St., Denver, Colo. **Underwriter**—Lackner & Co., Denver, Colo.

American Federal Finance Corp., Killeen, Texas
Sept. 5 filed 40,000 shares of class B common stock (par $5) and 400,000 shares of preferred stock (par $5) to be offered in units of 10 preferred shares and one common share. **Price**—$55 per unit. **Proceeds**—To purchase used car paper and to extend the company's operations into the field of new car financing. **Underwriter**—None. J. J. Fain is President.

★ American Gas & Electric Co.
Feb. 20 filed 100,000 shares of common stock (par $10) to be offered to eligible employees of the company and its subsidiaries under company's Stock Purchase Plan.

★ American Laundry Machinery Co. (3/21)
Feb. 27 filed a maximum of 110,244 shares of common stock (par $20) to be offered for subscription by common stockholders of record March 20, 1957 at the rate of one new share for each five shares held; rights to expire about April 3, 1957. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Goldman, Sachs & Co., New York.

● American Natural Gas Co.
Jan. 14 filed 442,114 shares of common stock (par $25) being offered for subscription by common stockholders of record as of February 27, 1957, on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on March 14, 1957. **Price** — $54.50 per share. **Proceeds**—To purchase common stock of Michigan Consolidated Gas Co., a subsidiary, providing the latter with funds to repay or reduce $25,000,000 of bank loans. **Underwriters**—White, Weld & Co. and Drexel & Co. (jointly).

★ American Photocopy Equipment Co. (3/19)
Feb. 27 filed 200,000 shares of common stock (par $1), of which 50,000 shares are to be sold for account of company and 150,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Lehman Brothers, New York.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

Anaconda Co., New York
Jan. 25 filed 1,734,865 shares of capital stock (par $50) being offered for subscription by stockholders of record Feb. 14, 1957 at the rate of one additional share for each five shares held; rights to expire on March 5. **Price**—$50 per share. **Proceeds**—For improvement and expansion program. **Underwriter**—Hallgarten & Co., New York.

★ Anchorage Gas & Oil Development, Inc.
Feb. 13 (letter of notification) 40,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For new equipment; working capital, engineering and administrative expenses. **Office**—505 Barrow St., Anchorage, Alaska. **Underwriter**—None.

Appalachian Electric Power Co. (3/19)
Feb. 13 filed $29,000,000 of first mortgage bonds due March 1, 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Kuhn, Loeb & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11 a.m. (EST) on March 19 at the office of American Gas & Electric Service Corp., 30 Church St., New York 8, N. Y.

★ Applied Science Corp. of Princeton (3/11)
Feb. 25 (letter of notification) a maximum of 8,409 shares of common stock (par $2) to be offered to employees. **Price**—At 95% of market as of March 11, 1957. **Proceeds**—For expansion of plant and equipment (25%); and for working capital and other corporate use (75%). **Address**—P. O. Box 44, Princeton, N. J. **Underwriter**—None.

★ Associated Petroleum Co., Inc.
Feb. 12 (letter of notification) 6,000 shares of common stock. **Price** — At par ($50 per share). **Proceeds** — For working capital. **Offices** — 103 Park Ave., New York, N. Y. and 129 S. State St., Dover, Del. **Underwriter**—None.

★ Australia (Commonwealth of) (3/13)
Feb. 21 filed $20,000,000 of 15-year bonds due March 1, 1972. **Price**—To be supplied by amendment. **Proceeds**—Principally to refund $17,114,000 of 3¼% bonds which mature on June 1, 1957 and for improvements, etc. **Underwriter**—Morgan Stanley & Co., New York.

Automation Development Mutual Fund, Inc.
Aug. 24 filed 300,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—Washington, D. C. **Distributor**—Automation Development Securities Co., Inc., Washington, D. C.

Bank Shares, Inc.
Dec. 27 (letter of notification) 30,000 shares of 6% prior preferred series C stock to be offered to holders of series A prior preferred and common stockholders of record Dec. 31, 1956 on the basis of one new share for each four shares of old stock held. **Price**—At par ($10 per share). **Proceeds**—To be added to general fund. **Office**—7th St. & Marquette Ave., Minneapolis, Minn. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

Bayless (A. J.) Markets, Inc. (3/4-8)
Feb. 12 filed 430,000 shares of common stock (par $1), of which 405,000 shares are to be sold for the account of selling stockholders and 25,000 shares are reserved for issuance pursuant to company's Employee Incentive Stock Option Plan. Of the 405,000 shares, 395,000 shares are to be offered to the public and 10,000 shares to employees, the latter without underwriting. **Price**—To public, $10 per share; and to employees, $8.75 per share. **Proceeds**—To selling stockholders. **Underwriter**—H. M. Byllesby & Co., Inc., Chicago, Ill.

Beautilite Co.
Dec. 28 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For partial payment for plant site; partial payment of obligation to Memorial Inc. and for working capital. **Office**—4718 W. 18th St., Houston, Tex. **Underwriter**—Benjamin & Co., Houston, Tex.

★ Borchert-Ingersoll, Inc.
Feb. 15 (letter of notification) 815 shares of common stock (no par). **Price**—$60 per share. **Proceeds**—To two selling stockholders. **Office**—2161 University Ave., St. Paul, Minn. **Underwriter**—None.

Burma Shore Mines, Ltd., Toronto, Canada
July 26 filed 600,000 shares of capital stock, of which 500,000 shares are to be offered publicly, and 100,000 shares to promoters. **Price**—At par ($1 per share). **Proceeds** — For equipment, exploration, drilling, working capital and other general corporate purposes. **Underwriter**—To be named later.

Cargo Cool Corp.
Jan. 31 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To open and acquire additional truck terminal branches; for increased inventories; and for working capital. **Business** — Transport refrigeration equipment. **Office**—947 Communipaw Ave., Jersey City, N. J. **Underwriter**—Fred Kaufman Co., 120 Elm St., Orange, N. J.

● Carolina Telephone & Telegraph Co. (3/11)
Feb. 15 filed 58,310 shares of common stock to be offered for subscription by common stockholders of record March 11, 1957 on the basis of one share for each four shares held; rights to expire on March 27. **Price**—At par ($100 per share). **Proceeds**—To reduce bank loans and for new construction. **Underwriter** — None.

Centers Corp., Philadelphia, Pa.
July 30 filed $8,000,000 of 5½% sinking fund debentures due Aug. 1, 1971, and 1,600,000 shares of common stock (par one cent); subsequently amended to $4,500,000 of debentures. **Price** — To be supplied by amendment. **Proceeds** — About $4,100,000 will be used to acquire seven shopping center sites and a Penn Fruit supermarket adjacent to one of them; the balance will be used to develop shopping centers at the seven sites and to acquire and develop additional sites for related real estate activities, and for general corporate purposes. **Underwriter** — Blair & Co. Incorporated, Philadelphia and New York. Latter has agreed to purchase an additional 300,000 common shares and reoffer them to persons selected by it at $1.10 per share. **Offering**—Date indefinite.

Central & South West Corp. (3/12)
Feb. 11 filed 600,000 shares of common stock (par $5). **Proceeds**—To repay bank loans and to purchase additional common stocks of Central Power & Light Co., Public Service Co. of Oklahoma and Southwestern Gas & Electric Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Smith, Barney & Co. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Expected to be received up to 10:30 a.m. (CST) on March 12.

Century Controls Corp., Farmingdale, N. Y.
Aug. 27 filed $600,000 of 10-year 6% debentures. **Price**—90% of principal amount. **Proceeds**—For research and development; expansion; equipment; and other corporate purposes. **Underwriter** — None.

★ Century Shares Trust, Boston, Mass.
Feb. 26 filed (by amendment) 100,000 Century shares (par $1). **Price**—At market. **Proceeds**—For investment.

Chinook Plywood, Inc., Rainier, Ore.
Sept. 4 filed 200 shares of common capital stock. **Price**—At par ($3,000 per share). **Proceeds**—For acquisition of a plant site, construction of a mill building, purchase and installation of machinery and equipment, and as operating capital. **Underwriter** — Industry Developers, Inc.

★ Colorado Central Power Co. (3/19)
Feb. 27 filed 74,175 shares of common stock (par $5) to be offered for subscription by common stockholders of record March 4, 1957 on the basis of one new share for each 3½ shares held; rights to expire on April 2, 1957. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter** — The First Boston Corp., New York.

★ Colt Golf, Inc.
Feb. 25 (letter of notification) 50,000 shares of common stock (par five cents). **Price**—$3 per share. **Proceeds**—For promotion and advertising; working capital; and for development of new products. **Business**—Manufacture and sale of golf balls. **Office** — 161 East 37th St., New York, N. Y. **Underwriter**—Landau Co., New York.

★ Columbia Malting Co.
Feb. 13 (letter of notification) 22,956 shares of common stock (par $10) to be offered to stockholders on a basis of one new share for each three shares held. **Price**—$13 per share. **Proceeds**—For working capital and for reduction of short term loans. **Office**—Board of Trade Bldg., 141 W. Jackson Blvd., Chicago 4, Ill. **Underwriter**—None.

Columbus & Southern Ohio Electric Co. (3/5)
Feb. 5 filed $16,000,000 of first mortgage bonds due 1987. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc. and The Ohio Co. (jointly); Lee Higginson Corp. and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co., and Glore Forgan & Co. (jointly). **Bids**—Tentatively scheduled to be received up to 11 a.m. (EST) on March 5 at City Bank Farmers Trust Co., 2 Wall St., New York, N. Y.

● Commercial Credit Co. (2/29)
Feb. 20 filed $25,000,000 of subordinated notes due 1977. **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Underwriters**—The First Boston Corp. and Kidder, Peabody & Co., both of New York.

Commonwealth Edison Co. (3/12)
Feb. 18 filed $50,000,000 first mortgage bonds, series S, due March 1, 1987. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. **Bids**—To be received at Room 1820, 72 West Adams St., Chicago 90, Ill., at or before 10:30 a.m. (CST) on March 12.

Commonwealth Investment Corp., Sioux Falls, Ia.
Jan. 14 filed 499,400 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For working capital to expand company's business and operations. **Underwriter**—None.

Connecticut Light and Power Co.
Jan. 24 filed 927,598 shares of common stock (no par) being offered for subscription by common stockholders of record Feb. 11, 1957 on the basis of one new share for each seven shares held; rights to expire on March 6. **Price** — $16.50 per share. **Proceeds** — For construction program. **Underwriter**—None.

● Consolidated Edison Co. of New York, Inc.
Feb. 1 filed $54,827,500 of 4½% convertible debentures due Feb. 15, 1972, being offered for subscription by common stockholders of record Feb. 25, 1957, on the basis of $100 of debentures for each 25 common shares held; rights to expire March 15, 1957. **Price** — At par (flat). **Proceeds**—To retire about $43,000,000 of bank loans and for construction program. **Underwriters**—Morgan Stanley & Co. and The First Boston Corp., both of New York.

Consumers Power Co., Jackson, Mich. (3/6)
Feb. 13 filed 549,324 shares of common stock (no par) to be offered for subscription by common stockholders of record March 7, 1957 at the rate of one new share for each 15 shares held; rights to expire on March 22, 1957. Employees may enter subscriptions for unsubscribed share. **Price**—To be announced on March 4, 1957 (expected to be not less than $4.50 per share below the market price at time of offering. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kuhn, Loeb & Co. and Ladenburg, Thalmann & Co. (jointly); Morgan Stanley & Co.; Lehman Brothers; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly). **Bids**—To be received up to 11 a.m. (EST) on March 6 at office of Commonwealth Services, Inc., 300 Park Ave., New York, N. Y.

Consumers Time Credit, Inc.
Jan. 17 (letter of notification) $250,000 of 6% renewable debentures (subordinated), payable upon demand) Feb. 1, 1962 or payable (without demand) Feb. 1, 1967. **Price**—At par. **Proceeds** — For loans, working capital, etc. **Underwriters** — Walnut Securities Corp., Philadelphia, Pa.; B. Ray Robbins Co., New York, N. Y.; and Berry & Co., Newark, N. J.

Daystrom, Inc.
Feb. 5 filed $8,000,000 of convertible subordinate debentures due March 1, 1977. **Price** — To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriters** — Goldman, Sachs & Co. and R. W. Pressprich & Co., both of New York. **Offering** — Expected today (Feb. 28).

Delaware Income Fund, Inc., Camden, N. J.
Jan. 15 filed 600,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Distributor**—Delaware Distributors, Inc., 300 Broadway, Camden, N. J.

• Development Corp. of America (3/25-29)
Jan. 29 filed 400,000 shares of common stock (par $1). **Price**—$5.50 per share. **Proceeds**—For working capital. **Name Changed**—From Ulen Management Co. on Feb. 15. **Underwriter**—Sutro Bros. & Co. and Allen & Co., both of New York.

★ Dravo Corp.
Feb. 14 (letter of notification) not to exceed 6,000 shares of common stock (par $1) to be offered to employees. **Price**—At the current market at time of purchase. **Proceeds**—To reimburse the treasury for cost of acquisition of shares on the open market. **Office** — 5th & Liberty Avenues, Neville Island, Pittsburgh, Pa. **Underwriter**—None.

★ Dresser Industries, Inc. (3/14)
Feb. 21 filed $20,000,000 of convertible subordinated debentures due March 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures and working capital. **Underwriter**—Blyth & Co., Inc., New York.

★ Duval Sulphur & Potash Co.
Feb. 21 filed 300,000 shares of capital stock (no par) to be offered for subscription by stockholders on the basis of three new shares for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ Eastern Utilities Associates (3/20)
Feb. 18 filed 89,322 shares of common stock (par $10) to be offered for subscription by common stockholders of record March 20, 1957 on the basis of one new share for each 12 shares held (with an oversubscription privilege); rights to expire on April 4, 1957. Stone & Webster Securities Corp., Boston, Mass., will act as subscription agent. **Price**—To be determined by the Association on March 19. **Proceeds**—To purchase common and capital stocks of Blackstone Valley Gas & Electric Co., Brockton Edison Co. and Fall River Electric Light Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co.; Blyth & Co., Inc.; Stone & Webster Securities Corp.; White, Weld & Co. **Bids**—To be received at 49 Federal St., Boston, Mass., up to 11 a.m. (EST) on March 20.

★ Eaton & Howard Balanced Fund, Boston, Mass.
Feb. 21 filed (by amendment) 100,000 additional trust shares (par $1). **Price**—At market. **Proceeds**—For investment.

El Paso Natural Gas Co.
Dec. 14 filed 5,235,952 shares of common B stock (par $3) being offered in exchange for common stocks of Pacific Northwest Pipeline Corp. on the basis of 14 shares of common B stock for each 8 shares of Pacific Northwest common stock. The offer, which has been accepted by holders of the required 2,435,000 shares of Pacific Northwest, will expire on March 1 (extended from Feb. 8). **Underwriter**—None. Statement effective Jan. 7.

★ El Paso Natural Gas Co.
Feb. 26 filed 150,000 shares of cumulative preferred stock, series of 1957 (par $100). **Price**—To be supplied by amendment. **Proceeds**—For expansion program of Pacific Northwest Pipeline Corp., a subsidiary. **Underwriter**—White, Weld & Co., New York.

★ El Paso Natural Gas Co.
Feb. 26 filed 300,000 shares of convertible second preferred stock, series of 1957 (no par), to be offered for subscription by common stockholders at a ratio to be determined at a later date. **Price** — To be supplied by amendment. **Proceeds** — To reduce bank loans and for new construction. **Underwriter** — White, Weld & Co., New York.

En Flo Corp.
Jan. 14 (letter of notification) 40,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For machinery, equipment, working capital, etc. **Address**—Airport Circle, Route 38, Pennsauken, N. J. **Underwriter**—Arthur & Co., Haddonfield, N. J.

Esk Manufacturing, Inc.
Feb. 8 (letter of notification) 150,000 shares of capital stock (par $1). **Price** — $2 per share. **Proceeds** — For manufacture and sale of molded plastic items. **Office**—100 West 10th St., Wilmington 99, Del. **Underwriter**—Ackerson Hackett Investment Co., Metairie, La. and Salt Lake City, Utah.

★ Federated Plans, Inc., Boston, Mass.
Feb. 20 filed (by amendment) the following additional securities: $50,000,000 of Systematic Investment Plans and $2,000,000 of Fully-Paid Plans.

Continued on page 38

NEW ISSUE CALENDAR

February 28 (Thursday)

Great Northern Ry.______Equip. Trust Ctfs.
(Bids noon EST) $4,140,000

March 1 (Friday)

Commercial Credit Co.______Notes
(The First Boston Corp. and Kidder, Peabody & Co.) $25,000,000

Manning, Maxwell & Moore, Inc.______Common
(Offering to stockholders—underwritten by Clark, Dodge & Co.) 71,390 shares

Transition Metals & Chemicals, Inc.______Common
(M. S. Gerber, Inc.) $500,000

March 4 (Monday)

Bayless (A. J.) Markets, Inc.______Common
(H. M. Byllesby & Co. Inc.) $3,950,000

Gob Shops of America, Inc.______Common
(Bruns, Nordeman & Co.) $300,000

Tower Acceptance Corp.______Class A Common
(S. D. Fuller & Co.) $1,000,000

March 5 (Tuesday)

Columbus & Southern Ohio Electric Co.______Bonds
(Bids 11 a.m. EST) $16,000,000

Hilo Electric Light Co.______Common
(Offering to common stockholders—no underwriting) 51,380 shs.

King Soopers, Inc.______Common
(Offering to stockholders—underwritten by Peters, Writer & Christensen, Inc.) $854,906

March 6 (Wednesday)

Consumers Power Co.______Common
(Offering to stockholders—bids 11 a.m. EST) 549,324 shares

Jorgensen (Earle M.) Co.______Common
(Blyth & Co., Inc.) 350,000 shares

Lone Star Gas Co.______Preferred
(Offering to common stockholders—underwritten by The First Boston Corp.) $15,483,400

Southern Counties Gas Co. of California______Bonds
(Bids 8:30 a.m. PST) $15,000,000

Texas Eastern Transmission Corp.______Bonds
(Dillon, Read & Co. Inc.) $40,000,000

March 7 (Thursday)

Rochester Telephone Corp.______Common
(Offering to stockholders—underwritten by The First Boston Corp.) 195,312 shares

Southern Pacific Co.______Equip. Trust Ctfs.
(Bids to be invited)

March 8 (Friday)

National Rubber Machinery Co.______Common
(Offering to stockholders—no underwriting) 9,778 shares

March 11 (Monday)

Carolina Telephone & Telegraph Co.______Common
(Offering to stockholders—no underwriting) 58,310 shares

General Public Utilities Corp.______Common
(Offering to stockholders—without underwriting) 646,860 shares

Minnesota Power & Light Co.______Bonds
(Bids 11:30 a.m. EST) $12,000,000

National Lithium Corp.______Common
(Gearhart & Otis, Inc.) $3,900,000

Pennsylvania RR.______Equip. Trust Ctfs.
(Bids noon EST) $4,950,000

March 12 (Tuesday)

Central & South West Corp.______Common
(Bids 10:30 a.m. CST) 600,000 shares

Commonwealth Edison Co.______Bonds
(Bids 10.30 a.m. CST) $50,000,000

Merchants National Bank & Trust Co.______Common
(Bids 11 a.m. EST) 3,062 shares

New England Electric System______Common
(Exchange offer—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co. to act as dealer-managers) 819,000 shares

Thrifty Drug Stores Co., Inc.______Common
(Blyth & Co., Inc.) 200,000 shares

March 13 (Wednesday)

Australia (Commonwealth of)______Bonds
(Morgan Stanley & Co.) $20,000,000

Florida Telephone Corp.______Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane) 128,918 shares

Montreal Transportation Commission______Debentures
(Shields & Co.; Halsey, Stuart & Co. Inc.; and Savard & Hart, Inc.) $9,000,000

Owens-Corning Fiberglas Corp.______Common
(Goldman, Sachs & Co.; Lazard Freres & Co.; and White, Weld & Co.) 300,000 shares

Philadelphia Suburban Water Co.______Bonds
(Drexel & Co.) $4,000,000

Pioneer Natural Gas Co.______Debentures
(Eastman Dillon, Union Securities & Co.) $12,500,000

Southern Co.______Common
(Offering to stockholders—bids 11 a.m. EST) 1,507,304 shares

March 14 (Thursday)

Ann Arbor RR.______Equip. Trust Ctfs.
(Bids to be invited) $1,830,000

Dresser Industries, Inc.______Debentures
(Blyth & Co., Inc.) $20,000,000

Pittsburgh & Lake Erie RR.______Equip. Trust Ctfs.
(Bids noon EST) $2,250,000

Wrigley Properties, Inc.______Common
(Offering to stockholders of ACF-Wrigley Stores, Inc.—to be underwritten by Allen & Co.)

March 15 (Friday)

Ford Gum & Machine Co., Inc.______Bonds
(No underwriting) $250,000

March 19 (Tuesday)

American Photocopy Equipment Co.______Common
(Lehman Brothers) 200,000 shares

Appalachian Electric Power Co.______Bonds
(Bids to be invited) $29,000,000

Chicago, Burlington & Quincy RR.______Equip. Tr. Ctfs.
(Bids to be invited) $7,500,000

Colorado Central Power Co.______Common
(Offering to stockholders—underwritten by The First Boston Corp.) 74,175 shares

Savannah Electric & Power Co.______Common
(Offering to stockholders and public—underwritten by The First Boston Corp. and Stone & Webster Securities Corp.) 214,100 shares

Spokane Natural Gas Co.______Common
(Offering to stockholders—underwritten by White, Weld & Co.) 135,315 shares

United States Borax & Chemical Corp.______Common
(The First Boston Corp.) 150,000 shares

March 20 (Wednesday)

Baltimore Gas & Electric Corp.______Common
(Offering to stockholders—to be underwritten by The First Boston Corp.) approximately 580,000 shares

Berkshire Gas Co.______Common
(Offering to stockholders—no underwriting) 20,000 shares

Eastern Utilities Associates______Common
(Offering to stockholders—Bids 11 a.m. EST) 89,322 shares

Fischer & Porter Co.______Debentures
(Hallowell, Sulzberger & Co.) $3,200,000

Public Service Electric & Gas Co.______Debentures
(Bids 11 a.m. EST) $50,000,000

March 21 (Thursday)

American Laundry Machinery Co.______Common
(Offering to stockholders—underwritten by Goldman, Sachs & Co.) 110,244 shares

Southern Ry.______Equip. Trust Ctfs.
(Bids to be invited) $5,540,000

March 25 (Monday)

Development Corp. of America______Common
(Sutro Bros. & Co. and Allen & Co.) $2,200,000

Ulen Management Co.______Common
(Sutro Bros. & Co. and Allen & Co.) $2,200,000

March 26 (Tuesday)

American Telephone & Telegraph Co.______Bonds
(Bids to be invited) $250,000,000

Houston Lighting & Power Co.______Common
(Offering to stockholders—no underwriting) 612,260 shares

March 28 (Thursday)

New Orleans Public Service Inc.______Bonds
(Bids 11:30 a.m. EST) $6,000,000

April 1 (Monday)

Babcock & Wilcox Co.______Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.) 535,148 shares

April 3 (Wednesday)

Columbia Gas System, Inc.______Common
(Bids to be invited) 1,500,000 shares

April 11 (Thursday)

Mississippi Power Co.______Bonds
(Bids 11 a.m. EST) $6,000,000

April 15 (Monday)

Baltimore & Ohio RR.______Equip. Trust Ctfs.
(Bids to be invited) $3,585,000

April 23 (Tuesday)

General Aniline & Film Corp.______Common
(Bids 3:45 p.m. EST) 426,988 A shares and 1,537,500 B shares

Minneapolis & St. Louis Ry.______Equip. Trust Ctfs.
(Bids to be invited) about $2,700,000

Northwestern Bell Telephone Co.______Debentures
(Bids to be invited) $30,000,000

May 6 (Monday)

Cincinnati, New Orleans & Texas Pacific Ry.
______Equip. Trust Ctfs.
(Bids to be invited) about $2,000,000

May 9 (Thursday)

Alabama Power Co.______Bonds
(Bids 11 a.m. EDT) $14,500,000

May 21 (Tuesday)

International Business Machines Corp.______Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.) about $200,000,000

May 28 (Tuesday)

National Fuel Gas Co.______Debentures
(Bids 11:30 a.m. EST) $15,000,000

June 4 (Tuesday)

Virginia Electric & Power Co.______Common
(Bids to be invited) 1,000,000 shares

June 6 (Thursday)

Georgia Power Co.______Bonds
(Bids 11 a.m. EDT) $15,500,000

June 18 (Tuesday)

Southern Bell Telephone & Telegraph Co.______Debs.
(Bids to be invited) $70,000,000

Continued from page 37

Flakewood Corp., San Francisco, Calif.
Nov. 14 filed 100,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For construction of manufacturing plant and to provide working capital. **Underwriter**—None. Robert E. Evju is President.

★ Florida Telephone Corp. (3/13)
Feb. 21 filed 128,918 shares of common stock (par $10) to be offered for subscription by common stockholders of record March 12, 1957 at the rate of one new share for each three shares held; rights to expire on April 1, 1957. Employees may subscribe for not more than 3,000 of the unsubscribed shares. **Price**—To be supplied by amendment. **Proceeds** — To retire $1,500,000 of bank loans and for additions and improvements to property. **Underwriters** — Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

Food Town, Inc., Washington, D. C.
Feb. 1 (letter of notification) 100,000 shares of 8% convertible preferred stock. **Price**—At par ($3 per share). **Proceeds** — To open and equip two new supermarkets. **Office**—20 "O" St., S. E., Washington, D. C. **Underwriter**—Rudd, Brod & Co., Washington, D. C.

Ford Gum & Machine Co., Inc. (3/15)
Dec. 18 (letter of notification) $250,000 of 6% first mortgage bonds due 1962 to 1967, inclusive. **Price**—100% of principal amount. **Proceeds**—For machinery and working capital. **Office**—Hoag and Newton Sts., Akron, N. Y. **Business**—Manufacturing chewing gum and self-service machines. **Underwriter**—None.

Fruit Juices, Inc.
Dec. 3 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For working capital. **Office** — 1115 South Washington St., Marion, Ind. **Underwriter**—Sterling Securities Co., Los Angeles, Calif.

• General Aniline & Film Corp., New York (4/23)
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney Geenral of the United States. **Underwriter**—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc.; Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—To be received up to 3:45 p.m. (EST) on April 23 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C.

General Credit, Inc., Washington, D. C.
Aug. 17 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working captal. **Underwriter** — None named. Offering to be made through selected dealers.

General Public Utilities Corp. (3/11)
Feb. 6 filed 646,850 shares of common stock (par $5) to be offered for subscription by common stockholders of record March 8, 1957, at the rate of one new share for each 15 shares held; rights to expire on March 29, 1957. [Each holder of less than 15 shares will, in lieu of the warrant otherwise deliverable to him, receive the cash equivalent thereof.] Subscription warrants are expected to be mailed on or about March 11. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for further investments in domestic subsidiaries. **Underwriter** — None. Merrill Lynch, Pierce, Fenner & Beane, New York, will act as clearing agent.

★ General Securities, Inc.
Feb. 26 filed (by amendment) 50,000 shares of common stock (par one cent). **Price**—At market. **Proceeds**—For investment.

Gob Shops of America, Inc. (3/4-8)
Jan. 21 (letter of notification) 240,000 shares of common stock (par 30 cents) of which 86,610 shares are being sold pursuant to outstanding warrants. **Price**—$1.25 per share. **Proceeds** — For additional discount department store operation; to increase the number of stores; and for working capital. **Office**—41 Stukely St., Providence, R. I. **Underwriter**—Bruns, Nordeman & Co., New York, N. Y.

Gold Mountain Lodge, Inc., Durango, Colo.
Aug. 23 filed 5,000 shares of class A voting common stock (par $1), 295,000 shares of class B non-voting common stock (par $1), and $700,000 of 4% debentures due Dec. 31, 1975, to be offered for sale in the States of Texas and Colorado in units of 50 shares of class A stock, 2,950 shares of class B stock and one $7,000 debenture. **Price**—$10,000 per unit. **Proceeds**—For purchase of property, remodeling of present main building, for new construction and working capital. **Business**—Operates year-round resort hotel. **Underwriter**—None

Hilo Electric Light Co., Ltd., Hilo, Hawaii (3/5)
Feb. 7 filed 51,380 shares of common stock (par $20), of which 45,320 shares are to be offered for subscription by common stockholders of record March 5, 1957 at the rate of two new shares for each seven shares held; rights to expire on or about April 6, 1957. Any unsubscribed shares plus the remaining 6,000 shares to be offered to employees, and the balance, if any, to the general public. **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for expansion and construction program. **Underwriter**—None.

★ Historic Figures, Inc.
Feb. 14 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For purchase and installation of tables, rent and maintenance, salaries, insurance, advertising and working capital. **Office** — 1718 Eye St., N. W., Washington, D. C. **Underwriter**—None.

Holly Corp., New York
Jan. 25 filed 406,638 shares of 50-cent convertible preferred stock, series A (par $5) and 2,476,116 shares of common stock (par 60 cents), of which all of the preferred and 763,011.3 shares of common stock are to be offered in exchange for Mount Vernon Co. preferred and common stock on the basis of one Holly series A share for each of the 406,638 shares of Mount Vernon preferred stock and 2½ shares of Holly common stock for each of the 305,204.52 shares of Mount Vernon common stock. Of the remainder, 210,000 Holly common shares are to be offered to certain holders of 35,000 shares of Van Dorn Iron Works Co. common stock on a six-for-one basis; 38,333 Holly common shares will be offered to certain finders, 60,000 shares to certain vendors of property; 1,016,595 shares will be reserved against conversion of preferred stock; and the remaining 388,176 are to be reserved for possible issuance at a future date in exchange for 64,696 shares of Van Dorn Iron Works common stock. **Underwriter**—None.

★ Houston Lighting & Power Co. (3/26)
Feb. 25 filed 665,760 shares of common stock (no par), of which 612,260 shares are to be offered for subscription by common stockholders of record March 25, 1957 at the rate of one new share for each 10 shares held; rights to expire on April 15. The remaining 53,500 shares are to be offered for subscription by employees. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans and for construction program. **Underwriter**—None.

Hub Oil Co., Denver, Colo.
Dec. 18 (letter of notification) 290,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To buy leases; for exploration and drilling. **Office**—413 First National Bank Bldg., Denver, Colo. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

International Bank of Washington, D. C.
Sept. 28 filed $1,000,000 of time certificates, series B, C and D. **Price**—At 100% of principal amount. **Proceeds**—For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

International Capital Corp., Des Moines, Iowa
Nov. 29 filed 370,000 shares of common stock (par 10 cents), of which 185,000 shares are to be offered by The Equity Corp. on a share-for-share basis in exchange for Equity Corp. common stock, and the remaining 185,000 shares by Financial General Corp. on a basis of 1⅔ shares of International common stock in exchange for one share of Financial common stock. Equity and Financial are to receive the 185,000 shares each of International common stock in exchange for all the outstanding shares of common stock of Investors Financial Corp. and Group Equities, Inc. International has been informed that 142,000 shares of Equity common owned by Fremont Corp. will be tendered in acceptance of the Equity exchange offer. **Underwriter**—None.

International Duplex Corp., San Francisco, Calif.
Dec. 21 filed 500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To equip and establish five super launderettes and for working capital. **Underwriters**—Names to be supplied by amendment.

Israel American Industrial Development Bank, Ltd.
Feb. 13 filed $2,500,000 of perpetual 6% debenture stock. **Price** — 110% of par. **Proceeds**—To be converted into Israel pounds and will be used as working capital to extend the medium and long-term credits to enterprises in Israel. **Office**—Tel Aviv, Israel. **Underwriter**—Israel Securities Corp., New York.

Jacobs (F. L.) Co.
Oct. 4 filed $3,000,000 of 6% convertible debentures due Nov. 1, 1966. **Price**—100% of principal amount. **Proceeds**—To pay short-term loans and for working capital. **Underwriters**—McLaughlin, Cryan & Co. and Gearhart & Otis, Inc., both of New York. **Offering**—Date indefinite.

Jorgensen (Earle M.) Co. (3/6)
Feb. 11 filed 350,000 shares of common stock (par $1), of which 100,000 shares are to be for account of the company and 250,000 for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—Together with $4,000,000 bank loans, to repay short-term bank loans incurred for working capital. **Business** — Warehousing and distribution of steel and aluminum products. **Office**—Los Angeles, Calif. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif., and New York, N. Y.

Juneau & Douglas Telephone Co.
Jan. 24 (letter of notification) $295,000 of 6% 15-year debentures due 1972. **Price** — At face amount (in denominations of $1,000 each). **Proceeds** — For additions and improvements. **Office**—139 W. Second Street, Juneau, Alaska. **Underwriter**—Grande & Co., Inc., Seattle, Wash.

• King Soopers, Inc., Denver, Colo. (3/5)
Feb. 25 filed 263,048 shares of common stock (par $1) to be offered for subscription by common stockholders and holders of certain outstanding stock purchase warrants on the basis of one share for each share held of record March 4, or for each share subject to purchase under such warrants. **Price**—$3.25 per share. **Proceeds**—To equip and stock a warehouse and any new stores that may be acquired. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

Leslie Productions, Inc.
Jan. 14 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For special building, equipment and for working capital. **Office**—Columbia, S. C. **Underwriter**—Alester G. Furman Co., Inc., Greenville, S. C.

Lone Star Gas Co. (3/6)
Feb. 13 filed 154,834 shares of cumulative convertible prefererd stock to be offered for subscription by common stockholders of record March 5, 1957 on the basis of one share of preferred stock for each 40 common shares held; rights to expire on March 25. **Price**—At par ($100 per share). **Proceeds**—Together with other funds to repay bank debt of $20,000,000 incurred for construction program. **Underwriter**—The First Boston Corp., New York.

Loyal American Life Insur. Co., Inc.
Sept. 28 filed 230,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record Oct. 15, 1956 at the rate of one new share for each three shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—To increase capital and surplus. **Underwriters**—J. H. Goddard & Co., Inc., Boston, Mass., and Thornton, Mohr & Farish, Montgomery, Ala.

Manning, Maxwell & Moore, Inc. (3/1)
Feb. 8 filed 71,390 shares of common stock (par $12.50) to be offered for subscription by common stockholders of record March 1, 1957 at the rate of one new share for each 10 shares held; rights to expire on March 13. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Clark, Dodge & Co., New York.

★ Marley Co.
Feb. 14 (letter of notification) 22,220 shares of common stock (par $2) to be offered to certain employees and other specified individuals under a stock option plan. **Price**—Estimated at $13.50 per share. **Proceeds**—For working capital. **Office**—222 W. Gregory Blvd., Kansas City, Mo. **Underwriter**—None.

Mason Mortgage Fund, Inc., Washington, D. C.
Feb. 8 filed $1,000,000 of 8% note certificates. **Price**—At par (in denominations of $250 each). **Proceeds**—For investment. **Underwriter** — None. Offering to be made through officers and employees of this company and of its affiliate, Mason Mortgage & Investment Corp.

★ Massachusetts Life Fund, Boston, Mass.
Feb. 25 filed (by amendment) the following additional securities: 400,000 units of beneficial interest and 2,000 trust certificates.

McRae Tungsten Corp., Boise, Idaho
Nov. 30 (letter of notification) 100,000 shares of common stock (par one cent) and 100,000 stock purchase warrants (each two warrants to entitle holder thereof to purchase one share of Idaho Rare Minerals Corp. 6% cumulative convertible sinking fund preferred stock, par $10, and one share of Idaho Rare common stock, par one cent at $11 per unit). **Price**—$3 per unit, consisting of one McRae share and one warrant. **Proceeds** — For mining expenses. **Office**—c/o Robert J. McRae, 1704 Gourley St., Boise, Ida. **Underwriter**—Von Gemmingen & Co., Inc., 320 North Fourth St., St. Louis, Mo.

• Merchants Acceptance Corp.
Jan. 30 filed 40,482 shares of class A common stock (no par) being offered for subscription by class A common stockholders of record Feb. 15, 1957 on the basis of one new share for each three shares held; rights to expire on March 12. **Price** — $25 per share. **Proceeds** — For working capital, to be used primarily to expand business in the existing 38 loan offices of company's subsidiaries or to open or acquire additional offices. **Office**—Worcester, Mass. **Underwriter**—G. H. Walker & Co., Providence, R. I.; New York, N. Y.; and St. Louis, Mo.

Michigan Wisconsin Pipe Line Co.
July 2, 1956 filed $25,000,000 of first mortgage pipe line bonds due 1976. **Proceeds**—To pay off short term bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. **Probable bidders**: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. **Bids**—Three bids were received on Aug. 1, all for 4¾s, but were turned down. Reoffering is expected sometime during the first six months of 1957.

• Minerals, Inc., New York
June 22 filed 2,500,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To acquire for $2,400,000 the Chavin lead-zinc-copper-silver mine located in South Central Peru, and for general corporate purposes. **Underwriter** — Gearhart & Otis, Inc., New York. Statement has been withdrawn.

★ Minneapolis Area Development Corp.
Feb. 19 filed $1,000,000 of 4% sinking fund income debentures due March 1, 1972, and 25,000 shares of common stock (par $1) to be offered in units of $40 of debentures and one share of stock. **Price**—$50 per unit. **Proceeds**—For acquisition of lands and for development of the lands as sites for industrial purposes; for payment of bank loans; and for working capital and other corporate purpose. **Office**—Minneapolis, Minn. **Underwriter**—None.

★ Minnesota Fund, Inc., Minneapolis, Minn.
Feb. 25 filed (by amendment) 200,000 additional shares of common stock (par one cent). **Price** — At market. **Proceeds**—For investment.

Minnesota Power & Light Co. (3/11)
Feb. 8 filed $12,000,000 of first mortgage bonds due 1987. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.

Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); White, Weld & Co., Shields & Co. and Equitable Securities Corp. (jointly); Lehman Brothers and Drexel & Co. (jointly); Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly). **Bids**—Tentatively expected to be received up to 11:30 a.m. (EST) on March 11.

Mississippi Valley Portland Cement Co.
Dec. 26 filed 1,600,000 shares of capital stock (no par), of which 708,511 shares are subject to an offer of rescission. **Price**—$3 per share. **Proceeds**—For completion of plant, provide for general creditors and for working capital. **Office**—Jackson, Miss. **Underwriter**—None, offering to be made through company's own agents.

Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

Montreal Transportation Commission (3/13)
Feb. 19 filed $9,000,000 of sinking fund debentures due March 15, 1977. **Price**—To be supplied by amendment. **Proceeds**—For equipment and improvements, etc. **Underwriters**—Shields & Co. and Halsey, Stuart & Co. Inc., both of New York; and Savard & Hart, Inc., Montreal, Canada.

★ **Morrell (John) & Co.**
Feb. 21 filed $5,000,000 of Employee Savings Notes to be offered to eligible employees of the company and its domestic subsidiaries under the company's Savings Plan for Employees. **Price**—100% of principal amount.

● **Nantucket Gas & Electric Co.**
Feb. 1 (letter of notification) 4,500 shares of common stock being offered for subscription by stockholders on the basis of one new share for each four shares held as of Jan. 4, 1957; rights to expire on March 4, 1957. **Price**—At par ($25 per share). **Proceeds**—For electric facilities. **Office** — 10 Federal St., Nantucket, Mass. **Underwriter**—None.

National Fidelity Insurance Co.
Nov. 30 (letter of notification) 33,000 shares of common stock (par $1.25) to be offered to stockholders on the basis of one share for each seven shares held. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—314 Pine St., Spartanburg, N. C. **Underwriter**—None.

● **National Lithium Corp., New York (3/11-15)**
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York.

National Old Line Insurance Co.
Nov. 15, 1955 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office** — Little Rock, Ark. **Underwriter** — Equitable Securities Corp., Nashville, Tenn., and New York, N. Y. **Offering** — Indefinitely postponed.

★ **National Rubber Machinery Co. (3/8)**
Feb. 25 (letter of notification) 9,778 shares of common stock (par $10) to be offered for subscription by common stockholders of record March 7, 1957, on the basis of one new share for each 20 shares held; rights to expire on April 1, 1957. Subscription certificates are expected to be mailed on March 8. **Price**—$27 per share. **Proceeds**—For general corporate purposes. **Office**—47 West Exchange St., Akron, Ohio. **Underwriter**—None.

New Brunswick (Province of)
Dec. 14 filed $12,000,000 of 25-year sinking fund debentures due Jan. 1, 1982. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to The New Brunswick Electric Power Commission to repay bank loans **Underwriter**—Halsey, Stuart & Co. Inc., New York and Chicago. **Offering**—Temporarily delayed.

New England Electric System (3/12)
Dec. 3 filed 819,000 shares of common stock (par $1) to be offered in exchange for capital stock of Lynn Gas & Electric Co. on the basis of two NEES shares for each Lynn share. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co., both of Boston, Mass.

New Orleans Public Service, Inc. (3/28)
Feb. 15 filed $6,000,000 of first mortgage bonds due 1987. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Blair & Co. Incorporated; The First Boston Corp.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Lehman Brothers. **Bids**—Tentatively expected to be received up to 11:30 a.m. (EST) on March 28.

● **New York Shipbuilding Corp., Camden, N. J.**
Jan. 24 filed 211,254 shares of common stock (par $1). **Price**—To be related to the prevailing price on the New York Stock Exchange at the time of sale. **Proceeds**—To Merritt-Chapman & Scott Corp., the selling stockholder. **Underwriter**—None. Statement effective Feb. 28.

★ **Nichols Wire & Aluminum Co.**
Feb. 25 (letter of notification) 1,456 shares of common stock (par $50). **Price**—$125 per share. **Proceeds**—To retire present mortgage indebtedness and for working capital. **Office** — 1725 Rockingham Road, Davenport, Iowa. **Underwriter**—None.

Nic-L-Silver Battery Co., Santa Ana, Calif.
Dec. 27 filed 75,000 shares of 5% cumulative participating preferred stock and 7,500 shares of common stock. **Price**—At par ($10 per share). **Proceeds** — To liquidate a bank loan of $178,635; increase inventories; and for working capital and general corporate purposes. **Underwriter**—None.

Ohio Power Co.
Sept. 20 filed 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blyth & Co., Inc.; Kuhn Loeb & Co.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc. and Stone & Webster Securities Corp. (jointly); Lehman Brothers. **Bids**—The two received up to 11 a.m. (EST) on Oct. 30 were rejected.

★ **One Hour Valet, Inc.**
Feb. 14 (letter of notification) 42,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To go to selling stockholders. **Office** — 1844 W. Flagler St., Miami, Fla. **Underwriters**—R. S. Dickson & Co., Charlotte, N. C.; Clark, Landstreet & Kirkpatrick, Inc., Nashville, Tenn.; Courts & Co., Atlanta, Ga.; Willis, Kenny & Ayres, Inc., Richmond, Va.; and Atwill & Co., Miami Beach, Fla.

Oneita Knitting Mills (3/7)
Feb. 19 (letter of notification) $296,600 of 20-year 6% debentures due March 1, 1976. **Price**—At par. **Proceeds** —To redeem $292,550 outstanding 6% cumulative preferred stock and for working capital. **Office**—350 Fifth Ave., New York, N. Y. **Underwriter**—None.

Orefield Mining Corp., Montreal, Canada
Oct. 15 filed 900,000 shares of capital stock (par $1), of which 200,000 shares are now outstanding. **Price**—To be supplied by amendment. **Proceeds** — For exploration costs. **Underwriter**—To be named later. Michael Tzopanakis, of Miami, Fla., and Denis Colivas, of Montreal, Canada, are large stockholders.

Owens-Corning Fiberglas Corp. (3/13)
Feb. 18 filed 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For expansion program and working capital. **Underwriters** —Goldman, Sachs & Co., Lazard Freres & Co., and White, Weld & Co., all of New York.

Paradox Production Corp., Salt Lake City, Utah
Feb. 4 filed 1,000,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For drilling test wells and general corporate purposes. **Business**—To develop oil and gas properties. **Underwriter**—Market Securities, Inc., Salt Lake City, Utah.

Philadelphia Suburban Water Co. (3/13)
Feb. 19 filed $4,000,000 of first mortgage bonds due 1987, and 20,000 shares of preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Drexel & Co., Philadelphia, Pa.

Pioneer Finance Co.
Jan. 9 (letter of notification) 12,000 shares of common stock (par $1). **Price**—At market (estimated at $3.37½ to $3.87½ per share). **Proceeds**—To a selling stockholder. **Office** — 1400 National Bank Bldg., Detroit 26, Mich. **Underwriter**—Troster, Singer & Co., New York, N. Y.

Pioneer Natural Gas Co. (3/13)
Feb. 19 filed $12,500,000 20-year sinking fund debentures due 1977. **Price**—To be supplied by amendment. **Proceeds**—Together with proceeds from private placement of $22,000,000 of first mortgage bonds, will be used to refund all but $1,000,000 of company's funded debt; and for expansion program. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

Pittsburgh Rys. Co., Pittsburgh, Pa.
Feb. 13 filed 547,678 shares of common stock (no par), of which 540,651.75 shares are to be offered for subscription by Standard Gas & Electric Co. common stockholders on the basis of one Pittsburgh Rys. share for each four Standard Gas shares held. The subscription period will run for a period of not less than 21 days. **Price**—To be supplied by amendment (expected to be $6 per share, less any dividends paid on the Pittsburgh Rys. stock after Oct. 19, 1956). **Proceeds**—To Standard Gas & Electric Co. **Underwriter** — None. Standard Shares, Inc., owner of 45.59% of Standard Gas common stock, will purchase all shares of Pittsburgh Rys. to which it is entitled to subscribe, plus any unsubscribed share and the remaining 7,026.25 shares not offered directly to Standard Gas stockholders.

Plymouth Fund, Inc., Miami, Fla.
Feb. 5 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Plymouth Bond & Share Corp., Miami, Fla. Joseph A. Rayvis, also of Miami, is President.

★ **Public Service Electric & Gas Co. (3/20)**
Feb. 21 filed $50,000,000 of debenture bonds due March 1, 1977. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on March 20.

Pyramid Productions, Inc., New York
Sept. 27 filed 220,000 shares of common stock (par $1), of which 200,000 shares are to be offered to public and 20,000 shares issued to underwriter. **Price**—$5 per share. **Proceeds**—To retire $125,000 of outstanding 15% debentures as well as a $173,180 debt to Trans-Union Productions, Inc.; and for working capital. **Business**—Television releases. **Underwriter**—E. L. Aaron & Co., New York.

Raymond Oil Co., Inc., Wichita, Kansas
Jan. 29 filed 200,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds** —For exploration, development and operation of oil and gas properties. **Underwriter**—Perkins & Co., Inc., Dallas, Tex.

Raytone Screen Corp.
Feb. 15 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—$3.25 per share. **Proceeds** —To reduce debt, for purchase of inventory and for working capital. **Office**—165 Clermont Ave., Brooklyn, N. Y. **Underwriter**—J. P. Emanuel & Co., Inc., Jersey City, N. J. **Offering**—Expected in March.

Rochester Telephone Corp. (3/7)
Feb. 15 filed 195,312 shares of common stock (par $10) to be offered for subscription by common stockholders of record March 6, 1957 at the rate of one new share for each five shares held; rights to expire on March 25. **Price** —To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriter**—The First Boston Corp., New York.

Rocky Mountain Research, Inc.
Feb. 8 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and market research. **Office**—625 Broadway Bldg., Denver, Colo. **Underwriter** — G. R. Harris & Co., Denver, Colo.

Samson Uranium, Inc., Denver, Colo.
Aug. 21 (letter of notification) 25,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds** —For core drilling, including geological research and core assays; for mining shaft; to exercise purchase of option agreement on additional properties; for working capital and other corporate purposes. **Underwriter** — Indiana State Securities Corp. of Indianapolis, Ind., for offering to residents of Indiana.

★ **Santa Claus Ranch of Rudioso, Inc., Rudioso, N. M.**
Feb. 13 (letter of notification) 97,000 shares of common stock and 4,000 shares of 7% cumulative preferred stock. **Price**—Both at par (common at $1 per share and preferred at $50 per share). **Proceeds** — To purchase and develop property for a project. **Underwriter**—None.

★ **Savannah Electric & Power Co. (3/19)**
Feb. 21 filed 214,100 shares of common stock (par $5), of which 163,334 shares are to be offered for subscription by common stockholders of record March 18, 1957 on the basis of one new share for each six shares held (with an oversubscription privilege); rights to expire on April 1, 1957. The 50,766 remaining shares are to be offered for the account of selling stockholders. **Price** — To be supplied by amendment. **Proceeds**—From sale of 163,334 shares of common stock and from private sale of 20,000 shares of $100 par preferred stock, to be used to repay bank loans and for construction program. **Underwriters** —The First Boston Corp. and Stone & Webster Securities Corp., both of New York.

● **South Carolina Electric & Gas Co.**
Feb. 4 filed 336,085 shares of common stock (par $4.50) being offered for subscription by common stockholders of record Feb. 26, 1957 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire March 12, 1957. **Price**—$18.25 per share. **Proceeds**—For construction program. **Underwriter**— Kidder, Peabody & Co., New York.

★ **Southern Co. (3/13)**
Feb. 15 filed 1,507,304 shares of common stock (par $5) to be offered for subscription by common stockholders of record March 13, 1957 on the basis of one new share for each 13 shares held; rights to expire on April 4, 1957. **Price**—To be fixed March 12. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Morgan Stanley & Co.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly). **Bids**—To be received up to 11 a.m. (EST) on March 13 at 250 Park Ave., New York, N. Y.

Southern Counties Gas Co. of California (3/6)
Feb. 4 filed $15,000,000 of first mortgage bonds, series B, due 1982. **Proceeds** — To repay indebtedness to parent, Pacific Lighting Corp. (about $9,200,000) and for construction and expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—To be received up to 8:30 a.m. (PST) on March 6 at Room 1216, 810 So. Flower St., Los Angeles, Calif.

★ **Southern Discount Co.**
Feb. 15 (letter of notification) $94,000 subordinate 5% non-convertible debentures, series G due Oct. 1, 1975, to be offered in exchange for series D, E or F debentures. **Price** — At par (in denominations of $500 and $1,000). **Proceeds**—To reduce bank loans and additional working capital. **Office**—919 W. Peachtree St., N. E., Atlanta, Ga. **Underwriter**—None.

Southern Sportsman, Inc., Atlanta, Ga.
Dec. 7 filed 486,000 shares of common stock, of which 375,000 shares are to be publicly offered and 111,300 shares are to be reserved on exercise of options to be granted to employees of the company (latter exercisable on or before Dec. 31, 1956). **Price**—$3 per share. **Proceeds**—To buy or establish a complete sporting goods house; other expansion and inventories. **Underwriter**— Investment Underwriters, Inc., Atlanta, Ga. Philip H.

Continued on page 40

Continued from page 39

Dohn, Jr., and Roger H. Bell, sole stockholders of the underwriter, are officers and directors of Southern Sportsman, Inc.

Southern Union Oils Ltd., Toronto, Canada
Aug. 24 filed 750,000 shares of capital stock (par $1). **Price**—64½ cents per share. **Proceeds**—To selling stockholders. **Underwriter**—None.

Southwide Corp., Anniston, Ala.
Sept. 12 filed 450,635 shares of common stock (par $1), of which 211,681 shares are to be offered publicly 238,954 shares are to be offered in exchange for the class A stock of Capital Fire & Casualty Co. and common stock of Allied Investment Corp. **Price**—$2 per share. **Proceeds**—For purchase of stock of Capital and Allied firms and for purchase of U. S. Government bonds. **Underwriter**—None, but a selling commission will be allowed to dealers for sales effected by them. Elvin C. McCary, of Anniston, Ala., is President.

Sperti Products, Inc., Hoboken, N. J.
Jan. 29 filed $745,300 of 6% debentures due March 1, 1972 and 14,906 shares of common stock (par $1) to be offered in units of a $100 debenture and two shares of stock, of which $545,300 of the debentures and 10,906 shares of stock are to be offered first in exchange for the 54,530 outstanding shares of 5% cumulative convertible preferred stock (par $10) at the rate of one new unit for each 10 shares of preferred stock. The remaining $200,000 of debentures and 4,000 shares of common stock are to be publicly offered. **Price**—$100 per unit. **Proceeds**—For general corporate purposes, including working capital and for redemption of any unexchanged preferred stock. **Underwriter**—Smart, Clowes & Oswald, Inc., Louisville, Ky. **Offering**—Expected shortly.

Spokane Natural Gas Co. (3/19)
Feb. 18 filed 135,315 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each three shares held as of March 19, 1957; rights to expire on April 2. **Price**—To be supplied by amendment. **Proceeds**—Together with bank loans, for construction program. **Underwriter**—White, Weld & Co., New York.

★ Texas Co.
Feb. 25 filed $16,445,900 of participations in the company's Employees Savings Plan, together with 300,039 shares of capital stock which may be issued pursuant thereto.

Texas Eastern Transmission Corp. (3/6)
Feb. 14 filed $40,000,000 of first mortgage pipe line bonds due 1977. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Dillon, Read & Co. Inc., New York.

Texas Fuel Corp., Clarksville, Texas
Nov. 29 (letter of notification) 120,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To pay bank loans, financing of time payment sales of appliances and air conditioners and for working capital. **Underwriter**—Franklin Securities Co., Dallas, Texas. **Offering**—Expected soon.

Theatrical Interests Plan, Inc., New York City
Oct. 30 filed 52,000 shares of class A stock (par five cents) and 28,000 shares of class B stock (par five cents). **Price**—Of class A, expected at $10 per share in lots of not less than 25 shares; of class B, expected at par. **Proceeds**—For investment in theatrical and entertainment fields. **Business**—A non-diversified closed-end management investment company. **Underwriter**—None.

Thermoray Corp.
June 29 (letter of notification) 380,000 shares of common stock (par 10 cents). **Price** — 75 cents per share. **Proceeds**—For inventory, working capital, etc. **Business**—Electrical heating. **Office**—26 Avenue B, Newark, N. J. **Underwriter**—Eaton & Co., Inc., New York.

Thrifty Drug Stores Co., Inc. (3/12)
Feb. 18 filed 200,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter** — Blyth & Co., Inc., Los Angeles, Calif.

● Tower Acceptance Corp. (3/4-6)
Dec. 7 filed 200,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Office**—Houston, Tex. **Underwriter**—S. D. Fuller & Co., New York.

Trans-Gulf Offshore Drilling, Inc.
Jan. 24 filed 700,000 shares of common stock (par 25 cents). **Price** — $2 per share. **Proceeds** — For mobile drilling platform; reserves for escalation and contingency charges, etc. **Office**—Houston, Tex. **Underwriter**—Dallas Rupe & Son, Inc., Dallas, Tex.

Transition Metals & Chemicals, Inc. (3/1)
Jan. 22 filed 1,615,500 shares of common stock and 1,126,500 common stock purchase warrants, of which 250,000 shares of stock and 250,000 warrants are to be offered publicly in units of one common share and one warrant. **Price**—$2.01 per unit. **Proceeds**—For construction of plant and other facilities; for equipment; and working capital. **Office**—Wallkill, N. Y. **Underwriter**—M. S. Gerber, Inc., New York.

Tri-State Rock Material Corp., Leesburg, Va.
Nov. 28 filed 500,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($1.50 per share). **Proceeds** — For asphalt plant, equipment, working capital and other corporate purposes. **Underwriter**—None.

Turf Paradise, Inc., Phoenix, Ariz.
Jan. 11 filed 50,000 shares of common stock (par $10) to be first offered for subscription by common and preferred stockholders. **Price**—$15 per share. **Proceeds**—To retire issued and outstanding preferred stock. **Underwriter**—None.

Ulen Management Co. (3/25-29)
See Development Corp. of America above.

★ United Gas Corp., Shreveport, La.
Feb. 25 filed $6,660,000 of participations in the Employees Stock Purchase Plan of this corporation and its subsidiaries, United Gas Pipe Line Co. and Union Producing Co.; also 200,000 shares of common stock of United Gas Corp. which may be acquired pursuant to said plan.

United States Air Conditioning Corp.
Sept. 27 filed 600,000 shares of common stock (par 10 cents), of which 50,000 shares are to be offered to employees, distributors and dealers; 50,000 shares, plus any of the unsold portion of the first 50,000 shares, are to be offered to the public; and the underwriter will be granted options to acquire the remaining 500,000 shares for reoffer to the public. **Price**—At market prices. **Proceeds**—For working capital and general corporate purposes. **Office**—Philadelphia, Pa. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York. **Offering**—Date indefinite.

★ United States Borax & Chemical Corp. (3/19)
Feb. 26 filed 150,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter** — The First Boston Corp., New York.

Vanderbilt Mutual Fund, Inc., Los Angeles, Calif.
Dec. 31 filed 50,000 shares of common stock (par $1). **Price**—At market. **Proceeds** — For investment. **Underwriter**—Vanderbilt Mutual Fund Management Corp., 458 So. Spring St., Los Angeles 13, Calif.

Venezuela Diamond Mines, Inc., Miami, Fla.
Aug. 31 filed 1,500,000 shares of common stock. **Price**—At par (20 cents per share). **Proceeds**—For exploration and mining operations in Venezuela. **Underwriter**—Columbia Securities Co., Inc., of Florida (name changed to Alfred D. Laurence & Co.), Miami, Fla.

Venezuelan Sulphur Corp. of America (N. Y.)
Jan. 29 filed 150,000 shares of common stock (par 50 cents). **Price**—At market, but not less than $3 per share. **Proceeds**—For mining operations. **Underwriter**—None.

★ Wellington Fund, Inc.
Feb. 20 filed (by amendment) 10,000,000 additional shares of common stock (par $1). **Price** — At market. **Proceeds**—For investment.

● West Penn Electric Co.
Jan. 25 filed 528,000 shares of common stock (par $5) being offered for subscription by common stockholders of record Feb. 26, 1957, on the basis of one additional share for each 16 shares held; rights to expire on March 14. **Price** — $24.50 per share. **Proceeds** — To increase investments in subsidiaries. **Underwriter**—To be determined by competitive bidding. Probable bidders: Carl M. Loeb, Rhoades & Co.; The First Boston Corp. and W. C. Langley & Co. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly). **Bids**—Expected to be received up to noon (EST) on Feb. 26.

● West Penn Power Co.
Feb. 19 filed an unspecified number of shares of common stock (no par) to be offered for subscription by common stockholders of record March 21, 1957 (other than its parent, the West Penn Electric Co.); rights to expire on April 16. **Price**—To be supplied by amendment. **Proceeds** — About $12,000,000 — for construction program. **Underwriter**—None.

Western Carolina Tel. Co., Weaverville, N. C.
Feb. 10 (letter of notification) 44,615 shares of common stock (par $5) to be offered to existing stockholders on the basis of one share for each five shares held. **Price**—$6 per share. **Proceeds** — For working capital. **Underwriter**—None.

Wildcat Mountain Corp., Boston, Mass.
Aug. 13 filed $800,000 of 6% subordinated cumulative debentures due Dec. 1, 1976, and 6,000 shares of common stock (no par) to be offered in units of a $400 debenture and three shares of stock. **Price** — $500 per unit. **Proceeds**—For construction and working capital. **Business**—Mountain recreation center. **Underwriter**—None; offering to be made by officers and agents of company.

● Williamson Co., Cincinnati, Ohio
Feb. 19 (letter of notification) 23,307 shares of class B common stock (par $1) to be offered for subscription by class B stockholders of record Feb. 4, 1957, on the basis of one new share for each seven shares held; rights to expire on March 25, 1957. **Price**—$8.56 per share. **Proceeds**—For working capital. **Office**—3500 Madison Road, Cincinnati, Ohio. **Underwriter**—None.

Wilson & Co., Inc.
Aug. 28 filed $20,000,000 of 20-year sinking fund debentures due 1976. **Price**—To be supplied by amendment. **Proceeds** — To redeem presently outstanding first mortgage bonds, to repay bank loans and for expansion program. **Business**—Meat packing firm. **Underwriters**—Smith, Barney & Co.; Glore Forgan & Co. and Hallgarten & Co., all of New York City. **Offering**—Indefinitely postponed.

Winter Park Telephone Co., Winter Park, Fla.
Feb. 14 filed 40,000 shares of common stock (par $10) and 4,000 shares of cumulative preferred stock (par $100) to be offered in units of 10 common shares and one preferred share. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Underwriters**—Security Associates, Inc., Winter Park, Fla.; First Florida Investors, Inc., Orlando, Fla., Bache & Co., Miami, Fla.; and Grimm & Co., Orlando, Fla.

Prospective Offerings

Advance Mortgage Corp., Chicago, Ill.
Dec. 4 it was reported this company (to be surviving corporation following merger of First Mortgage Corp. and Irwin Jacobs & Co. of Chicago) plans a public offering of $1,000,000 class A 6% participating convertible stock (par $1). **Underwriter**—Baker, Simonds & Co., Detroit, Mich. **Offering**—Expected in March.

Alabama Power Co. (5/9)
Jan. 21 it was announced company plans to issue and sell $14,500,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co., Equitable Securities Corp. and Drexel & Co. (jointly); Lehman Brothers; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on May 9. **Registration**—Planned for April 12.

American Electronics, Inc., Los Angeles, Calif.
Feb. 18 it was reported early registration is expected of 190,000 shares of common stock (par $1), of which 130,000 shares are to be sold for company's account and 60,000 shares for selling stockholders. **Underwriters**—Van Alstyne, Noel & Co., New York; and Crowell, Weedon & Co., Los Angeles, Calif. **Offering** — Expected about the middle of March.

American Telephone & Telegraph Co. (3/26)
Dec. 19 the directors authorized a new bond issue of $250,000,000. **Proceeds** — For additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Morgan Stanley & Co. **Bids** — Tentatively scheduled to be received on March 26.

Ann Arbor RR. (3/14)
Bids will be received by the company on March 14 for the purchase from it of $1,830,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.; Baxter & Co.

★ Babcock & Wilcox Co. (4/1)
Feb. 21 the directors approved a plan to offer 535,148 shares of capital stock to stockholders of record March 29, 1957 at the rate of one new share for each 10 shares held; rights to expire on April 15. **Underwriter**—Morgan Stanley & Co., New York.

Baltimore Gas & Electric Co.
Feb. 8 it was reported that company plans to issue and sell about $32,000,000 to $33,000,000 of mortgage bonds, in addition to 580,000 shares of common stock, during the first half of 1957, but the exact amount of bonds has not yet been determined. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co. Inc. and Alex. Brown & Sons (jointly); Kuhn, Loeb & Co.

Baltimore Gas & Electric (3/20)
Feb. 8, Charles P. Crane, Chairman of the Board and President, announce that the next financing will probably take the form of an issue of approximately 580,000 shares of common stock which are to be offered for subscription by common stockholders of record March 15 on the basis of one new share for each 11 shares held. Subscription period would probably extend from the latter part of March into early April. **Underwriter**—The First Boston Corp., New York. **Registration**—Expected on Feb. 28.

Baltimore & Ohio RR. (4/15)
Bids are expected to be received by the company on or about April 15 for the purchase from it of $3,585,000 equipment trust certificates to be due annually in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Berkshire Gas Co. (4/1)
Feb. 15 company announced it plans to offer to its common stockholders around April 1 the right to subscribe during a three weeks' period for 20,000 additional shares of common stock (par $10) on the basis of one new share for each five shares held (with an oversubscription privilege). Employees may purchase any unsubscribed shares. **Price**—To be determined later. **Proceeds** — To reduce bank loans. **Underwriter** — None. **Registration**—Expected in March.

★ California Electric Power Co.
Feb. 25 company applied to the California P. U. Commission for authority to issue and sell 300,000 shares of common stock (par $1) and $6,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans. **Underwriters** — To be determined by competitive bidding. Probable bidders: (1) For stock—Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Carl M. Loeb, Rhoades & Co. and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co.; White, Weld & Co. (2) For bonds—Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Lehman Brothers and Dean Witter & Co. (jointly).

Central Hudson Gas & Electric Corp.
Feb. 1 it was announced that the company plans, before the middle of the year, to issue approximately $12,000,000 of new securities (two-thirds in debt securities and

the balance from sale of common stock). **Proceeds**—For construction program. **Underwriter**—For any debt securities, Kidder, Peabody & Co.; for common stock, Kidder, Peabody & Co. and Estabrook & Co., both of New York.

Central Louisiana Electric Co., Inc.
Jan. 25 it was reported that the company plans some debt and equity financing in 1957. **Proceeds**—For $12,500,000 construction program. **Underwriters** — Kidder, Peabody & Co. and White, Weld & Co. placed last bond issue privately; last preferred stock issue also placed privately; with common stock locally or to stockholders, without underwriting. In 1954, a convertible debenture offering was underwritten by Kidder, Peabody & Co.

Central Maine Power Co.
Dec. 31, W. F. Wyman, President, announced that "while the company expected to do some permanent financing in 1957, no definite plans have yet been worked out. Bank loans outstanding at the year end totaled $10,500,000. Construction expenditures for 1957 are now estimated at between $19,000,000 and $20,000,000. It is estimated that $5,500,000 of the amount needed for this program will be supplied from internal cash with the balance to be supplied from outside sources. **Underwriters** —Any common stock offer (first to stockholders) may be underwritten by Harriman, Ripley & Co. Inc., The First Boston Corp. and Coffin & Burr, Inc. Bidders for any bonds may include: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp. and Coffin & Burr, Inc. (jointly); Harriman, Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler.

Chicago, Burlington & Quincy RR. (3/19)
Bids will be received by company up to noon (EST) on March 19 for the purchase from it of $7,500,000 equipment trust certificates due in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Cincinnati, New Orleans & Texas Pacific Ry. (5/6)
Feb. 5 it was reported that the company plans to issue and sell around May 6 $2,000,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Cleveland Electric Illuminating Co.
Nov. 12 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds in the Summer of 1957. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Dillon, Read & Co. Inc.; Blair & Co. Inc., and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; White, Weld & Co.

Coastal Transmission Corp., Houston, Tex.
Dec. 28, the FPC authorized this corporation to build 574 miles of pipeline to cost approximately $54,589,000 from a point in Hidalgo County, Tex., to the point of tem in East Baton Rouge Parish, La. **Underwriters**—May be Lehman Brothers and Allen & Co., both of New York.

Columbia Gas System, Inc. (4/3)
Feb. 13 it was announced corporation plans to issue and sell to the public 1,500,000 shares of common stock (no par). **Proceeds**—For financing construction work of subsidiaries. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co. **Bids**—Expected to be received on April 3. **Registration** — Statement expected to be filed shortly.

Columbia Gas System, Inc.
Feb. 18, company announced that it plans the issuance and sale of additional debentures in order to finance its 1957 construction program, which is expected to cost approximately $87,000,000, which will also be financed, in part, through the offering of 1,500,000 shares of common stock to the public (see above). **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly).

★ **Columbus & Southern Ohio Electric Co.**
Feb. 21 it was reported that company plans to issue and sell in the Fall $8,000,000 of cumulative preferred stock. **Underwriter**—Dillon, Read & Co. Inc., New York.

Connecticut Light & Power Co.
Feb. 18, it was reported company plans to sell not less than $20,000,000 of first mortgage bonds, possibly this Fall, depending upon market conditions. **Proceeds**—For construction program. **Underwriter** — Putnam & Co., Hartford, Conn.; and Chas. W. Scranton & Co., New Haven, Conn.

Consolidated Natural Gas Co.
Feb. 11 it was reported company plans to issue and sell, probably in June $25,000,000 of 25-year debentures and an additional $25,000,000 of debentures in the Fall. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan, Stanley & Co. and the First Boston Corp. (jointly).

Denver & Rio Grande Western RR.
Feb. 11 it was reported company plans to issue and sell in May or June about $5,000,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

El Paso Electric Co.
Feb. 12 it was reported company plans the sale this year of some additional common stock (par $5), probably to common stockholders (with an oversubscription privilege). Stockholders will vote March 14 on splitting up the present 896,412 shares of no par common stock into 1,792,824 shares of $5 par common stock and on increasing the authorized common stock to 2,200,000 shares, leaving 407,176 shares available for issuance in the future. **Dealer-Manager**—Stone & Webster Securities Corp., New York.

First National Bank of Middletown, Ohio
Feb. 5 this bank offered to its stockholders of record Feb. 4, 1957 the right to subscribe on or before March 4 for 22,000 additional shares of capital stock (par $10) at the rate of one new share for each five shares held. **Price**—$20 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Greene & Ladd, Dayton, O.

★ **Fischer & Porter Co. (3/20)**
Feb. 19 it was reported company plans to issue and sell $3,200,000 of convertible subordinated sinking fund debentures due 1977. **Underwriter** — Hallowell, Sulzberger & Co., Philadelphia, Pa. **Registration**—Expected on March 1.

Florida Power Corp.
Jan. 3 it was reported that company plans to offer to its stockholders in May or June about $11,000,000 of additional common stock on a 1-for-10 basis. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., both of New York.

General Telephone Corp.
Feb. 5 it was reported company plans to issue and sell, probably in June, first to common stockholders, $40,000,000 of convertible debentures. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York; and Mitchum, Jones & Templeton of Los Angeles, Calif.

General Tire & Rubber Co.
Dec. 4, M. G. O'Neil, Executive Assistant to the President, said the management was working on a plan to revamp the capital structure and that the company would like to come up with one issue of preferred stock. He added that close to $18,000,000 will be put into capital investments during the fiscal year to end Nov. 30, 1957.

Georgia Power Co. (6/6)
Jan. 21 it was announced the company is planning issuance and sale of $15,500,000 first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc., Kidder, Peabody & Co. and Shields & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on June 6.

★ **Great Northern Ry. (2/28)**
Bids will be received by this company up to noon (EST) on Feb. 28 for the purchase from it of $4,140,000 equipment trust certificates to mature semi-annually from Sept. 1, 1957 to and including March 1, 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Houston Lighting & Power Co.
Feb. 13 it was reported company may offer late this Fall approximately $25,000,000 first mortgage bonds, but exact amount, timing, etc. has not yet been determined. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers, Eastman Dillon, Union Securities & Co, and Salomon Bros. & Hutzler (jointly); Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.

Houston Texas Gas & Oil Corp., Houston, Tex.
Dec. 28 the FPC authorized this corporation to build 942.6 miles of main line extending from the Mississippi River connection across Louisiana, Mississippi and Alabama, and then eastwardly across the Florida panhandle and down the Florida peninsula to a terminal south of Miami in Dade County, Fla., estimated to cost a total of $94,285,000. **Underwriters**—May be Blyth & Co., Inc., San Francisco, Calif., and Scharff & Jones, Inc., New Orleans, La.

Illinois Power Co.
Feb. 7, the directors approved, subject to stockholder approval, an increase in the authorized serial preferred stock (par $50) from 1,000,000 shares to 1,600,000 shares. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp., both of New York.

Indianapolis Power & Light Co.
Nov. 21, H. T. Prichard, President, announced that present plans contemplate an issue of $6,000,000 of preferred stock some time in 1957 if market conditions make it feasible, and an issue of $8,000,000 in bonds in 1958. Temporary bank loans are available and probably will be utilized, during at least part of 1957. Additional securities will need to be sold in 1959 and 1960, amounting to approximately $14,000,000. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—May be Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp., who underwrote last equity financing

★ **International Business Machines Corp. (5/21)**
Feb. 26 it was announced company plans to offer its stockholders of record March 21, 1957, approximately $200,000,000 of additional capital stock, following proposed split up of the present outstanding shares on a 2-for-1 basis. **Proceeds**—For working capital. **Underwriter**—Morgan Stanley & Co., New York.

★ **Interstate Power Co.**
Feb. 20 it was reported company plans to sell about $28,800,000 of new securities ($19,800,000 of first mortgage bonds and about $9,000,000 of common stock). **Underwriters** — To be determined by competitive bidding. Probable bidders: For bonds: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); White, Weld & Co. and R. W. Pressprich & Co. (jointly); Salomon Bros. & Hutzler; Smith, Barney & Co. For stock: if competitive, Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co. Inc.; Smith, Barney & Co. **Offering**—Probably in May.

Iowa Electric Light & Power Co.
Jan. 2 it was announced that cash required to finance the 1957 construction program will necessitate the sale of securities to the extent of $5,000,000 to $6,000,000. The exact amount to be raised and the type of securities to be sold are now under consideration by the management. **Underwriters** — May be The First Boston Corp., New York; and G. H. Walker & Co., St. Louis, Mo.

Jefferson Lake Sulphur Co.
Dec. 27, Eugene H. Walte, Jr., announced company plans in the near future to sell an issue of convertible debentures. **Proceeds**—For expansion program.

Jersey Central Power & Light Co.
Sept. 12, it was announced company plans to issue and sell $8,000,000 of first mortgage bonds due 1987 (later changed to $15,000,000). **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; White, Weld & Co.; Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids** — Expected in June or July, 1957.

Kaiser Industries, Inc.
Nov. 28, E. E. Trefethen, Jr., Executive Vice-President, stated that it is anticipated that a portion of the funds necessary to meet the $25,000,000 installment due April 1, 1957 on its 4¾% term loan may have to be provided by the creation of debt by, or the sale of equity securities, of this corporation or Henry J. Kaiser Co., or through the public or private sale of a portion of the securities of the companies owned by the Henry J. Kaiser Co., or of certain other assets. **Underwriter**—The First Boston Corp., New York.

★ **Laclede Gas Co.**
Feb. 19 it was announced the company is planning an issue of first mortgage bonds during the first half of 1957, but the specific details of the financing have not been finally determined. **Proceeds**—To repay bank loans (expected to be around $6,800,000) and for construction purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Stone & Webster Securities Corp.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Reinholdt & Gardner (jointly); The First Boston Corp.

Lincoln Telephone & Telegraph Co.
Feb. 18 it was reported company plans in April to offer to its common stockholders 68,750 additional shares of common stock (par $16.66⅔) on the basis of one new share for each three shares held. **Underwriter** — Dean Witter & Co., San Francisco, Calif. **Registration**—Expected late in March.

Lone Star Gas Co.
Jan. 11 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—The First Boston Corp., New York. **Offering**—Tentatively expected late in April.

★ **Merchants National Bank & Trust Co. (3/12)**
Feb. 19 it was announced that The Attorney General of the United States will up to 11 a.m. (EST) on March 12 receive bids for the purchase from him of 3,062 shares of capital stock (par $10) at the Office of Alien Property, 101 Indiana Ave., N. W., Washington 25, D. C. These shares represent less than 1% of the issued and outstanding capital stock of the bank. **Office**—Indianapolis, Ind.

Metropolitan Edison Co.
Jan. 29 it was reported that company is now considering the sale of $19,000,000 first mortgage bonds due 1987. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Drexel & Co. (jointly); The First Boston Corp. **Bids**—Not expected to be received until sometime in April or May, 1957.

Minneapolis & St. Louis Ry. (4/23)
Bids are expected to be received by the company on April 23 for the purchase from it of $2,700,000 equipment trust certificates to mature annually in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Mississippi Power Co. (4/11)
Jan. 21 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; Blair & Co. Incorporated; Eastman, Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on April 11.

National Fuel Gas Co. (5/28)
Jan. 10 it was reported company plans to issue $15,000,000 of new 25-year debentures. **Proceeds**—To make additional investments in securities of subsidiaries. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Harriman Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received up to 11:30 a.m. (EST) on May 28. **Registration**—Planned for April 18.

Continued on page 42

Continued from page 41

New England Electric System
Jan. 3, 1956, it was announced company plans to merge its subsidiaries, Essex County Electric Co., Lowell Electric Light Corp., Lawrence Electric Co., Haverhill Electric Co. and Amesbury Electric Light Co., into one company. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, to be known as Marrimack-Essex Electric Co. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Company; Salomon Bros. & Hutzler, Eastman Dillon, Union Securities & Co. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Offering**—Expected in first half of 1957.

New Jersey Power & Light Co.
Sept. 12 it was announced company plans to issue and sell $5,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

★ New York Central RR.
Bids are expected to be received by the company in March for the purchase from it of $3,825,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

New York State Electric & Gas Corp.
Oct. 24 it was announced company plans to sell in 1957 $25,000,000 of first mortgage bonds, and an additional $20,000,000 in 1958. **Proceeds**—To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co. Inc. and Smith, Barney & Co. (jointly); The First Boston Corp. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co. Inc.; Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly).

★ Northwestern Bell Telephone Co. (4/23)
Feb. 28 it was announced company intends to issue and sell $30,000,000 of 32-year debentures due May 1, 1989. **Proceeds**—To retire short-term loans and for construction program. **Underwriter**—To be determined by competitive bidding. probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Eastman Dillon, Union Securities & Co. **Bids**—Expected to be received around April 23.

Pennsylvania Electric Co.
Sept. 12 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.

● Pennsylvania RR. (3/11)
Bids will be received by this company at Room 1347, 6 Penn Center Plaza, Philadelphia 4, Pa., up to noon (EST) on March 11 for the purchase from it of $4,950,000 equipment trust certificates, series HH, to be dated April 1, 1957 and to mature in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Philadelphia Electric Co.
Feb. 14 it was announced company plans to offer about 600,000 shares of common stock to its stockholders about the middle of the year on a basis of one new share for each 20 shares held. **Proceeds** — For construction program. **Dealer-Managers** — Drexel & Co., Philadelphia, Pa., and Morgan Stanley & Co., New York, N. Y.

Philadelphia Electric Co.
Feb. 14 it was also announced company plans to issue and sell in the second half of 1957 additional first mortgage bonds. **Proceeds**—For expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Morgan Stanley & Co. and Drexel & Co. (jointly).

★ Pittsburgh & Lake Erie RR. (3/14)
Bids will be received by the company in New York, N. Y., up to noon (EST) on March 14 for the purchase from it of $2,250,000 equipment trust certificates to be dated April 15, 1957, and to mature annually to and including April 15, 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Public Service Co. of Colorado
Oct. 8 it was reported company plans the issue and sale of $30,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Lehman Brothers; Harriman Ripley & Co. Inc. **Bids**—Expected to be received early in 1957.

★ Public Service Co. of Indiana, Inc.
Feb. 11 it was announced that it is expected that a new series of first mortgage bonds (about $30,000,000 initially scheduled for 1956) will be issued and sold by the company, during 1957. **Proceeds** — To repay bank loans (amounting to $25,000,000 at Dec. 31, 1956) and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly).

Royal State Bank of New York
Jan. 17 it was announced bank plans to offer to its stockholders 50,000 additional shares of capital stock (par $5) on the basis of one new share for each six shares owned of record Jan. 24; rights to expire on March 1. **Price**—$16.50 per share. **Proceeds**—To increase capital and surplus.

★ Southern Bell Telephone & Telegraph Co. (6/18)
Feb. 25 directors authorized the issue and sale of $70,000,000 of 29-year debentures due June 1, 1986. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on June 18. **Registration**—Planned for latter part of May.

Southern California Gas Co.
Jan. 21 it was announced company plans to issue and sell about $35,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Offering**—Expected in August or September, 1957.

Southern Pacific Co. (3/7)
Feb. 1 it was announced company expects to sell an unspecified amount of equipment trust certificates on March 7. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Southern Ry. (3/21)
Bids are expected to be received by the company on March 21 for the purchase from it of $5,540,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Stuart-Hall Co., Inc., Kansas City, Mo.
Jan. 30 it was reported early registration is expected of about 40,000 shares of common stock. **Price**—$6.75 per share. **Underwriter**—White & Co., St. Louis, Mo.

Texas Electric Service Co.
Jan. 2 it was announced company expects to sell new securities during 1957 to obtain capital for its continuing plant expansion. **Underwriter** — For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); The First Boston Corp.; Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Lehman Brothers (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly).

TMT Trailer Ferry, Inc.
Jan. 21 it was reported corporation is considering public financing, but details have not as yet been determined. **Financial Adviser**—Salomon Bros. & Hutzler, New York.

★ U. S. A. Fund, Ltd. (Canada)
Feb. 25 it was reported that this Fund plans to offer $15,000,000 of capital stock. **Underwriter**—Kidder, Peabody & Co., New York. **Offering** — Expected in early Spring.

Virginia Electric & Power Co. (6/4)
Feb. 15 it was reported company plans to issue and sell 1,000,000 shares of common stock (par $8). **Proceeds**—About $22,000,000 for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Tentatively expected on June 4.

Washington Gas Light Co.
Dec. 12, Everett J. Boothby, President, announced that the company expects to raise about $8,000,000 through the sale of first mortgage bonds in the Spring of 1957. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blair & Co. Incorporated and Baxter & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co.; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.

West Penn Power Co.
Dec. 27 it was announced company plans to issue some additional senior securities, probably about $20,000,000 of first mortgage bonds due 1987. **Proceeds** — To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers; The First Boston Corp.; W. C. Langley & Co.; Harriman Ripley & Co. Inc. **Offering**—Expected sometime in July.

Western Massachusetts Companies
Dec. 17 it was reported company plans to issue and sell about $10,000,000 of first mortgage bonds in the Spring. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Lee Higginson Corp. (jointly); Blyth & Co. Inc.; Blair & Co. Incorporated; Coffin & Burr, Inc.; The First Boston Corp. and White, Weld & Co. (jointly).

Wrigley Properties, Inc. (3/14)
Feb. 11 it was announced this company, a newly formed subsidiary of ACF-Wrigley Stores, Inc., plans to offer its shares of capital stock for subscription by the latter's stock, debenture and option holders, the offering to stockholders to be on the basis of one share of Properties stock for each two shares of ACF-Wrigley held as of record on or about March 12, 1957, with rights to expire on or about March 28. **Price** — $2 per share. **Proceeds**—To develop locations principally for use by the parent company, which may include individual locations, warehouse sites and shopping centers. **Underwriter**—Allen & Co., New York. **Registration**—Expected shortly.

Our Reporter's Report

The new issue market this week reflected the more receptive mood of major institutional investors noted by dealers and other experienced observers recently.

Moreover there were indications, not the least of them the action of the State of Massachusetts in rejecting the single bid received for a bond issue, that most interested parties were leaning to the belief that the market is destined to do better in the months ahead.

Interest still centers, of course, in the actions of the Federal Reserve Board. But there has not been anything from that direction to suggest any change in the policy of "leaning against the wind" as expressed by William McChesney Martin, Chairman, in his appearance before Congressional committees some weeks ago.

The good reception accorded the Illinois Bell Telephone Co.'s $40 million offering of 31-year debentures reflected the improved temper of the new issue market. Dealers reported the "pot" cleaned quickly, with bonds moving out satisfactorily to investors.

Currently it is observed, large institutional investors seem anxious to avoid waiting too long in filling their needs for fear of overstaying their market and letting current opportunities get away. Accordingly, there are indications of willingness to look at new situations.

Bell System Financing

What might prove another "straw - in - the - wind" further along, was the fact that Illinois Bell Telephone Co.'s offering of debentures came off a bit better, in net interest cost, than did Mountain States Telephone's issue a week ago.

Both are operating affiliates of American Telephone & Telegraph Co., and the market reception accorded their offerings naturally was watched with interest since the parent company has large financing projected for the end of March.

A.T. & T. plans to market some $250 million of new debentures several weeks hence. The big company sold a similar issue last July to carry a 3⅞% coupon, with a net interest cost of 3.76%.

Forward Calendar

The major undertaking ahead of the new issue market next week is Texas Eastern Transmission Corp.'s projected offering of $40 million, first mortgage, 20-year pipe line bonds due to be made via the negotiated route on Wednesday.

The week opens with Columbus & Southern Ohio Electric slated to open bids, Tuesday, on $16 million of 30-year bonds, for construction.

Several equity offerings, due to go through on a "rights" basis, also were on the calendar. Consumers Power Co.'s 549,324 shares, up for bids Wednesday is the largest. Southern Counties Gas, opens bids the same day for $15 million of bonds.

Pouring in Funds

Life insurance companies poured more than $5.5 billion primarily new funds, into the national economy last year, a compilation just released by the Institute of Life Insurance reveals.

When the year began these companies had some $95.8 billion outstanding in corporate securities, government and other tax exempt bonds, and mortgages. That was up from about $90.3 billion a year earlier.

Holdings of U. S. Government securities were down about a billion to $7.5 billion, while all other categories showed some measure of expansion with holdings of industrial and miscellaneous bonds showing the widest gain, about $1.5 billion to $18.8 billion.

With Inv. Service Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Joseph E. Steadman has become affiliated with Investment Service Co., First National Bank Building.

Wayne Jewell Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — O. Kossuth Evans is now connected with Wayne Jewell Co., 818 Seventeenth Street.

With Securities Inc.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Douglas R. McDonald is now affiliated with Securities, Inc. Farmer's Union Building.

With El Paso Management

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—Frank H. Slater has joined the staff of El Paso Management Co., Mining Exchange Building.

With McCormick Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Ralph R. Obenchain has been added to the staff of McCormick & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was formerly with Baxter & Co.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Mar. 3	§96.0	*97.8	97.6	99.9
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 3	§2,456,000	*2,504,000	2,488,000	2,459,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 15	7,515,400	7,461,100	7,431,000	7,116,050
Crude runs to stills—daily average (bbls.)	Feb. 15	¶7,976,000	8,119,000	8,120,000	7,989,000
Gasoline output (bbls.)	Feb. 15	26,327,000	27,386,000	27,107,000	25,899,000
Kerosene output (bbls.)	Feb. 15	2,610,000	2,613,000	2,742,000	2,723,000
Distillate fuel oil output (bbls.)	Feb. 15	14,685,000	14,086,000	14,841,000	13,730,000
Residual fuel oil output (bbls.)	Feb. 15	8,632,000	8,894,000	8,923,000	8,953,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 15	202,254,000	199,895,000	191,373,000	189,428,000
Kerosene (bbls.) at	Feb. 15	22,552,000	23,614,000	27,542,000	19,541,000
Distillate fuel oil (bbls.) at	Feb. 15	91,385,000	93,516,000	114,424,000	77,850,000
Residual fuel oil (bbls.) at	Feb. 15	35,812,000	37,042,000	41,009,000	38,203,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 16	675,966	665,251	657,269	698,319
Revenue freight received from connections (no. of cars)	Feb. 16	641,396	637,694	606,515	669,219
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 21	$374,710,000	$311,646,000	$222,142,000	$440,059,000
Private construction	Feb. 21	160,805,000	183,177,000	81,297,000	292,854,000
Public construction	Feb. 21	213,905,000	128,469,000	140,845,000	147,205,000
State and municipal	Feb. 21	162,856,000	107,382,000	120,434,000	117,801,000
Federal	Feb. 21	51,049,000	21,087,000	20,411,000	29,404,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 16	9,750,000	9,725,000	9,925,000	10,050,000
Pennsylvania anthracite (tons)	Feb. 16	376,000	553,000	489,000	506,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 16	102	*101	100	95
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 23	11,920,000	11,946,000	12,410,000	11,277,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 21	300	317	258	230
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 19	5.661c	5.650c	5.622c	5.174c
Pig iron (per gross ton)	Feb. 19	$62.90	$62.90	$62.90	$59.09
Scrap steel (per gross ton)	Feb. 19	$53.33	$53.33	$57.83	$48.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 20	31.400c	33.425c	35.475c	45.075c
Export refinery at	Feb. 20	30.175c	30.625c	33.550c	45.700c
Lead (New York) at	Feb. 20	16.000c	16.000c	16.000c	16.000c
Lead (St. Louis) at	Feb. 20	15.800c	15.800c	15.800c	15.800c
‡Zinc (delivered) at	Feb. 20	14.000c	14.000c	14.000c	14.000c
Zinc (East St. Louis) at	Feb. 20	13.500c	13.500c	13.500c	13.500c
Aluminum (primary pig, 99%) at	Feb. 20	25.000c	25.000c	25.000c	22.500c
Straits tin (New York) at	Feb. 20	99.250c	100.625c	101.250c	100.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 26	90.84	91.11	91.40	95.68
Average corporate	Feb. 26	96.38	96.38	95.77	108.16
Aaa	Feb. 26	101.64	101.47	100.49	111.81
Aa	Feb. 26	99.04	99.04	97.94	110.34
A	Feb. 26	96.23	96.23	96.23	108.16
Baa	Feb. 26	89.23	89.37	89.09	102.80
Railroad Group	Feb. 26	95.32	95.16	94.71	106.39
Public Utilities Group	Feb. 26	96.69	96.69	96.33	108.70
Industrials Group	Feb. 26	97.16	97.16	96.38	109.60
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 26	3.25	3.23	3.21	2.82
Average corporate	Feb. 26	3.98	3.98	4.02	3.27
Aaa	Feb. 26	3.65	3.66	3.72	3.07
Aa	Feb. 26	3.81	3.81	3.88	3.15
A	Feb. 26	3.99	3.99	3.99	3.27
Baa	Feb. 26	4.47	4.46	4.48	3.58
Railroad Group	Feb. 26	4.05	4.06	4.09	3.37
Public Utilities Group	Feb. 26	3.96	3.96	3.98	3.24
Industrials Group	Feb. 26	3.93	3.93	3.98	3.19
MOODY'S COMMODITY INDEX	Feb. 26	411.7	413.9	433.9	404.12
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 16	219,422	265,863	237,425	226,447
Production (tons)	Feb. 16	280,060	282,539	278,737	291,777
Percentage of activity	Feb. 16	94	95	95	99
Unfilled orders (tons) at end of period	Feb. 16	389,413	450,170	430,271	545,180
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Feb. 21	111.24	111.05	111.01	107.00
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Feb. 2	1,227,000	1,476,610	1,273,040	1,281,650
Short sales	Feb. 2	215,120	261,270	196,810	200,540
Other sales	Feb. 2	1,020,160	1,170,390	1,319,980	1,015,210
Total sales	Feb. 2	1,235,280	1,431,660	1,516,790	1,215,750
Other transactions initiated on the floor—					
Total purchases	Feb. 2	273,130	316,120	293,500	258,350
Short sales	Feb. 2	30,100	39,700	26,400	28,550
Other sales	Feb. 2	245,950	292,450	306,490	203,810
Total sales	Feb. 2	276,050	332,150	332,890	232,360
Other transactions initiated off the floor—					
Total purchases	Feb. 2	382,981	492,204	494,825	475,268
Short sales	Feb. 2	111,820	110,650	104,780	93,280
Other sales	Feb. 2	461,048	521,422	596,404	524,467
Total sales	Feb. 2	572,868	632,072	701,184	617,747
Total round-lot transactions for account of members—					
Total purchases	Feb. 2	1,883,111	2,284,934	2,061,365	2,015,278
Short sales	Feb. 2	357,040	411,620	327,990	322,370
Other sales	Feb. 2	1,727,158	1,984,262	2,222,874	1,743,487
Total sales	Feb. 2	2,084,198	2,395,882	2,550,864	2,065,857
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Feb. 2	1,242,434	1,391,505	1,306,817	1,190,414
Dollar value	Feb. 2	$59,541,934	$66,902,133	$67,436,972	$63,371,893
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 2	877,489	986,035	945,750	966,395
Customers' short sales	Feb. 2	9,404	10,714	5,723	4,666
Customers' other sales	Feb. 2	868,085	975,321	940,027	961,729
Dollar value	Feb. 2	$42,075,870	$47,370,141	$46,447,579	$51,163,343
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 2	191,930	203,650	222,030	224,550
Short sales	Feb. 2				
Other sales	Feb. 2	191,930	203,650	222,030	224,550
Round-lot purchases by dealers—					
Number of shares	Feb. 2	540,750	620,170	521,260	534,450
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Feb. 2	530,600	626,500	411,210	406,530
Other sales	Feb. 2	8,978,060	10,553,430	10,584,780	9,821,460
Total sales	Feb. 2	9,508,660	11,179,930	10,995,990	10,227,990
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 19	116.9	117.0	117.0	112.0
Farm products	Feb. 19	88.5	88.8	89.2	85.7
Processed foods	Feb. 19	103.7	*104.0	104.3	98.4
Meats	Feb. 19	80.7	81.9	84.0	70.7
All commodities other than farm and foods	Feb. 19	126.4	*125.5	125.2	120.2

*Revised figure. ¶Includes 908,000 barrels of foreign crude runs. §Based on new annual capacity of 133,459,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of December:			
Total gas sales (M therms)	7,501,000	5,832,800	7,185,200
Natural gas sales (M therms)	7,243,800	5,641,900	6,792,600
Manufactured gas sales (M therms)	26,000	20,000	45,000
Mixed gas sales (M therms)	231,200	170,000	347,600
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of January	11,001,000	*10,837,545	10,828,231
Shipments of steel products (net tons)—Month of December	7,064,093	7,431,136	7,580,943
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Jan. 31:			
Imports	$290,532,000	$260,627,000	$236,939,000
Exports	363,231,000	329,315,000	219,567,000
Domestic shipments	13,701,000	13,443,000	8,667,000
Domestic warehouse credits	183,431,000	213,114,000	37,572,000
Dollar exchange	2,349,000	1,859,000	11,214,000
Based on goods stored and shipped between foreign countries	158,257,000	148,399,000	110,342,000
Total	$1,011,501,000	$966,757,000	$624,301,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of January	14,632	10,788	13,363
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of December:			
Cotton Seed—			
Received at mills (tons)	339,695	1,070,580	569,890
Crushed (tons)	570,018	676,669	672,452
Stocks (tons) Dec. 31	2,122,861	2,353,184	2,420,659
Crude Oil—			
Stocks (pounds) Dec. 31	178,477,000	173,802,000	192,182,000
Produced (pounds)	192,572,000	229,605,000	226,931,000
Shipped (pounds)	155,988,000	169,019,000	199,941,000
Refined Oil—			
Stocks (pounds) Dec. 31	237,267,000	227,164,000	378,216,000
Produced (pounds)	146,516,000	159,780,000	185,720,000
Consumption (pounds)	122,138,000	127,954,000	117,038,000
Cake and Meal—			
Stocks (tons) Dec. 31	187,819	186,106	163,049
Produced (tons)	274,304	327,720	317,153
Shipped (tons)	272,591	312,428	327,846
Hulls—			
Stocks (tons) Dec. 31	57,069	61,652	120,204
Produced (tons)	123,585	142,245	150,238
Shipped (tons)	128,168	136,783	140,904
Linters (running bales)—			
Stocks Dec. 31	221,911	212,278	154,290
Produced	170,902	202,224	205,595
Shipped	161,269	182,901	193,878
Hull Fiber (1,000-lb. bales)—			
Stocks	513	649	526
Produced	774	1,086	949
Shipped	910	1,099	969
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Dec. 31	2,832	2,729	4,308
Produced	1,337	1,456	1,734
Shipped	1,234	1,152	1,314
COAL OUTPUT (BUREAU OF MINES)—Month of January:			
Bituminous coal and lignite (net tons)	43,700,000	38,850,000	45,505,000
Pennsylvania anthracite (net tons)	2,024,000	2,316,000	2,712,000
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average = 100—Month of January:			
Adjusted for seasonal variations	126	*129	124
Without seasonal adjustment	96	*223	95
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate consumers—Month of November (000's omitted)	44,492,077	44,613,469	41,751,008
Revenue from ultimate customers—month of November	$730,244,000	$730,079,000	$681,750,000
Number of ultimate customers at Nov. 30	53,914,650	53,792,701	52,459,832
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of December:			
Contracts closed (tonnage)—estimated	404,429	338,892	367,827
Shipments (tonnage)—estimated	297,785	276,045	248,017
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of December:			
Gas-fired furnace shipments (units)	42,900	55,100	52,900
Gas conversion burner shipments (units)	5,700	11,900	9,200
Gas-fired boiler shipments (units)	4,100	7,800	5,000
Domestic gas range shipments (units)	118,700	141,700	153,600
Gas water heater shipments (units)	166,100	194,700	185,400
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — 1947-49=100 — Month of Jan.:			
Seasonally adjusted	146	147	143
Unadjusted	145	144	143
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOTIVE MANUFACTURERS' ASSN.—Month of December:			
Total number of vehicles	700,740	667,187	799,109
Number of passenger cars	617,599	576,708	695,096
Number of motor trucks	82,913	90,246	103,603
Number of buses	228	233	410
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of Jan.:	£67,169,000	£29,199,000	£7,429,000
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of November:			
Passenger Tires (Number of)—			
Shipments	6,496,017	6,470,814	6,864,540
Production	6,580,333	7,525,761	8,198,352
Inventory	15,595,534	15,606,584	15,142,153
Truck and Bus Tires (Number of)—			
Shipments	1,021,934	1,304,948	1,180,271
Production	1,060,430	1,273,120	1,404,693
Inventory	3,207,090	3,167,971	2,584,425
Tractor-Implement Tires (Number of)—			
Shipments	171,876	206,240	231,389
Production	191,749	216,510	304,309
Inventory	731,229	712,126	772,728
Passenger, Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	2,791,631	2,877,157	2,875,348
Production	2,584,650	3,024,777	3,052,179
Inventory	6,250,298	6,468,786	6,734,127
Tread Rubber (Camelback)—			
Shipments (pounds)	37,025,000	*43,544,000	36,933,000
Production (pounds)	35,586,000	*43,922,000	37,440,000
Inventory (pounds)	26,124,000	*28,055,000	23,770,000
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of January:			
Net sales	------	------	1,310,500
Net purchases	$14,305,500	$21,328,450	------

Schreiber With Laird

George J. Schreiber III has joined the institutional department of Laird & Company, Corporation, 61 Broadway, New York City, members of the New York Stock Exchange.

J. A. Sebold, Jr. Now Walston Dept. Manager

EAST ORANGE, N. J.—James A. Sebold, Jr., has become associated with Walston & Co., Inc., 538 William Street, as manager of the brokerage department.

Mutual Funds

By ROBERT R. RICH

Putnam Fund Analyzes Investments of M. I. T. College Portfolio

During the five years ended June 30, 1956, the General Investment Fund of the Massachusetts Institute of Technology has almost doubled, growing from $60,000,000 to nearly $114,000,000. Income from investments has increased almost 60%.

In a research report just published, The Putnam Management Company, manager of The George Putnam Fund of Boston, termed the five-year period one of the "most dynamic" in the General Fund's 95 year history and a credit to the Institute's Treasurer, Joseph J. Snyder, and his finance committee.

Massachusetts Institute of Technology, the Putnam report points out, depends upon its investment income to help balance its budget, and therefore the fund must be kept fully invested regardless of market conditions. In addition, to maintain purchasing power the fund must grow at least as fast as the dollar depreciates. The policy followed for many years by the managers of the fund has been "the accepted Massachusetts Trustee Practice of maintaining a balance between high-grade fixed-income securities and carefully selected common stocks."

The common stock percentage in the fund has been increased steadily, reflecting the managers' efforts to maintain real income through greater emphasis on common stocks.

DISTRIBUTION OF INVESTMENTS BY TYPE

Per Cent of Market Value on June 30

	1946	1955	1956
Cash	7.3%	0%	0%
U. S. Govt. Bonds	41.5	11.2	12.6
Other Bonds	7.3	*23.6	*22.2
Preferred Stocks	2.6	0.3	0.4
Real Estate	7.6	10.5	9.3
Common Stocks	33.7	54.4	55.5

*Includes Commercial Paper.

In the common stock section of the fund's portfolio, the Putnam report notes an increasing emphasis on industrials in recent years.

BREAKDOWN OF COMMON STOCK INVESTMENTS

Per Cent of Market Value on June 30

	1946	1955	1956
Industrials	63.5%	80.1%	81.5%
Railroads	2.7	1.3	1.2
Public Utilities	6.1	7.0	8.1
Banks	13.9	3.8	3.4
Insurance	8.6	5.2	3.7
Other	0.2	2.6	2.1

The largest common stockholdings in selected industries at market on June 30, 1956 were as follows: Standard Oil (N. J.) $5,829,949; Christiana Securities $5,436,000; General Motors $8,704,350; American Gas & Electric $1,121,006; National Lead $1,298,212; General Electric $1,741,977; Guaranty Trust (N. Y.) $489,507; Insurance Co. of North America $815,616; International Business Machines $988,790; American Can $717,544; International Paper $1,630,198; and Sears Roebuck $696,200. In addition were Eastman Kodak, nearly $3,000,000, and Union Carbide, Phillips Petroleum, Socony Vacuum and Standard Oil of California, all in excess of $1,000,000. Additions during the past year included Ford Motor and I.B.M., and reductions took place in Thomas A. Edison B and United Shoe Machinery.

Over the past 10 years, investment income of the Institute's General Fund has increased 186% from $1,303,206 in 1946 to $3,772,597 in 1956, the Putnam report points out. This is substantially more than the 40% rise in cost of living over the same period.

"The Massachusetts Institute of Technology General Investment Fund," concludes the Putnam Management report, "stands as a tribute to skillful management. Throughout a difficult period of low money rates it has been able to pay the Institute 4% or better, and the market value is over $40 million in excess of book. Nevertheless, while the total fund seems high by the standards of any individual, it is by no means large relative to M.I.T.'s financial requirements. Inflation and a growing Institution have exerted constant pressure for income upon the Investment Managers.

"Despite this pressure the management has wisely resisted the temptation to over-reach for income, and has adhered to the time-tested principles of balanced investing. An aggressive approach towards good common stocks for income and appreciation is prudently counterbalanced by a substantial reserve of high-grade fixed income securities. This careful balance provides conservation of principal for the donor, flexibility for the managers and maximum real income for the Institute."

Eaton-Howard Issues 1957 Year Books

Eaton & Howard, Incorporated, Boston, management organization for Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund, announces the completion and issuance of the 1957 Yearbooks for each fund. The new Yearbooks contain complete detailed descriptions of the objectives, investment policies and management of the funds, together with schedules and charts showing records and growth of each fund during the past ten-year period.

The Books record that at close of business on Dec. 31, 1956, combined assets of Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund exceeded $249,000,000, an increase of approximately $28,000,000 over combined assets of both funds on Dec. 31, 1955.

Group Economist Discounts 1957 Panic or Depression

"While there is considerable evidence that the coming year will see continued consolidation and adjustment, a sifting of all available data gives us even more assurance that no depression or stock market 'panic' is likely for 1957," according to Harold X. Schreder, economist and Executive Vice-President of Group Securities, Inc., $100,000,000 mutual fund.

'The economy and the securities markets may be tired after their intense activity of the last few years," said Mr. Schreder in an address this week before the Security Dealers of New Orleans at The St. Charles Hotel, "but neither is critically sick." He told his audience that while his firm's basic investment policy had been cautious for over a year, and still is, that he is completely unsympathetic with "the panic talk we now hear on every side."

"I see 1957 not so much as a year which will 'curl your hair'," said Mr. Schreder, "but more as one which will appear on the charts of economic history as a 'healthy wave,' perhaps more graphically described as a sturdy bridge to the greater prosperity to come."

Mr. Schreder praised the Federal Reserve Board for what he calls its "admirable restrictive money policy," the effectiveness of which, in his opinion, had much to do with what he considers the "bottoming" of the bond market last month. "While perhaps not yet ready for a continued advance," he said, "the over-all trend of the bond market appears to have turned upward."

Conversely, he stated that while the 13% decline already witnessed in most stock averages over the past year very likely is "not enough," he reminded his audience that the great majority of individual stocks in the market have already experienced declines of over 20%, with many of the better known stocks already off closer to 40% from their tops of the last year or so. In short, he added, "there has been a tremendous amount of correction in the stock market already."

"Personally," said Mr. Schreder, "I can't tell you where any particular stock average is going, but by continuously following the market values and action of more than one thousand individual stocks, it seems to me that there are a lot of attractively-priced stocks available in today's market." To illustrate this point, he showed his audience price and value charts of a number of individual stocks representing 14 major industries, which seem to be individually attractive now on a price and income basis. He pointed out that several stocks of the utility, natural gas and tobacco industries seemed especially attractive.

With his background thought in mind, he defined the "trouble we're in for" in 1957 as in the nature of a "headline" to the "story" of the healthy rolling adjustment that has been going on in business and the securities markets since the third quarter of 1955.

He concluded that any additional 1957 adjustments, while "dramatic at times," should be relatively moderate and that "1957 will basically represent a sturdy economic bridge to greater prosperity and it will provide some excellent investment opportunities in bonds and particularly in stocks for long-term investment."

In discussing the prosperous long-term outlook, Mr. Schreder said he sees a $600 billion level of national output of goods and services over the next decade, "with attendant high levels of employment, income, spending, saving, etc. Corporate earnings, as measured by the Dow-Jones Industrial Average, should increase from today's $35 per share level to the $55-$60 area, dividends to around $35 from today's $23 level. Thus, the normal value for the average stock (Dow-Jones Industrial) should easily rise to 800 or more; and stock prices could well double over the next decade."

Delaware Fund Assets Now $47 Million

Delaware Fund's total net assets climbed to a new high of $47,401,393 during 1956, a 25% increase over resources of $37,760,795 at the close of the preceding year, the fund's annual report shows.

W. Linton Nelson, President, told shareholders that 1956 distributions totaled a record $1,468,030 from net investment income and $2,561,402 from realized security profits. The fund was owned by 15,600 individual and institutional investors at year-end, compared with 11,500 at the close of 1955. A 25% increase lifted the number of outstanding shares to an all-time high of 4,325,331 on Dec. 31, last, from 3,443,704 12 months earlier. Net asset value at year-end was $10.96 a share after distributions of 37½ cents from income and 62½ cents from capital gains. This compares with $10.97 on Dec. 31, 1955.

Common stocks accounted for 84.12% of Delaware's total net assets at the close of 1956; preferred stocks, 1.76%; industrial bonds (convertible), 2.04%; government bonds; 10.73%; and cash, 1.35%.

The report described bonds and preferred stocks as "now more attractive than they have been for some time." It went on to point out, however, that "while Delaware Fund's holdings of government and industrial bonds were increased during 1956, the bulk of the fund's assets are still in common stocks. In this period of rising living costs," the report explained, "they are seen as the most desirable type of investment vehicle, and more likely to participate to a greater degree in the growth of successful American companies."

Oil holdings amounting to $7.4 million—15.74% of total resources—constituted the fund's largest industry common stock investment at year-end. Other large industry holdings included: steel, 10.11% of net assets; electric utility, 7.03%; natural gas utility, 5.39%; machinery, 4.79%; electrical equipment, 4.21%; metals and mining, 4.03%; chemical, 3.28%; and retail, 2.69%.

The report observed that "the higher costs of doing business, combined with greater competition, may possibly squeeze a few companies' profits, but—taken as a whole — corporation earnings and dividends are likely to be good in 1957.

"However," it cautioned, "the utmost care and skill in the selection of individual securities must be exercised during the coming year. In adidtion," it continued, "securities will have to be watched closely for their reactions to the pressures, catalytic forces and sifting-sorting processes which are and will be at work.

"Industries, too," the report went on, "must be carefully scrutinized, particularly when their long-term growth prospects tend to distort their immediate outlook. Chemicals, airlines, electronics, metals and mining, to name a few, are unquestionably still promising; but these glamour groups should be viewed with more realism, less over-enthusiasm and due consideration of their present tax structure and operating efficiencies."

A further commentary on the outlook for the coming year stated, in part: "1957 may well prove the consumer's biggest year to date. . . . Greater bargaining power will make it possible for him to be highly selective, especially since he has satisfied his postwar thirst for a new home, car, appliances, clothing and other items. He'll want to put more money aside, too, now that he can realize a greater return on his savings. The manufacturers and merchants who recognize these hard facts and meet the consumer's demand for better quality at reasonable prices will certainly fare better than others.

"All in all," the report concluded, "we are of the opinion that 1957 will be a year of splendid opportunities for those who carefully appraise the changing economic pattern and act accordingly."

Eastern Investment Co. Regional New Jersey FIF Fund Wholesaler

Eastern Investment Co. of 157 Broad Street in Red Bank, N. J., has been appointed Central and Southern New Jersey wholesaler of Financial Industrial Fund, a $65 million mutual investment trust, Jack Skakandy, Eastern's President, announced.

The franchise was granted by FIF Investing Associates, Inc. of New York City, Eastern United States distributors of the Denver, Colorado, fund.

Mr. Skakandy said the franchise covers all of New Jersey South of and including New Brunswick. He added that his company will continue its brokerage and mutual fund retail operations in the Red Bank area.

In its new wholesaling role, Eastern will send members of its executive staff to several New Jersey communities to familiarize local investment dealers with the various planned investment programs offered by Financial Industrial Fund.

"One of our most important services to these firms," Mr. Skakandy explained, "will be to help them build effective selling organizations and to conduct periodic sales meetings on their behalf."

Among the cities in which the firm will conduct its wholesaling activities are New Brunswick, Trenton, Atlantic City, Camden, Asbury Park, Long Branch, Ocean City and Cape May.

The Florida Growth Fund Story

The problem of what-to-do after retirement or when that critical period in a man's life is approaching comes to all of us sooner or later.

A lot of people move to Florida to live in what is called the nation's best climate. But the problem still remains. What to do after the pleasures of loafing have worn off?

A number of Wall Street-ers have found the answer by starting their own mutual fund. Announcement of the first offering of its shares was made last week in "The Chronicle," with the report that Florida Growth Fund began offering 2,000,000 capital shares of $5 a share. Frank B. Bateman, Ltd. is the sponsor of the fund.

Heading up the fund is Frank B. Bateman who also heads the partnership bearing his name in Palm Beach. For the quarter century ended 1955, Mr. Bateman was associated with Blair & Co., Inc. in New York. He was a director, Vice-Chairman and Vice-President of Blair.

Another officer of the fund is Arthur E. Burke—a Vice-President. For 40 years he was with Guaranty Trust Co. in New York. He had served as Vice-President in charge of the bank's corporate trust department.

The Treasurer of the fund is Carl I. Cassell, now Cashier of the Bank of Palm Beach and Trust Co. Earlier in his career he was Assistant Secretary of the New Rochelle Trust Co. in New Rochelle, New York.

Among the directors of the fund are Alex. J. Disher, retired, who spent 30 years in the investment banking business—last with Tucker, Anthony & Co., New York. Charles G. Terry, a director, was formerly with Schoellkopf, Hutton & Pomeroy, Buffalo, for 28 years. He retired as Vice-President and director. He was later a President and director of American Securities Corp., and director and Chairman of the Finance Committee of Colorado Fuel & Iron Corp.

It is indeed a gathering of the clan in Palm Beach of men who are putting together a wealth of business experience in order to embark on this new venture, which, from all reports, will have its own share of young blood, too.

The new fund—which in the next month or so hopes to start off with around $10,000,000 in assets—will be managed by the Florida Growth Co., whose shareholders are Edward Ball, trustee of Alfred I. du Pont estate; Allan P. Kirby, President and director of Alleghany Corp. and New York Central director; Fred M. Kirby, Pittston Co. director Franklin O'Brien, Vice-President and director of G. D. Searle & Co. and Frank B. Bateman Ltd.

Hugh W. Long Starts Dealer Sales Program

A unique program which coordinates the salesman's presentation with follow-up and direct mail brochures on Fundamental Investors, Inc., was recently announced by Hugh W. Long and Company, Inc., of Elizabeth, N. J., sponsors of the fund.

The program consists of two basic units: a well-illustrated handbook entitled "A Manual of Data for Investment Men," which is used by dealer representatives in face-to-face discussions with their clients, and five folders — actually separately published sections of the Manual — each of which highlights a different phase of the fund's activities. Any one or more of these folders may be left with the client or used as a direct mail follow-up, pin-pointed to the client's special interests.

The innovation of using many of the same plates to publish the folders as well as the Manual assures the investment dealer of having at his disposal in one booklet all the facts and figures circulated in the five supporting folders. When talking to his client, he needs only to refer to one piece of literature—the Manual—which results in a smoother as well as a more comprehensive explanation of policies and management of the fund.

According to W. Rasmussen, Vice-President of the Long company, "This new sales plan helps investment dealers present Fundamental Investors and answer any questions that may arise. It provides coordinated pre-call and follow-up material. And the Manual of Data also makes sales training easier."

Hugh W. Long and Company plans to print similar sales programs for two of the other funds it sponsors — Diversified Investment Fund, Inc. and Diversified Growth Stock Fund, Inc.

Scudder Funds Report Assets

Scudder, Stevens & Clark Fund, Inc. reports total net assets of $68,564,908 on Feb. 21, 1957, equal to $34.56 per share on 1,983,693 shares outstanding on that date. This compares with total net assets of $54,767,980 a year ago, equal to $36.06 per share on 1,518,783 shares then outstanding.

Scudder, Stevens & Clark Common Stock Fund, Inc. reports total net assets of $14,157,390 on Feb. 21, 1957, compared with $11,456,513 a year ago. Per share net asset value was $22.33 on 634,100 outstanding shares at Feb. 21, 1957, compared with $22.42 per share on 511,085 shares outstanding a year ago.

Concord Fund 40% Cash

The 1956 year-end report just released by Concord Fund shows cash, short term notes and government bonds at $4,237,226, representing approximately 40% of the entire portfolio. The balance of the investments are in diversified common stocks.

In commenting on this year-end position, Dr. Charles F. Roos, President of the fund, states in the report "the fund continues in a relatively high liquid position with the expectation that more advantageous investment can be made as the market readjustments which have been proceeding in recent months continue."

Sales of Concord Fund for the last quarter of 1956 rose to $2,197,337—an increase of over 210% from the previous quarter, according to W. George Potts, Concord Sales Director for A. C. Allyn & Company, Inc. of Chicago, underwriters and national distributors of the fund. Sales for the full calendar year 1956 were at $4,517,760, a new high. Net assets of Concord Fund on Dec. 31, 1956 were reported at $10,633,862—an increase of 39% from the year earlier figure.

Investment Co. of America Reports New Highs

The Investment Company of America's net assets increased to over $95 million and new highs were set for net investment income and net realized gains from sale of securities for the fiscal year ended Dec. 31, 1956, Jonathan B. Lovelace, President, announced in the annual report to shareholders.

Net investment income for the year ended Dec. 31, 1956 was $2,502,609, equivalent to 27.5 cents per share on 9,116,928 average number of shares outstanding during the year. This compares with $1,852,127 in the preceding year, equivalent to 26.5 cents per share on the 6,986,445 average shares outstanding in 1955.

Net realized gain from sale of securities in 1956 was $7,334,103, up substantially from $5,656,541 in 1955.

Total net assets were $95,038,012 based on Dec. 31, 1956 market prices of securities. This amounted to $9.43 a share on the 10.074.300 shares outstanding at Dec. 31 last. This was an increase of $18,581,838 from the net assets a year earlier and is after capital gains distributions of $6,902,141, or 73 cents a share. Net assets at Dec. 31, 1955 were $76,456,174, equivalent to $9.42 for each of the 8,117,926 shares then outstanding.

Mr. Lovelace said 1956 was a year of decline in prices of bonds and many leading stocks.

"In view of the many uncertainties, domestic and international, the tight money situation, and the cross currents in the American economy, it is our belief that 1957 will be another year in which investment selectivity will be extremely important," Mr. Lovelace commented.

Thus he said the company has taken a more conservative investment position, with a greater percentage of assets in cash and U. S. Government obligations. Increasing emphasis is being placed on industries and companies with favorable earnings prospects for 1957, and in line with this policy, major increases in stock investments were made in the bank and steel groups in the latter half of 1956.

Electronics Investment Corporation enjoyed its greatest growth during the past quarter, having increased its net assets 23% in the period from Oct. 31, 1956 through Jan. 31, 1957. The number of shareholders increased from 13,285 to 15,416. When the fund's shares were first offered to the public May 13, 1955, net assets were $9,150,000. As of Jan. 31, 1957, net assets were at an all time high of $13,466,893.63. This represents a growth of 47% during a period of 20 months.

Net asset value per share on Jan. 31, 1957 was $4.83, as compared to $4.51 a year ago. When the fund's continuous offering began on May 13, 1955, the net asset value was $4.57.

In his report to the shareholders of Electronics Investment Corporation, Charles E. Salik, President, stated that the fund's assets are approximately 95% invested in common stocks of companies actively engaged in the general field of electronics.

The fund's investment adviser, John P. Chase, Inc., of Boston stated that profit margins and earnings of specially selected electronics companies could conceivably expand in 1957. This could be due to the continuing consolidation experienced by electronics companies, increased defense spending, and larger individual orders awarded to a more limited number of companies which permits lowering costs, higher profit margins, and/or lower prices with increased sales and profits.

Keystone Fund Assets Reach $27 Million

Keystone Growth Fund K-2 had a 15.4% increase in capital value for the fiscal year ended Dec. 31, 1956, and reached new highs in net assets, number of shareholders, and shares outstanding.

Net assets jumped more than $6 million to $26,819,563, while 2,670 new shareholders brought the total number of participants to 11,346. They held a total of 2,105,183 shares at year end, up approximately 301,000 from 1955.

The annual report to shareholders points out that the capital value over the past decade has increased 139%, including reinvestment of capital gains distributions of $4.81 per share. In addition, $3.24 per share has been paid from net investment income.

Since the fund's objective is capital growth, the traditional 10-year charts showing a hypothetical $10,000 investment reflect interesting performances. Including the cumulative value of reinvested realized profits, the capital would have been worth $26,806 on Dec. 31, 1956. Had net investment income distributions also been reinvested, the total would have climbed to $37,590.

Originally a growth preferred stock fund, K-2 was changed into a fully managed fund in mid-1953 by vote of the shareholders. Its current portfolio is 98% invested in the common stocks of 52 companies representing 16 industries.

Investments in special situations and in promising new fields like atomic energy, electronics and automation have added further diversification to the portfolio, which has a large proportion of steel, oil, metals, chemical and machinery companies.

Fund additions in the last six months include Allegheny Ludlum; Anaconda; British Petroleum; National Lead; Smith, Kline & French; St. Regis Paper, and Union Bag-Camp Bag.

Blyth Group Offers Missouri Portland Cement Capital Stock

A secondary offering of 101,233 shares of Missouri Portland Cement Co. $12.50 par value capital stock is being made today (Feb. 28) by a group of investment firms headed by Blyth & Co., Inc. The stock is priced for public offering at $60.50 per share.

No part of the proceeds of the sale will go to the company, a producer of several types of cement with plants in St. Louis, Mo., and near Kansas City, Mo. The St. Louis plant has an annual production capacity of 5,000,000 barrels and the Kansas City plant approximately 2,500,000 barrels. Approximately 90% of the facilities at these plants have been completed since the end of World War II, and these plants are among the most modern and up-to-date in the industry.

The company reported sales of $20,397,000 for 1956 compared with $18,631,000 in 1955. Net earnings were $3,829,000 and $3,009,000 for the respective periods. The 1956 earnings were equal to $5.15 per share, compared with $4.05 per share in the preceding year.

Since 1953 the company has paid cash dividends quarterly, the latest dividend of 50 cents per share having been paid Feb. 7, 1957. In addition, the company paid stock dividends of 20% in 1954, 2½% in 1955 and 3% in 1956. There are 742,789 shares outstanding.

Standard & Poor's Launches New 500-Stock Hourly Stock Market Averages

New hourly index geared to the actual average of stock prices, broken down into industrials, rails and utilities, will be based on 90% of the total value of listed common stocks. Prompt and elaborate servicing provided by newly-developed electronic development.

A new era in the science of stock market evaluation was ushered in Feb. 27 with the announcement that Standard & Poor's Corporation will introduce an hourly index of 500 stocks. The index, broken down into industrials, rails and utilities, will be based on 90% of the total value of common stocks on the New York Stock Exchange. The new index was described by Standard & Poor's as the most complete and technically accurate measure of the market ever devised. It will be carried hourly, starting March 4, by nationwide ticker services of the American Stock Exchange, the Commodity News Service and the Cotton Ticker. Computated on Burroughs' Datatron Electronic computer, it will also make available opening, closing, and high-low data.


Charles A. Schmutz

"We believe," said Charles A. Schmutz, President of Standard & Poor's, "the new index will clear up once and for all the confusion that has always been generated by the apparent lack of relationship between market averages and the prices and movements of individual stocks."

Unlike averages now in general use, Mr. Schmutz said, the new index is geared to the actual average of stock prices. The latest monthly summary of the New York Stock Exchange reports that the average value of all issues listed on Dec. 31 was $49.12. The Standard & Poor's index stood at 47.40 on that date, contrasting with readings of between 200 and 500 for most leading averages.

A Realistic Yardstick

Moreover, fluctuations in prices will be closely matched by the new index, to provide investors with a realistic yardstick for comparison with the ups and downs of their own holdings. In December the Standard 500 showed a net advance of 1.48 points and the Stock Exchange average value a rise of $1.80. The widely used averages showed gains ranging up to 26.69 points. Sensitivity of the new index is emphasized by the fact that each one-point move reflects a change of over $4 billion in the aggregate value of the Stock Exchange list.

Calculation of the Standard 500 is based on the scientific weighting formula pioneered by Standard & Poor's in the field of stock market measurement. The price of each stock is multiplied by the number of shares outstanding, to give the aggregate current value of investment in the 500 issues by stockholders everywhere. This aggregate is then related to the 1941-43 average of aggregate values, which is accorded a base value of 10.

Market analysts have long agreed that this is the most accurate method in use. It has been employed by the agency since 1926 to compute a 480-stock weekly index with a different base. Until now, however, the method has been too time-consuming to permit compilation of such a broad measure within the tight limits of hourly or even daily publication schedules.

Electronic Applications

Working in conjunction with Melpar, Inc., of Boston, Standard & Poor's has solved this problem by electronic applications. After nearly a year of research, technicians have developed a special code converter that processes the stock ticker's chattering onto perforated tape. This involves the conversion of so-called six-channel information to four-channel information, said to be a unique process.

The perforated tape is automatically fed into a Datatron, which has literally been taught to recognize and record all regular-way stock transactions. The electronic brain rejects any extraneous information, including bid and asked quotations, special stock offerings, "cash" sales, calls for blood donors and appeals for various charities that interrupt the flow of trading reports from time to time. It has even learned to adjust to the fact that the ticker drops digits when it falls behind the pace of trading on the floor of the Exchange.

Sounds complicated, and it is. But the whole process of recognition, digestion of data and calculation of the index is accomplished by "the brain" in a matter of seconds. Actually, transmission of the result of the reporting agencies will take longer than the computation itself. Even so the Standard 500 and its component measures will be available on the tickers before the much less comprehensive averages reach the wires.

The 500-stock index will answer critics who have long stressed the arbitrary character of the popular averages. Prepared by conventional methods, these are necessarily limited to a small number of blue chip stocks, which may or may not move in unison with the market as a whole. If desired, the new index could easily include all common stocks on the Stock Exchange. However, Standard & Poor's statisticians settled on the present size after carefully winnowing from the stock list all issues that trade too infrequently or are otherwise not representative.

To provide historical continuity, the new indexes have been tied to the earlier series, all of which have been adjusted to the new base. Thus the old and new indexes merge into units affording a complete market history. The pattern of the indexes has been charted back to 1926 for reference purposes.

C. L. Domer Opens

SAN ANSELMO, Calif.—Chester L. Domer is conducting a securities business from offices at 34 Terrace Avenue. He was formerly with Reynolds & Co., Walston & Co., and Hannaford & Talbot.

With Burton, Dana

Peter J. Blakney has become associated with the firm of Burton, Dana & Co., 120 Broadway, New York City, members of the New York Stock Exchange, it has been announced.

Colo. Inv. Co. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John F. Mohar, Robert M. Nelson and Everett E. Steele have become affiliated with Colorado Investment Co., Inc., 509 Seventeenth Street. All were formerly with Carroll & Co.

Trillion Dollar 1977 Economy Forecast

A better 1957 economy with GNP rise of 5% from $412 billion of 1956 to $430 billion this year also anticipated by Austin Kiplinger after depicting the extent to which he estimates the economy's growth in the next twenty years. Sees no major war, nor any major depression, and contends both major parties are committed to "heavy Federal spending to forestall an economic bust."

The United States is headed toward a one trillion dollar economy by 1977, according to Austin Kiplinger, Executive Vice-President of the Kiplinger Washington Agency, who recorded his organization's predictions for the economy before an audience in Detroit's Henry and Edsel Ford Auditorium, Feb. 11.


Austin Kiplinger

"The next 20 years will bring the greatest era of economic growth this country has ever had within a comparable period," the Washington journalist said.

"The nation will then have a population of 225 million and the real standard of living of these citizens will be double what it is today.

"Average factory wages will rise from $84 at present to $185 a week, and most of that increase will be an increase in real purchasing power.

"Per capita incomes will double in the same period, from approximately $2,000 at present, to more than $4,000 a year.

"The prosperity and progress resulting from this great American economic expansion will not be interrupted by war," Kiplinger said. "The era will be marred by local outbreaks of violence, continuing tension, but without an all engulfing world war. The nations of the world, face to face with the grim realities of atomic and hydrogen war, will do everything possible to avoid the catastrophe of having their cities crushed into twisted, blackened rubble by the ultimate weapons."

"The forthcoming American economic expansion," Kiplinger predicted, "will be accomplished without any major depression, because all elements of both major political parties are committed to step in with heavy Federal spending to forestall an economic bust.

"The one strongly held belief that cuts across all party lines and all divisions within both major political parties is that another unrestrained cycle of boom and bust would bring an end to our free competitive system.

"The farmers and food processors' share of the total national income will decline from about 20% now, to 10% 20 years from now, as the industrial system grows and the production of food is further mechanized.

"More of the money each family takes in will be spent on recreation and education and a smaller and smaller share spent to provide the age-old necessities of food, clothing and shelter."

Outlook Good for 1957

Looking one year ahead through 1957, Mr. Kiplinger reported that his Washington business service predicts a better 1957 for the nation's economy. Gross national product will rise 5% from the $412 billion of 1956 to $430 billion in 1957. This rise, Kiplinger said, will be accompanied by a two or three percent increase in prices. Profits will drop slightly for 1957 because of the pressure of rising wages and increasing competition.

"Our national boom, which has a potential long life, will not come automatically," Kiplinger said. "Prosperity will require wise and skillful business management. It will require responsible decisions, not only in Washington, but in every corporation office and union hall in the country.

"The principal agents of the New Prosperity will not be the men in Washington, but enlightened, well-trained businessmen and labor leaders, possessing a combination of imagination, personal integrity and a sense of public responsibility."

Mr. Kiplinger predicted that Congress would make no substantial cuts in the Administration's $71.8 billion budget. And he stated that there is no likelihood whatsoever of direct wage and price controls, despite the President's discussion of them at his news conference.

West Penn Electric Co. Common Shs. Offered

The West Penn Electric Co. is offering to holders of its outstanding common stock rights to subscribe for 528,000 additional shares of common, at a subscription price of $24.50 per share, on the basis of one additional share for each 16 shares held of record Feb. 26, 1957. Rights to subscribe will expire at 3:30 p.m. (EST) on March 14, 1957.

Carl M. Loeb, Rhoades & Co. is manager of an investment banking group which is underwriting the offering.

Net proceeds from the sale of the additional common shares will be used by the company to finance construction expenditures of its subsidiaries. Cash expenditures for construction during 1957 and 1958 are estimated at $101,-500,000.

The West Penn Electric Co. and its subsidiaries, Monongahela Power Co., The Potomac Edison Co. and West Penn Power Co., which comprise the West Penn Electric System, are engaged principally in the production, distribution and sale of electric energy. The System's territory is located in Pennsylvania, West Virginia, Maryland, Virginia and Ohio, and covers about 29,000 square miles. The area has an estimated population of 2,386,000.

DIVIDEND NOTICES

TENNESSEE GAS TRANSMISSION COMPANY

HOUSTON, TEXAS

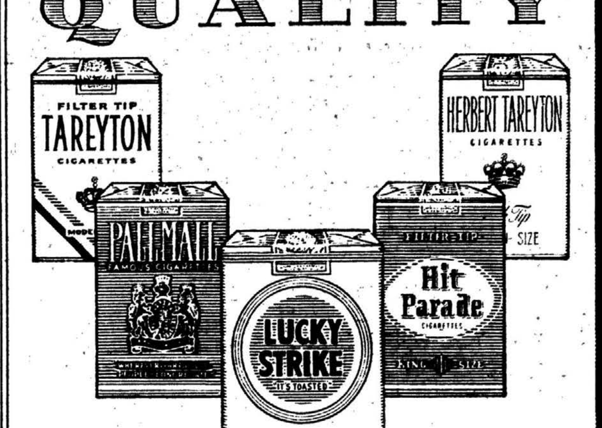
AMERICA'S LEADING TRANSPORTER OF NATURAL GAS

DIVIDEND NO. 38

The regular quarterly dividend of 35c per share has been declared on the Common Stock, payable April 1, 1957 to stockholders of record on March 8, 1957.

J. E. IVINS, Secretary

QUALITY



The American Tobacco Company

210TH PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on April 1, 1957, to stockholders of record at the close of business March 8, 1957. Checks will be mailed.

February 26, 1957 — HARRY L. HILYARD, Treasurer

DIVIDEND NOTICES

J. I. Case Company
(Incorporated)

Racine, Wis., February 28, 1957

A regular quarterly dividend of $1.75 per share on the 7% Cumulative Preferred Stock has been declared payable April 1, 1957 to holders of record March 12, 1957.

A dividend of 9.858 cents per share on the 6½% Second Cumulative Preferred Stock has been declared payable April 1, 1957 to holders of record March 12, 1957.

No action was taken on the Common Stock dividend.

L. T. NEWMAN, Secretary.

Allegheny Ludlum Steel Corporation
Pittsburgh, Penna.

At a meeting of the Board of Directors of Allegheny Ludlum Steel Corporation held today, February 21, 1957, a dividend of fifty cents ($0.50) per share was declared on the Common Stock of the Corporation, payable March 30, 1957, to Common Stockholders of record at the close of business on March 15, 1957.

S. A. McCASKEY, JR.
Secretary

77th Dividend Common Stock

AMERICAN EXPORT LINES, INC.

The Board of Directors of American Export Lines, Inc. at a meeting held February 20, 1957, declared a dividend of fifty cents ($.50) per share on the common stock payable March 14, 1957 to stockholders of record March 4, 1957.

C. L. NIELSEN,
Secretary

February 20, 1957

BRITISH-AMERICAN TOBACCO COMPANY LIMITED
NOTICE OF DIVIDENDS TO HOLDERS OF ORDINARY AND PREFERENCE STOCK WARRANTS TO BEARER

The first interim dividend on the Ordinary Stock for the year ending 30th September 1957 of sevenpence for each 10/- of Ordinary Stock (free of United Kingdom Income Tax) will be payable on the 29th March 1957.

Holders of Bearer Stock, to obtain this dividend, must deposit Coupon No. 228 with the Guaranty Trust Company of New York, 32 Lombard Street, London. E.C.3, for examination five clear business days (excluding Saturday) before payment is made.

The usual half-yearly dividend of 2½% on the 5% Preference Stock (less United Kingdom Income Tax) for the year ending 30th September next will also be payable on the 29th March 1957. Coupon No. 137 must be deposited with the National Provincial Bank Limited, Savoy Court, Strand, London, W.C.2, for examination five clear business days (excluding Saturday) before payment is made.

The Directors have recommended to the Stockholders the payment on the 31st May 1957, of a final dividend on the issued Ordinary Stock for the year ended 30th September 1956 of elevenpence for each 10/- of Ordinary Stock (free of United Kingdom Income Tax).

To obtain this dividend (subject to the same being sanctioned at the Annual General Meeting to be held on the 29th March next) on or after the 31st May next holders of Ordinary Stock Warrants must deposit Coupon No. 229 with the Guaranty Trust Company of New York, 32 Lombard Street, London, E.C.3, five clear business days (excluding Saturday) before payment can be made.

DATED the 19th February, 1957.
BY ORDER OF THE BOARD
A. D. McCORMICK
Secretary.

Westminster House,
7, Millbank,
London, S.W.1.

Stockholders who may be entitled by virtue of Article XIII(1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 901 of the United States Internal Revenue Code can by application to Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

DIVIDEND NOTICES

CITY INVESTING COMPANY
25 BROAD STREET, NEW YORK 4, N. Y.

The Board of Directors of this company on February 27, 1957, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company payable April 1, 1957, to stockholders of record at the close of business on March 20, 1957.

JOHN A. KENNEDY
Vice President & Secretary

DIXIE CUP COMPANY

The Board of Directors of Dixie Cup Company, makers of paper drinking cups and food containers, has declared the following dividends:

5% Convertible Preferred Stock, Series A—Dividend No. 14 (quarterly)—62½c per share—payable April 10, 1957 to stockholders of record March 8, 1957.

Common Stock—Dividend No. 97 (quarterly)—50c per share—payable March 25, 1957 to stockholders of record March 8, 1957.

H. R. WECKERLEY, Secretary

Dated: February 25, 1957.

ALCO PRODUCTS
INCORPORATED
30 Church Street, New York 8, N. Y.

PREFERRED DIVIDEND No. 195
COMMON DIVIDEND No. 131

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of twenty five cents (25¢) per share on the Common Stock of this Company have been declared, payable April 1, 1957 to holders of record at the close of business on March 11, 1957. Transfer books will not be closed.

CARL A. SUNDBERG
February 26, 1957 Secretary

CSC
COMMERCIAL SOLVENTS
Corporation

DIVIDEND No. 89

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on March 29, 1957, to stockholders of record at the close of business on March 6, 1957.

A. R. BERGEN,
Secretary.

February 25, 1957.

CALIFORNIA-PACIFIC UTILITIES COMPANY

Quarterly dividends payable March 15 to shareholders of record March 1, 1957, have been declared at the following rates per share:

5% Preferred	25¢
5% Convertible Preferred	25¢
5.40% Convertible Preferred	27¢
5½% Convertible Preferred	27½¢
Common	40¢

D. J. Ley, VICE-PRES. & TREAS.
February 18, 1957

AMERICAN STORES COMPANY
154th Dividend

CASH DIVIDEND: The Board of Directors on February 21, 1957 declared the regular quarterly dividend of 50c per share.

STOCK DIVIDEND: At the same time the Board of Directors declared a 5% stock dividend.

Both dividends are payable March 30, 1957 to stockholders of record on March 4, 1957.

JOHN R. PARK
Vice President and Treas.

ACME
Acme Super Markets

DIVIDEND NOTICES

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 171

A dividend of ONE DOLLAR a share has been declared on the capital stock of this Company, payable April 1, 1957, to stockholders of record at the close of business on March 15, 1957. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

IRVING TRUST COMPANY
One Wall Street, New York

February 21, 1957

The Board of Directors has this day declared a quarterly dividend of 40 cents per share on the capital stock of this Company, par $10, payable April 1, 1957, to stockholders of record at the close of business March 1, 1957.

RALPH B. PLAGER, Secretary

CHEMICALS
FIBERS
PLASTICS

CELANESE
CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A

The regular quarterly dividend for the current quarter of $1.12½ per share, payable April 1, 1957, to holders of record at the close of business March 8, 1957.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable April 1, 1957, to holders of record at the close of business March 8, 1957.

COMMON STOCK

25 cents per share payable March 26, 1957, to holders of record at the close of business March 8, 1957.

R. O. GILBERT
Vice President & Secretary

February 26, 1957.

IBM's 168TH CONSECUTIVE QUARTERLY DIVIDEND

The Board of Directors of International Business Machines Corporation has today declared a quarterly cash dividend of $1.00 per share, payable March 9, 1957, to stockholders of record at the close of business on February 15, 1957.

C. V. BOULTON,
Treasurer

590 Madison Avenue
New York 22, N. Y.
January 29, 1957

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION

DIVIDEND NOTICES

Johns-Manville
Corporation

DIVIDEND

The Board of Directors declared a quarterly dividend of 50c per share on the Common Stock payable March 15, 1957, to holders of record March 4, 1957.

ROGER HACKNEY, Treasurer

MERCK & CO., INC.
RAHWAY, N. J.

Quarterly dividends of 25¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, and $1.00 a share on the $4.00 convertible second preferred stock, have been declared, payable on April 1, 1957, to stockholders of record at the close of business March 8, 1957.

CARL M. ANDERSON,
Secretary

February 26, 1957

Pullman Incorporated

358th Dividend and
91st Consecutive Year of
Quarterly Cash Dividends

A regular quarterly dividend of seventy-five cents (75¢) per share will be paid on March 14, 1957, to stockholders of record March 1, 1957.

CHAMP CARRY
President

PULLMAN STANDARD CAR MANUFACTURING CO.
KELLOGG
TRAILMOBILE

McGRAW EDISON

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 35 cents per share, payable March 11 to stockholders of record February 21.

After taking into account the 2-for-1 stock split in January, 1957, this is an increase of 10 cents over the quarterly payment in 1956.

January billings of the McGraw-Edison Company were up 31 per cent over a year ago, taking into account January sales for both years of Thomas A. Edison, Inc., and Speed Queen, divisions acquired within the past year.

The dollar value of Edison orders received in January this year was 42 per cent higher than January last year.

Elgin, Illinois
February 12, 1957

Max McGraw, President
McGraw-Edison Company
(Formerly McGraw Electric Company)

DIVIDEND NOTICES

UNITED GAS CORPORATION
SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of thirty-seven and one-half cents (37½¢) per share on the Common Stock of the Corporation, payable April 1, 1957, to stockholders of record at the close of business on March 8, 1957.

B. H. WINHAM
February 27, 1957 Secretary

TENNESSEE CORPORATION

February 21, 1957

A dividend of fifty-five (55c) cents per share was declared payable March 27, 1957, to stockholders of record at the close of business March 5, 1957.

JOHN G. GREENBURGH
Treasurer.
61 Broadway
New York 6, N. Y.

ROBERTSHAW-FULTON CONTROLS COMPANY
Greensburg, Pa.

MR. CONTROLS

PREFERRED STOCK

A regular quarterly dividend of $0.34375 per share has been declared on the $25.00 par value 5½ per cent Cumulative Convertible Preferred Stock, payable March 20, 1957 to stockholders of record at the close of business March 11, 1957.

COMMON STOCK

A regular quarterly dividend of 37½c per share has been declared on the Common Stock payable March 20, 1957 to stockholders of record at the close of business March 11, 1957. The transfer books will not be closed.

WALTER H. STEFFLER
Secretary & Treasurer
February 15, 1957

Public Service Electric and Gas Company
NEWARK, N. J.

QUARTERLY DIVIDENDS

The Board of Directors has declared the following dividends for the quarter ending March 31, 1957:

Class of Stock	Dividend Per Share
4.08% Cumulative Preferred . . .	$1.02
4.18% Cumulative Preferred . . .	1.045
4.30% Cumulative Preferred . . .	1.075
$1.40 Dividend Preference	.35
Common	.45

All dividends are payable on or before March 30, 1957 to stockholders of record March 1, 1957.

F. MILTON LUDLOW
Secretary

NJ PUBLIC SERVICE
CROSSROADS OF THE EAST

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — One of the tell-tale signs of whither goest this 85th Congress on government economy was afforded by the awful outcry which arose from the serried political ranks over the suspension of the Lease-Purchase program.

This is a program from getting post offices and other Federal building on the instalment plan, mostly outside the budget. These buildings are in all important respects procured the same as Federal structures were in all history except for the financing.

At the appropriate stage in the proceeding somebody is cajoled into becoming an "owner" of the building. This "owner" enters into a "lease" of the building to the government over a 25-year period for buildings costing $2 million or more apiece.

The terms of the lease are expressly arranged as if the "owner" were making a loan instead of becoming nominally the title holder. The bidding is on what interest will the "owner" take on 25-year money paid in instalments.

This "owner" could not even have a say about whether the door knobs should be glass or brass. He couldn't put his own mother-in-law in a spare room in the attic, and he would not be allowed to park his private automobile in the government parking lot in or adjacent to the building, which is specified for the exclusive use of the government.

At the end of 25 years, the loan having been repaid in instalments with interest, the "owner" having bound himself in advance to do so, deeds title to the building to the government, and loses his ghostly existence.

Suspend Projects

This has a beautiful appeal both to Congress and the Administration. To the Administration this is a way to get Federal buildings by paying down in one year, only 4% of the principal cost of the structure, plus the agreed rate of interest and local real estate taxes until the loan is repaid in full and the government acquires formal title.

To Congress, this also is a wonderful gimmick. Congress can have up to 25 times the dollar amount of buildings started in any one year as their total cost would be, since it appropriates only one-twenty-fifth the principal cost in any one year.

By an informal agreement among the Administration agencies, the maximum interest rate was held to 4%. Hence with the shortage of money generally and the higher interest rate pattern, the GSA and Post Office department haven't been able to find suckers to cooperate in this extra-budgetary sham.

Finally, with 50 post offices and another 98 Federal buildings approved for an aggregate of some $765 million, but with only one (1) project actually under way, the whole program was suspended.

Congress Wants Buildings

So far as Congress was concerned, there was no insistence upon a top interest rate of 4%. The all-important thing for the Members of Congress was New Buildings In Our Bailiwick.

But so far as the Treasury is concerned, it is reported, there was great objection to the program. The Treasury is in a spot. Revenues for the current year are falling below budget estimates. Savings bond cashings are higher, and spending is running above the budget estimates, since it is the practice of the President in his budget estimating to guess lower than expenditures actually will be.

On top of that, the Treasury had to dish out $875 million cash in its last refunding. This has led the Treasury to have to raise by $200 million a week its bill issues, thus forcing the Treasury to pick up new money in the last half of the fiscal year, at the very time it is usually looking forward to paying off the new money it borrowed during the first half of the fiscal year, or last fall.

Even if a 5% interest rate for Lease-Purchase pulled out the money for Federal buildings, it is difficult to see how this would do the Treasury any good, having to increase its own borrowings and at 3% or better on the shortest securities.

Under the circumstances the Administration suspended the program, with a straight face telling Congress this was done because it would be inflationary at this time for the government to construct these buildings. (Note: Nothing has yet been said about withdrawing the school construction program to prevent inflation.)

Congress Angry

This has aroused the Congressional ire only slightly less than it was aroused by the President's decision to flout the advice of leaders of both parties and back sanctions against Israel.

In fact, the Senate Public Works subcommittee hearing drew out a gallery of Senators not members of the committee as impressive as the gallery of bobby soxers would have been had a TV crooner instead shown up.

Bearing on Spending

This development, it believes, underscores precisely the attitude of Congress on economy. The shock of realizing that the President was passing the $70-billion mark in spending has aroused a great deal of concern on the Hill. Also it has stimulated a large volume of mail for economy, from the constituents.

Congressmen, however, are keenly aware that sentiment for economy generally is a pallid force compared to sentiment against economy when it cuts into specific multifarious benefits, like those for the farmers, contracts for national defense, and, of course, Federal buildings.

It may give the appearance of being an economy drive when Congress cuts, say, about one-fourth of the **increased** appropriations asked as compared with a previous year, but in terms of the final result this is peanuts.

Congress will cut where it doesn't hurt. Even these modest cuts are not secure, for unless Congress cuts back on statutory programs as well as appropriations, the Budget Bureau will come up next year for deficiency appropriations.

It would take an unprecedented national worry over inflation to cause Congress to cut as much as the $2 billion Senate GOP Leader Bill Knowland suggests, and a revolution in sentiment to lop off $5 billion from appropriations. Such a revolution was worked by the Republican 80th Congress, but that was before the Congressional Republicans had a "Republican" President proposing new welfare programs and much enlarged funds for existing programs.

Eisenhower & Truman Costs Compared

Under Dwight D. Eisenhower, the Federal Government is costing a minimum of $18.5 billion more per year on a budget basis than under Harry Truman.

In five years total budget disbursements of the Federal establishment under Mr. Eisenhower will exceed by $43.1 billion total budget disbursements under six years of Harry Truman.

What started this thought was a certain Democratic Congressman who formally told the country how much more expensive Mr. Eisenhower is than was Mr. Truman. It just happened that this Congressman got his figures all confused, and since he did so, he will not be named.

So this reporter dug out past budgets showing "actual" expenditures by fiscal years 1948 through 1956, inclusive. This is a very interesting exercise, because even retrospectively, figures which were supposed to have been firm and final for past years, have a way of being altered retrospectively from budget to budget. Thus on Jan. 21, 1954, Dwight D. Eisenhower in submitting his budget message for fiscal 1955, put "actual 1953," meaning actual and final fiscal 1953 disbursements for this "last Truman year" at $74 billion, even. In succeeding budgets this appears as $74.3 billion.

What was done was to take the first budget which showed the "actual" expenditures for the last completed fiscal year, except for 1953, where there was used the higher of the two "actual" figures for 1953, since this would make Mr. Eisenhower compare more favorably.

Truman's Six Years

From fiscals 1948 through 1953 (five months plus of which Eisenhower was in office) total budget expenditures for those six years aggregated $298,300 million. This works out to be about $49,710 million per year average for these six fiscal years.

Eisenhower's Five Years

Since Mr. Eisenhower disclaims responsibility for any part of fiscal 1953, the most expensive Truman year, despite the fact Eisenhower was President for five months and 10 days of that year, this gives only three "actual" fiscal years for the "Republican" President.

However, Mr. Eisenhower has estimated (his latest and upward revision) $68.9 billion of spending for the current year, and $71.8 billion for fiscal 1958. To make fiscal 1958 accurately comparable with Mr. Truman's years, when highway spending WAS in the budget, $1.8 billion of highway spending is added.

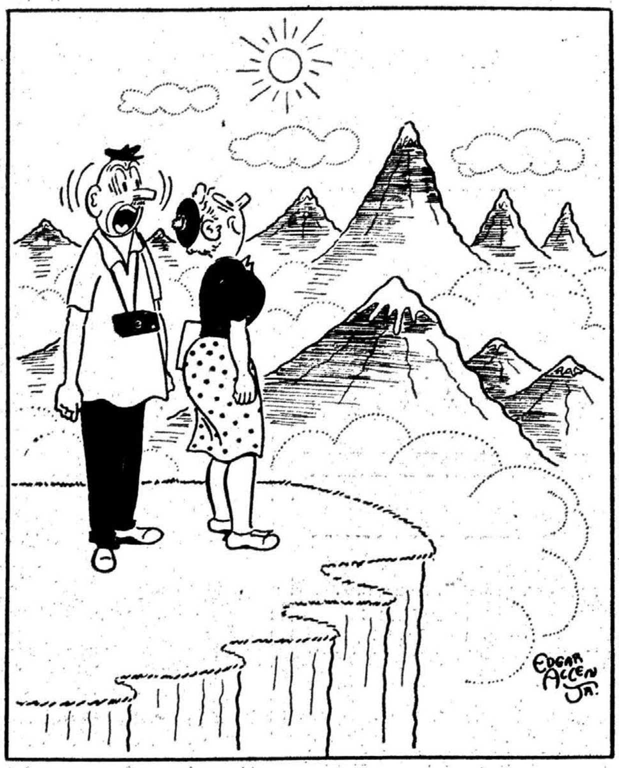
This brings aggregate five years of Eisenhower costs to $341,000 million, or $43.1 billion more for these five years than for Mr. Truman's last six. It also gives an annual average spending figure on a budget basis for Mr. Eisenhower of $68,280 million, to $49,710 million for Mr. Truman.

Nevertheless, these figures give Mr. Eisenhower all the "breaks." Actually his record is notorious for underestimating spending, since after the death of Senator Bob Taft he had no restraining influence against him and he tore off in the spending direction. In all likelihood, Mr. Eisenhower's estimates for the current year are $2 billion less than what they actually will amount to, and could be $4 billion shy at this time of actual fiscal 1958 performance.

This would make Mr. Eisenhower's cost almost $20 billion more per annum than his predecessor.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"—And this is the vacation that was supposed to relieve my Wall Street tension!—All we've seen every minute have been peaks and dips—peaks and dips!"

Manthos, Moss Co. Formed in Houston

HOUSTON, Texas — Manthos, Moss & Co. is being formed with offices in the Bank of the Southwest Building to engage in a securities business. Officers are George M. Manthos, President; George W. Moss, Treasurer. Both were formerly with Stacy, Bell, Manthos & Co.

John J. Niemoeller

John J. Niemoeller passed away Feb. 24 at the age of 59 following a long illness. Mr. Niemoeller was vice-president and treasurer of Stifel, Nicolaus and Company, Incorporated of St. Louis with which he had been associated for 43 years. He was a member of the Security Traders Club of St. Louis.

Two With Plankinton

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—James K. Connolly and James N. Powell have become connected with Walter R. Plankinton, 1637 South Broadway.

Eugene F. Westheimer

Eugene F. Westheimer, one of the founders of Westheimer and Company of Cincinnati, passed away Feb. 21 at the age of 95.

Walter L. Carey

Walter Lewis Carey, partner in DeCoppet & Doremus, New York City, passed away Feb. 24 at the age of 56.