ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 185 Number 5618 New York 7, N. Y., Thursday, March 7, 1957 Price 40 Cents a Copy

EDITORIAL

As We See It

"People get the idea," Secretary of the Treasury Humphrey told a Congressional committee the other day, "that we have some sort of a great well down here in Washington that you can get money out of and it doesn't cost anything.

"We do not have any well of free money. The only money we have is the money we take away from the people and—after adding some overhead to it—pass it back to them. The people themselves are the only source of our funds."

These remarks of one of the leading members of President Eisenhower's cabinet convey a simple truth not infrequently spoken in the past even by politicians. Unfortunately, in the past, warnings such as these appeared to fall upon deaf ears. Much of the time when the people were being told that government could spend only what they, the rank and file, supplied, funds were being created wholesale by bank borrowing—and to the uninitiated it in fact appeared as if there were a well from which money could be drawn. Of course, the consequences of drawing money out of any such well as this are certain in the end to be most unfortunate, and warnings of inflation at length bore in upon the consciousness of most of the citizens of the country.

This is well as far as it goes, but if reasoning goes no farther there is little to arouse widespread anxiety in extravagant public spending, provided by good fortune or otherwise budgets come into balance and remain that way. In other circumstances the weight of taxation would be a constant reminder to the rank and file of what is taking place. Today, however, so large a part of the revenue raised is the product of steeply

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Mankind's Stake in Middle East Oil

By B. BREWSTER JENNINGS*

Chairman, Board of Directors, Socony Mobil Oil Co., Inc.

Socony Mobil top executive supplies statistics showing why Middle East oil is of such vital importance, provides background material against which current problems must be considered, and suggests two broad approaches we can make. Mr. Jennings believes it would not be unduly difficult to establish and maintain such relations with the Middle East countries that they will not arbitrarily deny their oil to us, and also proposes a reasonable dispersal to include more pipelines over routes that will not allow one country to control them, and increased storage facilities. Contends governments should absorb some of the cost of standby facilities exceeding normal requirements.

So much has been said and written about Middle East oil in the last few months, especially since the closing of the Suez Canal, that I can't be sure anything I discuss will be new. But sometimes it is helpful to review important facts even though we are all familiar with them. Occasionally, we get a helpful new point of view by doing just that, or are reminded of things we learned long ago but have forgotten. By way of setting the stage for discussing the oil of the Middle East, let us review a few of the more important aspects of the world petroleum picture.

B. Brewster Jennings

The Free World, outside the Iron Curtain, produced and used nearly 16 million barrels of petroleum a day last year. More than half of it, 57% to be exact, was consumed in the United States. Free Europe used about a third as much as we did, or about a sixth of the total. Big

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*An address by Mr. Jennings before the Annual Meeting of the American Institute of Mining, Metallurgical and Petroleum Engineers, New Orleans, Feb. 26, 1957.

Current Business Trends And the Wage Outlook

By SUMNER H. SLICHTER*

Lamont University Professor, Harvard University

Denying that present lull is a prelude to a real contraction, outstanding labor economist believes: (1) there will be a moderate expansion in second half of 1957; (2) business will be good in 1958; and (3) after examining the impact of newly evolving industrial relations and wage policies upon the economy, the tendency of creeping—not galloping—inflation will continue with expanding prosperity, keener competition, modest profits, and productivity gains going mostly to labor, while bondholders' lot deteriorates and stockholders' share of GNP drops slowly. Dr. Slichter refutes fears of surplus capacity; depicts current and prospective wage trends.

I. The Current Lull in Business

The most important fact about the present business situation in the United States is that there has been a definite lull in business and a cessation of the moderately slow expansion that had been fairly steady during most of 1956. The lull in business is manifested in the following ways:

Sumner H. Slichter

Personal incomes did not increase between November and December;

There was a moderate drop in the new orders of manufacturers in December, and no increase in January;

There have been small but fairly general cutbacks in the production of household appliances;

There was no increase in retail sales after adjustment for seasonal factors between December and January, and only a very small rise between November and December;

Automobile sales for the first four months of the 1957

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*An address by Professor Slichter before the Associated Industries of Cleveland, March 4, 1957.

PICTURES IN THIS ISSUE—Candid photos taken at the Annual Mid-Winter Dinner of the Investment Traders Association of Philadelphia appear in today's 12-page Pictorial Section.

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.)

ALFRED HECHT
Hecht & Company, New York City
Members New York Stock Exchange

Braniff Airways

Senator William A. Blakley, owns 17.6% (517,955) shares of Braniff while 16.4% (483,217) are owned by the Braniff Foundation and less than two-thirds of the common shares are held by approximately 4,700 investors.

Alfred Hecht

Braniff is the newest contender for the "BIG" league of domestic airlines. This coming spring Braniff will be very much in the limelight—when their new fleet of D C Seven C's is completed.

In 1956, under the able leadership of Charles E. Beard, Braniff Airways received permission to fly the profitable New York—Dallas route. This "express run" links fabulous Texas with New York, the American metropolis as well as the gateway to Europe, a run which already shows the earmarks of a most profitable operation. With the necessary financing finished, which was accomplished partly by the sale of additional common shares as well as a $40 million long-term 4¾% loan, Mr. Beard succeeded in having the most modern fleet of D C Seven C's in the air. The "EL DORADO" this coming spring will serve the plush run as the first domestic airline to be equipped with the newest version of comfort, the ultimate in luxury and speed in air transportation. Such a modern fleet should make air travellers new and enthusiastic Braniff customers.

From a military point of view it is strategically important to have a modern commercial air transport system and a solvent air line industry as a national necessity. On Feb. 20, 1957, Braniff Airways made an application to increase domestic passenger fares 6% across the board, effective April 1, 1957, which of course, is subject to approval by the CAB. Increased overhead and cost of materials, etc., as well as the necessity of keeping up service and efficiency, make an increase of fares for all airlines necessary, as all expenses were rising to new heights during the inflationary wave of the last few years, while fares have remained stable for a long period of time.

Braniff Airways with its D C Seven C fleet will be the Texas pioneer equipped with the most modern up-to-date fleet any domestic American airline has to offer. Delivery of the D C Seven C fleet will be completed by this coming spring. Boeing has 707 four engine jets on order for which the necessary financing is completed. The Boeing jets are expected to serve the expanding Braniff fleet by late 1959.

Braniff's international routes run beyond Houston to chief cities in Latin American such as Bogota, Panama City, Havana, Lima, Rio de Janeiro and Buenos Aires. So far the international routes have required subsidy mail payments. With the expected expansion of Latin America, it is expected that Braniff's international operations are bound to grow and increase in importance. If you believe in the future of the airline industry, also its future expansion and in the future of South West United States and of South America, Braniff International Airways stock is a promising investment as its network links important South American cities in a chain of stops and consequently its business should grow with the Western Hemisphere.

The 1957 range of Braniff Airways was 11½-9⅝, its earnings was 64 cents per share in 1956 and 59 cents in 1955. It paid a 60 cent dividend in 1956 and also in 1955. No funded debt, and the company has out 2,948,119 common shares, listed on the New York Stock Exchange.

HERBERT W. MARACHE, JR.
Granbery, Marache & Co.
New York City
Members New York Stock Exchange

J. O. Ross Engineering Corporation

I believe that J. O. Ross Engineering common stock, recently listed on the American Stock Exchange, is an attractive equity holding for appreciation and income purposes based upon the following factors:

Herbert Marache, Jr.

(1) Although not too well known to the general public at large, the control of atmospheric conditions is of prime importance in certain manufacturing processes of many of the basic industries in our economy such as rubber, paper, metal containers and automotive, etc. Ross is a leader of this particular growing field of designing, fabricating and installing atmospheric control equipment, and has established a sound reputation in the industry. There is every reason to anticipate that Ross, under management's aggressive and able guidance, will continue to benefit from the future growth of the industries which it serves.

The increasing application of automation to manufacturing operations is creating a larger reservoir of potential business for Ross. Automation requires the control of as many variable factors as is feasible. Through Ross designed equipment, atmospheric conditions may be harnessed. Actually, as a result of market analysis, management is fully aware of the company's inability to handle all the potential business available. New opportunities must presently be subordinated to established ones due to both physical and engineering limitations of Ross, notwithstanding the fact that sizeable capital expenditures have been and are being currently made for expansion of the company's plant and engineering facilities.

(2) Over the past, Ross has enjoyed continued growth. It has been within recent years, however, that management has been better able to translate increased sales into higher net profit. In 1954, the company reported earnings of $1.59 per share—this rose to $1.97 in 1955. Although 1956 preliminary figures have not been released as yet, it is understood that consolidated net income should approximate $2.50 per share. Management already has announced that gross profit (unreported) on uncompleted contracts for the first half of 1956 amounted to $1.14 million. This is an increase of approximately 58% over the corresponding figure in 1955 of $721,000. While it is still very early to prognosticate 1957, I anticipate that this year should follow the growth pattern of the past several years.

(3) At its present price of 22, and with an indicated annual dividend rate of $1.20, Ross affords an attractive yield of 5.5%. Should earnings increase, as is presently anticipated, in line with the company's payout policy, it would seem reasonable to assume that the annual dividend rate might be liberalized later this year. Incidentally, management increased the company's dividend from 25c to 30c quarterly last December 1956.

(4) The consolidation of Ross' former unconsolidated subsidiary, John Waldron, should now provide advantages that heretofore have not been available.

(5) The engineering staff of Ross has gained a considerable amount of experience through the years in dealing with the complex problems of atmospheric control. This "technological know-how" is a valuable asset to Ross.

(6) The company is capitalized conservatively. The sole capitalization consists of 467,814 common shares outstanding. This takes into consideration the increase in shares resulting from the recent Exchange Offer of Oct. 3, 1956 by the company to stockholders of John Waldron Corporation. At the end of 1955, total current assets were more than three times current liabilities.

The company was incorporated as Ross Industries Corporation on Jan. 9, 1929. On April 30, 1951, the company's former subsidiary, J. O. Ross Engineering Corporation, was merged into the company, and its name was adopted by the company. The former subsidiary had since 1921 been conducting the business now conducted by the company. Ross has two wholly-owned subsidiaries, one in the U. S. and one in Canada. Also, Ross owns 93.5% of the common stock of John Waldron Corporation. In addition, the company has a minority interest in an affiliate which operates in the British Isles.

Basically, the company engineers, fabricates and installs air systems for industrial processes. The temperature of the air to be controlled may range in areas from zero degrees and below to as high as 1,000 Fahrenheit and above. The designated moisture control can vary from bone dry to completely saturated. Ross designs specific systems, tailoring each to the individual needs of the customer involved. To be more explicit, Ross might be called upon to engineer and construct an individual oven for baking, curing or heat-treating materials. This oven might be capable of temperatures up to 1,000 degrees Fahrenheit. Another example would be the paper drying systems designed and built by the company. Under high-speed and

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This Week's Forum Participants and Their Selections

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J. O. Ross Engineering Corp.— Herbert W. Marache, Jr., Granbery, Marache & Co., New York City. (Page 2)

Confident Look Ahead at Freight Transportation

By ROY FRUEHAUF*
President, Fruehauf Trailer Company

A bright future for highway trailer, railroads and waterways is predicted by Mr. Fruehauf in envisaging rise from 47 railroads to all of the 130 Class I rails offering Piggyback services, and relegation of nation's fleet of 719,000 box cars in favor of flat cars. Based on 2.5% yearly rate of increase in rail-motor freight ton-miles from 1950-1955, expects 25% growth in 10 years to 1960 with nobody losing traffic to Piggyback. Extols outlook for "Fishybacks" which is said to cut down time in port and cargo handling so drastically that it more than compensates for extra space occupied by trailers. Recounts recent Atlantic ocean trailership round trip, and sees trailership traffic as becoming one of the dominant features on the Great Lakes. Believes estimate of 76,000 additional trailers resulting from new Federal highway program is most conservative.

The future of transportation is geared to the highway trailer. But, you may be surprised that I think the future of transportation is a bright future for the railroads. And I think it is a bright future for the waterways, including the St. Lawrence Seaway.


Roy Fruehauf

Tomorrow's transportation will be keyed to freight-carrying trailers moving on the railroads, trailers moving on the waterways, and, in growing volume, on our new highways, too. The trailer is on the road to becoming the universal vehicle, and the destiny of every mode of transportation—with the exception of pipelines—is tied in with the future of the highway trailer.

Ever since the end of the war, the nation's industrial growth has been built on truck trailer transportation. The yearly increase in the nation's freight load moving by wheeled vehicles has been 100% trailer traffic.

Until very recent years, practically all trailer freight was highway freight. But, in the last four years, trailer transportation has taken a new turn. The trailer has begun to move in as the key vehicle in railroad transportation.

I refer, of course, to the carrying of loaded trailers on flat cars—the Piggyback system. For the first time in nearly 30 years, apart from the war period, the railroads are getting a large volume of additional and sustained new business. It is Piggyback business.

Fast Growing Piggyback

Piggyback is growing so fast that any figures on it are out of date before they are published. Actually as many of you know—Piggyback is a very old and well proven method of transportation. It got its start in 1926. Two of the railroads now offering this service have been in the business for about 20 years, and very successfully.

But, the big move to Piggyback began in 1952, when three additional railroads took the plunge. By 1954, over 20 railroads were hauling loaded trailers by Piggyback; by the middle of 1956, there were 38. At the last count since New Year's Day, there were 47.

How far can this go? It can go to the point where every one of the 130 Class I railroads in the United States offers Piggyback service—and that's just where it's going!

Piggyback volume exploded into new high levels in 1956. One of the big Piggyback carriers is the Southern Pacific. For the first eight months of 1956, the Southern Pacific's Piggyback volume was up 24% over the previous year. The Pennsylvania is another really big Piggyback user. The Pennsylvania's increase was 40%. The Lackawanna's Piggyback volume grew 47%, the Burlington's 60%, and the Wabash Railroad 83% over 1955!

Piggyback routes now reach nearly every main shipping point in the United States. The Illinois Central is carrying a growing volume of imported merchandise by Piggyback from the Port of New Orleans. Four railroads linked together from the Atlantic to the Pacific, now offer a transcontinental Piggyback service.

How big is Piggyback? Let's take just one of these 47 railroads. In 1956, for the first eight months this railroad was hauling loaded trailers at a rate of more than 72,000 trailer loads a year.

Taking national averages as to load and distance, this would amount to over 500 million ton-miles a year—equal to the total freight and express carried by all the airlines of the country. And this is just one railroad. Remember, there are 46 other railroads in the business, too.

People sometimes say that the automobile is here to stay. I think it is, too. And I also think Piggyback is here to stay. But—and this is my real point — I *don't* think the railroad box car is here to stay!

Box Car On Its Way Out

The box car is on the way to the Smithsonian Institution. I

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*An address by Mr. Fruehauf before the Traffic Club of Cleveland, March 4, 1957.

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Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President

Thursday, March 7, 1957

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C. England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $60.00 per year; in Dominion of Canada, $63.00 per year. Other Countries, $67.00 per year.

Other Publications

Bank and Quotation Record — Monthly, $40.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

The Texas Company—Deep In the Heart of Investors

By IRA U. COBLEIGH

Enterprise Economist

Presenting a panoramic portrayal of this progressive and profitable international and integrated blue chip in black gold.

The growth of The Texas Company since the first frantic Spindletop days of 1901 has been anything but spindling. While other early-bird companies in East Texas have gushed and gone, Texaco has moved majestically forward, to become one of the major petroleum enterprises of the world. From the incredible era of 54 years ago when 3c would buy a Lone Star barrel of oil at the well head, till today with its price of $3.17 on allowable production, Texaco has rocketed into such corporate magnitude that its owned proved reserves now equal 9% of the world's total, and its annual cash income exceeds $1½ billion.

Ira U. Cobleigh

Texaco is a classic model of integration. It's big in all four standard classifications: production, refining, transportation and marketing; and it has a sizable stake in petro-chemicals besides. We'll outline the production first.

Right now Texaco is producing over 860,000 barrels a day, roughly 56% from the Western Hemisphere, and 44% from the Eastern Hemisphere. In Canada, through McColl Frontenac (65% owned) and Texaco Exploration (100% owned), daily production is above 30,000 barrels a day. In Latin America, through 100% owned subsidiaries and its 50% interest in two big companies, daily crude deliveries have risen from 50,000 barrels in 1950 to over 100,000 barrels per day in 1956. This Latin production will be greatly expanded this year due to TX acquisition (in September 1956) for $176 million (in cash) of Trinidad Oil Co. Ltd., which has 30,000 B/D present production on the Island of the same name, plus favorable acreage on and offshore, pipe lines to shipside and a 90,000 B/D refinery.

In the Eastern Hemisphere, the big production is from a 30% interest in Aramco, one of the largest oil producing enterprises in the world gushing out over a million barrels a day from the sands of Saudi Arabia. This production serves to keep King Saud in custom-built Cadillacs, and makes him an official friend of the United States — except in Gotham! Other oriental production is derived from a 7% interest in the Iranian consortium, and rising production from Bahrein Island and Central Sumatra, as a 50% partner in the Caltex group. Texaco's share in all this Eastern crudes is roughly 360,000 B/D. U. S. production is around 340,000 B/D, with principal well flows in Texas, Oklahoma, Louisiana and California.

Refining capacity (domestic) totalling 600,000 B/D is located in seven cities with the largest unit (230,000 B/D) at Port Arthur where pipelines feed in and tankers take it away in a highly efficient manner. Abroad there are refineries at Montreal, Edmonton and Port Credit (Ontario) and interests in refineries at Puerta La Cruz, Venezuela, Ras Tanura (Persian Gulf), Bahrein Island and, with Caltex, a dozen others spread about the globe.

Transportation is achieved by feeding pipelines, especially at Port Arthur, a 30% interest in Trans Arabian Pipeline, 50% in Texaco-Cities Service Pipe Line Co. and 45% in Texas-New Mexico Pipe Line Co., plus a fleet of tankers, tank cars, trucks and marine terminals.

In marketing, Texaco has been a shining example of broad scale effective merchandising. Texas is the only company with direct retail distribution in all the 48 states, and smart advertising in all media has extolled the Texaco Fire Chief name, and built a reputation for tidy service stations. Overseas. Texaco owns 75% of Regent Oil Co., third largest in oil products marketing agency in the United Kingdom and a distributor in Trinidad, Jamaica, Puerto Rico and in Ontario as well. The 50% interest in Caltex group provides broad marketing facilities in the Eastern Hemisphere.

In addition to the complete integration illustrated by the foregoing, Texaco, by 50% ownership in Jefferson Chemical Corp. (American Cyanamid owns the other half) and a 50% ownership of Texas U. S. Chemical Co. (U. S. Rubber is its partner) is moving rapidly ahead in petrochemicals. At Port Neches, Texas, there's a plant (Jefferson Chemical) converting refinery by-product gases into useful ethylenes and in the same city a plant (Texas-U. S. Chemical) for production of butadiene, a basic ingredient of synthetic rubber.

Capitalization of TX is $209 million in long-term debt, about $28 million in minority interests, a $150 million bank loan (to finance Trinidad Oil Purchase) and then 54,897,470 shares of common stock listed on N.Y.S.E. Current quotation is 59 which, on the basis of 1956 dividend payments of $2.45, provides a yield of about 4.30%.

This common stock is among the most highly regarded petroleum equities you can find. It is a prized possession of over 122,000 stockholders and its shares are found in the portfolios of over 460 financial institutions. Such solid investment indorsement must be deserved; and it is. In the 10-year period July 1, 1946/56, Texas qualified definitely as a "growth" stock by racking up a market advance of 350%. In that decade, the stock was split 2-for-1 in June of 1951, and 2-for-1 again in June of 1956. The balance sheets have for decades been elite exhibits of corporate solvency with net working capital running along well over the half billion mark, before the Trinidad purchase.

Net earnings per share have displayed a smooth long range upward curve from $2.71 in 1950 to $5.11 for the 12-month period ending Sept. 30, 1956. These net figures are arrived at by the most conservative accounting procedures and do not include Texaco's share in undistributed earnings in corporate interests, where ownership is only partial. Such undistributed and unshown earnings have averaged about 75c a share over the past five years.

The recent unpleasantness at Suez has raised certain questions about supply and transportation for all international companies. Since about 40% of Texaco crude has come from the Middle East, there has naturally been some concern on this account in the case of Texaco. Over the long run the answer seems to be (1) the Arabian supply and transport problems are less acute than six months ago, (2) Texaco's broad call on oil production elsewhere in the world, particularly its rising vistas of recovery in Trinidad, Venezuela, Canada and the lush field in Minas (Central Sumatra), and (3) Domestic reserves in the United States exceeded in magnitude only by Humble Oil.

So dour pessimism about Texaco's ability to keep itself in crude oil seems unwarranted. Texaco has over the years been a shrewd and most successful bird dog for oil and if there has been a likely new terrain for the drill rig, whether it was in Alberta, Australia, or Arabia, Texaco has seemed to arrive early and strike pay dirt early. In common with most majors, it refines a lot more than it produces so the urge to "rev" up crude production is always there.

Many investors have forgotten about the Alamo but they're quite likely to remember Texas Company. They can't help seeing some of the 38,500 retail outlets in 48 states to which a star points the way; and if they refer to the investment manuals they'll surely note that TX has paid dividends without interruption since 1903. And, after all the billions of gallons sold in the meantime, TX has more oil today than ever.

Three With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Jacob Freelander, Morton L. Goldfader and C. Edward Herrick are now with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

The State of Trade and Industry

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

A modest decline in total industrial production for the country as a whole was apparent in the period ended on Wednesday of last week. However, output was moderately above the level of the corresponding period a year ago.

Output losses from the preceding week took place in the automotive, steel and electric power industries.

Awards for heavy civil engineering construction contracts declined 14% last week, and were 10% below those of last year. Although commercial construction and private mass housing increased, awards for industrial building fell noticeably. A moderate decline in contracts for public construction occurred, according to the "Engineering News Record." The cumulative total of awards for the first nine weeks of 1957 were 17% below the corresponding level last year.

Consumer instalment debt took an expected tumble in January but officials described credit buying as "still pretty strong."

The Federal Reserve Board reported instalment debt outstanding declined $254,000,000 during January, the first monthly decline since the $134,000,000 drop a year earlier. Two years ago, the January decline amounted to $52,000,000.

"Instalment debt always tends to go down right after Christmas," commented one board official, but he observed that with seasonal factors taken into account instalment debt rose $228,000,000 during January. He anticipated another seasonally-adjusted rise in February and summed up the situation by saying: "Consumer credit buying is still expanding at a pretty strong rate, though nothing like it was back in mid-1955."

Steel mills, the "Iron Age" reports the current week, are counting on a turn for the better in demand for some products during the next three months. Meanwhile, the scramble for available business in sheets, strip, and other products in good supply is becoming more intense. Where they can, mills are tying in sales of easier products with those in stronger demand, states this national metalworking weekly.

The tie-in sale gives the advantage to those mills producing a wide variety of products. The mill without these "bargaining" tools is finding the going that much tougher. In some cases, warehouses are using the same tie-in technique, it points out.

Steel users everywhere apparently are taking their inventory cue from the auto and appliance makers, and they are going overboard on inventory cutbacks. It looks as though the auto industry, at least, plans to play it close to the vest for at least two more months. Two of the Big Three automakers have stepped up their April steel orders, possibly with the intent of increasing auto output the following month.

Some steel customers are taking a calculated risk in overplaying their inventory reduction policy. They are assuming that because some forms of steel are in plentiful supply, this situation will continue through the year. But they may be overlooking one important point that automotive steel inventories have been cut to rock bottom. A turn for the better in new car sales will bring an abrupt upturn in steel demand from the automakers. When this happens delivery promises will automatically stretch out and some users will be caught short.

The easier tone of the market is putting the mills back into a position where they can revert to normal maintenance policies. A large midwestern mill, for example, has gone back to the usual cycle of having one of its blast furnaces down for repair in any given month. Some of this maintenance work is long overdue, concludes "The Iron Age."

Activity in the automotive industry in general, said "Ward's," "held the line" last week. Production was forecast at 138,938 cars and 23,800 trucks compared to 139,038 and 23,342 the week before.

Although the past week's car output was low for 1957, except for New Year's week, it was still 5% better than the corresponding week in 1956, when 132,038 units were built.

Plymouth, which recently has been making cars at twice the rate it did last year, eased off to five-day scheduling the past week because of body shortages. However, the division has big plans for March with two Saturdays on tap, "Ward's" noted.

Only three divisions anticipated six work days the past week and they included Chrysler, De Soto and Ford. Chevrolet, after cutting car output nearly 20% the week before, bounced back to 30,000 units last week, but its schedule is still 20% below a year ago, "Ward's" stated. Ford turned out 33,000 cars last week.

"Ward's" estimated February car production at 570,500 units compared to 555,596 in February, 1956. This month, too, is expected to surpass March of last year.

Steel Production Scheduled to Drop to 94.9% of Capacity This Week

In the steel industry this week "Steel" magazine warned that the metalworking companies may be pinched for steel by midyear if they continue to reduce inventories. They are likely, it stated, to be caught by a strengthening in demand in May or June.

The metalworking weekly pointed out that many steel consumers, particularly auto makers and their suppliers, have been reducing inventories systematically over several months.

The drive to lower steel stocks has come from top management, according to the publication, and purchasing agents and production people are becoming concerned over the low level of supplies.

If automotive production steps up with the advent of warm weather, auto makers and other manufacturers will find their steel deliveries lengthening. Even if auto production continues

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Observations . . .

By A. WILFRED MAY

MISCELLANY OF THE WEEK

Sweepstake Results

Brokers are inclined to be comparatively bullish and writers skeptical, if the 1956-57 forecasting contest results conducted by Eastman Dillon, Union Securities & Co. is to be considered typical.

The contest's prediction period began in mid-February, 1956, when the market, at 470 for the Dow-Jones Industrial Average, after the new year's 3% reaction, was about to re-embark on a 55-point rise to a new all-time peak in early April. A subsequent reaction was followed by re-ascent to a double-top in early August, from which ensued a sloughing-off to the forecasting interval close at 468, just where it had begun 12 months previously.


A. Wilfred May

The contestants' box score shows that the average of the Eastman Dillon firm members' forecasts was substantially overoptimistic, at 512, while the more cynical writers have proved to be overcautious with an average forecast of but 448.

Likewise in the case of the utilities the writers underestimated, while the firm associates overshot the mark; despite the occurrence of an actual 8% rise in this market group.

In dealing with the rails, both groups guessed too high. Whereas the D. J. rails actually closed the period at 143 (down from 156), the writers topped this with an average guess of 162; this in turn being exceeded by the investment house members' figure of 169.

The other striking feature of this forecasting derby's results was the *divergence* of the predictions. On the industrials they ranged all the way from a low of 345 to a 600 top; on the rails from 99 to 210, and on the utilities from 44 to 91.

It will be interesting to note the imminent results of the similar derby of the Security Traders Association of New York wherein the thousand members have pitted their forecasting skills.

A New Stock Average

Forecasting activities such as these bring to the fore the dissatisfactions with the traditional popular averages, and the launching of a new index which is designed to solve them. Increasing complaints, in the greatest volume since the founding of the first average back in 1885, are being voiced, as on confusion which results from the wide price swings of the higher valued stock averages. With the price readings of most leading averages ranging from 200 to 500, it is felt that they are misleading in their daily fluctuations being out of line with actual price changes. Also is their dissatisfaction based on the relative smallness of the sample.

For example, Harold Clayton in the current issue of his letter for Hemphill, Noyes & Co. puts it: "1957 volume is 60,300,000 shares behind the similar period of 1955 and 11,400,000 shares behind the similar period of 1956. While the Dow-Jones Industrial Average penetrated its 1956 low, our average, which covers the whole market and is more accurate therefore, did not penetrate its 1956 low. If the market has reversed its long-term trend from bullish to bearish, the owners of more than 4½ billion shares of Big Board common stocks either are not aware of it or just don't believe it. I continue to go along with these owners who control about 99.75% of all Big Board common stocks."

In a major effort to clear up the confusion in stock market evaluation arising from the existing divergence between market averages and the prices and movements of individual stocks, and to overcome the present sampling drawbacks, Standard & Poor's has just initiated an hourly index of 500 stocks, broken down into industrials, rails and utilities, and based on 90-95% of the total value of common stocks on the New York Stock Exchange. The samples in existing averages have never carried more than a third of the total value of the market's outstanding shares.

The new index practically comprises the actual average of stock prices on a value basis. The average value of all issues listed on the New York Stock Exchange on Dec. 31, last, was $49.12. The Standard & Poor's index was 47.40 on that date, against the much higher figures, 200 to 500, for most of the leading averages.

While, *on a percentage basis*, the fluctuations in the new index and the higher-price averages are much the same, it seems that the public unalterably persists in conceiving of price changes pointwise rather than percentagewise.

So the new index will be useful in giving investors an easier yardstick for comparison with the price fluctuations of their own holdings.

In the same way, the existing averages will not be rendered obsolete by this new one, but will serve as a very useful gauge of the action of the market "leaders."

With the aid of elaborate electronic devices, the new index will be calculated and carried hourly on various ticker services, and will automatically make available opening, closing and high-low figures. Further, the Datatron machine computing the new index in the Boston laboratories of Melpar, Inc., eliminates all issues not included in the averages and refuses to recognize changes of more than 3% until they have been checked!

* * * * *

Stock Versus Debt Financing

Shall our great future corporate capital needs be filled through common stock issuance or debt securities? In the New York Stock Exchange's currently issued annual report President Funston voices the premise that $60 billion of new *equity* capital will be needed over the next decade to "finance the future on a sound

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The Outlook for Steel And the Economy's Future

By EDWARD J. VERITY*

Staff Economist, The Lukens Steel Company, Coatesville, Pennsylvania

Steel economist dissects various economic factors including expected demands of such major steel consumers as auto, construction and machinery and anticipates total finished steel demand, if equal to shipments, plus inventory building, will be 5% or more above 1956 with operations for the year at 88-90% of capacity. Any easing in the more critically short plates is expected in the lighter gauges in last half of 1957, and Mr. Verity sees heavy plate demand for the next 2-5 years despite a possible temporary inventory adjustment at the end of this year. Cites different conditions now prevailing to negate fears of a future major depression.

Everywhere you look—some one is willing to tell you what the year 1957 will bring forth. It seems everyone is a forecaster. Of course, I will be very happy to add my thoughts on the subject—but first I would like to discuss the art of forecasting—and mention a few pitfalls that may help in using forecasts.


Edward J. Verity

Pitfalls in Forecasting

First, the art of forecasting, and it is an art not a science, even though scientific approaches have been devised and utilized—is one that is familiar to all of you. The average businessman makes at least one forecast a day—either consciously or unconsciously. He is continually sifting information regarding prices, costs, production schedules, delivery dates—and planning—according to his evaluation of the future. Naturally, not having the opportunity to devote all of his time to forecasting, he becomes influenced by forecasts contained in newspapers, periodicals, magazines, business conferences, the government and luncheon speakers. Again, he must make a decision—whether to believe the forecast—or to disregard it. Nonetheless, the forecast has provided food for thought and it has narrowed to a degree some of the factors which must be taken into consideration by the busy executive.

It is in this area where industry, government, and other areas of the economy have developed the need for the professional "crystal-ball gazer." The professional's principal job is to sift out the facts, and limit the areas where judgment factors have to be evaluated by the line executive. As the company gets larger, the number of facts become increasingly complex—reaching the point where the line executive could not function if he had to evaluate all the facts himself. And also, because of the myriad of data now used to measure business, we find the professional beginning to do some pre-judging himself. He has to weed out those areas of the economy which have little or no bearing on his company's business, and concentrate on the impact of circumstances which affect his company directly. We therefore begin to get tailor-made forecasts to meet specific demands. For example, I do not get excited by changes which occur in the shoe industry—whereas, changes in automobile demand are of major importance—even though we do not consider the automobile industry a major market for steel plate.

Thus one of the greatest pitfalls is using a forecast made by someone else outside of his company, or industry. This is because there is a built-in bias in every forecast, and some assumptions have to be made in each—very often these basic assumptions are not made available to the reader of the forecast. Very often all the facts are not readily made available, therefore, forecasts have to be used carefully, if the maximum benefits are to be obtained from them. Just like everything else, a little knowledge can be a dangerous thing. Or if you are doing any crystal ball gazing just keep in mind who's crystal ball you're using.

Right for Wrong Reasons

Another pitfall—that can cause trouble—is the fact that forecasts can be right for the wrong reasons. For example, total industrial production can climb to a new high—but if it is primarily due to non-durable goods production—those of us in the steel industry would not be materially affected by the rise, yet the forecast of overall activity could be perfectly correct. Usually, general economic prosperity carries everyone along with it, however, there are exceptions. The fellow who made buggy-whips in the early 1900's is not the most prosperous businessman of today.

Another pitfall in forecasting is too many changes, or not enough. Forecasts should be reviewed periodically, but not every time there is a headline in the newspaper.

* * *

Sees No Major Depressions

I could . . . [discuss at length] the effects of the long-term economic picture on our business and the reasons behind our forecasts. Our basic forecast for the long-term is a 100-page book. But let me summarize by giving a few highlights of some of the significant long-term trends. Of course, we expect cyclical ups and downs around these trends but, due to stabilizing forces in the economy, we do not envision any major depression such as the early 1930's, notwithstanding recent remarks by high placed government people.

(1) Total output of goods and services in the United States will increase approximately 11% per year over the next 20 years.

(2) Industrial production will increase at a 5% yearly rate.

(3) The general price level will continue to move upward—probably 3% per year.

(4) Total steel production will average an annual increase of approximately 4% per year.

These forecasts are based on certain assumptions. The major one being that we expect a continuation of the present cold war. A hot war would change the outlook and so would total disarmament. Total disarmament would see an immediate decline in capital goods production and an increase in consumer goods production.

The long-term trends also indicate a growing demand for services faster than the growth of production. Take the growth in the steel warehouse business alone. Back in 1930, 5% of the rolled steel products produced moved through warehouses, today, steel warehouses move about 20% of domestic steel requirements. These growing demands for services have lead us to analyze areas of the economy which, over the long-term, may prove profitable.

1957 Outlook

These long-term trends set the framework and guide lines for any short-term forecasts. When we look at the forecast for 1957, therefore, we have to keep in

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*From a talk by Mr. Verity before the New York Chapter, American Steel Warehouse Association, February 11, 1957.

The Economic Key Issues of 1957

By DR. H. E. LUEDICKE*

Editor, "Journal of Commerce," New York City

Steady, if not increasing, GNP for 1957 is prognosed by nationally known editor-economist, despite diagnosis of weakening economic boom activity. Dr. Luedicke poses as the central issue the uncertainties regarding the seriousness of the next adjustment and what will be done to lessen its impact; singles out deflation as the immediate threat; and finds as the most vulnerable factors the increasing profit squeeze and persistent gap between supply of and demand for investment funds. Speculates what will replace diminishing capital goods boom, and warns against inflation-panaceists.

The first two months of the year have had a rather sobering effect on business sentiment. This was brought to a head by the sharp drop in new orders the Department of Commerce has just reported for the month of December. From November to December, in 1955, new orders were up $1 billion; the November-December change in 1956 was a drop of $600 million, so that there was a swing of $1.6 billion. This is a rather substantial move and could prove highly significant unless it is reversed quickly.

Heinz E. Luedicke

With this drop in new orders, much of the initial exuberance about the 1957 outlook has evaporated. The run-up in industrial activity of last September-October-November now is interpreted as the logical sequence, or rebound, after the summer steel strike rather than the start of a new cyclical upturn. This bears out the persistent warnings of those economist who, specializing in the search for barometric indicators, had remained unimpressed by the post-steel strike gains.

I

Weakening Boom

There can no longer be any doubt that the structure of the boom is weakening—and has been weakening for some time. But there still is no way of telling when a sustained decline actually will set in. Our economic timing devices still are quite imperfect. None of the available indicators, ratios, correlations or economic models, are fool-proof so that the timing of swings in the business trend still depends largely on "hunches."

*An address by Dr. Luedicke before the New Hampshire Bankers Association, Manchester, N. H., Feb. 26, 1957.

The only contribution to the timing of economic changes that I have been able to come up with after 30 years of constant preoccupation with economic problems, is that the bigger an economy gets, the longer it seems to take for trend changes to crystallize but that nevertheless, whenever imbalances begin to develop in the economic structure, it is advisable not to ignore them but to regard them as caution signals. Basic economic laws still have not been repealed and the business cycle-free "millennium" still is a mirage. We won't conquer the business cycle, as long as we cannot conquer our own ingenuity for getting into trouble—and it is not even certain that the elimination of ups and downs would be a good thing for a dynamic economy that can function only on the basis of a system of rewards and penalties.

Although it is quite evident now that the tailend of the 1957 forecasting season has been reached, that the business community is not counting on a quick resumption of the boom, this does not mean that a 1957 decline in the Gross National Product is a foregone conclusion. The fact of the matter is that GNP probably will show another fair-sized gain this year, unless there is an early shift in consumer confidence. That's what makes GNP the "Tranquilizer" among business statistics.

Factors to Watch

Much will depend on the pattern of **business spending** this year.

(1) **Inventories.** The drop in new orders points to an early culmination of the rise in inventories. There now have been 23 consecutive monthly gains in total inventories. During this period inventories have been boosted by over $11 billion to some $88 billion. Over this two-year period, the relationship between inventory gains and Gross National Product rise has continued to be about 2 to 10, allegedly the "normal" rate of gain; but despite these assurances, corporate managements would now clearly prefer a halt in the inventory rise.

Usually periods of inventory liquidation are preceded by a period of involuntary inventory accumulation, when finished goods in the hands of manufacturers are backing up. We may still be in the period of involuntary accumulation.

This must be definitely regarded as a deflationary factor. This time even more so than in the past, because the trend toward greater inflexibility of labor costs will speed downward adjustments in production schedules.

(2) **Plant and Equipment Spending.** Earlier this year, another fair-sized increase in plant and equipment spending had been widely predicted. There is some doubt now that these earlier predictions will stand up. Most observers now would probably gladly settle for a repetition of last year's total or even a gradual leveling off. Changes in plant and equipment spending seldom are abrupt. They are not likely to be abrupt this year although evidence is growing that an increasing number of industries now have ample facilities to protect potential demands for several years ahead and although there is a tendency to postpone projects that do not promise to benefit corporate profits quite promptly. It has been a rather shocking experience that corporate profits last year barely managed to equal the 1955 rate—despite the huge 1956 plant investment. This experience, rather than the continued belief in the tremendous growth potential of the U. S. economy is now dominating investment planning.

Under these circumstances, business spending can hardly be expected to provide an additional upward push to the economy this year; it may even fall back moderately.

II

Increased Government Spending

Up to now, it has been taken for granted, however, that further increases in **Government spending** and consumer expenditures will more than offset any decline in the rate of business spending.

As far as Government spending is concerned, a further increase is quite certain. Spending at the State and local level will rise and so will Federal defense spending. Any cut in Federal spending is a very slim possibility, indeed.

The prospect for another substantial boost in **consumer spending** is not nearly as clear-cut. Earlier estimates put the expected increase in 1957 consumer spending at another $10 billion; on the basis of the current price level.

This prediction was based on the assumption that cost inflation will continue—but that its thus far reasonably orderly pace will not be rudely upset by a burst of inflationary fears.

There is little doubt that wage inflation will continue. Labor leaders are pushing hard to get the most out of existing labor shortages.

How much of a slowdown in the investment boom it would take to limit excessive wage demands, nobody really knows. Some observers believe that this would take a "big depression"; there is evidence, however, that labor might be responsive to much less than a big depression. For instance, the moderate 1953/54 recession brought forth an almost immediate leveling off in the increase of weekly average earnings.

The American wage earner has the well-earned reputation of being a free spender. It is unlikely that further moderate price increases will change his buying attitudes greatly. The big problem is what may happen if a leveling off in the boom leads to an increase in unemployment—as is likely—and the current feeling of uncertainty spreads from management to labor.

The typical labor leader today knows that full employment requires a gradual increase in the price level. That's why he accepts "creeping inflation" and deliberately ignores the possibility that creeping inflation may turn to galloping inflation for which the public—including union members would have to pay a fearful price in the form of purchasing power losses on savings, life insurance, pensions and social security.

Inflation's Comforting Feeling

Thus far, the American public is not inflation-conscious. Most Americans, it would seem, actually look at inflation as something comforting, rather than a potential threat. Even the union drive for cost of living—escalation in wages has not yet shattered the complacency about inflation.

A change in this attitude is almost inevitable, however, if the demands for cost-of-living escalation spread and are extended to other fields such as pensions or bond investments. Experiences in other countries have demonstrated that the drive for increased cost of living escalation—which actually is not so much protection against inflation as an offset of past inflation by more inflation—is almost certain to lead to accelerated, if not galloping inflation.

If a danger point is reached, rising prices will no longer cause buyer resistance but will cause a speed-up in buying. In its ultimate stage, this can become a flight from currency into goods. Thus, while many observers currently are worried over growing consumer resistance to rising prices, the time to really start worrying is when rising prices no longer act as a deterrent to consumer buying. This type of inflation is not imminent. It should not be ignored as a potential threat, however.

Inflation, Profits and Savings

Actually, the immediate threat to the economy is one of deflation rather than of inflation. The increasing profit-squeeze and the persistent gap between savings and the demand for investment funds—both of them aggravated by tight money—are the dominating economic forces today.

More inflation is a threat only if a drop in business, accompanied by an increase in unemployment, brings a return to deliberate monetary inflation, either in form of credit inflation or via deficit financing.

III

Cites Key Issue

This puts the economic key issue for 1957 into clear perspective. It consists of two parts: (1) how serious will the next period of adjustment turn out to be? and (2) What can and will be done by the Administration and the monetary authorities to cushion the impact of any downturn?

Despite increasing nervousness, business thinking today still is largely dominated by the thought that "no administration can tolerate any sizable increase in unemployment" and will have to act and act quickly, to stop such a trend.

Any idea that the second half of 1957 may fall behind the first half is being shrugged off as the same "precautionary forecasting bias" that turned out wrong in each of the previous three or four years.

Moreover, it is widely argued that, since none of the earlier postwar recessions proved serious, the next one won't be any more serious either. Behind this stands the belief that we can limit all future adjustments by deliberate actions, such as the contracyclical use of fiscal policy, changes in credit policy or deliberate changes in wage and price policies.

There is no time here today for a blow-by-blow description of our postwar fortunes; or as many believe, our postwar "luck."

It is a fact that each time the economy seemed to be running out of steam, a new factor came into the picture that started us off on a new phase of the postwar boom. We even had to invent a new term for this sort of thing—calling it the rolling adjustment.

In 1950, the Korean defense boom took over after the initial postwar consumer goods replacement boom and finally run into a snag and brought about the inventory recession of 1948-49.

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Gold Ratio, Dollar's Buying Power Lowest Since 1932: Spahr

Recognized monetary economist declares ratio of our gold stock to non-gold money and deposits and purchasing power of our dollar are lowest since 1932, and that higher levels than in 1932-1952 period have been reached in: coining money out of Federal debt, money in circulation, float, and gold-earmarking.

According to the Economists' National Committee on Monetary Policy's Executive Vice-President, Dr. Walter E. Spahr, "the ratio of our gold stock to our non-gold money and deposits fell to 8.94% as of Dec. 26-31, 1956. This is a lower ratio than any of the yearly ratios reached since 1932; and it is lower than the ratio for 1933. The ratio for 1932 was 8.2%; that for 1933 was 9.6%.

Walter E. Spahr

"The ratio is still above the average 8.6% for the years 1915-1932 during which the range of yearly ratios was from 6.7% in 1920 to 10.9% in 1917. But the ratio has fallen considerably from the one which prevailed when the present Administration took office: As of Jan. 28-31, 1953, it was 10.4%.

"The highest yearly ratio on record was 24.6% in 1941. Since that time the ratio has shown a highly persistent and steady decline.

"In an effort to maintain continuity in the series, these ratios of gold stock have been computed against the total of time and demand deposits in all banks, Federal Reserve deposits and notes, and Treasury currency. Reports of recent years make possible a more precise collection of items against which to compute the ratio of our gold stock; but such refinement cannot be carried back to 1915. The ratios as computed are probably lower than would be the case if the data could be refined for the period 1915 to date as is possible for recent years under the current system of reporting.

Buying Power and Other Matters

"In January, 1957, the purchasing power of our dollar: as measured by the index of wholesale prices (index for 1947-1949=100), reached the lowest level on record since 1914, when the Federal Reserve System was established.

"Related to these falls in our gold ratio and purchasing power of our dollar are the following significant items, all relating to the period, January, 1953, to date:

"The volume of money in circulation reached a higher level than during the period 1933-1952. Total deposits in all banks other than Federal Reserve banks reached a higher level: monetization of Federal debt by the Federal Reserve banks reached a higher level. The building of bank reserves against uncollected checks and drafts reached a higher level. The earmarking of gold for foreign account reached a higher level."

With American Secs.

(Special to THE FINANCIAL CHRONICLE)

GREELY, Colo. — Herman A. Wolff is now with American Securities Co. of Colorado, 1515 Eighth Avenue.

From Washington Ahead of the News

By CARLISLE BARGERON

Revolution is undoubtedly too strong a term but there is trouble brewing in Congress over the President's budget. Members are being flooded with mail such as they have not been on any issue since that of Joe McCarthy. I would like to think that it is a spontaneous outbreak on the part of indignant citizens, but I am afraid it isn't that, citizens being what they are. However, the United States Chamber of Commerce, the National Association of Manufacturers and various citizens' tax groups around the country are chorusing a demand for a sizable budget reduction and urging their constituents to write to their Congressmen. Notwithstanding the source, this is all to the good and if the campaign holds up, doesn't lose its momentum, there will be a reduction.

Carlisle Bargeron

Believe it or not, but budget pruning is not the most popular thing a Congressman can do. The demand is usually for more and more appropriations. Running counter to the budget reduction demands just now, for example, is a heavy mail for increasing the pay of the postal employes. They have about as effective a lobby as Congress has to go up against.

The budget reduction demands, though, have been so persistent that the House Republican Policy Committee has gone on record as favoring a reduction with all the surplus to go to reduction of the debt. This is unusual on the part of a policy committee. It binds the party, though that does not mean necessarily that every member must go along. No action of the policy committee does this.

However, it does put the party on record as working for something constructive and, in the great game of politics, gives them a jump on the Democrats. Democrat Speaker Sam Rayburn has already announced publicly that there would be no reduction. Whether he meant that he was opposed to one or was just expressing his knowledge of Congress is not known.

There is no reason under the sun why the budget should not be cut by $5 billion or perhaps 10% across the board. There is not a big agency in Washington that could not stand a 10% cut without any loss in its effectiveness whatsoever. The fact is that budget making in the Federal Government has become ridiculous. What is more nonsensical, for example, than for the military to contend that it can defend the country against that alleged might of Russia for $44 billion but it can't possibly do it for $40 billion. The military has money on hand that it will probably never be able to spend, try as hard as it may. One atomic bomb, we are told, will destroy a country and one will destroy us. Therefore, we must have a thousand or so bombs and guided missiles so we can destroy the enemy a thousand or more times.

Agriculture and health and welfare are two more places where some sense should be put into spending. In the field of education it is ridiculous to say, the highly organized and formidable education lobby to the contrary, that any youngster in this country is being denied an education for lack of funds. It may be that a tutor can't be delivered to his home in a Cadillac but it is difficult to see how one can miss an education in these days and times.

In my Maryland county, adjacent to Washington, my property taxes which have been going up steadily, are to jump $60 this year, 82% of which is for schools. For the Federal Government to drop a billion or so into that racket isn't going to lessen the appetite of the State of Maryland.

There is no gainsaying the fact that the President's budget was a keen disappointment; indeed, a shock, to the business element of the country and other citizens who are tax conscious. This, and the squeeze on small business, is being reflected on the Hill like nobody's business.

The feeling among Republican budget cutters, however, is that in their efforts they are not running counter to the President. They have the feeling, encouraged somewhat by the President, and particularly his Secretary of the Treasury, that they will be rendering him a service.

But also in the back of their minds is their feeling that they have an issue that will give consciousness or recognition to the Republican party as such. They feel, as I have written before, that there has been too little of this.

Of course, the tendency of the Senate has always been to restore much of the appropriation cuts made by the House. So it is up to the letter writing citizens to keep up their work.

E. R. Lowry Partner In McDaniel Lewis

GREENSBORO, N. C.—Edward R. Lowry, associated with McDaniel Lewis & Co., Jefferson Building, since last November, has been admitted to the firm as a general partner, according to announcement by McDaniel Lewis, who has been engaged in the investment banking field in Greensboro since 1922. Marshall H. Johnson is the third general partner.


Edward R. Lowry

Educated at the University of Tennessee and Wharton School of Finance and Commerce of the University of Pennsylvania, Mr. Lowry has had experience in manufacturing and taxation as well as investments.

Clement Evans & Co. Adds Paty to Staff

ATLANTA, Ga. — Clement A. Evans & Company, Inc., First National Bank Building, announces that Arthur A. Paty, III, has joined their Atlanta office.

Mr. Paty was born in Chattanooga, Tennessee, and holds an A. B. Degree in Political Science from Vanderbilt University. He recently completed a three-year tour of duty with the United States Navy aboard a destroyer tender. He is a member of Phi Delta Theta Fraternity and the First Presbyterian Church of Atlanta.

With Cruttenden, Podesta

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John A. Cerone is now with Cruttenden, Podesta & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Joins David Noyes

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James C. Robar is now connected with David A. Noyes & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter (No. 25)—Comments on expanded atomic power program abroad including Euratom, naval program for six atomic aircraft carriers, official AEC estimates of uranium demand and supply, South African uranium ore reserves, and items on Newport News Shipbuilding & Dry Dock Co. and Foundation Company of Canada—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.**

Chartered Banks of Canada—Analysis—Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

"Chessieland"—Brochure describing industrial resources and opportunities in C. & O. territory—Chesapeake & Ohio Railway, 3809 Terminal Tower, Cleveland 1, Ohio.

Electric Utility Stocks—Circular—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

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

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

Oil Stocks—Analysis of outlook—Seligman, Lubetkin & Co., 30 Pine Street, New York 5, N. Y.

Opportunities in Natural Gas Stocks — Analysis — Vilas & Hickey, 26 Broadway, New York 4, N. Y. Also available is a comparison of **Income Rail Bonds.**

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.

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

Schools for New York—Report of the Governor's Committee on the Marketing of School Bonds—Governors Committee on Marketing of School Bonds, 655 Madison Avenue, New York 21, N. Y.

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Air Reduction Company—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

American Gas & Electric Co.—Analysis—Sutro Bros & Co., 120 Broadway, New York 5, N. Y. Also available are data on **Cleveland Electric Illuminating Co.** and **Brooklyn Union Gas. Co.**

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

Associated Dry Goods Corp.—Bulletin—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Central Louisiana Electric Co. — Memorandum — Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Texas. Also available is a memorandum on **Tennessee Gas Transmission.**

Cochran Foil Co.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Commercial Credit Company—45th Annual report—Commercial Credit Company, Baltimore 2, Md.

Consolidated Railroad of Cuba—Memorandum—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **Virginian Railway Co.**

Creamery Package Manufacturing Company—Analysis—Boenning & Co., 1529 Walnut Street, Philadephia 2, Pa.

Cyril Bath Company—Study—L. B. Schwinn & Co., Union Commerce Building, Cleveland 14, Ohio.

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

Hercules Galion Products Inc. — Bulletin — De Witt Conklin Organization, 100 Broadway, New York 5, N Y. Also available is a bulletin on **Century Food Markets Company.**

Household Finance Corporation—Annual report—Household Finance Corporation, Room 3200, Prudential Plaza, Chicago 1, Illinois.

Hudson & Manhattan Railroad Company—Analysis—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y.

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

Motorola Story—Analytical brochure—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

National Airlines, Inc.—Review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

New York Central — Bulletin — Bache & Co.,36 Wall Street, New York 5, N. Y. Also available are bulletins on **Garrett Corporation, Acme Industries, National Supply** and **Warner Lambert.**

Pacific Mercury Television Manufacturing Corporation—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Pioneer Finance Company—Analysis—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Security Banknote Co.—5% Debentures due 1976—Report—Leslie Securities Corporation, 52 Wall Street, New York 5, N. Y.

Shield Bantam Co.—Memorandum—First Securities Corp., 111 Corcoran Street, Durham, N. C.

Stanley Aviation — Memorandum — Richard Bruce & Co., 26 Broadway, New York 4, N. Y.

TMT Trailer Ferry, Inc.—Analysis—John R. Boland & Co., Inc., 30 Broad Street, New York 4, N. Y.

Transamerica Corp.—Discussion in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of stocks yielding 5½% or better.

United Fruit Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

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

With Rodman & Renshaw

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert J. Roberts is now connected with Rodman & Renshaw, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With Clayton Secs.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Me. — Philip C. Derrah has become affiliated with Clayton Securities Corp., 443 Congress Street.

With W. L. Lyons

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—William R. Lyon is now with W. L. Lyons & Co., 235 South Fifth Street.

Schirmer, Atherton Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Me. — Aubrey L. Littlefield is now with Schirmer, Atherton & Co., 634 Congress St.

Joins Hemphill, Noyes

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John D. Ames, Jr. is now connected with Hemphill, Noyes & Co., 10 Post Office Square.

2 With Hornblower Weeks

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George T. Burke, Jr. and John E. O'Donnell are now associated with Hornblower & Weeks, 75 Federal St.

With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Isaac R. Brown is now with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Join El Paso Management

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—Peter Antzas, Roland V. Douglas, Homer E. Six and Daniel Verges are with El Paso Management Co., Mining Exchange Building.

Meeting the Credit Challenge Of Potential Trucking Growth

By DR. SIDNEY E. ROLFE*
Economist, C. I. T. Financial Corporation
New York City

In projecting a 33% increased truck production output, amounting to 1.3 million units per year, based on assumption of achieving $500 billion GNP level within the next decade, C.I.T. Economist contends the necessary proportionate growth in truck credit and assets of financial institutions will be available to finance manufacturer and user needs on sound and reasonable terms. Dr. Rolfe outlines the considerations entering into financing arrangements for various truck classifications, and comments on funds obtained through internal expansion, mergers and equity financing. Weighs impact of future road programs on construction trucks and observes that as great as the growth has been the future potential is equally great.

In the past decade, the importance of the truck in the nation's distribution pattern has exceeded, I think it is fair to say, even the fondest hopes of those interested in the advancement of trucking. In the decade following 1944, the ton miles of freight carried by Class I, II, and III carriers of property rose 181%, and gross revenues rose to a total of 264%. Taking the longer period, 1939 to 1954, these increases were respectively 253% and 498%. By 1955, this group of carriers had estimated revenues equivalent to 53.4% of Class I railroad revenues, compared to only 20% in 1939.[1]

Sidney Rolfe

This is by no means the whole story of the growth of trucking, as it refers only to trucks for hire. And there are certainly those among us who can detail the story, and the ramifications of the growth of trucking far better than I. But it is indicative of the magnitude of increase, which is also evident in the basic truck population: that while less than five million were in operation in all categories just over a decade ago, the number now approximates 10 million. The social and economic implications of the growth of truck use is so great that we cannot comprehend it in its entirety, but rather in bits and pieces. Following the ribbons of roads, trucks have brought the means of life and work to thousands of new decentralized communities, where life and work are pleasant, where there is room to live without congestion. There are now, by official estimate, 25,000 communities without rail access. These communities have literally been created by trucking. More are being created daily. The movement of industry to the South and West, out of congested cities is possible because of trucks. In turn it creates even greater needs for truck use. As a nation, we can no longer exist without a large, and healthy truck industry.

Projects 33% Increase

Most of us are used to thinking of trucks as we do of cars. But while both are four-wheel automotive vehicles, there are differences we must bear in mind. Actually, the truck is a business machine, used to move mountains, men, and goods. The effective use of business machinery, including trucks, involves problems of management, maintenance, personnel, capitalization, depreciation, credit, tax-amortization rates, and many others. To a large extent, these problems are interrelated. No one can be wholly solved out of the context of the others.

Great as the growth in the past has been, the significant point is that the future potential is equally great. Economists have calculated that truck output and demand moves closely with the level of Gross National Product. As our economy continues to expand, so will truck use. We can look to the production and distribution of nearly one million trucks of all varieties in 1957. Within the next decade, the level of gross national product will probably exceed $500 billion, a level at which we will approach one of man's deepest —and heretofore unattainable— dreams, the abolition of poverty. At this level, we can look for truck production for domestic use in the vicinity of 1.3 million units per year, an increase of 33% from the present level.

Through efforts which will be detailed by others, motor company manufacturers are gearing their great research, engineering, and productive capacities to meet this challenge. Based on the certain knowledge of past performance, and of the competence of the men who lead the motor industry, we know the challenge will be met.

The Credit Challenge

Yet we also know that no facet of mass production and mass distribution has been or can be successful without credit. Will credit be available to finance the legitimate needs of the truck users?

The answer is certainly in the affirmative. I have no doubt that credit will be available, on sound and reasonable terms, for all of the legitimate needs of the several branches of the truck industry.

The fact is, of course, that in the main, credit has been available for the very growth of truck use the nation has witnessed. Had credit not been available, truck use could not have grown in this fashion. As is so often true in discussions, relating to trucks, it is virtually impossible to collect and array all of the data we might like on credit. But the Federal Reserve Board tells us that in the last decade, sales finance companies alone provided a total of over $5 billion of credit for truck purchases; in 1956 alone some $600 million of credit was extended by sales finance companies, and 25% of all domestic truck sales are based on this credit.

As might be expected in a rapidly growing industry, credit problems for truck purchase have arisen in a few—surprisingly few —cases in the past. These problems were part and parcel of the whole problem of growth, involving management, capitalization, and other factors noted earlier. Nevertheless, the focus of concern sometimes rested on credit to an unwarranted degree.

In large measure, the problems which arose resulted from a mutual lack of understanding. It would be incomplete to say that financial institutions—banks, sales finance companies, and others — have yet fully developed their capabilities to provide truck credit, or have understood all they need to know about the field. At the same time, mutual understanding has grown among truck users, manufacturers and financial institutions. All three groups are, of course, vitally concerned to see that the growth in trucks shall not be inhibited for lack of available credit. Particularly in the past year, mutual study of the problem has been vigorously pursued, to assure meeting all sound demands.

Perhaps no source has summed up recent developments as succinctly as the American Trucking Association, in its publication, "Financing the Motor Carrier Industry." I quote:

"As the Motor Carrier Industry continues to grow and mature and as borrowers' and lenders' viewpoints approach a more common ground through mutual education and experience, the sources and types of loans available to the industry will both increase and become more attractive to the borrowers."

The Methods of Finance

For purposes of discussion it is convenient to speak of a truck industry. But actually, of course, the variations among trucks and their use are very wide. Trucks may be classified in any number of ways—for example by weight, by corporate size of truck user, by function or in other ways.

I would like to tell you something of how truck purchases are financed. It is perhaps most convenient to look at the truck population in terms of business classification of the truck user. Each business uses its own methods, and has its own problems and needs, which the financial institution must understand. The following table distributes the truck population by business use. Let us see how the credit needs of each sector are met. The data are shown for 1944 and 1956, so that a time comparison may also be made:

Table I

Business Classification—	% of Trucks 1944	1956
Public Utilities	2	2
Mining and Manufacturing	7	7
Governments	5	5
Personal Business and Institutional	6	8
Wholesale and Retail Trade	23	26
Farm	35	27
For-Hire	13	14
Construction	9	11

SOURCE: Office of Defense Transportation—1944; C.I.T. Economics Department estimate, based on Ford Division Economic Studies data—1956.

In public utilities, and in mining and manufacturing as well, the use of trucks is ancillary to other pursuits. To the extent that credit is used in transactions relating to these categories, it is usually a general line of credit extended by banks to the utility or manufacturing company, which may be used for whatever purpose the company deems advisable. For all practical purposes truck sales to these businesses are regarded as cash sales, as indeed they often are in fact. If they are credit sales, they will not appear specifically in any statistical tabulation as truck credit sales, but simply under the general heading of commercial credit, normally extended by banks. Government purchases of trucks are also cash sales. These three groups consume about 14% of all trucks in use, now and in 1944.

Trucks used in the "personal business and institutional" class, and in "wholesale and retail trade" are an important sector of the market, comprising 34% now and 29% in 1944. Cash, bank line credit, or specific truck credit from a bank or sales finance company are used here, depending upon the size of the enterprise, the borrowing capacity of the user firm and similar considerations. Normally, trucks in this category are lightweight (or panel) vehicles, for which depreciation is predictable and the second-hand market well defined and broad.

Turning to the farm market, ownership of trucks has increased in absolute number, but declined from 35% to 27% of the total in the period considered. The great growth in farm productivity in the postwar period, despite a falling farm population, has been made possible by better use of machinery, in which trucks play a vital part. As is so often true of farm purchases, credit repayments are made at three of four specified times in the year, following crop sales, rather than on regular monthly instalments. Again it is banks and sales finance companies operating in rural areas, which account for farm-truck credit, and this is an important credit market.

For-hire trucking is found in what is normally called the trucking industry, i.e., short or long haul transport of goods. In proportion to the total truck market, this is a relatively small sector, some 14% currently.

Despite the familiar sight of trucks on the highway, the trucking industry is relatively young. The industry has, in fact, just passed its 21st year under government regulation, for it was in 1935 that the ICC assumed regulatory responsibility for the industry. Like many young industries, particularly those providing a service which by its very nature has to be specialized, trucking is essentially an industry of small fleet operators. Of an estimated 6,119 fleets of 12 or more trucks in 1955, only 2,843 were classified as Class I, those with annual gross revenues of $200,000 or more.

It is my understanding that as of Jan. 1, 1957, Class I designation will be reserved for those fleets grossing $1 million or more. The total in this group is of course much smaller, approximately 800.

Source of Funds

What is the source of funds for equipment in this young giant industry? One authoritative report

Continued on page 33

*An address by Dr. Rolfe before the National Truck Conference, Dearborn, Michigan.

1 I.C.C. estimates, from *The Motor Carrier Industry*, a study by Shields & Co., 44 Wall Street, N. Y., 1956, p. 9.

Importance of Latin America And Commodity Exchanges

By HONORABLE HOMER E. CAPEHART*
U. S. Senator from Indiana

Recounting factors presaging approximately $1 billion yearly in U. S. agricultural exports to Latin America within the next decade, Senator Capehart notes that present total trade volume is now about $7 billion annually and, though coffee represents our single greatest import, "our prosperity is dependent in large part on their prosperity and advancement towards a higher standard of living." The Senator praises role of commodity exchanges and hails the New York Coffee and Sugar Exchange as a symbol of free enterprise on the occasion of its 75th anniversary and for its importance to Latin America. Pledges to continue efforts for a better understanding of the problems of all the Americas.

I regard a commodity exchange as a symbol of the free enterprise system. The exchange reflects the many forces which determine prices in a free economy and their adjustment as these forces change with many other changes — the weather, world events, domestic politics, technological advances, business conditions and so on through an almost endless list. The commodity exchanges in this country arose out of necessity. They were organized in an effort to avoid the hazards of a very hazardous business, the buying and selling of coffee, sugar, wheat, cotton, corn and other international commodities. A merchant, for example, might buy coffee in Brazil and bring it into the United States only to find that, meanwhile, the price of coffee had fallen several cents a pound. Obviously, the individuals and firms that bought coffee for roasting and resale at wholesale or to consumer, did not want the merchant's stock. They could buy other coffees at the lower price. The merchants had to take his loss and dispose of his purchases as best he could. One disastrous experience oftentimes put the firm which suffered it out of business. The risks of trading were enormous under a system where a dealer could not be protected against unforeseen changes in the market. Interest costs were great and, frequently, the assets of the firm had to be mortgaged to get funds. Eventually, all these costs were passed on to the consumer.

Homer E. Capehart

Then someone conceived the idea of futures trading, or trading in contracts for future delivery. The merchant who, hypothetically, lost his shirt when the coffee he bought declined in price before he could sell it, could sell coffee in the futures market. If he lost money on the coffee that he bought in Brazil, he would make money by his futures sale. Let us say that he bought coffee for 55 cents a pound, but that by the time he got his hands on it, the price was down to 45 cents. He had lost 10 cents a pound on this transaction. But if he sold in the futures market at the time he bought this coffee for 55 cents a pound, in all probability the futures price of coffee had fallen to 45 cents, since the rise and fall of spot prices for a commodity generally are paralleled by changes in the futures price. Thus he could buy back his futures for 45 cents a pound; a contract which he had sold for 55 cents. His loss on the spot purchase was offset by his gain on the futures transaction.

This kind of price insurance is called hedging. The illustration I have given is a simple one, but the principle involved lies behind almost every instance where the futures market is used for insurance purposes.

Defends Hedging

Curiously enough, hedging is the device used by those who do not wish to speculate, but wish to make their profit from services rendered. Equally curious is the fact that speculation makes hedging possible. Going back to the example of the coffee merchant, when the time comes to sell a contract on the futures exchange, somebody must be ready and willing to buy it. That somebody is likely to be a speculator; someone who believes that coffee is going up in price and is willing to back his judgment with his money.

And here we come upon still another curious thing. Almost everyone will agree that the merchant who hedges by selling a contract on the futures exchange is taking a prudent and necessary step. He is buying insurance for a very small fee. He also is reducing the costs of handling and processing coffee, which in turn reduces the price to the consumer.

At the same time, many persons think the speculator, the person who bought the contract which the merchant offered for sale, is taking an imprudent and unnecessary step. In other words, he is doing something wrong.

Without being too philosophic about it, I might comment that almost every business transaction involves speculation. If it does not, something is likely to be wrong.

If you buy real estate, bonds, put up a new building, go into the restaurant business, take a new job, write a book—all these and thousands of other activities are speculative. You hope to make money, but you cannot guarantee anything. You are not certain. Back in depression days, some of the securities thought to be safest turned out to be the most hazardous.

To go back to a commodity exchange, let me point out a reality. If somebody wants to sell, someone must want to buy. Conversely, if someone wants to buy, there must be somebody who wants to sell. If there are no speculators, there will be no hedging, since those who want to hedge only are too small in number to enable a commodity market to function successfully.

Praises Commodity Exchanges

Why, then, the finger pointed at the speculators on the commodity exchanges? In the public mind, speculation on the commodity exchanges is associated somehow with gambling with cards, dice, or the roulette wheel. In the gambling house, the player has the odds against him. If he plays long enough, he is bound to lose. This, of course, is not the case in risk and speculation on a commodity exchange, for that is a business transaction. In a free market, the price of a commodity rises and falls as supply and demand conditions change. Naturally, those whose judgment was bad don't like what happened, and some of them are likely to try to blame something other than their own mistakes.

Actually, the possibilities of forcing the price of a commodity up or down by manipulation are much greater in the absence of a commodity exchange.

Almost every commodity exchange in existence today began operating because of the desire to prevent some comparatively small group from controlling the market. In the absence of an exchange, a lot of commodities could be manipulated with comparative ease.

The cotton exchanges closed after the outbreak of World War I, and not long thereafter cotton sold at various prices over the South. Nobody had accurate information about supplies, production, or sales ordinarily furnished by the exchanges.

There are similar experiences with other commodities.

After the exchanges opened again, things straightened themselves out.

The New York Coffee Exchange opened after an attempt to govern coffee prices by a comparatively small group failed. The failure resulted in the financial ruin of many firms and individuals. The coffee trade wanted the maximum in protection for itself and for the public. Consequently, it opened the New York Coffee Exchange, which opened for trading 75 years ago.

Sugar exchanges which were operated in London and Hamburg closed after the outbreak of World War I. The world's sugar trade needed the facilities of an exchange.

Seventy-Fifth Anniversary

On Dec. 16, 1914, the New York Coffee Exchange expanded its facilities to include futures trading in sugar. On Oct. 1, 1916, the name of the Exchange was officially changed to the New York Coffee and Sugar Exchange, Inc.

The Exchange has served both the sugar and the coffee industries well since that time.

I am interested in the New York Coffee and Sugar Exchange as a symbol of free enterprise. It deals in two commodities which are of great importance to Latin America. I am interested in it also because of my interest in Latin America, which goes back to my interest in the welfare of the United States and my own State of Indiana.

Latin America means a great deal to us today and will mean more in the future.

Our trade with Latin America runs around $7 billion annually and is about equally divided between our country and the Latin-American republics.

Mutually Profitable Latin American Trade

It is profitable trade, since very little of it is financed by our loans and grants. It is a mutually beneficial exchange of goods and services. For example, our coffee imports, mostly from Latin America, are valued at more than $1 billion annually. We grow no coffee in this country.

For the most part we sell the Latin Americans finished goods and buy their raw materials.

Americans have more than $6 billion invested in Latin America; the return on that investment is around $750 million annually, or approximately 12.5%.

Since the beginning of the foreign aid programs in 1945, comparatively little has gone to Latin America. Our neighbors to the south have received less than $1.4 billion out of a total of more than $56 billion which we have loaned and given away. Most of the funds which have gone to Latin America have been in the form of loans. Out of the $1.4 billion total, more than $700 million has been loans which are to be repaid.

Most of Latin America is undeveloped by comparison with our own country. A lot of the mountain and jungle country has been only partially explored. The population in Latin America is growing very fast, but there is plenty of room for expansion. Today all Latin America has only 20 million more people than the United States. In 1975 Latin America is expected to have 277 million people, and in another 25 years a half billion.

Latin America's standard of living also is low by comparison with our own, but the wants of the people are growing rapidly.

Not too many people in this country know much about Latin America or its importance in terms of their own lives. Fortunately the U. S. is on pretty good terms with its neighbors. Some of them think that we take them too much for granted, but most of them give us credit for good intentions. Most of their relatively few complaints against us have to do with our preoccupation with other areas of the world to their own exclusion.

I want this country to devote more of its time to Latin-American problems and to help the countries develop stable and prosperous economies. A lot of the money we are spending and giving away today is gone forever. But a dollar, whether given away or loaned to Latin America, is likely to come back with interest.

As I have stated, the commodities traded in on the New York Coffee and Sugar Exchange mean a lot to Latin America.

Coffee Is Largest Export

Coffee regularly represents about one-fourth of Latin-America's total exports. Coffee accounts for about three-fourths of the export income of Colombia, Guatemala, El Salvador and Haiti; over one-half of Brazil's; and between a quarter and a half of the exports of Costa Rica, Nicaragua, the Dominican Republic, and Ecuador.

Coffee is our greatest single import and, aside from furnishing dollars for about one-third of our trade with Latin America, is big business itself here in the United States.

Approximately 35,000 railroad cars are required each year to haul coffee to the roasters and consumers. About two billion bags, tins, jars, and other containers are manufactured to package the roasted product. The equipment which roasters use and keep repaired costs millions, and other millions are spent by restaurants and housewifes in coffee-making equipment.

About $50 million is expended annually in coffee advertising. Even dairy farmers profit by the American liking for coffee, since the value of the dairy products used in coffee adds up to more than $335 million each year.

Sugar Is Second Largest

Sugar is second only to coffee as a Latin-American export. In 1955, the value of the commodity shipped from the Latin American republics amounted to over a half billion; $582 million to be exact. This represented 7.3% of the total exports of all Latin America.

As you know, Cuba is the primary producer of sugar and has been called a vast sugar bowl. This country, which is only a few miles off our own mainland, received 74% of its entire income from sugar in 1955. Sugar sales represent the equivalent of one-fourth of the estimated per capita income from the island's nearly six million inhabitants. Other comparatively large exporters of sugar in Latin America are the Dominican Republic, Peru and Brazil. Argentina exports an estimated $5 million worth of sugar annually; Colombia some $2.5 million; and Haiti more than $1.5 million.

Last year also marked a revival of trading in sugar on the Exchange, and at times the world price of sugar was higher than the domestic price.

Big Market for Our Farm Products

Ordinarily one does not think of Latin America as a market for American farm products.

In the past two years, the 20 American republics have bought about $900 million of our farm products.

Latin America is a farm continent but, with some exceptions, its agriculture is complementary to our own. The diet consists largely of starchy foods, such as corn, beans, bananas and tropical vegetables; and animal protein, vitamins and protective foods are needed.

In 1955 we shipped to Latin America 42% of our total exports of lard, 35% of all dairy exports, 27% of all milled rice shipments, and 31% of our cotton textile exports.

In the first six months of 1956, agricultural exports to Latin America had increased 43% over the corresponding period in 1955. Dairy exports were up 5%; edible fats and oils, 54%; milled rice, 100%; and wheat and flour, 110%.

If we judge by past performances, the rapid growth of Latin America's population will not be matched by a corresponding increase in food production. Not long ago the Food and Agriculture Organization of the United Nations said:

". . . In Latin America, apart from rice and one or two other crops, there is little sign of a significant uptrend in yields per hectare in postwar years. . . . For the region as a whole the food supply still remains inadequate. . . . Meanwhile, over the years its food export surplus dwindles. . . ."

I have seen estimates, based on current rates of population growth and a slight annual improvement in consumption standards, that the next 10 years should result in an increase in the value of United States farm products to Latin America of some $700 million annually. This figure does not take into account the export of cotton textiles and similar items made from agricultural commodities.

Sees $1 Billion in U. S. Farm Exports

If we assume an increase in agricultural exports in line with the increases during the past 10 years, the value of farm products exported to Latin America would closely approximate $1 billion yearly.

Our future then is entwined with that of Latin America. Our prosperity is dependent in large part on its prosperity and advancement towards a higher standard of living.

Together, the two hemispheres have every resource needed for war and for peace. In this day of the hydrogen bomb, the land mass and size of the two continents has great significance. If we stand together, I do not see how any outside force can conquer us. If we stand together, we are one of the world's most potent factors for peace.

Consequently, our relationships with Latin America must not be neglected. I realize that we have many problems in other parts of the world. I know that the oil, for example, of the Middle East

*Text of address by Senator Capehart before the 75th Anniversary Dinner of the New York Coffee and Sugar Exchange, March 4, 1957.

is vital to the free world. It is entirely possible, however, that the oil fields of Latin America will one day be the greatest in the world, great enough to supply all our needs and Europe's too. We do not want to become isolated but, if we are forced back to this hemisphere, we have everything needed for survival until the day when the world again finds its sanity.

Therefore, I intend to work in the future, as I have in the past, for a better understanding of the problems of all the Americas. I am going to do all I can to keep the sugar producers prosperous and the coffee growers prosperous. On their prosperity depends much of the prosperity of all Latin America. And on the prosperity and stability of Latin America much of our own future may depend.

H. G. Howard With Nat'l Secs. & Res.

Herbert G. Howard has joined the investment management staff of National Securities & Research Corporation, sponsors and managers of the National Securities Series of mutual funds, according to an announcement by Henry J. Simonson, Jr., President. A specialist in the steel and non-ferrous metal industries, Mr. Howard has been named Research Executive in the Industrial Division of the Corporation.

Herbert G. Howard

Since 1943, he has specialized in the analysis of heavy industries. From 1943 to 1951 he made economic and investment analyses of the steel and metal industries for Lionel D. Edie & Co., Inc., investment counselors and economic consultants. Later he was steel and aluminum analyst for The Lehman Corp. and heavy industry specialist for Moody's Investors Service.

Following graduation from Amherst College in 1929, Mr. Howard did graduate work in statistics and economics at Columbia University and New York University. He received his early professional training in financial analysis with metropolitan banks, including The Bankers Trust Company.

He is a member of the New York Society of Security Analysts.

Three With Mathews

(Special to The Financial Chronicle)

BOSTON, Mass.—Lawrence W. Bland, Melvin Gordon and Max Klayman are now associated with Edward E. Mathews Co., 53 State Street.

With Schirmer, Atherton

(Special to The Financial Chronicle)

BOSTON, Mass.—John J. Holhut has been added to the staff of Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Joins Shearson, Hammill

(Special to The Financial Chronicle)

SPRINGFIELD, Mass. — Tom Speak has joined the staff of Shearson, Hammill & Co., Third National Bank Building.

Smith, La Hue Adds

(Special to The Financial Chronicle)

ST. PAUL, Minn.—Florence S. Rawland has been added to the staff of Smith, La Hue & Co., Pioneer Building.

Vital Factors Affecting the Future of American Industry

By H. W. PRENTIS, JR.*

Chairman of the Board, Armstrong Cork Company

The intermixture of favorable and unfavorable important factors affecting our economic future is delineated by prominent Pennsylvania industrialist after visualizing GNP rise, from present $412 billion to $575 billion in 1965 and $800 billion in 1975, and concomitant improvement of the various elements comprising our economy, including upgraded income distribution. Mr. Prentis warns that present complacency and apathy of public toward creeping wage and price increase, if not altered, will bring on state socialism; to the tri-lemma of rising wages, stable prices and full employment, suggests labor, management and government practice restraint and wisdom; and though somewhat leery of the average politician's willingness to prefer principle to current popular view, believes businessmen's personal interest in government should prove fruitful. Discusses importance of automation, research, human relations, capital formation, taxes and government spending.

To my way of thinking the principal factors that will affect the future of American industry fall under three heads: First, those of a technical nature; second, those that are concerned with human relations; and, third, those that are involved in general fiscal policy and government.

H. W. Prentis, Jr.

Before considering these factors in detail, let us look at the environment—the general economic conditions—under which American industry will be operating ten years or 20 years hence. In the first place, barring some unforeseen development, our population will have increased by leaps and bounds. It is approximately 169 million today. By 1965 it will reach 190 million, and by 1975 no less than 220 million. To supply the needs of all these additional people, huge additional investments will be required. In 1955 our capital investment, including what we spent on new homes, totaled $56 billion. This will increase to $80 billion in 1965 and $110 billion in 1975. Our gross national product will go up from $412 billion, where it stands today to roughly $575 billion in 1965 and $800 billion in 1975. Similarly, national income will rise to approximately $475 billion and $675 billion, respectively, in these same years.

Today one and a half persons are supported by every working American. By 1975, due to our aging population and increasing birth rate, this figure will rise to three and a half persons. Incomes are going up, too. Twice as many families have incomes between $5 and $10 thousand as in 1950, and the same thing holds good for families with incomes over $10 thousand. In toto, 41% of all families today have incomes over $5 thousand, and the percentage is constantly rising. Obviously, more people, plus higher incomes means more business, more schools, more hospitals, more houses, more automobiles, more goods and services of every kind. What problems does this prospect pose for American industry and how can they be met?

Importance of Automation

Of the technical factors that will affect the future of American industry, none, in my opinion, is likely to be of greater importance than automation. The word itself has only recently come into general use. It connotes merely a further extension of the long-time process of increasing the mechanization of industry, aided and abetted by the advent of electronic controls. In a sense, automation is "the automatic control of automatic machines." This concept has led to dreams of push button factories which would suddenly throw hordes of workers out of employment. In my opinion, this idea is quite erroneous. In the first place, the advance in automation will be gradual. Essential as it will be to hold down labor costs to meet mounting competition, it can only take place as rapidly as men can invent the required processes and equipment, and the instrument industries can devise and turn out the necessary control mechanisms. Other items that must be taken into account are the great amount of additional power that will be required and the possible lack of the extra capital needed for the installation of the necessary new machinery and equipment. Other factors that may impede its rapid progress are the tremendous demands that it will make for skilled manpower to operate and maintain the complicated equipment as well as to produce the required control devices. The question of finding markets for the increased output of goods also enters into the picture.

However, many authorities assert that increased automation is essential to the attainment of a rising standard of living in the next 15 or 20 years. Mr. Ralph Cordiner, President of General Electric, for example, estimates that the United States will require 40% more goods and services by 1965 with only 14% more people available for the working force in that year. If this prognostication be correct, how vitally important it is that we should augment our productive facilities in every possible fashion.

Unemployment Fears

Such social opposition as may develop will be due to continued apprehension regarding so-called technological unemployment. The fear of permanent unemployment from automation, in my opinion, is groundless in view of the history of the economic growth of the United States. The worker in 1850 would have required three weeks at 70 hours a week to produce as much as a 1950 worker turned out in a single 40-hour week. Since 1870 the productivity of the country has increased fourfold. The number of persons employed by private business has risen from 12 million in that year to about 60 million now. Productivity has doubled since 1900, yet the rate of unemployment has gone down slightly. In 1900, 5.1% of the labor force was unemployed as against 4% in 1955, and a still lower percentage today. All told, the country now offers 67 million jobs in all, many of which would not exist if our national economy were not so advanced.

The real problem of automation will be the temporary displacement of workers rather than permanent unemployment, just as was the case of the liverymen of 50 years ago who were superseded by motor car dealers and automotive service men. The record today shows that certain industries have actually increased their employment after undergoing more or less automation. The use of dial telephones, for example, started about 1920, and since that year the telephone operating companies have doubled their employment. The continuous flow method in oil refineries began about the same time and employment in the oil industry has increased about 100% since. The rate of labor displacement that will take place as the result of automation in the years ahead will probably be small compared with the present rate from other causes. Today about six million people leave or enter the United States labor force every month.

For the reasons I have recited, it seems obvious that automation will not strike all of a sudden like a bursting shell. It will come on gradually and allow time for adaptation and adjustment. Its primary impact will be to create new opportunities, new occupations, new skills, higher living standards, more interesting jobs and the chances of setting up profitable businesses in fields that are non-existent at present. It is obvious, too, that automation will require more people at the management level because, after all, machines cannot think. The use of judgment and imagination, which are attributes of individual human beings, will still be required. Automation in the future will play its part in both small and big business, wherever it proves to be cheaper than present methods. Hence the far-sighted manager will give the matter his constant and unfailing attention.

Push From Research

Another factor that will vitally affect the future of American industry is research. The growth of applied research in this country has been phenomenal in recent years. In 1955, for example, the total expenditures for research by private business aggregated $2.6 billion as compared with only $430 million in 1945. The number of research workers increased in the same period from 133,000 to approximately 450,000. And this growth must continue if American industry is to remain strong and vigorous. Furthermore, greater

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*An address by Mr. Prentis before the Lancaster Manufacturers Association, Lancaster, Penn.

The True Principles Of Good Management

By JACKSON MARTINDELL*
President, American Institute of Management

Mr. Martindell, emphasizing insufficiency of general knowledge concerning good management, suggests to executives the following tenets of good management: (1) helpful impact on the public welfare; (2) fruitful intra-management communication; (3) healthy growth of facilities; (4) shareholder cooperation; (5) comprehensive research; (6) availability of sufficient financial resources; (7) outstanding directorial leadership; (8) operating efficiency, and (9) merchandising ability.

The principles of good management are sometimes followed, but they are seldom understood. While many an individual somehow happens to apply enough good techniques to manage his affairs successfully, only a very few are able to state the principles that lie behind the techniques, and still fewer understand how the principles operate.

Jackson Martindell

This should not be surprising. Nowhere at any time have any such principles been named and numbered and organized into a workable system.

This has happened in spite of the fact that such principles exist, that they are of great import in human affairs, that they are eternally unchangeable and universally applicable. The circumstances under which management principles must be applied are changing all the time, of course, and this undoubtedly makes it difficult for us to grasp the principles themselves.

Throughout history men have written and talked about various aspects of management. Only a few philosophers ever delved into the real fundamentals. The greatest of these was Aristotle. Even his writings in this field are little known and seldom quoted. Hundreds of authors have studied the management of particular kinds of enterprises, and today there are many organizations doing the same thing.

Not until today, however, has there been an organized effort dedicated to making general administrative principles recognizable.

Tenets of Good Management

This is very strange when one considers that all human society is confronted with identical management problems. When two or more individuals get together in any common endeavor, we can assume they want the best possible result. They are forced to ask, "What shall we do, and how shall we do it?" The answers revolve around fundamental principles that are never secular in character. In order to get good results, whether they are aware of it or not, executives must apply the following tenets of good management:

(1) Whatever the undertaking, its impact upon the public welfare must be helpful rather than harmful. Everyone concerned must be made aware of this through actual practices as well as declared intentions. Only thus can they unite their efforts to achieve the general goal. Unified effort develops character and tradition which make for both health and longevity, and set the pace in all directions. In the physical affairs of a church society, this may be termed Social Function. As regards an educational institution, it is the Academic Function. For a business enterprise, it is Economic Function. The principles remain the same.

(2) Communication between two or more members of any management team must be practical and result producing. For this to be so, there must be well-understood lines of authority and responsibility. They must be subject to constant and careful adjustment as the organization grows in size and consequence and progresses with its undertakings. An organization chart is a technique. A smooth flow of information and of authority for action is a vital fundamental principle.

Healthy Growth

(3) The enterprise must exhibit a healthy growth of facilities, whether they come from gifts or profits derived from the merchandising of goods or services. These facilities must be located properly. And they must be kept useful. A poorly equipped and badly located hospital is no different, in the managerial view, from a high cost manufacturing plant improperly related to its raw materials and markets. Even churches must be cognizant of their locations and physical requirements.

(4) The members, shareowners, or proprietors of an enterprise must be encouraged to be cooperative and useful, whether through dividends or less material rewards. Individuals of moral substance must be induced to support the enterprise and reflect upon it the advantages of that substance. To accomplish these things the directing hierarchy must see that these people are well-informed and receive proper consideration. Only thus can the enterprise achieve good results and perpetuate itself. How to do this is a matter of techniques which are peculiar to the kind of enterprise and which vary with the circumstances and the period. That it must be done is a mangement principle as old as time.

(5) Management must get the most reliable, comprehensive, accurate, and up-to-date information available. Research and development is not something concerned solely with a new discovery of singular importance to product manufacturers. It calls for constant study of all phases of any group activity, with a view to betterment, both as to application of principles and as to techniques. Management Methods Research must be undertaken to provide the basis for continuous necessary improvement in all aspects of the enterprise. No phase of any activity is without promise of betterment, whether it be spiritual, moral, of physical. Such betterment need not nullify or neglect tradition. It is a management principle of top rank to recognize the need for constant study, organized or otherwise, of all techniques with a view to possible change.

Sufficient Resources

(6) The financial and other resources of any group effort are the life blood of its pyhsical activity. They must be available, and available in proper quantity, if the enterprise is to continue to exist. Fiscal Policy must at all times provide not only for the routine needs of the organization but also for whatever special problems are likely to arise. Management must look to the experience of both its own and similar enterprises for evidence of the character of these problems. Fiscal policies must be adapted as circumstances require. They always change at some time in the history of every organization. The need to fit financial policies and practices to the immediate and long-term needs as indicated by experience, and to alter them as the result of constant study and alertness, is a mangement principle definitely related to survival.

(7) The Trustees, Directors, or Guardians of an undertaking who are charged with the responsibility of selecting the leadership must themselves be outstanding individuals. They must have a high moral sense of their responsibility, and clear ethical insight. They must be morally incapable of any such practices as simony or nepotism or putting their personal interests above those of the enterprise. They are best selected by democratic and representative means. They exercise the power of the organization. But they must realize that the only true authority they and their appointees have is that which has the sanction of morality. Moral authority rests upon the obligation of those who receive it to assume responsibility for the welfare of the total enterprise, including the public and all individuals concerned. Such authority has the right to command and exact obedience. It is most effective only when it is in the hands of one responsible individual. These trustees or directors must be men of continuing value to the enterprise, not technicians but as policy makers. They should be of larger statute than the enterprise and not just paid minions of it. Even a well-managed profit making organization does not secure its best guardians on the basis of monetary reward.

Operating Efficiency

(8) The operating efficiency of an undertaking must be maintained at a favorable competitive level no matter what the product, service, or purpose. This is true even within the area of charitable, social, political, and spiritual endeavors. Competition is the law of continued existence and growth in all organizational activities. Management must get the desired results, and do it with the least possible cost. Every organization has a production or operating problem just as it has a research need, and it must be clearly understood and properly solved to be well managed.

(9) Everyone must persuade others to accept him, his services, his products, his ideas — be he doctor, lawyer, merchant or priest. In business this is Selling, and every group activity must be sold or merchandized if the enterprise is to grow and prosper. Some people may not like the word **sell** for certain areas, but the function must be performed, whatever you call it. Such efforts need not be identified in the public mind as selling, however, and the techniques vary with the enterprise, the occasion, and the purpose. Management must recognize, however, that they not only need to offer something that will be utilized and that will give satisfaction. They must also give prospective purchasers or joiners reasonable encouragement. Even the best of ideas and products have sometimes failed because their proponents were not sales conscious. The profit motive is not the basis of sales efforts. Profit making is merely the most conspicuous activity that depends on the need to sell.

(10) The quality of the executives in any enterprise is much more important than the quantity of money. It is the most important single aspect of the entire activity. To be successful, the executive group must be men of obvious and superior integrity, ability, and industry. They must be thoroughly devoted to the purposes of the enterprises and must accept those purposes as their own. They must care so much about getting things done they are eager to take the responsibility themselves. They must have the foresight to provide for continued good leadership after themselves. To do this, they must locate, employ, train, develop advance, and retain men of unusual talents and character, while properly separating those that inevitably fall by the wayside. All this they must do while instilling unity of command through their expression of the moral sense and authority of the enterprise and the public, and they must do this so as to win proper public approval. They must built teamwork. These requirements are not limited to the profit making corporation—they are fundamental wherever men join together for a common purpose, whatever the inspiration and the motive, commercial, devine, or other.

In conclusion, may I say that management appraisers have found it necessary to concern themselves with techniques as well as principles. Even the best principles can fail to get results if they are badly applied. It is by studying innumerable examples of the techniques that get desired results that we hope to be able, first, to identify and state sound principles, and second, to determine the degree to which each management consciously or unconsciously selects and lives up to fundamental management principles.

To be well managed, an organization must have sound purposes and use good techniques. To be excellently managed, it must consciously work to see that these techniques and practices fit within the growing framework of true administrative principles.

*An address by Mr. Martindell before the American Institute of Management's Presidents Conference, New York City

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The Security I Like Best

through the proper use of air, a considerable amount of moisture is removed from the paper as it comes through the processing machine. The above ilustrations are not intended to characterize any particular phase of Ross's business, but rather are given for purposes of edification. In addition, the company manufacturers and sells a standard line of heaters, dryers, ovens and humidifiers. Through John Waldron, Ross produces a standard line of flexible gear couplings besides designing, engineering and installing coating, printing and embossing machinery.

It is probably easier to comprehend the activities of Ross when a Ross air system is related directly to the manufacture of a given article. The company and its subsidiary, John Waldron, in conjunction with the Goodyear Tire and Rubber Company developed the remarkable equipment to produce Goodyear's well known 3-T tire cord. Rayon and nylon material is treated in a series of operations and then carried through drying zones while under enormous tension of more than 1,200 pounds across a 60-inch width. This was considered a major advance in the tire manufacturers circles. Making sensitized paper for tiny films and processing heavy material for floor covering presents vastly different drying problems, yet, leading manufacturers of both these products use Ross systems. Ross-Hooper enclosed hood arrangement now brings the drying of paper to a point where it is almost an entirely chemically controlled process.

Because of the large number of Ross' customers, it would be impractical to give a complete list of them in this article. It is interesting to note a few, however, if only to demonstrate the wide industry diversification. Several of the better known names would include American Cyanamid, American Can, General Motors, du Pont, American Viscose, General Tire, International Paper, Kimberly-Clark, General Electric and Continental Can. No one customer accounted for more than 5% of the company's billings in 1955.

In the early years of business, Ross was completely associated with the paper industry. Gradually, as a result of experience and technological ability, the situation was changed and the company has diversified into other operations where the control of atmospheric conditions were considered important. Presently, about 60% of the company's sales are divided between high temperature drying and paint finishing systems. The installation of paper mill air systems accounts for the remainder of Ross' sales.

On Oct. 3, 1956, Ross reported that it owned 61.53% of the common stock of John Waldron Corp., an unconsolidated subsidiary. On this date, management offered the remaining Waldron stockholders one share of Ross for each two shares of Waldron. Based upon the acceptance of this offer, the exchange was declared operative in December of 1956. Ross and Waldron have had a harmonious relationship for many years. However, it was believed that if the former company's interest in the latter was increased, stockholders of both companies would be mutually benefitted. This would be accomplished through increased operating efficiencies heretofore unavailable as well as a better utilization of facilities.

Ross and its subsidiaries have approximately 260,000 square feet of manufacturing facilities in the U. S. and 73,000 square feet in Canada. With the exception of the 99,000 square feet represented by the facilities of John Waldron, management believes its plants are modern, well maintained, and adequate for present operations. Relating to the Waldron building, certain improvements and additions will be necessary in the next several years.

BALANCE SHEET—12/31/55

Current Assets	$6,402
Current Liabilities	2,001
Working Capital	$4,401
Plant, Prop., Equip. (net)	2,375
Investments	588
Goodwill	219
Miscellaneous Assets	243
Total	$7,826
Billings on uncompleted contracts in excess of costs thereon	768
Common Equity	7,058
Total	$7,826

Avoiding Long-Run Inflation And Strengthening Competition

By FRAZAR B. WILDE*
Chairman, Research and Policy Committee,
Committee for Economic Development
President, Connecticut General Life Insurance Company

Prominent insurance executive, expressing his own views, explains why we must: (1) prevent inflation; (2) reduce Federal expenditures (or hold down their growth rate) so that rising revenue levels will permit general tax reductions; and (3) seek reform of our tax system by altering its structure without reducing revenue. In maintaining we are trying to get more out of the economy than can be provided today, Mr. Wilde shows this manifests itself in demands for: rapidly increasing government expenditures to provide more services and benefits, more credit than the economy supplies through savings, and wage rate increases exceeding productivity growth rate. Praises Federal Reserve's efforts, approves establishment of National Monetary Commission, and hopes we can learn how to avoid inflation under high employment.

Our country is struggling on three fronts today. The first is the struggle against the world-wide advance of Communism. The second is the problem of maintaining high employment and a steady advance in our real standard of living. The third is the struggle to resist a steady deterioration in the buying power of money. These problems are all interrelated. The very real inflationary danger, for example, clearly arises out of the cost of carrying on the fight against Communism, while at the same time trying to meet high private investment and consumption demands.

Frazar B. Wilde

The Economic Report of the President, although properly concerned with inflation, seems to be somewhat inconsistent in dealing with it. Assuming a strong year in 1957, the inflationary forces, which appear to be growing, deserve more concerted attention. What happens to us in 1957 will, in part, determine what happens in future years. Fiscal policy, monetary policy and legislation in the Congress are doubly important this year in the light of this situation.

Anyone who looks at the American economy, either through the Economic Report of the President or directly, cannot fail to be impressed with two facts:

(1) The American economy has made a tremendous record of growth in output and employment in recent years.

(2) Despite the high levels of production achieved, the American people are trying to get more out of the economy than it is capable of producing at the present time. This is natural and good in one way, but also dangerous.

We have every reason to be proud and pleased with the productive achievements of the American economy. But, it is the less satisfactory aspect of our present situation that I want to discuss briefly now.

The effort to get more out of the American economy than it can produce in the short run is not confined to any particular group, and there is no value in allocating blame for this situation. All of us as consumers, businessmen, investors, wage earners and citizens share in the responsibility.

*The text of statement made by Mr. Wilde before the Joint Economic Committee Hearings on the President's Economic Report, U. S. Congress, Feb. 6, 1957.

Excessive Demands on the Economy

This effort to extract too much from our economic system in too short a time shows itself in three principal ways:

(1) A demand for rapidly increasing government expenditures, especially Federal expenditures, to provide more services and benefits for the population.

(2) A demand for more capital and credit than the economy will supply through its savings.

(3) A demand for wage and salary rate increases exceeding the rate of growth of productivity.

It is quite clear that the ultimate consequence of these claims upon the economic system, if they are not restrained or offset, may be serious inflation. We have, in fact, had some inflation in the past year. This inflation may be roughly measured by the increase of between 2 and 3% of the consumers price index. Although this is generally characterized as a small or moderate inflation, it may not remain so. I do not know whether inflation will continue this year, but even if it does not, we could not conclude that we had licked inflation as a long-run threat to the American economy. Similar recurring inflation, even at intervals of three or four years, would add up to a pronounced debasement of the dollar over the next two decades.

The rise in consumer prices does not fully reflect the inflationary pressures that may be building up. During the past year and a half, costs of construction, and of capital equipment have risen sharply. In December, 1956, the "Engineering News-Record" index of construction costs was 7% higher than in June, 1955. During the same period, prices of producer equipment rose 13%. These sharp increases in capital costs will be reflected in the future in higher costs of producing consumers' goods and providing government services.

There has been a great deal of discussion about inflation in recent months—a discussion heightened by the President's concern with the problem as expressed in several recent messages. Despite this discussion, the significance of inflation and the absolute necessity for stopping it and preventing it in the future are not yet fully appreciated by the American people. Perhaps this is because the viewpoints of so many of us about economic problems were formed during the Great Depression, when the cardinal evil was unemployment, in comparison to which the insidious and creeping danger of inflation seemed small. Perhaps it is because the recent rate of inflation is so much smaller than the rate of inflation we experienced in the immediate postwar years.

Danger of Slow Inflation

Appreciation of the full significance and danger of inflation requires a long look. A 2% or 3% inflation in one year is a rate, which if continued on the average, would double the level of prices in between 23 and 35 years. This would be in addition to the doubling in the level of consumer prices which has taken place in the last 17 years.

We are justified in looking at the problem in this way because we are now face to face with the danger of a long-term persistent trend to inflation. We are experiencing inflation in a period of what we must regard as normal, high-level economic activity. We cannot count on the world situation, insofar as that influences our inflationary problem, radically changing its character in the near future. Nor can we say that we expect or want to eliminate the inflation problem by retreating to a lower level of employment and economic activity.

Clearly another doubling of prices in less than a generation would work serious hardship upon large groups of our population. Those whose incomes are largely fixed in dollar amounts, such as pensioners — and the older-age group is growing — and those whose incomes fail to rise as rapidly as prices, all lose from inflation. Those who own fixed dollar assets — the insurance policyholders, the shareholders in savings and loan associations, the holders of savings accounts in our banks, the owners of E-bonds—find their assets no longer buy what they did before inflation.

Just as important as the unfairness of the effects of inflation upon the distribution of the national income are its adverse effects upon the total size of the real national income. Inflation is a severe tax upon savings in the form in which most of the population must, in fact, save. And a large flow of savings is the indispensable condition for the rapid growth of productive employment and real national output.

There is another fact that we should bear in mind when we look at what seems a small or moderate rate of inflation. There is no assurance that a small rate of inflation, once tolerated and accepted by public policy and private thinking, will remain small. On the contrary, there is every reason to believe that under such conditions the rate of inflation would accelerate. There may have been times in the past when slow inflation could go on for a long period unobserved by the population at large. This is no longer true in the United States. The sight of a continuous even though slow trend of inflation will set in motion efforts on the part of all groups of the economy to protect themselves against it — to make wage rates rise faster and to adjust all kinds of contracts to the estimated future higher level of prices. The consequence of this effort of each to protect himself against the anticipated rates of inflation can only be a still greater rate of inflation.

We must conclude that inflation is an intolerable, unacceptable and unsustainable way of life and will ultimately lead to full unemployment.

Perhaps one must apologize in this sophisticated age for taking a strong position against sin—and inflation is an economic sin. But we have not, I fear, become so intensely aware of the evils of inflation that we can assume that the necessary measures—many of which are hard measures—will be taken to prevent it. So I would say that we cannot emphasize too strongly that the first principle of economic policy today must be to prevent inflation.

Of course we must do more than that. We not only want to restrain inflation; we want to restrain inflation by the best means—by the means that are most nearly fair, most consistent with freedom and most conducive to a rapid rate of economic growth. It is in these terms that I should like briefly to discuss each of the three problems mentioned earlier—the problem of government spending; the problem of credit policy and the problem of wage and salary rates and price determination.

The Federal Budget

The President's Budget Message shows an increase of a little more than $10 billion in Federal cash expenditures between fiscal year 1956 and fiscal year 1958. It is necessary to look at the cash budget for this purpose because it is only in the cash budget that one can see the influence of some of the most dynamic factors in the Federal expenditure picture — such as the outlays for highways, the secondary mortgage operations of FNMA and the increase of Social Security Trust fund benefits.

It might be said that the inflationary effects of this large increase in Federal spending had been contained or offset because the cash budget has been kept in balance. In fact the cash budget shows a surplus of about $3 billion for the fiscal year 1957-58. However, even in these over-all terms we have not entirely offset the inflationary effects of rising Federal expenditure. The estimated cash surplus will have declined from about $4½ billion in fiscal 1956 to about $3 billion in fiscal 1958. Moreover, the 1958 estimate is probably on the high side. It assumes, for example, that we will get about $600 million of additional receipts from a postal rate increase. In the light of past experience, this assumption cannot be regarded as firm. In addition, some part of the 1958 surplus is the result of the inflation itself and its consequent effects on levels of income, profits and sales. So it is fair to say that we have not been entirely offsetting the effects of rising expenditures upon inflation.

More important, to the extent that we have offset the inflationary effects of rising government expenditures, we have only done so by retaining a level and structure of tax rates that are highly unfair and highly dangerous to the continued growth of the economy. We did get some tax reduction and reform in 1954, but generally since then we have kept the budget in balance by deferring achievement of the general tax reduction and reform that was expected to occur when the peak of Korean War defense expenditures had been passed, and as the growth of the economy yielded higher tax revenues.

The reason why we have failed, in a period of economic progress, to reach a point where tax reduction and tax reform can be considered is readily apparent. Because we very properly believe in a balanced budget in prosperous years, we have been and are today unable to adopt significant tax reduction programs, because we have no important surpluses and do not anticipate any now. The lack of important surpluses is due to the fact that while revenue rises in each year by substantial amounts, we parallel the growth in revenue by an increase in expenditures of equal or larger

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Supplemental Unemployment Plans and Bank Trust Business

By WARREN M. HARVEY*
Assistant Trust Officer, National Bank of Detroit

A continuing growth in the use of supplemental unemployment benefits by management and labor is forecast by Detroit bank executive who opines "the potential growth of these trusts during the next year may be commensurate to those of the pension and profit-sharing type of trusts." Taking the auto industry's Plan as a guide, Mr. Harvey details the provisions of SUP and the functions of Trust Fund which must be established in a qualified bank or trust company.

There are several types of Supplemental Unemployment Benefit Plans now in existence which have been adopted by the auto, glass, rubber and steel industries. Since the Plan of the type negotiated by the auto industry, which was initially adopted by Ford and followed by General Motors and Chrysler, embraces a great number of union represented hourly-rated workers, I shall devote this paper solely to the auto industry Plan.


Warren M. Harvey

Purpose

The purpose of such Plan is to supplement State unemployment compensation benefits not to duplicate or replace them.

Contributions

Under the Plan, the company is required to contribute the sum of five cents per hour for each represented employee for each hour he receives pay from the company. Such contributions accrue on the day following the date of the Plan.

The Fund

Immediately subsequent to receipt by the company of rulings satisfactory to the company, from the Commissioner of Internal Revenue and United States Department of Labor, the company is required to establish the Fund with a qualified bank or trust company and to deposit all contributions accrued to such date and all subsequent contributions payable.

Limit of Fund

The maximum funding required of the company by virtue of contributions and the net income generated by the trust, is computed by multiplying a predetermined specific dollar amount by the sum of the number of employees working plus the number of employees on layoff with unused credit units.

The maximum funding is determined each month by the company in order to determine a trust fund position for the purpose of computing current benefits to be paid during the ensuing month.

Trust Fund Position

The trustee is required to file periodic statements with respect to the current market value of the fund as of a specific monthly valuation date. In addition, a statement is given by the Trustee as to benefits paid and total contributions received during the prior month. Such statements are filed with the company, Board of Administration and union.

From the trustee's certified report as to the current market value of the fund, which is comprised of investments in U. S. Government obligations and cash, the company determines the trust fund position by dividing the value of the fund as of the valuation date by the applicable maximum funding of such fund resulting in a percentage factor. If the trust fund position is under 4%, no benefits are payable; if between 4% and 13%, the amount of the computed benefit shall be reduced by 20%.

Credit Units

Credit units established under the Plan do not have a fixed value in terms of time or money but are created for the sole purpose of determining duration of benefits under varying circumstances.

Each employee having one or more years of seniority, is credited by the company with a fractional credit unit for each full work week of 32 or more hours. Again seniority comes into play as the allocation of such units. An employee having less than 10 years seniority receives ¼ credit unit and employees having 10 or more years seniority receive ½ credit unit, subject to a maximum of not more than 26 credit units to an employee's credit at any one time. After two years from the date of the Plan, all employees regardless of seniority receive ½ credit unit for each full work week.

Each time an employee draws a weekly benefit, a specific number of credit units are canceled, dependent on the trust fund position and the degree of seniority of the employee. The Plan provides a schedule or table evidencing the units to be canceled in relation to the percentage factor of the trust fund position and the span of seniority of the employee applying for a benefit. The higher the rate of seniority, the lower the rate of units canceled; the lower the trust fund position, the higher the rate of cancellation of credit units.

This is the intricate technique engineered into the Plan to insure Fund solvency under extreme adverse economic conditions and to protect the interests of employees of high seniority in the event of their layoff.

Payment of Benefits

Provision is made for two types of weekly benefit payments, a special benefit and a regular benefit. The maximum benefit is $25, the minimum, $2.

Special benefits are paid for the first four weeks of any continuous layoff. Not more than four such benefits may be paid in any one calendar year until the trust fund position reaches 49%, at which time they may be paid for not more than eight weeks.

A regular benefit is paid when an employee is not entitled to a special benefit.

Special benefits are computed by multiplying the employee's weekly straight time after-tax pay times 65%, less the State benefit or other compensation. The balance, or $25, whichever is the lesser, is the net amount of a special benefit.

A regular benefit is computed at 60% of the weekly straight time after-tax pay.

Benefits may be paid to an employee for not more than 26 weeks in any one year. To be eligible to receive a benefit as a result of layoff, an employee must report weekly to the company, exhibit his State unemployment check and file an application for his SUB benefit which requires him to qualify under approximately 12 provisions. If eligible, a benefit check or draft is processed and is mailed to him.

Miscellaneous

To add further to the complexities of these Plans, provisions are made for return of overpayments of benefits, protests of State benefits by company, appeals by employees, etc.

Under the Plan, a Board of Administration is established, composed of three company and three union members and an impartial chairman, for the prime purpose of resolving appeal cases.

Payments of benefits under the Plan may be made by and the return of overpayments made to the representative of the trustee appointed by it. Such representatives may be persons employed by the company.

Fees and expenses of the trustee constitute a charge upon the fund and the company is entitled to reimbursement from the fund for its cost in carrying out its duties under the Plan.

I believe it is an appropriate time to inject a degree of humor to an otherwise "arid" subject. In this connection, I quote references made in the Plan as to the time factors with respect to certain action required thereunder:

". . . the Monday following the last Friday of the calendar month next following the calendar month in which fulfillment of all applicable conditions . . ."

". . . as of the close of business on the Friday following the last Monday of the preceding month . . ."

"Not later than the second Tuesday following the first Monday of each month, beginning with the month of . . ."

Conclusion

The basic duties imposed on the trustee under such trust agreements arising from Plans are primarily to keep the fund invested to the fullest extent possible after provision is made for reserve of sufficient cash to pay current benefits. To transfer funds from the trust fund to a commercial account in amounts equal to the reports of benefits issued as reported by the trustee's agent at the company. To reconcile and prepare reports of checks outstanding and to furnish annual or periodic accountings. To file certified statements as to the value of the fund, contributions made by the company and benefits paid from the fund each calendar month to the company, Board of Administration and union.

During the last several months, many trusts of this type have been established as a result of prior negotiations between industry and unions representing employees.

The potential growth of such trusts during the next year may be commensurate to those of the pension and profit sharing type of trusts. Again the services of our banks and trust companies throughout our nation are being further utilized by aiding industry in connection with the administration of trusts created under Supplemental Unemployment Benefit Plans.

*An address by Mr. Harvey, before the American Bankers Association's 38th Mid-Winter Trust Conference, New York City.

Jackson Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Sidnely L. Prenovitz has been added to the staff of Jackson & Company, Inc., 31 Milk Street.

With Keller & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Joel W. Reed is now with Keller & Co., 31 Milk Street.

With Gibbs & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Leo A. Morton is with Gibbs & Co., 507 Main Street.

The Business Economist— His Role and Problems

By JOHN C. SWARTLEY*
American Telephone and Telegraph Company

The role of the business economist in general and in the telephone industry in particular is outlined by A. T. & T. Co. Economist who concludes long-term trends are more dependable than short-term fluctuations around those trends, though human behavior can alter trends of either duration, and that knowledge of economic phenomena, though greater than ever before, is still not complete. Mr. Swartley discusses work performed by the three main economic subdivisions in A.T.&T. —i.e., demographic, current analysis, and long-run projections —and the extent to which each Bell Telephone operating company has its own smaller group for its particular requirements, and the important job of applying economic knowledge to the telephone business.

The economist in the communications industry has a clear and definite role. It is to interpret the economic scene to management and to point out the implications of economic developments as they may affect the telephone business. There are many different aspects of this which include the business cycle, population growth and migrations, long-term trends in personal income and its distribution, interest rates, and prices. He needs not only a thorough education in economics, the history of economic thought and the economic history of the country, but also familiarity with economic statistics and the methods of statistical analysis. Beyond this, he needs a thorough knowledge of the business which he is serving. To talk and write solely in the terms of the economist is not sufficient. To be of maximum aid to management he must translate his views and predictions into terms of the industry itself.


J. C. Swartley

Currently, there are about three dozen economists, economic statisticians and demographers in the Bell System companies, aided by a larger number of clerical workers. To illustrate the growth and development of this activity, I am going to refer briefly to the situation 50 years ago.

Knowledge Fifty Years Ago

The financial panic of 1907 sent business and finance generally into a tailspin following a period of wild speculation in the financial markets. There were runs on the banks, call money rose to a rate of 125% for a short period, and boom quickly turned into depression. Industrial activity dropped about 30% in level and remained depressed for about a year and a half. Many businessmen did not know what had hit them. There were no broadly circulated journals or bulletins of well-informed analysis and comment on the condition of the economy. Except for the decennial census, the Federal Government had not yet embarked on the collection and publication of economic data on a comprehensive scale.

In 1907, probably there was no such thing as a business economist. Economics itself was the "dismal science" concerned with how "economic man" reacted to various stimuli. A few men, like Wesley Mitchell, were developing, or about to develop, a dynamic approach based on statistical analyses, but their work was yet to be published. There just was no objective analysis of current economic developments widely available to business and financial leaders.

The following quotation is from a book written by Alexander Dana Noyes in 1909 and is from the chapter commenting on the 1907 panic:

"It had for many years been a cardinal doctrine, in American banking circles, that a panic like those of 1893 and 1873 would never again be witnessed in this country. The ground for this belief lay in the phenominal increase of our economic strength, the 'coordination of American industry' since 1899, the establishment of the gold standard of currency, and more particularly, the great and concentrated resources of our banks."

The panic of 1907 led to the formation of the Federal Reserve System which commenced operations in 1914. This brought into existence a central organization whose functioning required collection of an ever expanding variety of statistical information on finance, industry, and commerce. This information has been made available to all on an objective and up-to-date basis.

Bell Economic Staff Started in 1911

Reflecting the awakening occurring in this field, the Bell System set up its own business economics unit in 1911. In that year, a general business conditions report was started under the direction of Walter S. Gifford who was then statistician of the A. T. & T. Co. The earliest reports consisted of only one or two pages and only a few copies were prepared for use of the headquarters staff. By the end of 1914, this report had been expanded and a copy was being sent to each of the Bell Operating Companies.

About this time the A. T. & T. Co. started its monthly Index of Industrial Activity for use in its business report and it was, I believe, one of the earliest of such indexes. The monthly "Business Conditions" report and the Index of Industrial Activity of the A. T. & T. Co. have been modified and improved over the years as additional information became available. (Chart 1.)

During those early years, a big problem was to secure reliable data and to present it in useful form; also, statistical techniques to analyze and interpret the data were needed and affective methods of presentation needed to be devised. It was a period of experimentation and refinement of methodology.

Ayres & Hoover

World War I gave the study of business conditions a helping hand. Leonard Ayres, later of the Cleveland Trust Company, went to Washington as chief statistical officer for the Army and then

Continued on page 22

*Text of an address by Mr. Swartley before the Dean's Day Homecoming Conference, New York University Graduate School of Business Administration, Feb. 16, 1957.

Differential Discount Rates to Modify General Restraint

By LEO FISHMAN
Professor of Economics and Finance
West Virginia University

Contending Federal Reserve banks legally can utilize differential discount rates as a selective instrument of credit policy to modify and implement general credit restraint, West Virginian economist holds that this would not lead to insoluable administrative problems, nor increase total volume of bank loans, and should be used for pre-determined specified desired purposes customarily met by commercial banks and only if such credit is unavailable in sufficient volume set by the higher discount rate. Professor Fishman believes proposed simple device will forestall more drastic and cumbersome measures to reduce markedly uneven impact of general rate on different borrowers.

To cope with inflationary pressures which have been in existence for some time now and seem likely to continue for some time into the future, this country has adopted a policy of general credit restraint. Few informed persons would deny that this policy has proved to be an effective weapon against rising inflationary pressures. It is widely recognized that abandonment of our policy of general credit restraint would enable these pressures to increase rapidly, leading us first into a severe inflation, which in time would probably be succeeded by an equally severe economic debacle.

Leo Fishman

Nevertheless, there has been a rumbling undertone of discontent with some of the effects of general credit restraint. In recent months this rumbling has increased in volume and at times has even found expression in the form of public utterances by influential individuals.

The mounting dissatisfaction with the policy of general credit restraint is caused by the fact that such restraint has had markedly uneven effects on different prospective borrowers. Thus, while some borrowers — chief among them large, well-established business firms — continue to secure funds with relative ease, funds for certain important, socially desirable purposes have become exceedingly difficult to secure.

What Others Say

In particular, the stringency of funds seems to have affected the financing of such things as new homes, new businesses, small businesses, schools, roads and hospitals. In many communities the difficulty, or indeed, the impossibility, of securing adequate funds has made worthwhile undertakings in one or more of these categories impossible.

Concern over this situation is not limited to disgruntled prospective borrowers nor to politicians, but has also engaged the attention of reputable economists. Professor Sumner H. Slichter of Harvard University, in a recent letter to the New York "Times" pointed out that our policy of credit restraint "instead of being a temporary policy in use for only a few months is likely to be in operation most of the time during the foreseeable future."

Professor Slichter's letter indicates that he fully recognizes the need to retain our present policy of credit restraint. He points out, however, that credit restraint has borne unevenly on different sectors of our economy, and that although we cannot measure the impact of credit restraint adequately, there is some evidence that it has resulted in a scarcity of funds for certain important, socially desirable purposes, such as those which have been noted above.

Not very long afterwards, another eminent economist, Arthur R. Upgren, Dean of the Amos Tuck School of Business Administration at Dartmouth College, wrote a rejoinder to Professor Slichter, arguing that any prospective borrowers can afford to pay the high interest rates if they really want to.

The present writer, equally concerned with the fundamental issues at stake, believes that Dean Upgren's argument does not constitute an adequate rebuttal of the point made by Professor Slichter and others who share his point of view.

In a period of credit stringency, large and small established business firms are in a favored position with respect to securing new funds from lending and investing institutions, not merely because these firms are able to afford the high cost of those funds, but also because the cost of doing business with them is lower, their credit standing is generally high and they are more likely to be steady clients of those institutions.

Involves Public Policy Issue

A fundamental issue of public policy is involved here. Should the public be denied the benefits which would accrue from expenditures for certain important, socially desirable purposes, simply because prospective borrowers who wish to secure funds for these purposes are in a competitively disadvantageous position to secure the needed funds? Or can a method (or methods) be found which will make it possible for these borrowers to secure funds more easily than they can at present, without sacrificing the benefits of general credit restraint?

The writer contends that available funds for these purposes *can* be increased without jeopardizing the effectiveness of general credit restraint, and would like to suggest one device that might be used for this end.

At present, commercial banks which are members of the Federal Reserve System can borrow funds for short-term purposes from the Federal Reserve banks at the current discount rate of 3%. This rate, the highest rate for such loans in over 20 years, is part and parcel of our policy of general credit restraint. In other words, the discount mechanism, like reserve requirements and open market operations, is being utilized as a *general* instrument of credit policy to put a damper on the total volume of credit. The Federal Reserve banks have never attempted to use the discount mechanism in any manner except as a *general* instrument of credit policy.

Differential Rates Used Before

A careful reading of the Federal Reserve Act reveals that although the Federal Reserve banks have never taken advantage of their powers in this respect, the Federal Reserve Act also permits them to utilize the discount mechanism as a *selective* instrument of credit policy. (Selective instruments of credit policy differ from general instruments in that they are designed to regulate the use of credit for particular purposes. One example of a selective instrument of credit policy is the regulation of margin requirements. Within fairly recent years several other selective instruments of credit policy — such as Regulation W governing consumer credit and Regulation X governing credit for new residential construction — have also been used.)

Federal Reserve banks have in the past used differential discount rates for certain purposes. At one time or another differential rates have been applied to loans differing with respect to size, duration and collateral offered. The differential pertaining to collateral is still in effect. The passage of special enabling legislation preceded the adoption of the differential discount rates pertaining to the size of loans and collateral offered. The differential pertaining to duration, however, was adopted without any special enabling legislation.

No Enabling Legislation Needed

The writer believes that Federal Reserve banks could also utilize differential discount rates as a selective instrument of credit policy, without the passage of any special enabling legislation. If this policy were adopted, a lower discount rate might be used for lending to member banks funds which these banks, in turn, would utilize to make credit available for certain specified, socially desirable purposes. Loans to member banks for other purposes, however, would be made at a higher rate. The differential between the two discount rates should enhance the availability of credit for the specified purposes, without increasing the total volume of bank loans.

Exceptional care would have to be exercised in drafting a regulation to achieve this end. The nature of the purposes for which the lower discount rate would apply, should be stated explicitly in the regulation. The writer would suggest that the lower discount rate be applied only in the case of funds which would ultimately be used for undertakings customarily financed by commercial banks. (Availability of loans for other socially desirable purposes might be made possible by means of other more suitable devices.) Moreover, for each of the specified purposes, the lower discount rate should be applied only if credit would not otherwise be available in sufficient volume. If ample credit is being made available without this inducement, the lower discount rate should not be employed.

While administration of such a regulation would undoubtedly give rise to several special administrative problems, none of these is likely to prove insoluble, and the Federal Reserve banks should be competent to meet them in satisfactory fashion.

In urging that consideration be given to this device, the writer would like to point out that the problem of obtaining credit for some important, socially desirable purposes has already become acute. Mounting dissatisfaction with general credit restraint is accountable in large measure for recent proposals that the nation's financial system be made the subject of a broad investigation. Unless relatively simple but effective devices, such as the one proposed here, are adopted in the very near future, there will be strong pressure for the adoption of more drastic measures and more cumbersome devices in the months ahead.

Gerald M. Loeb to Discuss Market

G. M. Loeb

Gerald M. Loeb of E. F. Hutton & Co., New York City, will be a guest on the Mike Wallace Show "Nightboat" March 7th at 11 p.m.

Vieser Sees Inflation As Threat to Nation

Mutual Benefit Life executive depicts inflation as nation's major economic problem and applauds Federal Reserve restraint-policies.

The major economic problem before the nation today is inflation, Milford A. Vieser, financial Vice-President for the Mutual Benefit Life Insurance Co., told a meeting of the company's General Agents Association at their annual meeting at Boca Raton, Fla., March 5.

Milford A. Vieser

"The major economic problem before the nation today is inflation, the continued rise in prices, the persistent erosion of our people's savings which threatens to destroy the very incentive to save," Mr. Vieser said. "We applaud the action of the Federal Reserve in restraining the inflationary expansion of credit for they have been our principal defense against rapid inflation.

"Credit is available to worthy borrowers for worthy projects at an interest cost which even after sharp rises is low in comparison to the rest of the world and to past periods. The monetary policies of the past year have held our money supply within bounds and yet it has not prevented growth.

"We approach the future with confidence that our country will grow and prosper, that it will be a better place to live and to work, and with full knowledge that our standard of living and our life span will increase. We will, however, not permit ourselves the luxury of assuming that the business cycle has been cured for all time. We will not be tempted with the heavy tides of speculative profit. We will continue our fundamental investment policy of safety of principal, and to secure the highest yield from our investments consistent with safety."

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market was largely a listless performance again this week. The seeming settlement of the Egyptian impasse did little to hearten the market and only a handful of issues moved either way with any real conviction.

* * *

In the process, however, the industrial average worked well into the overhead resistance area, which was mildly heartening. The fact that kept optimism tempered was that even this achievement failed to lift the list out of its general lethargy.

* * *

That progress of any sort could emerge from such doldrums whittled down the ranks of the pessimists a bit, particularly since a spring rally could be in the making as long as there was nothing in the news to inspire any renewed selling.

Auto Business a Key

A good bit of the stalemate was due to caution over auto sales and the signs of a traditional spring upturn were being eagerly sought but to little avail so far. To a considerable group of market students, events in this area of the economy could call the turn for the market's near-term performance.

* * *

What it will take to lift the rails out of their rut wasn't clear. This section of the list has been a drag for months and whenever the rails came to the fore it was usually a brief appearance and they were soon back in the wings without developing any follow-through.

Awakening Interest in Central

There was some nibbling in N. Y. Central which was able to stand its ground well. The issue, however, is far closer to its low than to the peak it reached last year. In part, the buying in it was a follow-the-leader proposition sparked by the continuing acquisition of the stock by Alleghany Corp. which held 15% of the issue in the latest tabulation. Central has also been something of a leader in adapting electronics to rail operation. On one electronically controlled segment of the system, that between Buffalo and Cleveland, the management estimate is that a return of 78% can be realized on its investment. Central consequently is in the forefront of the lines that are doing most to defeat the rail bugaboo, high operating expenses.

* * *

Earnings were being closely watched in the specialty items, including the rather startling improvement of better than $6 a share against $2.40 in 1955 for Brunswick-Balke, concrete evidence that the automatic pinspotting machine for bowling alleys is gaining widespread acceptance. The company entered this year with a larger backlog than a year ago, although few of the forecasters are predicting that the profit will show a similar fat gain. Most settle on around $9 as possible for this year's performance.

Good-Yielding Utilities

Utilities have been in steady, although not sensational demand, but still offer satisfactory yields running up to around 6% in Dayton Power at recent levels, mostly showing the pressure of its recent financing. The rights disappeared from the list last week but so far the stock has shown little rebound as would be normal at the conclusion of such an operation.

* * *

A rather long list of good grade utilities was still available at yields of 5% or better, including Kansas City Power which was somewhat prominent on independent strength, including one session as the only new high on the list. Nevertheless, it was available at a 5% yield basis.

Persistent Popularity of Oils

Oils, too, were still held in high regard in many quarters even when the general market was in jeopardy. The steady annual growth in use of oil has kept their earnings on an uphill climb, notably Standard Oil of Ohio which was able last year to cover its dividend rate two times over. At recent prices some 20 points under last year's high, Standard of Ohio also was something of a well-deflated issue in the oil section with a yield of nearly 5%.

* * *

Mississippi River Fuel is something of a neglected member of the oil group. The stock held all last year in a range of less than eight points despite the fact that its earnings have been growing steadily enough so that the dividend was increased late last year. It has been available at a 4½% yield at recent prices which is thoroughly in line with other companies in the field.

A Growth Issue With Romance

Thompson Products is another company that has been able to push profits higher with good regularity. In fact, not only do the company estimates indicate better results this year over last year's record level, but indicate that the growth will continue through the next two years as well. With the romance of its missile work added, Thompson has been popular enough so that its yield at recent prices is subnormal. Its growth qualities, obviously, have commanded the greater market attention.

Aircrafts Clouded

Aircrafts generally were still in a clouded situation, started when the government indicated it might shift from Boeing's B-52 bomber as the backbone of the defense program in favor of a smaller and faster bomber, specifically one made by General Dynamics' Convair division. It naturally lifted General Dynamics to the fore, particularly because of the firm's much more diversified nature than the prime aircraft makers, including the romance of atomic-powered submarines.

* * *

There were, however, many who thought the disappointed selling in Boeing was being a bit overdone, particularly since the company still is working on a program with orders still around the $2 billion mark. The orders on the books stretch through deliveries into the 1958 fiscal year. Deliveries on one of its jet transports stretch to 1961 and it has other orders for jet tankers that would not be affected importantly if the B-52 program is phased out. Moreover, its missile work is just nearing the production stage. As it sits, higher earnings are indicated for the company not only for this year but on into the future as well.

* * *

Burroughs Corp., in the electronic computer field, is a case where earnings can be among the better 1957 performances, particularly since the company is only on the brink of reaching volume production in some of its newer items. It has also benefited a bit in demand that spilled over from International Business Machines where a reputed large division of the shares slimmed down considerably when it reached the 2-for-1 official stage. Projections for Burroughs indicate a 10% increase in shipments this year and some estimates are for double that next year. Anything even approaching such goals would be an important help to the company's profit account.

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

Joins Hegeman Staff

(Special to THE FINANCIAL CHRONICLE)

STAMFORD, Conn.—Joseph L. Sheehy has joined the staff of Hegeman & Co., 300 Main Street.

Rebuts "Prophets of Economic Doom"

Tremendous upsurge in turbine manufacturing, and that this activity leads the business cycle one to three years, indicates to Armand Chandonnet that there will be an increase in industrial expansion instead of an economic decline.

Forecasts being made by "The prophets of economic doom" were challenged recently by a General Electric Company spokesman.

Armand Chandonnet

Armand T. Chandonnet, general manager of GE's medium steam turbine, generator and gear department at Lynn, Mass., said that a "tremendous upsurge" in the power generating apparatus and marine propulsion equipment field refutes today's economic pessimists.

"Our business," Mr. Chandonnet said, "is one of the best barometers of the future economic health of the nation, and our business is at an all-time high. The prophets of economic doom have evidently overlooked this important business indicator."

60% Higher Output

He said his own department's scheduled output both for 1957 and 1958 will be close to 60% higher than last year's record peacetime output.

"Our experience in the power generation field over many years has proved that the turbine-generator business is extremely sensitive to national economic trends," he declared, adding that, "an increase in our business volume usually foreshadows an increase in industrial expansion nation-wide."

Mr. Chandonnet manages the manufacture of power generation equipment, at the Lynn River works, for public utilities, manufacturing firms and naval and merchant vessels.

He said that when the basic industries are optimistic about planning expansion, it is generally reflected in our barometer turbine business, one, two or three years before this expansion shows in the gross national product. "Because our manufacturing cycle is long—a year or more—our turbine business is an accurate indicator of future growth of the basic industries we serve," he added.

Mr. Chandonnet said that the department has just completed its best peacetime production year. Peacetime employment is at an all-time high, he said, and the department plans for a $9,000,000 capital expansion program this year.

Joins Burton Vincent

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Edward P. K. Hade, Jr. has become associated with Burton J. Vincent & Co., 105 South La Salle Street. He was formerly with Cruttenden, Podesta & Co.

Continued from page 5

Observations . . .

basis." Perhaps a new major study is currently needed about the debt-stock relationships — particularly in the light of tax and stock-diluting factors.

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On That Fund Redemption Worry

News that mutual fund holdings by labor unions have recently tripled, and by corporate owners doubled recently, should mitigate the fears voiced concerning the possibility of bear market fund share redemption-stampeding.

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"Technical" Obtuseness

To Bernstein-Macaulay Inc., financial consultants, we are indebted for citing similarities between the stock market's obtuse "technical" gyrations in 1953 and 1957. Between 1951 and 1953 the D. J. Industrial Average repeatedly but unsuccessfully tried to break through the upper and lower limits of 290 and 260. After two years, in September, 1953, it did make a new low, confirmed by new lows in the Rail Average also. "Thus, a classic bear market signal was given precisely at the moment that the great bull market was about to begin."

Now again:—for the past 16 months, there was another trading range of 10%, a top of 500 and a bottom of 460. Last month the Rail Average again made new lows first and again the Industrials finally broke out of the trading range on the downside, confirming the bear market signal of the Rails—"and again the market jumped back up inside the old trading range."

Here, however, Bernstein-Macaulay would have the analogy end. Now, based on value determinants, they do not expect an early bull market resumption.

* * * * *

Foreign Economic Aid to the Fore

The promulgation of the Eisenhower Doctrine as well as the Fairless Committee's report Tuesday, with its blessing on our existing foreign aid programs, will shortly be renewing the controversy over SUNFED (Special United Nations Fund for Economic Development), the project for expanded UN aid for underdeveloped countries which has been "hot" for at least three years. This will be particularly true if it develops that funds under the new Eisenhower Doctrine's plans are to be used for regional development instead of merely increasing the present bi-lateral programs.

Following the resolution passed by the Economic Committee of the UN's General Assembly three weeks ago, the Ad Hoc Committee to which the matter was referred for the drawing up of possible organizational patterns to be submitted to the Economic and Social Council's meeting in Geneva next July, will begin meeting here in a few weeks.

In any event, the SUNFED's anomolous and generally unsatisfactory status is likened by a key official involved to other major relief plans, in that "being inadequate for the job's requirements" it is displeasing to its friends, while remaining anathema to its ideological enemies.

Central States IBA 21st Conference

CHICAGO, Ill.—The Annual Conference of the Central States Group of the Investment Bankers

Wm. J. Lawlor, Jr. Robert H. Craft

Association of America will be held March 27 and 28 at the Drake Hotel. The program for the two-day meeting includes a morning Municipal Securities Forum, luncheon, afternoon forum and formal dinner on Wednesday, the latter being in honor of the President of our Association, Robert H. Craft, The Chase Bank. On Thursday there will be a luncheon, afternoon forum, informal dinner and entertainment. No registration fee will be charged.

William J. Lawlor, Jr., Hornblower & Weeks, is Chairman of the Central States Group.

Mun. Bond Outing Celebrates 25th Yr.

W. Neal Fulkerson, Jr., President of the Municipal Bond Club of New York and Vice-President of the Bankers Trust Company, has announced that the Club will hold its Annual Field Day at the Westchester Country Club and Beach Club, Rye, New York, on June 14, 1957. The outing this year will commemorate the 25th Anniversary of the Club's founding.

John C. Fitterer, Jr., of Kuhn, Loeb & Co., has been appointed the General Chairman of the Silver Anniversary Outing, and Chester W. Viale, of L. F. Rothschild & Co., has been named Managing Editor of the annual paper, "The Bond Crier."

The Municipal Bond Club of New York is a group whose membership is made up of the local men who approve, underwrite and distribute municipal securities. It has grown from the initial 64 charter members to a present enrollment of 414. Of the total of 64 charter members, who were either partners or department heads of their firms at the time, 36 are still active in the municipal bond business.

The Club was founded in 1932 with the avowed objectives of encouraging good fellowship and promoting and maintaining high standards and principles of municipal finance.

Activities of the Club today combine both social and professional pursuits, including an educational program for young men commencing their careers in municipal finance.

The outing will feature golf, tennis, horseshoes, bridge, softball, and swimming during the day, followed by the award of prizes ranging from an automobile to an individual memento appropriate for the Silver Anniversary, with The Annual Meeting, election of 1957-1958 officers, and dinner in the evening.

Chicago Analysts Hear

CHICAGO, Ill. — Robert C. Becherer, President of the Link-Belt Company, will address the luncheon meeting of the Investment Analysts Society of Chicago on March 7 at the Adams Room of the Midland Hotel.

Guerin, Director

Dean P. Guerin, an officer and one of the original incorporators of Eppler, Guerin & Turner, Inc., Dallas, members of the New York Stock Exchange, has been elected a director of Griggs Equipment, Inc., a leading manufacturer of school, church and auditorium seating.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

LEXINGTON, Ky. — James R. Burkholder III has become associated with Merrill Lynch, Pierce, Fenner & Beane, La Fayette Hotel Building. Mr. Burkholder was formerly local representative for A. C. Allyn and Company, Incorporated.

R. W. Englander

Robert W. Englander Jr., a Vice-President of the investment firm of Walston & Co., Inc., passed away Tuesday, Feb. 26, 1957, following a heart attack. He was 50 years old.

Mr. Englander joined Walston & Co. in January, 1946, and was admitted to general partnership in 1952. He later was elected a Vice-President when Walston changed its status to become an incorporated member firm of the New York Stock Exchange.

Harry G. Cowen

Harry G. Cowen, limited partner in Cowen & Co., passed away Feb. 21.

Inadequacy of World's Monetary Gold Stocks

By PAUL EINZIG

Claiming monetary gold stocks should keep pace with rising requirements arising from international trade and finance, to prevent increasing proportion of non-gold foreign exchange reserves, and that commodity value of monetary gold declines as price level rises, Dr. Einzig contends, for these and other reasons, the official dollar price for gold should be increased. Despite U. S. A. objections, believes mounting inflation warrants gold revaluation.

LONDON, Eng. — The question of the inadequacy of the world's monetary stocks of gold and of the official American buying price of gold, which faded into the background during the last year or two, has come to the fore once more. It has received publicity in connection with the figures published in the annual review of Samuel Montagu & Co., the well-known London bullion dealers. That review points out that in 1956, out of the gold output of the non-Communist world, amounting to $980 million, some $455 million was absorbed by hoarding and industrial requirements, leaving only some $525 million for the monetary reserves. Even allowing for the sale of Soviet gold in London and other markets, part of which found its way into official gold holdings, the increase of the world's monetary stocks of gold, the addition of the monetary reserves during last year could not have been more than 2%.

Paul Einzig

Claims Gold Value Declined

It is pointed out that the increase in the volume of currency and credit during 1956 was, in most countries, distinctly in excess of 2%, so that the proportion of the world's monetary stocks to the world's total volume of money actually declined last year. This aspect of the problem need not cause undue concern, having regard to the fact that most countries have long abandoned any pretense of trying to maintain a minimum ratio of gold to monetary circulation. What is much more important is that during 1956 prices in most countries rose by considerably more than 2%, so that on that basis it may be claimed that the commodity value of the total monetary stocks actually declined. Nor was 1956 an exceptional year from this point of view during the postwar period. Although the nominal amount of the gold stocks has been rising, their real value has been declining.

This tendency is important, because the money value of foreign trade, and the amount of balances which may have to be settled in gold, increases in sympathy with the price level. Unless the monetary stocks of gold can be increased to a roughly corresponding extent, they are apt to become inadequate for meeting requirements arising from international trade and finance. From the point of view of the domestic financial structure of most countries, it may be of small importance if the gold reserve declines to a fraction of the volume of currency and credit. But from the point of view of the settlement of trade balances, the relative decline of gold reserves is a matter of considerable importance.

Of course, gold reserves are supplemented by foreign exchange reserves. Their proportion to the combined total of gold and foreign exchange reserves has increased considerably since before the war. In normal conditions international trade balances can be settled with the aid of hard currencies. But the situation is not without an element of potential instability. During the early '30s the extensive operation of the gold exchange standard became a source of weakness when a wave of distrust developed in one hard currency after another.

The Main Argument

Even though the repetition of that particular piece of history seems unlikely, a further considerable increase in the proportion of foreign exchange reserves would be a distinctly unsound development. Yet so long as the increase in the monetary stocks of gold does not keep pace with the increase of requirements arising from international trade and finance, the tendency of increasing proportion of foreign exchange reserves is likely to continue. This, and not the increasing volume of currency and credit, is the main argument in support of the case for a higher dollar price of gold.

But it would be unduly optimistic to expect that American opinion would allow itself to be convinced by a revived campaign in favor of raising the official gold price. For one thing, the United States is not affected directly by the failure of the world's gold stock to keep pace with the rise in international requirements resulting from the rise in the price level. The American gold reserve is more than sufficient to meet American requirements. But the accumulation of foreign official dollar balances resulting from the inadequacy of the monetary supplies of gold may become a source of trouble.

Soviet Gold Sales

Another reason why the United States Administration is now less likely than ever to consider the idea of raising the official price of gold is the revival of sales of Soviet gold. The annual report of Samuel Montagu & Co. estimates the total sales from that source in 1956 at 4,300,000 ounces, the largest amount in any single year since the war. A higher dollar price would mean that the Soviet Government would receive more dollars for the gold unloaded outside the Communist bloc. Even if all the gold does not find its way to the United States, the market price in London and elsewhere is based on the official American price, so that a higher dollar price means an increase in the foreign exchange proceeds of these gold sales.

Yet another argument that is likely to be used against a higher dollar price of gold is that it would produce inflationary effects. Although there is no longer any rigid ratio between the volume of the gold reserve and that of currency and credit, psychologically a higher dollar price of gold might operate in favor of inflation. This may of course become a strong argument in favor of a higher gold price, if the deflation fears which are now widely entertained in the United States should materialize. Likewise if inflation should proceed further, the inadequacy of the world's monetary gold stocks would become more pronounced, and the argument in favor of a revaluation of gold would become stronger in consequence.

$28 Million Office Bldg. In Lower N. Y. Financial District In Progress

State of New York leases six floors of 20-story structure, containing 218,000 square feet for Administrative and Executive Offices of Workmen's Compensation Board.

A massive $28,000,000 air-conditioned office building, rising 20 stories high and containing nearly one million square feet of space, was started March 5 on the square block bounded by Church and Barclay Streets, West Broadway and Park Place in the City Hall section of the downtown Manhattan financial district. The new building, which will be known as 100 Church Street, will occupy a plot of 54,000 square feet.

Erwin S. Wolfson, Chairman of Diesel Construction Co., who is erecting the structure in association with Lawrence A. Wien and Harry B. Helmsley, announced that the State of New York has leased six floors in the building comprising 218,000 square feet of rentable area. This space will be used to house the executive and administrative offices of the Workmen's Compensation Board. Headed by Commissioner Angela Parisi, the Board is now located in two downtown structures, at 80 Centre Street and at 55 Franklin Street.

Charles H. Kriger, Commissioner of Standards and Purchases, negotiated the lease of the space for the State. The 10-year lease, involving an aggregate rental of $11,137,000 for the ten years, will represent an average annual rental of $1,113,700.

FHLB Notes on Market

The Federal Home Loan Banks on March 5 offered through Everett Smith, fiscal agent of the Banks, and a group of securities dealers, $146,000,000 of 3.70% series I-1957 non-callable consolidated notes dated March 15, 1957 and maturing Sept. 16, 1957. The notes are priced at 100%.

Net proceeds from the offering, together with current cash funds, will be applied by the Banks to the redemption on March 15 of two maturing note issues totaling $331,000,000, which will result in a net reduction of $185,000,000 in outstanding notes. The ability of the Banks to retire this substantial principal amount of notes without refunding reflects, Mr. Smith said, a seasonal inflow of cash into the Banks as a consequence of repayment of loans made by the Banks. The Banks on Feb. 15 also retired, without refunding, $56,000,000 notes due on that date.

Upon completion of the current financing outstanding notes will have been reduced to $724,000,000 from $909,000,000.

Now Gabriel Gladstone

The investment business formerly conducted by Paul Rybak will be continued by Gabriel Gladstone under the firm name of Gabriel Gladstone & Company, Inc., from offices at 470 Fourth Avenue, New York City.

Now Coastal Secs.

HOUSTON, Tex. — W. M. McKenzie, 145 Ashburn, is continuing his investment business under the firm name of Coastal Securities, Inc.

Continued from page 5

The Outlook for Steel And the Economy's Future

mind the long-term outlook, for it can set the limits of a short-term move.

Now, what does the year 1957 hold in store for us in the steel industry? Probably the most important aspect of 1957 to us is:

(1) How much steel will be demanded and shipped? We must look at both, for demand and shipments are not necessarily synonymous. To answer this question, we must look at the economy from every side—many facets of it we can dismiss as not having a direct bearing on the problem—others we have to examine in detail. Again, bear in mind that the purpose of our forecast is to predict steel demand and shipments. Of course, once an accurate forecast is made of total steel shipments, a company can predict its share of the market—thus, its shipments — and its profits. That is the real purpose for which the forecast of total steel shipments is being made. Each of us has to make this internal forecast himself.

Now let us check some of the factors that will influence the demand for steel during the year.

First, the demand for steel comes from two basic needs:

(1) Steel necessary to produce the physical volume of goods demanded throughout the economy and:

(2) Steel to maintain inventories to keep production of these goods flowing.

Major Steel Consumers

Looking at the demand for steel we find the following outlook for major steel consumers:

(1) Automobile production is expected, by the automobile industry, to be 6.5 million cars this year compared to 5.8 million last year. At roughly two tons of steel per car, the demand for steel from the automobile industry will be roughly 13 million tons. Add another two million tons or so for the truck business and we find the steel demand from the automobile and truck industry to be roughly 15 million tons—if they produce 6.5 million cars. In November, the last month available, the steel industry was shipping steel to the auto industry at an annual rate of 16.5 million tons. Obviously, building of steel inventories is taking place. In 1956, the automobile industry took roughly 14 million tons — more than they needed to produce the cars and trucks they turned out. Again, inventories were accumulated.

(2) The construction industry (including contractors products) took about 15 million tons last year direct from steel mills and turned out roughly $44.5 billion worth of new construction. In 1957, new construction is expected to be somewhat less volume-wise than in 1956, but may be more dollar-wise due to higher construction costs. The main decline in construction will come in housing which may be off 15-20% from the 1956 level. Industrial construction will hold its own during the year and highway, water works and other government construction will increase. A shifting pattern for the year with total steel demand down slightly. However, on some jobs the lack of structurals and plates and relatively light inventories of these materials will keep demand for this type of steel from the construction industry strong for most of the year. Here again, though, total inventories are being built to some degree.

Remember, for our proposes an over-all forecast of construction activity is sufficient—it may be that some of you closer to the construction industry may need a more detailed analysis of construction to yield an accurate picture of the year to come. Also, we forecast on a national basis. Regional differences may also deviate from this pattern.

(3) Machinery production during 1957 will probably be slightly ahead of 1956. However, the pattern of demand indicates the peak to come in the first half of the year. Then taper off in the second half.

(4) Electrical machinery production, especially heavier types of equipment, will continue strong for most of the year.

(5) Appliance demand is expected to be down during 1957 from the 1956 level generally. Certain items with strong growth will measure increases at year-end but they will be the exceptions. The decline in house construction and the heavy purchases of appliances over the last few years indicates a weaker steel demand from the appliance market.

(6) Railway equipment demand for steel will be higher.

(7) Shipbuilding demand will be higher.

(8) Container demand will be higher.

5% Higher Output in 1957

On balance, the total demand for finished steel will be above the 1956 level probably by approximately 5%. If this was equal to shipments it would mean a total finished steel shipment level of about 85-87 million tons for the year.

However, on top of this demand will be the demand to sustain inventories at workable levels. This inventory gain is expected to be about 1.5 to 2 million tons for the year.

It means, therefore, we can anticipate total finished steel mill shipments for 1957 of 87-88 million tons. To ship this level of finished steel we would need 118-120 million tons of steel ingot production. At current capacity of roughly 133.4 million tons, the industry can, therefore, expect to operate at an average of 88-90% of capacity for the year.

However, this is not the whole story. The key to this year will be the pattern of inventory building. Right now it is estimated that steel inventories are being accumulated at a monthly rate of 700 thousand to 1 million tons. Steel consumers at this rate should reach an adequate inventory level in the first or second quarter of the year, based upon their anticipated production rates. This would mean inventory liquidation—or at very least, no more inventory building during the second half of the year.

Under these circumstances, the industry can expect lower levels of operations during the second half of the year. This would mean finished steel shipments of about 6.5-7.0 million tons a month as opposed to the present rates of 7.5 million tons.

Light and Heavy Plate Demand

Now I have employed general terms, but as I mentioned above, one of the pitfalls we must guard against is generalizing. Certainly not all steel products will follow this pattern. Especially structurals and plates. The demand for these types is still tight, although some easing has developed and will continue to develop. However, even with the easing of other products, making available ingots and other rolling facilities capable of turning out plate in lighter gauges, plate demand will stay strong throughout most of the year. Any easing will come late in the third quarter or the fourth quarter of 1957—and then primarily in lighter gauges.

According to studies on capacity, production, and demand, heavy plate demand is expected to continue strong over the next two to five years at least. Consequently, any weakening seen at the end of this year will be at best a temporary inventory adjustment.

I have limited my remarks on the short-term forecast to steel although I am sure you all realize that a great many other factors have been considered, such as: income levels, wage rates, prices, interest rates, consumption patterns, capital goods demand, profit rates, the relation between capacity and productions by major industries, government fiscal policy, and many other factors.

And let me add just one more comment.

Refutes Depression Fears

Probably the most significant economic problem today is what happens after 1957. Current talk by people in high places mentions the possibility of a depression—that conditions are now ripe for one.

I cannot buy that thinking. There are too many conditions which prevail today that are entirely different from past experience. Each business cycle is different from any which we have experienced before, and no two are completely alike. If we compare some of the conditions of today to those of the late 1920's I'm sure that you will understand what I mean.

First, let us look at the stock market. We do not have a 10% margin today as we did then and while the market may have its speculators, it is now a predominantly cash market. I doubt if any drop in the market will cause anyone to take a swan dive out the nearest window. Also, and perhaps more important, is the high degree of education of today's populace, both business and otherwise, to other barometers of the health of the economy. In 1929, the majority of the people in business looked to the stock market as a gauge of business. Today we realize that it is only one of many. It therefore loses much of its effect on the thinking of businessmen.

Second, we now have such stabilizers in the economy as minimum wage laws, social security, unemployment insurance, pension funds for workers, all putting money and purchasing power into the hands of the people, who, when laid-off in the '30s had no income at all.

Third, the consumers in the United States do not have everything they desire. And as long as the demands for goods from the consumer remain un-sated, a depression cannot occur. Sure, there are those who argue that in the 1930's there were millions who wanted goods—but were unable to buy them. But remember, once they were unemployed they had no income. Today they would have.

Fourth, you have a government recognized as a world leader and which in turn recognizes its position. After World War II we did not withdraw into isolationism as we did previously. We have endeavored to help other countries regain their economic strength and to develop economically backward countries. These countries are becoming stronger and with a stronger world economy it cannot but help bolster our own.

Fifth, you have the recognition by many companies and industries that the future is a bright one and planned expansion programs of today are geared to this long-term outlook rather than to the temporary conditions of the moment.

These are but some of the factors of today that were missing in the 1920's and 1930's that would negate a major depression. There are many more. And I leave you with this one thought, that almost every forecaster—professional or amateur—has constantly underestimated the growth of the American economy in the last ten years. So don't sell short in a basically bull market because of a temporary dip.

Hayden, Stone Branch

SYRACUSE, N. Y. — Hayden, Stone & Co. have opened a branch office in the State Tower Building under the direction of Samuel F. Joor, Jr.

F. L. Salomon Admits

On March 14, Martin H. Schecter will become a limited partner in F. L. Salomon & Co., 29 Broadway, New York City, members of the New York Stock Exchange.

Town Hall Lectures On Inv. Finance

Harry C. France, financial specialist and author of the syndicated column, "The Investor's Forum," will give six lectures on "Investment Finance" this spring at the Town Hall. The announcement has been made by Ormond Drake, director of Town Hall.

The first lecture, "The Groggy Dollar," to be given at 5:30 p.m., Monday, March 18, is free and open to the public. There will be an admission charge for the other talks — on investment decisions, the building of financial foundations, inflation, speculation, and social security. A question-and-answer session will follow all six discussions by Mr. France.

The dates of the other lectures are March 25, April 4, April 8, April 15, and April 22. Each is scheduled for 5:30 p.m.

Walter Plankinton Adds

(Special to The Financial Chronicle)

DENVER, Colo. — L. V. Dolsby has become affiliated with Walter R. Plankinton, 1637 South Broadway. He was previously with Carroll & Co.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

This column has on occasions pointed out some marked differences between the leading New York City banks as a group, and those outside New York. One present noteworthy dissimilarity, which is mentioned only in passing, is that of yields. Presently, the average yield of the New York City banks runs well above 4%, with a highly conservative payout ratio of about 62% of operating earnings. Many of the leading banks outside New York show yield under 4%, and there are numerous cases in which a low yield is accompanied by a relatively high pay-out ratio.

In many quarters this is explained by classifying the banks away from New York as being in "growth" territory; but it must be remembered that in times of economic distress the so-called "growth" territories often fall more precipitously than the staid, shall we say effete, areas.

But to get back. Tabulations are presented showing, on the part of New York City banks and of banks away from New York, the ratio of time to total deposits as of Dec. 31, 1956; and the proportion of gross income required in the form of interest payment to service the time deposits. We stress the fact that the meaning of "time deposits" varies from bank to bank.

Among the major New York banks, for example, time deposits include both interest-bearing deposits and some that are left with the bank for stated periods but draw no interest. Foreign deposits are examples. But in the main around the country time deposits are either entirely interest-bearing deposits or largely so.

The move to higher levels of most savings deposits interest rates in the past few months has been costly for some banks. This applies to many that have carried a large proportion of their deposits in the savings deposits categories. One large New York bank recently raised its interest rate on savings to compete with those paying higher rates, and it resulted in a large shift of funds from checking to savings accounts.

Nine New York City Banks

	Ratio of Time to Total Deposits	% of Gross Income Paid in Interest
First National City......	10%	9.4%
Bankers Trust..........	8	4.0
Chase Manhattan........	7	8.3
Chemical Corn Exchange	6	4.5
Guaranty Trust..........	6	3.2
Manufacturers Trust.....	13	11.0
Hanover Bank	4	4.3
Irving Trust............	6	8.2
J. P. Morgan & Co......	8	8.8
Averages...............	7.5%	6.85%

Ten Banks Outside New York

Security First, L. A.....	33%	14.4%
California Bank, L. A...	23	10.0
Crocker Anglo...........	36	17.7
National Bank of Detroit	23	7.7
Valley National Bank....	27	8.9
Bank of America........	48	19.8
National City of Cleveland	18	10.5
First Penn Co...........	7	2.9
Second-State, Boston....	9	0.4
Peoples First, Pittsburgh	25	7.5
Averages...............	24.9%	10.61%

Some States do not have savings banks as they are known in New York, so that savings accounts gravitate to the commercial banks and trust companies. Nevertheless, in many of these cases time deposits bulk large in proportion to total deposits, and interest payments take a large bite out of gross income. Also to be pointed out is the fact that in general the banks in the interior derive higher rates of interest on their loans than do the large Central Reserve city banks although the 1956 reports of the New York banks showed some surprisingly high average returns.

It is to be doubted, however, that these higher loan rates will offset the position that the New York banks occupy with respect to this part of the cost of their deposit liability; that is, the proportionately smaller slice of operating earnings that interest requirements take.

In both tabulations the banks chosen are those that make available the information, and in no sense were they selected to prove the point; and only large banks were taken. A number of large banks gave one or the other, income or balance sheet, information but not both, and they could not be used. But the banks used are representative of their geographical areas.

Scudder, Stevens Names Two Partners

Eckley B. Coxe, IV and George S. Johnston have been admitted to partnership in Scudder, Stevens & Clark, leading investment counsel firm, it has been announced. They will both be located in the New York office, 300 Park Ave.

Mr. Coxe joined Scudder, Stevens & Clark in 1950 after six years with American Airlines, during which time he was assistant to the district sales manager in New York. He is a graduate of Yale University, class of 1945.

Mr. Johnston has been with the firm since his graduation from Yale University in 1948. For the past two years he has been a director of Scudder Fund of Canada, Ltd., a Canadian investment company. He served as a 1st Lieutenant in the U. S. Army in both World War II and the Korean conflict.

Samuel Hochman Opens

Samuel Hochman is engaging in a securities business from offices at 1258 Boynton Avenue, Bronx, New York.

Joins J. M. Dain

MINNEAPOLIS, Minn.—Warde L. Brown is now connected with J. M. Dain & Company, Incorporated, 110 South Sixth Street.

G. H. La Piere With W. E. Hutton & Co.

W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announced that Gilbert H. La Piere is now associated with them as Manager of their Oil and Gas Department.

Gilbert H. La Piere

Mr. La Piere was previously a petroleum engineer with the Chase Manhattan Bank, and was appointed an officer of the bank in 1954. Prior thereto he was associated with the Cities Service Oil Company. Mr. La Piere holds a B. S. Degree in Petroleum Engineering from the University of Missouri School of Mines and Metallurgy.

He is a member of the American Institute of Mining, Metallurgical and Petroleum Engineers; American Gas Association, and the Independent Natural Gas Association of America.

Dillon, Read Group Offers Texas, Eastern Transmission Bonds

Dillon, Read & Co. Inc. headed an investment banking group which offered yesterday (March 6) $40,000,000 of Texas Eastern Transmission Corp. first mortgage pipe line bonds, 4⅞% series due 1977, priced at 99½% and accrued interest, to yield approximately 4.915% to maturity.

Proceeds from the sale of the bonds will be used by the company in connection with a $238,000,000 program which contemplates an increase of 250 million cubic feet of gas per day in the capacity of the company's system and the reconversion of a major portion of the "Little Big Inch" pipe line to transporation of petroleum products. In addition to funds available under a bank loan agreement, additional financing to the extent of approximately $58,000,000 will be necessary to complete this program. Approximately half of the gas for the new program is to be purchased from Petroleos Mexicanos, an agency of the Mexican Government, at a connection on the Rio Grande. The balance is to be purchased from producers in the Gulf Coast area of the United States. The reconversion of part of the "Little Big Inch" will enable the company to furnish a petroleum products transportation service extending from Beaumont, Texas, to Moundsville, W. Va., with a lateral to Chicago, Ill.

A semi-annual sinking fund, beginning Sept. 1, 1959, will retire approximately 96.3% of the issue prior to maturity. The bonds are not refundable for a period of 10 years, but are otherwise redeemable at the option of the company at any time at prices scaling from 106.5% to 100%.

For the year ended Dec. 31, 1956, the company reported total operating revenues of $175,183,945 and consolidated net income of $17,358,655 compared with total operating revenues of $163,264,701 and consolidated net income of $16,793,525 for the year 1955.

With Keenan & Clarey

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Silvester M. Augustin is now with Keenan & Clarey, Inc., McKnight Building.

Wage-Profit-Price Controversy

Using Department of Commerce's national income series data, First National City Bank shows wages and taxes since 1947 nearly doubled, and profits after taxes fluctuated around the same dollar levels. States that if "allowance is made for . . . huge additional investment, the rate of return declined." Maintains management is subjected to numerous pressures, flays labor union wage-powers, and prescribes government's role in containing inflation.

The March issue of the nationally known "Monthly Bank Letter," published by The First National City Bank, aware of new wage contracts coming up this year in oil, rubber, chemical, textile and paper industries, among others, delves into the labor-management wage - profit - price issue and observes "that industry, instead of 'fattening its profits margins' has been fighting a constant battle against rising costs."

The "Letter" points out that "during the past few months the American people have been indulging in one of their periodic debates over which is more responsible for rising prices—management or labor. This argument always crops up during periods of upward price pressures, and rumblings of a renewal of this old controversy have been in evidence for some time. It flared into the open with President Eisenhower's appeal to both management and labor for restraint in negotiating new wage contracts.

"The reaction to these statements by the President has been spirited and partisan.

"Management blames rising prices upon rising costs, particularly wage increases which it contends have often exceeded gains in productivity. It points to narrower profit margins as refuting the charge of profiteering and as evidence of an increasing cost-price squeeze.

"Labor retorts that price increases are not due to wages, but to 'unwarranted' attempts by industry to fatten profit margins.' Spokesmen for labor present data purporting to show that profits have risen faster than wages, making possible wage increases out of profits without raising prices. The AFL-CIO executive council, meeting at Miami Beach last month, demanded a Congressional investigation of price - profit - investment - wage policies of major corporations. One labor economist testifying at a panel session of the Joint Congressional Economic Committee, went so far as to propose a statute requiring such corporations to report and justify planned price increases to the government before putting them into effect.

A Look at the Record

"All this is an old story.

"One of the difficulties in comparing wage and profit increases is in selecting the base period. Almost any relationship can be shown, depending upon the base chosen.

"Another difficulty is in determining the companies or groups for comparison. Because of the variety of profit and wage patterns among the different companies and industries, there is the problem of finding patterns that can be regarded as typical.

"A simple over-all picture is the trend in the period 1947-56 of compensation of employes (including fringe benefits), profits, and taxes in the manufacturing industries, as computed by the U. S. Department of Commerce in its national income series. . . Figures are given for the manufacturing industries rather than for all corporations because, by and large, it is in this area that the most dynamic changes have been occurring.

"It is clear . . . where, as between the employes, the U. S. Treasury, and the shareholders—the major gains have gone.

"By far the largest share has gone to employes in the form of higher compensation. This soared from $44½ billion in 1947 to more than $83 billion in '56 — nearly double.

"Government took the next biggest bite in the form of income and excess profits taxes. These rose from $6½ billion in '47 to over $12 billion in '56—likewise nearly double.

"By contrast, profits after tax—what remained to the shareholders for the use and risk of their money — have fluctuated around the same dollar levels, meaning a smaller share of the manufacturing industry turnover.

"The totals of employe compensation reflect an increased number of workers as well as higher wage, salary, and benefit rates. Average annual earnings per full-time employe rose from $2,800 in 1947 to $4,600 in 1956 or by 63%. The profit figures, on the other hand, show little reflection of the billions of dollars of new capital poured into these industries over the period. In fact, when allowance is made for this huge additional investment, the rate of return declined.

A Constant Battle

"From the foregoing it is evident that industry, instead of 'fattening its profit margins' has been fighting a constant battle against rising costs. Nevertheless, industrial pricing policies continue to be the target of criticism. Industrial leaders are being haled before Congressional committees and other tribunals to answer charges of 'gouging the public,' 'conspiring to fix and raise prices,' and the like. Union leaders have not yet been called to similar account for the wage inflation that has been a major factor in rising costs.

"The President's statements reflect an understandable neutrality in dealing with these controversial matters. But he pointed out in his Economic Report that high costs of raw materials and wage increases that 'tended to outrun last year's small gain in productivity' were 'pervasive factors' making for higher prices. Secretary of Agriculture Benson, in a speech at Spokane, Washington, denounced with characteristic candor 'soft wage settlements' as responsible for higher prices and for most of the drop in farm income.

Moral Suasion Not Enough

"The President's plea for self-restraint on the part of management and labor is appropriate and timely. The trouble is that, as pointed out in the recent report of the Joint Congressional Economic Committee, this plea conflicts with the financial incentives of both parties.

"The AFL-CIO executive council, at its Miami meeting, served notice that labor unions intended to keep asking for wage increases based on the 'productivity and profitability' of industry—applying, no doubt, their own yardstick on those two crucial points. With new wage contracts to be negotiated this year in the petroleum, rubber, chemical, textile, and paper industries, — to mention a few—it is hard to believe that the unions involved will be satisfied with anything less than the automatic pay boosts scheduled for some five million other workers under long - term agreements signed in the past two years.

"Labor leaders feel it is their job to try to increase workers' wages and other benefits as much as possible. They face competition within their own organizations, and their effectiveness as leaders is judged by how much they can get for their 'constituents,' not only in relation to past gains but also in matching the achievements of other unions.

"Industrialists are equally positive on the need for higher prices to compensate for higher costs. Suggestions that the companies 'hold the line' on prices by absorbing higher wage costs overlook the obligation of management to the shareholders who employ their services. How long could management, neglecting this obligation, remain in office? Can organized labor rightfully claim the lion's share, and more, of increased productivity at the expense of the entrepreneur and the general public? What will such a policy do to the pace of industrial growth and development counted on to create more and more jobs and to better living standards generally?

"Criticism of management for not being more resistant to wage agreements that raise prices ignores the realities. Disregarded are the almost certain consequences of long and costly strikes, damaging not only to the companies directly concerned but also, where major industries are involved, to the community and even to the nation. Where management has tried to make a stand it has often found itself under pressure from the public and government for a 'quick settlement.'

"Concentrations of Power"

"The President, in his Economic Report, referred to 'concentrations of power' making it possible for leaders of business and labor to take actions 'significantly affecting' the nation as a whole. However it may have been in times past, there is no question where this term is most applicable today. Despite the talk of 'giant industrial monopolies,' the fact is that the ability of industry to exert any concerted power of the kind implied falls far short of that now wielded by the great labor combinations.

* * *

The Role of Government

"What all this points up is the major role that government must play if inflation is to be contained. Government is responsible, not to any one group, but to all the people—the shareholder, the worker, the consumer, the retired person living on a fixed income or savings.

"To hold inflationary forces in check, government must be prepared, as emphasized earlier, to adopt appropriate budget and credit policies. This means holding back on its own spending to avoid competing in the markets for scarce goods and services, setting an example of frugality. It means initiating policies of credit restraint calculated to discourage unnecessary borrowing and to encourage people to save more and to pay their debts.

"Such actions are seldom popular, for some people are bound to find themselves squeezed or deprived of expected gains. Also, they involve risk of the brakes being applied too hard. Yet they are unavoidable if greater danger is to be averted, and an answer found to the problem of maintaining stable prices during full employment. How the people measure up to this test will be proof of their maturity and capacity for intelligent management of their affairs."

C. G. Argodale Opens

HOT SPRINGS NATIONAL PARK, Ark. — Constantine G. Argodale is engaging in a securities business from offices at 925 Greenwood Avenue.

Columbus & Southern Ohio Electric Co. 4½% Bonds Offered Publicly

Dillon, Read & Co. Inc. and The Ohio Company headed an investment banking group which offered for public sale yesterday (March 6) a new issue of $16,000,000 of Columbus and Southern Ohio Electric Co. first mortgage bonds, 4½% series, due 1987. The bonds are priced at 101.489 and accrued interest, to yield approximately 4.41% to maturity. The issue was awarded at competitive bidding on March 5 at an interest cost to the company of approximately 4.464%.

The bonds are redeemable at the option of the company at redemption prices scaled from 106.49% in the first year to 100% after March 1, 1986. They are also redeemable under an improvement and sinking fund at prices scaled from 101.36% in 1962 to 100% in 1986.

Proceeds from the sale of the bonds will be added to the company's general funds which will be used in part to carry on the company's construction program, including the payment in large part of bank loans which were incurred for additions and improvements to its electric properties. The company's construction program contemplates expenditures for additions and improvements to its electric properties of about $30,000,000 during 1957 and $25,000,000 during 1958.

The company is an operating public utility providing electric service in two areas in Ohio with a population estimated at 970,000. This includes an area in and around Columbus, Ohio.

Quintin Murray Opens

Quintin A. Murray is engaging in a securities business from offices at 32 Broadway, New York City. Mr. Murray was formerly with Cornelis de Vroedt Co.

Henry Montor Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—LeRoy G. Goldman is now connected with Henry Montor Associates, Inc., 134 South La Salle Street. He was formerly with Bear, Stearns & Co.

Guthrie, Byrd Company Opens in San Antonio

SAN ANTONIO, Tex.—Guthrie, Byrd & Co. has been formed with offices at 115 East Lynwood, to engage in a securities business. Partners are James E. Guthrie and Wille D. Byrd. Both were formerly with Rauscher, Pierce & Co.

Forms Brokerage Co.

GARFIELD, N. J.—Frank Bibik is engaging in a securities business from offices at 99 Willard Street, under the firm name of Frank Bibik Brokerage Co.

W. G. Parker Opens

LETCHER, S. Dak.—Wilbur G. Parker is conducting a securities business from offices here.

Retailers Should Wake Up

By ROGER W. BABSON

Advice to retailers on how to better their competitive position is given by Mr. Babson who finds that "most retailers should wake up or go to work for some other concern."

Retailers nowadays seem to have two questions — where and why? If they would look at the stores where customers are going in and out all day, or follow the customers down the highways and see them going to other towns and cities, they would know "where." Then if they would take a good look at their own business establishment, they would find the answer to "why." In these days of clever advertising together with easy transportation, a customer thinks nothing of traveling miles for a good bargain.

Roger W. Babson

Examine your store, your stock, your employees, and your advertising. Is your store neat and attractive? Can your merchandise be easily seen or is it so jumbled up that even you do not know where a specified item is? How well did you screen your employees before you hired them? Are you getting the most out of your advertising? Retailing today is very competitive; it is destined to be more so. Most retailers should wake up or go to go work for some other concern.

Condition of Store

Walk into the store where the manager is too busy to stand around complaining about poor business. Notice his neatly displayed merchandise; he keeps his stock under control by periodic inventory. He knows what is not selling and therefore does not re-order blindly. Slow-selling items are displayed so as to attract attention.

This man uses his "know-how" to make room for popular merchandise. He or his well-trained help know when to re-order certain items or when a line has been discontinued. His merchandise has been price marked. This not only helps the customer, but also the manager and clerks who could not be expected to memorize the price of every item in the store.

Pay More Money to Fewer Employees

Mr. Manager, you would do well to screen your employees thoroughly. The question, "Can you use a cash register?" should not be sufficient. Make sure, at the beginning, that he or she will use it honestly, or you may find a small percent of your profit trickling out through the register. If you will observe your new employees closely, you will learn whether they are really interested in the work or whether the job is merely a stop-gap for them. Watch if they use your store to kill time by reading or talking to friends while waiting for pay day.

When you have thoroughly screened the applicants and found honest and efficient help, you will be able to pay such employees more money because you will need fewer clerks. Your well-paid employee is an asset to your business. From the customer's viewpoint, nothing is more irritating than to be given a discourteous or unintelligent answer. And since bad publicity travels farther and faster than good publicity, one unhappy customer can do a lot of harm. Your well-paid clerk who studies the stock and price-marks will not let this happen.

Use More Intelligent Advertising

Advertising is very important because it has so many facets. A clean, well-arranged store with attractive window displays is good advertising—as is anything at all that causes people to mention your place favorably, such as friendly, courteous, efficient help. Material is frequently furnished with nationally advertised merchandise, but is too often ignored and put in a corner. Actually, such signs, placed to advantage, catch the eye and bring customers inside.

Do not resent the man in your line of business who is using every means of advertising. He realizes advertising is most important. Many of the ads have clever and unique ideas. You will find they have not used trickery, nor is there any "gimmick," but honest, clever "know-how." A new highway which may by-pass many cities need not be a menace. It may be a booster. The retailer needs to WAKE UP.

Selecting a Location

Often the highest rent is the cheapest rent. The brightest retailers will get located as near as possible to an off-street parking lot. It also helps a small retailer to be close to a big store with a lot of customers. The best location for almost any retailer is adjoining a supermarket; the important thing is to get traffic into your store. It often pays to buy out some sleepy retailer who has a good location. If you have a good location, make a long lease; but if you have a poor location, lease only by the year.

Continued from page 14

The Business Economist— His Role and Problems

with the War Industries Board. He found that he needed lots of figures to understand what was going on and he set up data-collecting techniques. After the war ended, the "Survey of Current Business" was instituted under Herbert Hoover, as Secretary of Commerce. The Survey is a wonderful source of figures today—most of which are subsequently revised in the same publication!

In the 1920's business analysts were riding high. They felt that they had the problems of business forecasting firmly under control. Just a few more figures and a few more analyses were needed to understand fully the mechanism of what seemed to be a well-ordered economy.

By 1933 they were somewhat more humble, but they had gained a lot of experience and continued to give advice on how to climb out of the depression. They had this strong point in their favor. Their batting average on business forecasting was no worse than that of business leaders and politicians.

The situation now is a far cry from that of 50 years ago. Today, statistics and forecasts are all over the place. Gross National Product, National Income, Personal Income, Federal Reserve policy, consumer debt, housing starts, retail sales, new orders, and inventories, to mention only a few, are commonplace subjects in any group of businessmen. You name it and someone will have up-to-date statistics about it. We even have data on what producers and consumers plan to do; **however,** you don't get your money back if they change their minds.

There are some 1,500 services to which you can subscribe for anywheres from $2.50 to $2,500 a year and, furthermore, there are excellent reports and analyses which are free on request.

Getting down now to the current model business economist, his role is to select out of the great mass of available material that which his experience indicates to be reliable information, to employ judgment as to what is applicable to the problems of his business and to interpret it in clear and concise form for the use of the policy makers of his business. He is fulfilling his role if he provides management with information which will permit it to take better advantage of future conditions than it would otherwise be able to do.

Economics in A. T. & T. Co.

The job of economist in the A. T. & T. Co. has undergone many changes with the passage of years and has evolved to the point where it now consists of three major subdivisions, each in charge of a supervising statistician. One of these groups is concerned with studies in demography. They analyze the tremendous mass of material available from the Bureau of the Census and develop trends in birth rates, death rates, and mirgations, and also in changing age distributions. From there they compile bulletins of useful information in condensed form concerning the past and make projections into the future for the country as a whole and by states. A number of papers have been prepared and issued which present information as to major past and future trends in easy-to-read form for general management guidance.

Chart 2 shows the number of females reaching the age 18 for a number of past years and also for a number of future years as an example of the demographic work. The increase which lies ahead is very large indeed, and furthermore, this is more than a forecast. All the girls who will reach age 18 for the years shown are already born!

A second group is concerned with winnowing pertinent economic statistics from the enormous supply available and presenting them in significant and concise form. They issue a monthly letter for Bell System management use on the current state of business conditions, including comment and analysis. They issue monthly a four-page bulletin of economic charts showing in graphic form the currently significant indexes. This group also compiles and maintains the A. T. & T. Index of Industrial Activity. It is based upon a much smaller sample than the Federal Reserve index, but has rather similar movements. It goes beyond the Federal Reserve index in that a long-term trend is computed and also percent deviations from this trend.

A third group prepares analyses of the prospective cyclical fluctuations and of long-term trends in the economy, including productivity, Personal Income, Gross National Product, and Consumer Price Index. They use much of the material assembled in the other groups and also prepare original analyses and reports of their own in order to advise management as to the shape of things to come in the economic sphere. They go on from there and make broad interpretations as to the significance of the cyclical fluctuations and the longer-term economic trends in terms of probable future demand for telephone services, including telephones and long distance messages.

Chart 3 shows an analysis as to the long-term trend in output per man-hour as an example of this area of activity. Combined with projections of employment and average hours of work, it underlies projections of personal income in constant dollars.

Work of Operating Companies

In addition to the economic work done at the A. T. & T. Co., mostly on a national scale, each of the Bell Telephone Operating Companies generally has a smaller group working on similar problems for the state or states which it serves. The economists and economic statisticians in the Bell System develop their views as to where we are and

CHART I

THE GROWTH OF INDUSTRIAL ACTIVITY

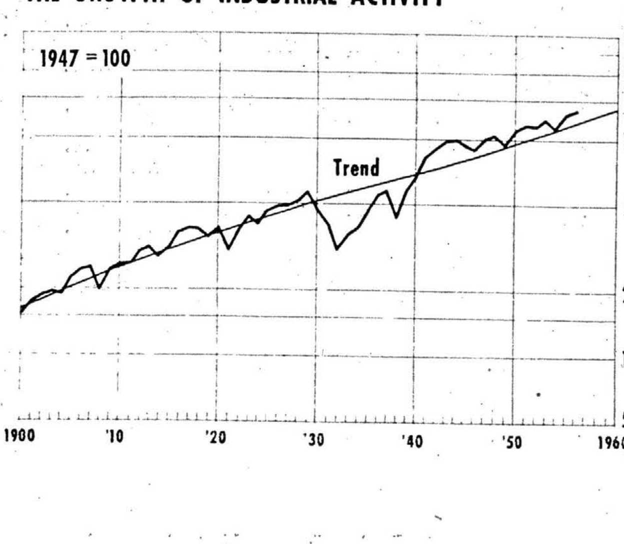


CHART II

FEMALES REACHING AGE 18 AND FEMALE BIRTHS 18 YEARS EARLIER

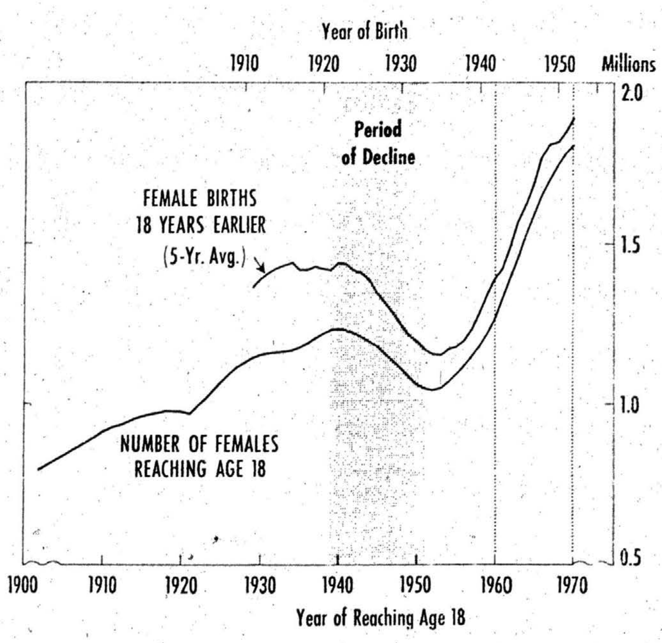
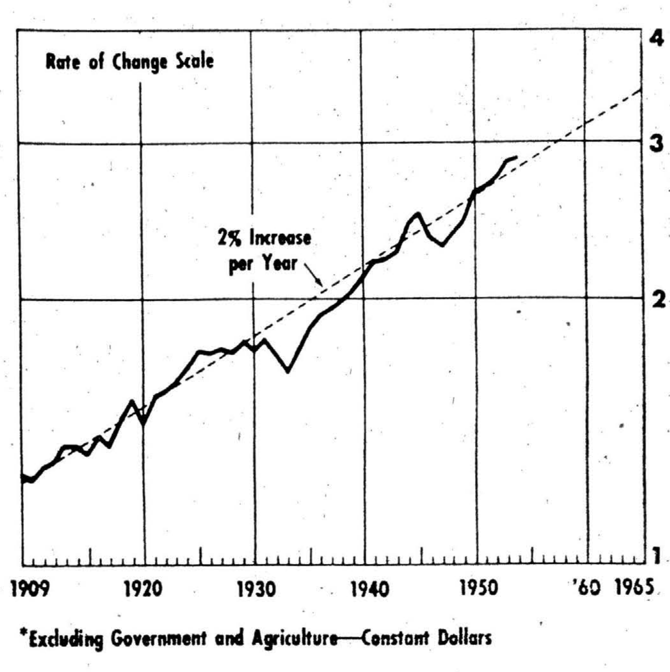


CHART III

OUTPUT PER MAN-HOUR*



*Excluding Government and Agriculture—Constant Dollars where we are headed within the framework of economic analysis.

The Bell Telephone Operating Companies are faced with continuous growth and expansion to meet the customers' needs. The rates of growth vary widely among different states and as between rural and urban and also as among the many different urban areas. The construction programs are developed on a grass-roots basis by the local operating people who are familiar with the local scenes in terms of new construction for housing, factories, stores, etc. These estimates, which are compiled locally, constitute the basic construction programs. However, they are summarized and compared with the over-all views derived by the economists from a general point of view. Where there are differences, they are reconciled.

The views of the economists as to five, ten and even fifteen-year trends by states serves an important function in that they provide perspective for those who are concerned with the construction programs which are mainly one year to two years into the future. Views of managers are materially affected by cyclical fluctuations in general business conditions, including housing starts, and a longer-term view helps to avoid excesses of optimism and of the reverse.

The basic trends in prices and interest rates are also of considerable importance to management in its basic planning and it is important to keep closely informed on these subjects as well.

Translating Economic Knowledge

After a conclusion is reached as to the probable long- and short-term outlook for a given economic index, there is the most important task of translation into terms of the telephone business. If GNP is likely to rise from $412 billion in 1956 to $650 billion in a future year, what does this mean in terms of probable demand for telephone service? This requires a number of careful analyses in order to arrive at a useful prediction. It seems clear to me that the work of the economist is not too helpful, and may be misleading, if he does not carry through on this type of presentation.

In brief, the role and problem of the business economist is that of broad understanding of the trends of the times, both past and prospective, the formulation of a clear statement of those trends and an interpretation as to their significance to a specific industry or company.

The Bell Telephone Companies recruit many college graduates each year with different specialties, ranging from engineering to mathematics to English and to economics. They generally are employed initially in the operating end of the business and put to work on operating problems. When the economist needs a new man in his organization he looks over the field and seeks a man with the right academic background and who has acquired a working familiarity with the problems of the business. Generally, he is kept a few years on economic work and returned again to the management stream in the operating organizations. There are some who remain much longer in the economic work, for special reasons, but numerically they are in the minority. The abilities to understand, interpret and express simply their thoughts are paramount qualifications.

What the Executive Wants

The alert executive will say in effect to an economist, "We live in a highly complex economy. What I want you to do is to tell me where we are now, where we are headed, and tell me about it in concise, and non-technical language. First tell me in terms of the standard economic measures and then tell me in terms of my business."

The economist will reply that he will do his best on the assignment as stated but he should go on to say that economic analysis and forecasting is not an exact science. He is working in the area of human behavior and that, while broad trends do exist, wide departures from these trends will occur from time to time as the cumulative result of future decisions of managers.

Long-term trends are more dependable than short-term cyclical movements about those trends. However, human actions can alter both long- and short-term trends and we are not in a position to predict events with the certainty that an astronomer can when he predicts the next eclipse.

I do believe that general comprehension of economic causes and effects is greater today than ever before, but the millennium has not been reached. One of our problems is to help speed even greater undestanding.

Copley Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—Clayton A. Lind has become affiliated with Copley and Company, Burns Building.

Joins Arthur Weir

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo. — Robert A. Lincoln is now connected with Arthur L. Weir & Company, Burns Building.

Two With Carroll

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Morton L. Flax and Philip N. Stewart have been added to the staff of Carroll & Co., Denver Club Building.

Joins Columbine Securities

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Harry N. Gurley is with Columbine Securities Corp., 1780 South Broadway.

With Stone & Webster

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John A. McPike has become affiliated with Stone & Webster Securities Corp., 33 South Clark Street. He was formerly with Barclay Investment Co.

Armstrong to Address N. Y. Security Dealers

The New York Security Dealers Association will hold its 31st annual dinner Friday evening (March 8th) at the Biltmore Hotel. J. Sinclair Armstrong, Chairman of the Securities and Exchange Commission, will be the principal speaker.

Two With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert D. Kirk, Jr. and Alfred G. Nadeau are now associated with Investors Planning Corp. of New England, Inc., 68 Devonshire Street.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Promotions were announced for five officers assigned to Manhattan branch offices of **The First National City Bank of New York.**

John J. Blumers, 34th Street Office, was promoted from Assistant Manager to Assistant Vice-President.

Robert W. Deuchar, manager of the Chelsea Office, was promoted to Assistant Cashier and assigned to the 34th Street office.

James J. Ryan, Jr., 26 Broadway Office, was promoted to Assistant Cashier.

John J. Buyer, Assistant Manager at the 32nd Street Office, was promoted to Manager and assigned to the Chelsea Office.

Gordon S. Torode, Assistant Manager at the Madison Avenue Office, was promoted to Manager succeeding George R. McGee, Jr., who is retiring.

* * *

Robert T. Snyder has been appointed Assistant Vice-President of **Chemical Corn Exchange Bank, New York,** it was announced on March 5 by Harold H. Helm, Chairman.

Mr. Snyder, joined Chemical Corn Exchange Bank in 1946 where he has served as Assistant Secretary since 1955. He is located at the bank's 300 Park Avenue Office.

* * *

J. Victor Herd, Chairman and President of the four insurance companies comprising the America Fore Insurance Group, has been elected a trustee of **The Hanover Bank, New York.**

* * *

American Trust Company, New York, N. Y. was given approval on Feb. 26 to increase its capital stock from $1,250,000, consisting of 125,000 shares of the par value of $10 each, to $1,750,000, consisting of 175,000 shares of the same par value.

* * *

Jay E. Crane, a Director and Member of the Executive Committee of the Standard Oil Company (New Jersey) has been elected a Director of **The New York Trust Company, New York,** it was announced on March 5 by Adrian M. Massie, Chairman of the Board, and Hulbert S. Aldrich, President.

Mr. Crane joined the Standard Oil Company (New Jersey) in 1935 after many years with the Federal Reserve Bank of New York, where he was, prior to 1935, Deputy Governor in charge of the bank's foreign business. During the period from Jan. 20, 1953 to Dec. 31, 1956, Mr. Crane was Chairman of the Board of the Federal Reserve Bank of New York. He is a Trustee of the Committee for Economic Development.

The following promotions were also announced:

Prescott Evarts, who for some years has been with the personal trust division at the main office, was appointed an Assistant Treasurer. He will be assigned to the bank's new office at Madison Avenue and 59th Street, headed by Donal C. O'Brien, Vice-President, which is scheduled to open in May. He will engage in new business, development activities and handle personal trusts, custodian and general banking accounts.

Charles B. Straut, Jr., was appointed an Assistant Treasurer and assigned to the bank's eastern district headed by Granger Costikyan, Vice-President. He will cover the states of Maryland, Delaware, New Jersey and Pennsylvania.

Peter Haaren was appointed an Assistant Treasurer and assigned to the bank's mid-western division headed by R. L. Ireland, III, Vice-President. He will cover the states of Illinois, Iowa, Wisconsin, Minnesota, North Dakota and South Dakota.

Andrew J. Murphy was appointed an Assistant Secretary in the administrative division where he will be engaged in the bank's operations, systems and planning activities.

* * *

The election of Charles A. Mastronardi as a Director of **The Lafayette National Bank of Brooklyn, New York,** was announced on Feb. 27.

* * *

The First National Bank and Trust Company of Bay Shore, New York increased its common capital stock from $362,500 to $456,750 by a stock dividend effective Feb. 19 (18,270 shares, par value $25).

* * *

The appointments of Homer R. Berryman and Edward L. Brown as Assistant Vice-President of the **Marine Trust Company of Western New York** were announced on March 4 by President Francis A. Smith. Both officers are members of the Bank's Municipal Securities Department and are promoted from the rank of Assistant Secretary. Mr. Smith also announced the appointment of Lloyd L. Dietrich as Assistant Manager of the Sheridan Plaza office.

Mr. Berryman, who is Manager of Bond Distribution, has been with the department since 1938 and has served as Assistant Secretary since 1946.

Mr. Brown, who is Manager of the Municipal Consulting Service, joined Marine's Municipal Securities Department in 1947.

Mr. Dietrich has served at the Sheridan Plaza office since August 1955 as an Administrative Assistant. Previously he was Chief Clerk at the Rand Building office, where he had served for several years in various capacities. He joined the old **City Trust Company** in 1923 having previously been associated with **Bank of America in New York.** City Trust subsequently merged with **Bank of Buffalo** which later became part of the Marine Trust Company.

* * *

Fair Haven National Bank, Fair Haven, N. Y., with common stock of $25,000 was merged as of the close of business Feb. 15, into **Lincoln National Bank and Trust Company of Syracuse, Syracuse, N. Y.,** with common stock of $1,500,000. The merger was effected under the charter and title of "Lincoln National Bank and Trust Company of Syracuse."

At the effective date of merger, the receiving association will have capital stock of $1,895,000, divided into 189.500 shares of common stock of the par value of $10 each; surplus of $3,470,000: and undivided profits, including capital reserves, of not less than $1,481,439.

* * *

Haledon National Bank, Haledon, N. J., with common stock of $175,000 went into voluntary liquidation effective at 8:00 p.m. (EST), Feb. 5 and was absorbed by **County Bank and Trust Company, Paterson, N. J.** Liquidating Committee: Virginius J. Grassey, Abraham M. Fiering and Ernest J. Appel, care of the liquidating bank.

* * *

A career of more than 50 years has ended for George A. Dutton, Assistant Treasurer of **Fidelity Trust Company, Pittsburgh, Pa.**

Mr. Dutton has retired from his familiar post at the bank's Oliver Building Office, which at one time was the **Western Savings Bank.**

On Jan. 8, 1907, Mr. Dutton, than 16 years of age, entered the bank and applied for his first job. Except for one year in the Army during World War I, his service there was continuous.

Mr. Dutton's first duties were clerking tasks, but he moved ahead until he was Cashier of the Western Savings Bank at the time it was sold to Fidelity, in 1947. There were only two other officers at the time of liquidation.

He recalls that Western Savings was the only small bank in Pittsburgh's Golden Triangle that didn't collapse during the depression.

* * *

Combined capital stock and surplus of **Central National Bank of Cleveland, Ohio,** has been increased from $30,000,000 to $35,000,000, it was announced on Feb. 18 by Loring L. Gelbach, President.

The sale of 125,000 shares of new capital stock added $2,000,000 to capital and $2,375,000 to surplus. These additions plus a transfer of $625,000 to surplus from undivided profits accounted for the $5,000,000 increase in capital and surplus.

Total shares outstanding have been increased from 875,000 to 1,000,000.

Shareholders subscribed for 121,143 shares or 97% of the new issue. The balance of 3,857 shares will be offered to investors by a group of security dealers headed by McDonald and Company of Cleveland.

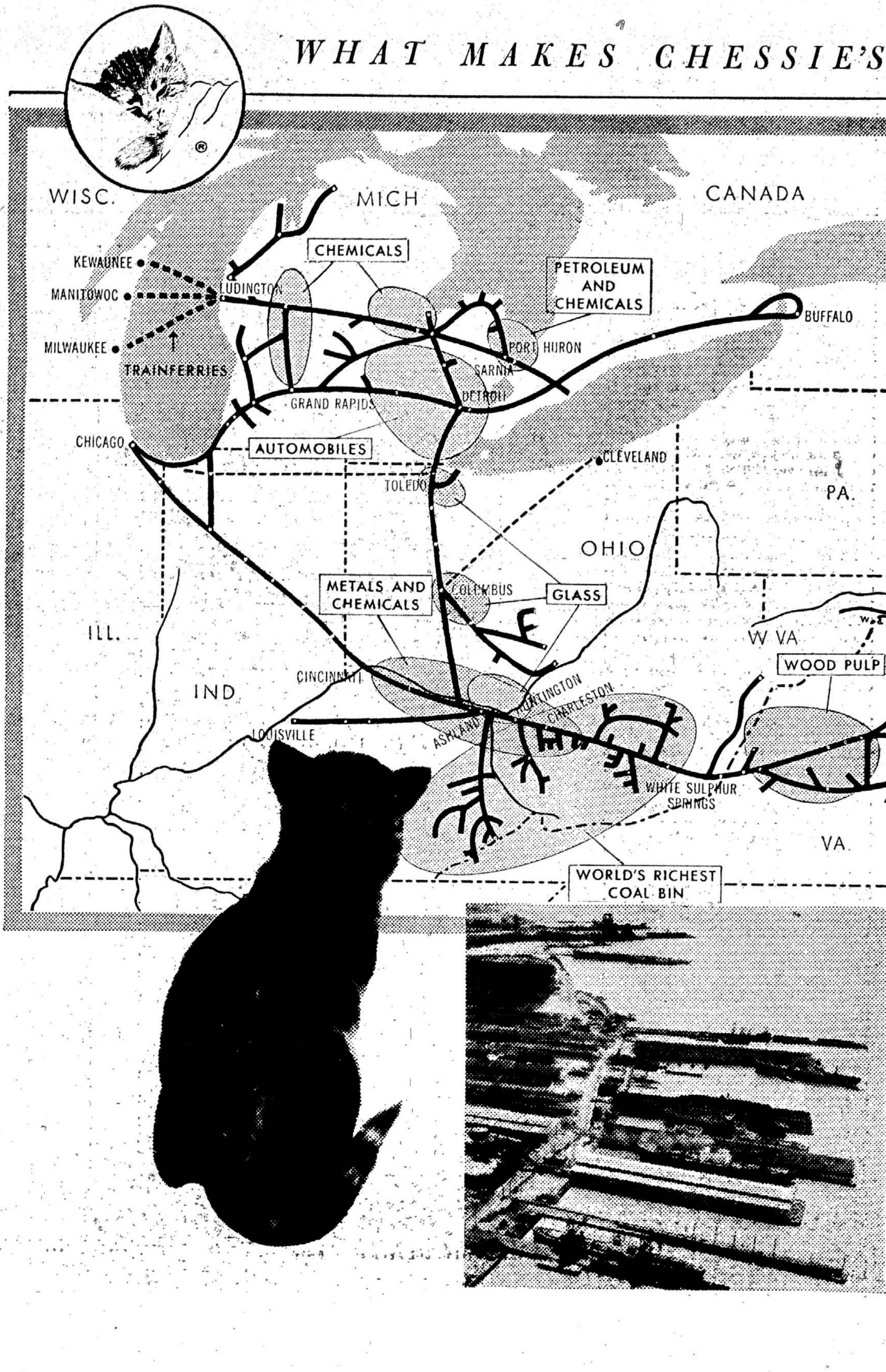
Subscription rights to the new stock which were offered in the ratio of one share for each seven shares held, expired Feb. 13, 1957.

* * *

Detroit's new **Public Bank,** the first new commercial bank in over seven years, will open here within a few months, Joseph F. Vernelle who will head the new institution, announced on Feb. 28. He continued—

"Approval of the 'Application for the right to organize' came in the form of a Supreme Court decision upholding the May 23, 1956 decision of the Honorable Louis E. Coash, Judge of the Circuit Court for Ingham County. Upon the failure of the late Banking Commissioner to act, the Judge had ruled that our group was entitled to have its application approved as the Banking Commissioner was completely satisfied with the fitness and responsibility of all of the applicants, satisfied there is necessity for a new bank and satisfied with the likelihood of its success.

"All the applicants and all others who are parties to our application would want me to thank the literally thousands of our friends for their expressions of support and good will without which our determination to maintain our free institutions and to



recognize our obligation as free men to remain free, would have been a difficult trial.

"Public Bank will have an initial capital of $2,500,000, consisting of 100,000 shares of stock at $25 per share. These shares will be made available in $25 units to as large a number of applicants as possible."

* * *

Effective Feb. 21, the common capital stock of **The Laredo National Bank, Laredo, Texas,** was increased from $400,000 to $425,000 by a stock dividend and from $425,000 to $500,000 by the sale of new stock (5,000 shares, par value $100).

* * *

The Idaho First National Bank, Boise, Idaho, increased its common capital stock from $4,200,000 to $4,500,000 by a stock dividend and from $4,500,000 to $5,000,000 by the sale of new stock, effective Feb. 18 (500,000 shares, par value $10).

* * *

Confidence in Guatemala's spirited industrial and agricultural activity as well as invitations from government and business leaders led to **Bank of America's (International), San Francisco, Calif.,** decision to open a branch in that country, Russell G. Smith, Executive Vice-President, disclosed.

"We are opening a branch there to help provide the banking service required for the continuing development and progress of Guatemala."

Mr. Smith is in charge of international banking activities for Bank of America N. T. & S. A., parent organization of the wholly-owned subsidiary Bank of America (International).

The international banker said that permission to establish the branch had been received from the Federal Reserve Board and the Guatemalian Government and it will open shortly in Guatemala City.

"William H. Bolin has been appointed manager," Mr. Smith announced. "At present he is an Assistant Vice-President in the Latin American section of our International Banking department in San Francisco."

Other officers of the branch are M. O. Sesenna, Assistant Manager, recently at the Tokyo branch, Arthur Giraldi, operations officer, formerly at Osaka, Japan, and his assistant, William B. Johnson.

* * *

Albert C. Nussbaumer, who resigned as General Manager of the **Swiss Bank Corporation, Basle, Switzerland,** at the end of last year, was elected to the bank's board of directors by the shareholders at their 85th annual meeting which was held in Basle, Switzerland.

Stockholders also approved a recommendation of the bank's management that a dividend of 9% be paid for 1956, compared with 8% disbursed for 1955, and to credit 4,000,000 Swiss Francs to a special reserve account.

Also elected directors of Swiss Bank Corp. were Dr. Viktor R. Pfrunder and Kurt Vischer.

The Swiss Bank Corporation announce that after writing off Sfcs. 3,156,488—the net profit for 1956 amounts to Sfcs. 25,444,316, against Sfcs. 22,745,129 last year. The total assets amount to Sfcs. 3,391,980,239 against Sfcs. 3,148,932,805.

At the general meeting to be held in Basle on the 1st March, 1957, it will be proposed to make a contribution of Sfcs. 2,000,000 (as last year) to the pension fund, to allocate Sfcs. 2,500,000 (as last year) to the reserve for new buildings and to place Sfcs. 4,000,000 (same) to special reserve fund.

Before closing the accounts for 1956 the Board transferred Sfcs. 2,000,000 from tax-paid internal reserves to a special reserve.

To Lecture In Series On International Aid

Harold K. Hochschild, Chairman of the Board of Directors, American Metal Co., Limited, will speak on "Problems of American Industry in Under-Developed Countries" at the New School for Social Research, Thursday, March 7 at 8:30 p.m.

Mr. Hochschild will be guest lecturer in the series, International Aid: Its Range and Impact, conducted by Arno Huth, international communications expert.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

It is the contention of some money market specialists that interest rates have entered a plateau, which they interpret to mean that fluctuations up and down will not be too significant for the foreseeable future. On the other hand, there are other money market followers who believe that the demand for credit will tend to decline after the income tax borrowings and the coming Treasury financing has been digested. There seems to be very little doubt but what the monetary authorities are still looking at the economic picture with inflation tinged glasses. This, however, could be subject to change without too much prior notice, if certain of the business indicators should continue to worsen.

Short-term money, irrespective of the near-term demands, appears to be building up and this should prevent these rates from advancing too sharply. The long-term market will bear the brunt of the market uncertainty in spite of more money being available to buy these issues.

Borrowings for Tax Payments

The money market seems to be somewhat more concerned with "income-tax payment" borrowings, because these loans will no doubt increase slightly the pressure which is being kept on interest rates and credit. The amount of credit which will be needed to meet these demands is not expected to be as large as it was a year ago. Nonetheless, it is evident that such loans will tend to have a tightening effect on the money market, even though they might not be too sizable, and in face of the monetary authorities making available to the lending institutions funds which could be used to ease this strain.

It is believed that the Central Banks will give positive help to the money market in order to tide it over the March 15 tax period. These borrowings will not have a lasting effect on the money market and, as soon as this phase has past, which should not take too long, there should be a more favorable tone to the market for fixed income obligations.

Increased Investment in Debt Securities

In spite of the expressed demand for loanable funds, which is expected to continue for awhile, there is more money now available for investment in long-term bonds than has been the case for some time. Institutional investors recently have been, and still are putting money to work in fixed income bearing obligations in larger amounts than has been seen in a rather considerable period. To be sure, not an unimportant part of these funds, according to reports, have come, not only from the proceeds of the sale of common stocks, but also from money which in the past would have been invested in equities. Also, it is indicated that money which has been available for mortgage financing in the not too distant past is being put to work now in fixed income issues.

To be sure, up to the present time not too much of this money is being invested in Government bonds because they are not yet as attractive as corporate and tax-exempt obligations. Nonetheless, certain public pension funds (some of which must buy Treasuries) have been fairly sizable buyers of Government bonds, especially as quotations ease down or as offerings appear in the market in size large enough to make it worthwhile.

Treasury Cash Needs Mounting

Not only is the income tax period haunting the money market again but the impending new money financing by the Treasury is also having an influence on the thinking and action of those operating in the money markets. Because Treasury balances are very low, it was no surprise when the announcement was made on Monday that new money financing will take place on March 18. With the Treasury about to borrow in order to replenish its cash resources, comes discussions about the type of obligation that will be used in this financing.

There has been some talk that a long-term bond would have a place in the coming operation. To try and guess what the Treasury will do in its financing has been a lost cause in the past. Nonetheless, with long Government bonds not yet in a competitive position with corporates and tax-exempts, it does not seem as though the Treasury will be too much interested in the adjustment in yield which would have to be made to make the more distant Governments as attractive as the non-Government bonds.

Therefore, it is believed that the new money borrowings of the Treasury will follow to a considerable degree the pattern which was used in the recent refunding, namely a certificate and an issue within the note maturity range. More money will be available to the Government by continuing the larger weekly offerings of Treasury bills.

Public Utility Securities

By OWEN ELY

Union Electric Company

Union Electric Company and subsidiaries serves 650,000 electric and 35,000 gas customers, in a service area of about 19,000 square miles in central and north Missouri, the lead belt in Southeast Missouri, the industrial area across the Mississippi from St. Louis in Illinois, and the southeast corner of Iowa. About three-quarters of electric revenues come from the St. Louis area. Electricity contributes about 94% of revenues, with the balance from gas, steam heating, etc. Electric revenues are about 34% residential, 22% commercial, 34% industrial and 8% other utilities.

St. Louis is known as the "gateway city" being strategically located as to raw materials, markets, and transportation. It ranks second among American cities as a railway and trucking center, and is at the center of the world's largest inland waterways system. Its location near the geographic and population centers of the nation enables it to offer industry unrivalled marketing advantages. The service area surrounding St. Louis includes rich farm lands and deposits of lead, coal, clay, silica and other mineral resources. Some 347 different types of industry are represented in this area, but no single industry is responsible for more than 4.1% of the company's total revenues.

St. Louis is in the midst of one of its most vigorous periods. During the years 1954-1955 over one billion dollars of capital investment were spent or committed to future spending on 270 industrial, commercial, institutional and public projects. Bond issues of some $165 million have been voted to finance clearance of blighted areas, construction of schools, other public buildings, and an accelerated construction program for modern expressways in St. Louis and St. Louis County. Voting of these funds has made available up to $325 million in federal and state funds, and this expenditure will generate an estimated $350 million of privately financed construction in the area cleared of slums.

Union Electric's share earnings have increased steadily from $1.24 in 1952 (when the stock was first distributed to stockholders of North American Company) to $1.70 in 1955 and about the same amount in 1956. Earnings last year were disappointing for several reasons. Temporary kwh sales to Electric Energy, Inc. dropped from $5.1 million in 1955 to only $1.4 million in 1956. Summer weather was cooler compared with 1955. Hydro conditions were the worst since 1934, increasing production costs by $1.1 million, or about 5¢ a share; and the most severe sleet storm in 30 years resulted in loss of revenue and increased expenses. On the other hand the company realized a profit of about $750,000 after taxes from sale of non-utility properties (including a small railway no longer considered necessary to operations) partially offset by loss of earnings, the net favorable effect on earnings being about 6¢ a share.

If unusual factors, both plus and minus, are eliminated from the years 1955 and 1956, it is estimated that per share earnings would have been $1.55 and $1.65, respectively. In 1957 the company estimates an increase of 9 to 10% in kwh sales, and 8 to 9% in revenues. President McAfee has estimated 1957 earnings (in response to an inquiry) at **roughly $1.80 a share, assuming normal hydro conditions;** in addition to this there will be a non-recurring profit on sale of a coal mine approximating 22¢ a share after taxes, which would raise total earnings to an estimated $2.02.

The company is now near the end of the period of transition that began in 1952 with the plan for dissolution of North American Company. Over $50 million of capital has come into the company without any increase in fixed charges — first from the North American Plan itself and later from sale of various non-utility properties. These proceeds have gone into the construction program and have helped to keep the equity ratio in a range of about 32-36% without sale of additional shares.

The company expects to spend about $330 million for construction in the five-year period 1957-61, of which $200 million or more would be raised by sale of securities. It does not plan to do any permanent financing this year, but in 1958 expects to raise $50-60 million by selling about equal amounts of bonds and common stock. Further equity financing would probably not occur until some time after 1960. At the end of 1961 capital ratios should be about as follows: bonds 53%, preferred stock 13%, and common stock equity 34%.

Regarding dividend policy, President McAfee, in a recent talk to security analysts, stated that there were several reasons for raising the dividend rate from $1.40 to $1.52 in the last quarter of 1956: an earned surplus of $39 million, giving assurance that the rate could be maintained through a temporary setback in business; the 22¢ non-recurring income in 1957; anticipated steady growth; and the anticipation that, beginning in the last half of 1957, about 20% of dividend payments will be free of Federal income taxes, as a return of capital. For the four years following 1957 approximately 40% of dividends in each year should be non-taxable. It seems likely that some portion should be tax-free thereafter but the study has not extended beyond 1961.

Union Electric's rate of return on a net original cost basis was 5.94% for 1956—a reduction of .36% from the previous year. However, for rate purposes, the return is adjusted up or down to coincide with average hydro experience, and after this adjustment, the 1956 return becomes 6.14%.

Union Electric has been selling recently at 27½ to yield 5.5%. The price-earnings ratio is 16.1 based on 1956 earnings and 15.3 based on the estimated 1957 earnings, excluding the non-recurring 22¢.

Sanderson Opens Office

MONTE VISTA, Colo.—Harvey L. Sanderson is conducting a securities business from offices at 240 First Avenue.

With A. C. Allyn

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William B. Holmes is now with A. C. Allyn and Co., Inc., 30 Federal Street.

Joins Hemphill Noyes

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard H. Olney has joined the staff of Hemphill, Noyes & Co., 10 Post Office Square.

With J. P. Arms

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Leonard R. Westcott is now affiliated with J. P. Arms, Incorporated, Pillsbury Building.

Everett King With J. N. Russell & Co.

CLEVELAND, Ohio — J. N. Russell & Co., Inc., Union Commerce Building, members of the New York Stock Exchange, announced that Everett A. King has become associated with them in the firm's Trading Department.

Everett A. King

Starting his career in 1919 with Maynard H. Murch & Co., followed by Fulton, Reid & Co., Mr. King was Manager of the Trading Department for 19 years. He was President of the Cleveland Security Traders Association in 1951 and a member of the Cleveland Stock Exchange, and its successor, Midwest Stock Exchange, until 1955.

Coffee & Sugar Exch. 75th Anniversary

The New York Coffee and Sugar Exchange is celebrating its 75th Anniversary this year.

The observance was formally launched with a Diamond Jubilee Reception and Dinner, March 4, in the Grand Ballroom of the Waldorf-Astoria for some 800 persons, including the Ambassadors of the principal coffee and sugar producing nations of the world. Senator Homer E. Capehart, Republican of Indiana, was the featured speaker.

First Boston Group Underwrites Lone Star Gas Pfd. Stock Offer

Lone Star Gas Co. is offering rights to subscribe at par ($100 per share) for 154,834 shares of its 4.84% cumulative convertible preferred stock to its common stockholders on the basis of one share of the new preferred stock for each 40 shares of common stock held of record March 5, 1957. The stock is convertible into common stock at $33½ per share to and including March 31, 1967, and at $37½ thereafter.

A group headed by The First Boston Corp., will purchase any unsubscribed shares at the termination of the offer on March 25.

Net proceeds from the sale of the preferred stock will be used, together with cash on hand, to pay the company's current bank borrowings, presently aggregating $20,000,000 made to provide a portion of the funds for the company's 1955 and 1956 construction programs.

Lone Star Gas Co. owns and operates interconnected natural gas transmission lines, gathering lines, compressor stations, gasoline plants, distribution systems and related properties through and by which it presently transports and distributes natural gas to more than 764,000 natural gas consumers in portions of Texas and Oklahoma.

For the fiscal year ended Dec. 31, 1956, total operating revenues of the company and its wholly-owned subsidiary, Lone Star Producing Co., amounted to $95,361,770 and net income to $14,111,151. This compared with total operating revenues of $87,615,439 and net income of $12,682,675 in 1955.

The new preferred stock is redeemable at prices ranging from $105 per share if redeemed before April 1, 1961, to $100 per share if redeemed after April 1, 1972.

Continued from page 3

Confident Look Ahead at Freight Transportation

think Piggyback, in due time, will replace practically every box car in the country—that the time is coming when all the freight now carried by the nation's fleet of 719,000 box cars will be moved instead by trailers moving on flat cars. And, I don't think the time is too far off.

Here's why I think so. Piggyback stands on a solid three-point foundation. First: the shipper wants better service. Piggyback gives him better service. Second: the highway motor carrier wants lower costs. Piggyback gives him lower costs. Third: the railroads want more profitable business. Piggyback gives them more profitable business.

For example, Piggyback provides the shipper with the tailor-made service of the truck trailer.

Piggyback gives the shipper the fine service of over-the-road truck movement.

And in the Piggyback service, loss and damage rates are the lowest in history.

All sorts of interesting and exciting things are happening in Piggyback traffic. For instance, right now a "Wall Street Journal" printing press is enroute from New York to San Francisco in what is believed to be the first coast-to-coast Piggyback freight shipment. This shipment of 18 tons — the first of several — was picked up by truck-trailer. The trailer was loaded aboard a flat car at the Lackawanna Railroad's Hoboken, N. J., Terminal. It is moving to the Golden Gate on the Lackawanna to Buffalo, the Wabash to Chicago and the Santa Fe to San Francisco. Additional printing press shipments, destined for the "Journal's" plant in San Francisco, will go by Piggyback over a route including the Erie, Cotton Belt, Texas & New Orleans and Southern Pacific railroads.

Piggyback brings the railroads and the motor carriers into a profitable partnership. When the momentum of rapid Piggyback growth got under way some three or four years ago, many people asked: "Where is this business going to come from? Who is going to lose traffic?"

Nobody Will Lose Traffic

This was natural enough. But, we know now that nobody is losing traffic to Piggyback. Let's not forget first of all, that the yearly job of transporting the nation's production is a growing job. The ton-miles of freight hauled by railroads and motor carriers combined grew by more than 2.5% per year from 1950 to 1955. That's over 25% in 10 years to 1960.

As the transportation industry faces up to this growing volume of traffic, the question is not: "Who is going to grab this from whom?" But: "How can we carry most efficiently this annual addition to the traffic load?"

We in the transportation business are learning, too, that there is no fixed amount of traffic in the country to be fought over and divided between the various agencies. Better service and fair rates mean more business for all.

For a long time the highway carriers and the railroads have been intense rivals. Good news for one had to sound like bad news for the other. But, Piggyback is good news for both. Piggyback is the formula for carrying forward the brilliant record of improvement in the transportation service, this time on the principle of teamwork and cooperative effort for the benefit of the shipping public.

I have been noting with interest the tremendous enthusiasm in Cleveland over the coming of the St. Lawrence Seaway.

Cleveland As a Seaport

It is not often in history that a major city located over 500 miles from the ocean, suddenly finds itself becoming a world seaport. All eyes are fixed on the coming wave of foreign trade. But, recently, a new idea has been introduced into the picture — the idea that the St. Lawrence Seaway is going to give a big boost to internal commerce, to—a boost to trade between American cities right within the country.

In the current issue of "Harper's Magazine," there's an excellent article by Professor Marvin J. Barloon of Cleveland's own Western Reserve University.

Professor Barloon points out what it will mean to internal commerce to deepen to 27 feet all the channels and major harbors of the Great Lakes. The present limiting depth are 21½ to 25½ feet. Adding from 1½ to 5½ feet of depth will bring down operating costs—and bring them down a lot.

On a big ore carrier, for example, you can load 1,250 tons more of cargo for every additional foot of draft and with very little increase in running expense. Professor Barloon also writes about ships carrying loaded trailers between American ports on the high seas and says that we may possibly look forward to seeing trailerships on the Great Lakes, too. I definitely think we will see them on the Great Lakes, and lots of them. I'll tell you why.

Loaded trailers carried on shipboard have put the coastwise and intercoastal carriers back in the limelight. The big headache of coastal shipping has been the cost of loading and unloading. By conventional methods, it takes anywhere from four to five days to unload and load a ship, and at $270 an hour, with every single load going down the hatch, you can see the money going down a rat hole. Coastwise carriers report that 50 to 55% of the shipper's dollar goes for loading and unloading.

Fishyback Savings

The shipper thinks he's paying for transportation. But, most of what he pays goes to meet the costs of the ship standing still. And to this the loss and damage from all the handling and rehandling of his cargo, and the exasperating delays, and you have enough to give a shipping executive a first class case of ulcers.

But, when you roll the cargo aboard in a highway trailer, instead of holding the ship in port four or five days, she's in and out in eight hours or less.

And instead of spending 50% of the shipper's dollar on cargo handling, you cut this, not to 25%, not to 10%, but to only 3%—and 3% is the highest figure I've seen on Fishyback loading costs. Now, a cost cut from 50% down to 3% is nothing short of revolutionary, and this change is on the way to revolutionize deep water coastal shipping!

You might suppose that putting highway trailers aboard a ship would waste so much space that all your savings in port would be lost. Not at all. I'll admit, the trailers do take up a lot of extra space. But because they cut down time in port so drastically, a trailer ship spends most of her time on the move. The result is, that by the roll-on, roll-off method, a ship will carry over 50% more cargo in a year's time.

Now, add to this what it means to the shipper by way of faster service. One intercoastal carrier is taking loaded trailers from New York to Houston, Tex., in six days. And then add to this what it means in reduced pilferage, and reduced loss and damage.

These are not just my opinions. Ralph E. Casey, President of the American Merchant Marine Institute, has this to say:

"I would be very much surprised if, within a decade, we do not see a roll-on, roll-off merchant marine of 200 to 250 ships conducting a prosperous domestic trade."

To catch the full meaning of Mr. Casey's statement, there were only 161 general cargo ships of all types in ocean-going domestic trade in 1955. In other words, he expects the whole fleet to be converted to trailerships and to grow by 25 to 55% in 10 years.

Charles Tait, Director of the Port of San Francisco, has this to say about roll-on, roll-off trailer ships:

"We might as well face it. It's the coming method of transportation."

21 New Ships

But, the strongest opinion of all is the dollar sign. Altogether, plans have been announced for the construction of more than 21 ships especially designed for trailer service. These ships would cost about $11½ million apiece. With money like that going on the table, you can be sure that a lot of people are 100% sold on the future of Fishyback.

Now, if Fishyback is the coming method of transportation in the Port of San Francisco, as Mr. Tait said, there's no reason why it isn't a coming method of transportation in Cleveland, too.

We haven't seen much of the package trade on the Great Lakes for a long time. But, give us a 27-foot channel. Then, give us a cut in handling costs by the roll-on, roll-off method, from 50% or more down to 3%, and we'll get a new look at the package trade.

On the ocean, trailership traffic is growing fast.

Probably the most thrilling demonstration of fishyback's continuing growth was the completion last week of the world's first trailership round trip across the Atlantic. From the Brooklyn Army Base, the 3-deck TMT Trailer Ferry ship "Carib Queen" carried 75 loaded trucktrailers over European highways to several countries. On the return trip to Philadelphia, the TMT ship carried 11 loaded European trucktrailers. This service, which is being conducted under the auspices of the Military Sea Transportation Unit, is expected to grow considerably. We have been told that the Europeans were especially enthusiastic about the possibilities for trailership traffic. And some of the Europeans even went so far as to discuss inauguration of similar service with European-built trailerships between various European ports.

Great Lakes

I think that with the coming of the St. Lawrence Seaway it's going to be one of the dominant features on the Great Lakes, too.

Yet important as they are—and important as they promise to be—Piggyback and Fishyback are but two methods of transportation in which the truck-trailer plays a leading role.

There are many others.

For instance, there's factory automation. All over the country in all kinds of industries truck trailers are being woven, as integral parts, into industrial processes that are automation in its purest and best sense—because they are automatic processes designed to make the job easier and to save money for both industry and consumers.

Detroit

An outstanding example is Detroit's automobile industry — which is generally regarded as the most automatized industry in the country.

What the truck trailer has done in Detroit—and in many other cities—is to permit the auto makers to operate the burdensome, expensive, space-taking inventories they used to maintain. It has speeded up the materials handling in the auto business beyond the wildest dreams of even five years ago.

In a typical auto plant parts come from Massachusetts, Ohio, Connecticut, Pennsylvania, and Michigan. All of this traffic moves by truck and trailer—much of it overnight. And when the automobiles have rolled off the assembly line seven out of 10 of them are hauled away by truck trailers to dealers all over America.

For nearly 20 years now, American transportation has been growing like a teen age kid — growing with the whole growth of the American economy.

Every indication is that truck-trailer phase of our transportation system will continue to grow like Jack's bean stalk.

This confident look ahead is based on sound, plump facts.

Today 170 million people live in the United States. In five years it will be 178 million, in less than 10 years 200 million.

This growing population will need more of everything—particularly more of transportation.

We are confident of the truck trailer's future, too, because of the expected continued growth of the gross national product . . . of the steady swing to suburbanization and suburban shopping centers . . . and decentralization of industry . . . the increased use of trucking by the U. S. Post Office . . . and last, but surely not the least, the $100 billion Federal highway building program which is the most ambitious public works program since the 50,000 mile network built over a 500-year period by the Emperors of Rome.

The highway program will require many, many truck trailers. They will be needed to build the highways — and when they are built truck trailers will be needed to carry the goods over this extensive network.

Additional 76,000 Trailers

Dr. Charles Taff, Professor of Transportation, University of Maryland, after considerable study, estimates that "approximately 76,000 additional trailers will be required to transport the additional ton-miles which are the result of the Federal highway program."

I think his estimate is most conservative.

So—as you can see—the truck trailer holds a vital place in America.

"It is becoming" says a recent editorial in the magazine "Traffic World" a sort of common denominator in the transportation system—an instrument affording the means for such coordination of freight transportation activities as, over the years, many transportation leaders have been advocating."

A whole new transportation era is opening before our eyes.

Surely, it will be an era of new horizons. New horizons in transport flexibility and speed. New horizons in service. And new horizons in the broad and general prosperity of the American transportation system as a whole.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — V. Lee Norwood is now with Merrill Lynch, Pierce, Fenner & Beane, 48 East Gay Street.

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The Economic Key Issues of 1957

When the defense boom passed its peak late in 1953 and a minor setback occurred in 1954, the second postwar consumer durable goods boom was set in motion—an important assist going to a deliberate policy of easy money. And when that boom finally had to be braked, capital goods spending got its second wind and carried the ball through 1956.

Will There Be Another "Push"?

Now that the capital goods boom is showing signs of leveling off, the big questionmark is what is to take its place?

The inveterate bulls believe that "something" is sure to happen to perpetuate the boom. Somewhat vaguely they are talking about defense and foreign aid spending as the next "savior." One of them has already coined a phrase for it and is talking about the coming "foreign aid inflation."

It has never been a wise policy to count one's chickens before they are hatched. Right now, there is little in the international or the domestic business picture to warrant any blind faith in our continued luck.

It is now becoming clear that what we have come to regard as our postwar "luck," actually had very little to do with "luck." It was the logical result of the unparalleled liquidity of our economy following the end of World War II. That applied to banks as well as to corporate liquidity and the consumer.

Every businessman whose experiences go back beyond the days just prior to World War II, knows that there is quite a difference between solving any business problem if plenty of money is available in the company's own funds and more can be had for the asking from almost any bank and at an extremely low interest rate —and a situation in which a company's own working capital is low and bank credit is tight. A lot of our younger business executives have never gone through such a period. Consequently, they may be in for some rather unpleasant surprises. Let us hope that the lessons they may have to learn won't prove too costly for themselves, their companies and the economy as a whole.

With both bank and corporate liquidity sharply reduced, a whole new set of economic forces is now coming into play. Vulnerabilities that have been vaguely disturbing for some time, suddenly begin to loom much bigger. The business climate is changing.

Two Vulnerable Factors

The two chief vulnerabilities at this time, as mentioned before, are the increasing **pressure on profits** and the stubborn **gap between savings and the demand for investment funds.**

It would be relatively easy to project the likely impact of these forces on the economy, were it not for two over-riding uncertainties. These are (1) the Middle East crisis and its possible economic repercussions and (2) the uncertainty surrounding the fate of the tight money policy in this country.

If you can come up with the right answers to these two questions, you are in. But it has to be a successful parlay; one right answer and one wrong one, are not good enough.

The inveterate bulls have it all figured out. They visualize more troubled abroad. But to them, this spells foreign aid inflation in this country. And they also see an imminent reversal in our own restrictive credit policy.

This is a simple formula—but probably the wrong one. It may actually prove wrong on both counts.

If the international crisis is prolonged through delays in the reopening of the Suez Canal, this is more likely to have a deflationary effect.

As far as the domestic trend is concerned, these bulls are betting on the belief that the administration will have to act quickly if there are signs of increasing unemployment. Actually, they are not only betting on this, however, but also on the belief that the administration, by merely pushing the right button, can reverse the economic trend at will. That may have been true in the period of the rolling adjustment when the economy was extremely liquid. Unfortunately, at least the second bet is no longer a "sure thing."

If the administration and the monetary authorities miss the boat by not applying "timely" actions before a decline really gets underway, such a decline may have to run its course before support actions become effective. This shows clearly the horns of the dilemma on which the Administration may soon find itself.

These are the two major uncertainties surrounding the outlook at economic forces, by themselves, seem to be working toward a gradual decline in the level of business activity.

Geo. V. Hunt Joins Ralph B. Leonard Co.

George V. Hunt has joined Ralph B. Leonard & Co., Inc., 25 Broad Street, New York City, in charge of their trading department in insurance, bank and industrial stocks. Mr. Hunt is well known in Wall Street. He has been with Harris, Forbes & Co., Chase - Harris Forbes, Starkweather & Co. and McLaughlin, Cryan & Co. and served as President of Security Traders Association of New York, Inc. in 1954.

George V. Hunt

Levian Director

Amott, Baker & Co., Incorporated, 150 Broadway, New York City, members of the New York Stock Exchange, announces that Allan H. Levian, Assistant Secretary, has become a stockholder and director of the corporation.

Leo B. Dorfman

Leo B. Dorfman passed away Feb. 26 at the age of 49. He had been Manager of the midtown New York office of Hornblower & Weeks.

Securities Salesman's Corner

By JOHN DUTTON

No Record to Be Proud of

The Securities and Exchange Commission has issued its compilation of security offerings for cash sale in 1956. It reported that during 1956, corporations raised approximately $9.6 billion to finance expansion and for additional working capital. Debt issues—bonds and notes—accounted for $3,020,000,000, or about three-fourths of the 1956 total. COMMON STOCK FINANCING, HOWEVER, ONLY TOTALED $2,135,000,000, and out of this total the American Telephone offerings alone accounted for $570,000,000. This is not a very robust total of equity financing at a time when the needs of American business for risk capital have been estimated at anywhere from $6 to $9 billion a year by competent economists.

Ever Since Advent of SEC American Business Has Been Denied Adequate Public Financing

Year after year it is the same story. At a time when the present Chairman of the Securities Exchange Commission is making speeches, writing articles and admonishing the Congress for more power to shackle the investment banking business in this country, we see the same old spectacle of medium-sized and small business suffering from their inability to sell equity issues to the public in amounts that would enable them to prepare for the future expansion which they must undertake in order to grow and prosper.

By the SEC's own report we see how industry and the investment banking business has been slowly starved into a state of anemic lassitude. Large bond issues of big corporations were sold to institutions and large investors in 1956, just as they were in former years ever since the SEC has had its rope around the neck of the investment business in this country. But small business, medium-sized business, and a few large corporations raised only one-third as much equity capital in 1956 as was invested in DEBT. The large corporations can sell high-grade bonds to the institutions—they don't have to worry about the added expense and the laborious details of SEC regulations and red tape—they have the capital and can afford it. But the little fellow—the man who needs risk capital to survive—he's starving and gradually falling by the wayside, just as he has been doing ever since the SEC took over in 1933.

Now They Want More Power

Give a bureaucrat an inch and in a few years he'll have you bound hand and foot. There is no limit to the insatiable demands of bureaucracy. In every State in the Union, laws defining fraud have been in existence long before we ever heard of a Securities and Exchange Commission. Federal statutes clearly define fraud and the enforcement of public protection in this country has never been in need of more laws—we have laws by the thousands that cover fraud of every description. But this is not enough for the SEC. They want to sit on top of the heap. "They" know what is best to protect the public. So we will have more impediments to free, sound, security merchandising that is based upon trade practice and custom, honest dealing and a competitive free enterprise system.

The SEC may secure more power to restrict and circumscribe the investment business. If so they will just help that much more in killing equity financing in this country. Since 1933 Mr. Armstrong has a long line of petty dictators which he or his successors can follow—each year they destroy a little more incentive—each year they create a few more impediments to normal trade—each year they become stronger and the investment business becomes more supine and docile.

Remember the figures when you consider allowing the SEC more power over the investment banking business in this country.

75% of 1956 financing DEBT ISSUES.

25% of 1956 financing EQUITY ISSUES.

Continued from page 11

Vital Factors Affecting the Future of American Industry

emphasis must be placed in the future on fundamental—pure—research, if applied research is to continue to be productive to the maximum possible degree. For no one can ever predict what the so-called "useless" facts that pure research reveals may eventually yield in practical application.

For example, as someone has said: "Marconi invented wireless about 1900. In doing so he utilized the so-called 'useless' calculations of James Clerk Maxwell in electricity and magnetism in the 1860's and the 'useless' researches of Heinrich Hertz in the 1880's. Long before that, in 1842, an eccentric professor at Princeton University, Joseph Henry, devised a wireless gadget in his laboratory so that his wife could signal him from his home on Prospect Street when his lunch was ready. He was urged to patent and develop his device. His reply was, 'I don't want to bother.' His statue stands today at the entrance of the Palmer Physical Laboratory in Princeton as an inspiration to future generations of scientists. Faraday, the father of electricity, asked by the then Prime Minister of Great Britain what practical use his discovery might have, replied: 'Who knows, perhaps some day you may tax it.'"

The wise business manager will always encourage research of every description as one of the vital factors that affects the future of American industry.

Certainty of Cheap Power

Another factor that should concern American industry for the long haul is the assurance of an adequate supply of cheap power. In 1850 machines produced 6% of the energy used in the American economy; men 15%; horses, mules and oxen 79%. In 1954, 92% of our energy was supplied mechanically; the labor of men furnished 4% and the labor of animals the same percentage.

Electric power consumption in the United States is doubling every 10 to 12 years. The rate of increase in the more backward countries is even greater percentage-wise. If we are to maintain our position as a great industrial nation, we must at all hazards continue indefinitely self sufficient in respect to our mechanical energy supply.

In his book, "Energy in the Future," Mr. Palmer Putnam estimates that peak production of oil, gas and good coking bituminous coal in the United States may be reached before 1960. Peak production of all United States coal may be attained before 1990. He concludes, therefore, that if the United States is to avoid increased unit costs of energy, new low cost sources should be ready to supplement the load now carried by fossil fuels by 1975 at the latest. That means we must rely in the future to an increasing degree on nuclear fuels.

At the present time the estimated oil reserves of the Western Hemisphere, not including off-shore reserves, are about 200 billion barrels. Of this amount the United States has a reserve of 75 billion barrels. Our present consumption of oil is running about 9 million barrels a day—3 billion a year. It would appear, therefore, that the United States possesses not more than 20 to 25 years' supply of economically available petroleum. Production costs of oil are constanly increasing. The extraction of petroleum from shales would be quite costly. Such procedures would seriously affect the unit price of fuel and tend to check future industrial growth. If the current drain on our domestic oil reserves, due to the present state of affairs in the Middle East, should continue, that will aggravate the situation just that much more. Hence, the rapid development of atomic power is of vital importance to the future of American industry.

The far-sighted business manager, therefore, will concern himself to see that every possible encouragement is given to the development of atomic power plants and to further research into the possibility of producing commercial power by atomic fusion as distinguished from atomic fission. I have heard it said that the oceans contain enough deuterium—heavy water — to supply power to the earth for a billion years if a way can be found to utilize it in atomic fusion.

Human Relations

The future of American industry depends also upon management's success in the field of human relations; upon management's ability to lead men rather than to drive them. Indeed, the human aspect of doing business imparts a new dimension to modern management. In the long and painful history of the world, man has tried many devices to keep each worker at his task. The Pharaohs employed battalions of laborers to drag the massive stones of the Pyramids, spurring on the workers like beasts of burden with bloody scourges and cutting the dead from the traces and replacing them with the living. The Russians today use the bayonet and brain-washing and the big lie.

We in the United States strive by every means to induce each worker to put forth his best effort voluntarily. We try to plan our production so that his self-interest and that of society are directed to a common goal. We not only teach, we practice the importance and sanctity of the individual. We have no class system. We care not who a man's father was. We care only who the man is, what he stands for, and what products flow from his hand and mind. That competitive freedom of the individual to advance to any height his energy and ability can take him is in my opinion the greatest single factor in the success of our economic system.

This philosophy of human relations, it seems to me, takes on increasing importance in the present age of great technological change. Today's new technology is not merely a flood of new gadgets and machines; it is a whole new concept, a new philosophy of production methods. We must realize that it requires more trained and educated people in industry, and hence, above all else, we must learn the more enlightened methods by which these educated and skilled employees can be led, not driven. To do so will become even more important in the future, as the power of the labor unions increases and the worker himself tends to become more and more independent as his financial status improves. Someone has said that anybody can fire a man, but it takes real leadership to refire a man with enthusiasm for his job and his company. So in the future, industry must pay increased attention to the problem of maintaining the proper attitude on the part of its employees toward the enterprises with which they are connected.

Right Atmosphere

Of all the factors involved in attaining this goal, the creation of an organizational atmosphere in which the employee will feel that he is vital and essential to the enterprise of which he is a part, is today the most important, in my opinion, and will remain so in the years ahead. This feeling can exist only when the proper atmosphere has been created throughout the organization. Responsibility for creating the right atmosphere, of course, rests largely upon the shoulders of the top executives of the business. They must keep their entire organization from top to bottom sold on basic policies, which, of course, must be intrinsically sound. To do so they must be good salesmen and that, in turn, demands that they understand basic psychology—the forces that motivate modern industrial man. Of all these forces, as I have indicated, none is more vital than the satisfaction of the feeling that one is somebody of consequence and importance.

However, mere management understanding of human nature will not of itself make employees feel essential and needed. The principles of basic psychology must be applied through constant and vigorous communication. We must utilize every means at our command—every medium of the written and spoken word—if we are to help our people identify themselves with the interests of the business. In no other way will they be able to get an understanding of what the business is all about and how their own personal fortunes are related to it.

When we talk and write to our employees, we should also strive to bring about that broad and sympathetic understanding which is so essential to the continued progress of our American free enterprise economy. To do this we must approach things from the employees' point of view; we must deal in specifics that are meaningful and understandable to them and we must be forthright and scrupulously honest.

In our communications, there are several basic themes that we should elaborate and expand while playing them over and over again until they become as well-known to employees as a familiar symphony is to a music lover. It is quite easy to state these themes. Productivity is the key to plenty—only by increasing total output is it possible to increase the working man's share. Capital is essential to provide the tools and equipment which multiply human effort and make possible greater output per man-hour worked. Profit represents the "wages," if you will, for the work that is done by capital without which savings would not be invested. Industry of necessity operates in the public interest because of the customer's right of choice in a free market. Industry is interested in the personal welfare and security of its employees and their dependents. Finally, lasting job security for everyone connected with an enterprise is dependent upon satisfied customers.

I have, of course, stated these themes in foreshortened and simplified terms. They are, however, statements of fact. One of the factors that will affect the future of American industry is the degree to which we gain the understanding and acceptance of these fundamental truths by our employees through our actions as well as our words in day-to-day operation.

Training Future Managers

The growing complexity of modern industry will also necessitate much more conscious effort in manager training than has been the case in the past. Specialization in one particular field of activity, no matter how important that function may be, does not per se fit a man for the broad responsibilities of general management. As John Hays Hammond, the great engineer said, "The broader you lay the foundations, the higher you can build the structure of achievement." Hence increased attention is being paid today, and still more must be given in the future to the specific training of men and women for the higher positions in management. The American Telephone and Telegraph Company and the General Electric Company and many other corporations are already devoting considerable time and money to efforts in this direction. The General Electric Company, for example, have set up a completely equipped school for the training of their executives at an expenditure, I am told, of over a million dollars. Here their present junior executives are given complete courses in such subjects as economics, sociology and political philosophy so that they can be equipped with the broad general knowledge that the successful administration of modern business requires.

In short, management development, which does not just consist of picking out a few "crown princess" to replace today's top managers, but which works systematically and consciously at the improvement of performance and ability of the entire manager group will become an increasingly vital necessity under future industrial conditions. Potential candidate material for management positions is supplied by our colleges and universities, and on this ground alone increased financial support of higher education by business corporations is fully justified.

Government and Inflation

Let me now turn briefly to some of the more important factors of a general fiscal and governmental character that will affect the future of American industry. Among these factors is certainly inflation. The dollar is worth only half of what it was in 1939. Thus, millions of life insurance policy holders, bond owners, bank depositors, pensioners and others dependent on relatively fixed income have already been legally robbed of 50% of their accumulated savings. Depreciation allowances on the fixed assets of corporations acquired in former years are grossly inadequate to replace such facilities as they wear out. If this creeping inflationary process continues at a rate as low as even 2 or 3% a year, it would be sufficient virtually to destroy the savings of an average person's working years. Furthermore, history shows that creeping inflation usually ends in galloping inflation because prices never rise uniformly, and efforts to correct such maladjustments result in more and more inflation leading to ultimate collapse of the entire economy.

The problem is not a dilemma; it is really a "tri-lemma," for it involves not only rising wages and stable prices, but also the maintenance of full employment. In a sense these goals, human nature being what it is, are antithetical. Yet with restraint and wisdom on the part of labor, management and government, all three objectives would be attainable. On the part of labor, this would mean not forcing wages up beyond the point that can be justified by increases in productivity. On the part of management, this would mean not to drive wages up by bidding for labor when labor is in short supply; not to grant wage increases that would result in the necessity of raising prices; or to take advantage of a temporary shortage to put prices up beyond the point required to earn a reasonable profit. On the part of government, this would mean refusing to make enough money available to take care of business at the higher price levels necessitated by wage advances that exceed increases in productivity.

Warns of State Socialism

Unfortunately, the self-restraint and wisdom required to keep a developing economy in balance are not likely to develop. The labor leader, who, to maintain himself in office, must constantly seek more and more for his constituents, presses his demands for higher wages and increased fringe benefits, with little or no regard to their ultimate effect on the national economy. Such great power has now been placed in their hands that collective bargaining in many cases has become bargaining in name only. So the business manager, caught in the vise of circumstance feels himself powerless, grants wage increases for years ahead that clearly outstrip possible advances in productivity, raises his prices and the pots of inflation boil steadily higher and higher. Pericles said, however, that "The secret of liberty is courage." After all, there is something worse than strikes and the consequent loss of production and profits; there is something worse than the acceptance of a sound economic wage rather than a high wage exacted by the use of force; there is something worse than temporary periods of slack employment; and that is the destruction of our form of free government.

I dislike to cast myself in the role of a Cassandra, but I venture the prediction that if the present complacency and apathy of the American public toward unwarranted wage and price increases is not soon altered, the present creeping inflation will result, within the next 25 years, in the loss of our present form of free government and our lapse into state socialism.

To prevent that dire eventuality calls for vigorous and courageous leadership on the part of industrial management — particularly the management of our larger manufacturing enterprises. For what they do necessarily sets the pattern for our smaller producers. Little help can be looked for from the average politician. He never likes to take a stand against what he considers to be the current popular view even though he may know in his heart that the popular view is based on principles that are unsound, and which will have disastrous consequences in the long run. Nevertheless, remedial legislation to curb the present power of labor union leaders by prohibiting compulsory unionism, industry-wide bargaining, featherbedding, and all secondary boycotts, and by making union activities subject to the anti-trust laws, is urgently needed. The urgency of such legal restraints becomes doubly evident when one reads in a brief submitted to the United States Supreme Court by the American Federation of Labor opposing state right-to-work laws this arrogant assertion: "The worker becomes a member of an economic society when he takes employment . . . The Union is the organization or government of this society formed by the right of association . . . It has in a sense the powers and responsibilities of government."

Raising Capital

Another factor that will exert great influence on American industry in the years ahead is the rate of capital formation. Enormous amounts of new capital, as I have already stated, will be required to finance the new facilities — housing, schools, hospitals, roads and factories—required for our growing population and a constantly rising standard of living. As the Austrian Finance Minister said recently: "Fundamentally capital is formed when part of that which is produced is not consumed. There is no other way." Hence personal thrift and savings are essential. With taxes today taking about 30% of the nation's income, it is questionable whether capital formation can go forward at a rapid enough rate to take care of our immense future requirements. Hence, the vital necessity of reducing government expenditures and cutting taxes quickly.

The adoption of the Hoover Commission's recommendations for governmental economy would take $7½ billion out of the Federal budget and would make possible a 25% immediate cut in Federal personal income taxes. The National Association of Manufacturers has suggested to Congress a plan under which the corporation rates as well as the individual income tax rates would be gradually reduced over a five-year period to a top rate of 35%. The Association proposes a uniform annual cut of 16% in the progressive personal tax rates so that lower income taxpayers would share in the reduction. The NAM plan is not premised upon any savings from the Hoover Commission's recommendations. It is based exclusively upon the increased tax revenues expected to flow automatically from the growth of the economy. Assuming a continuation of the normal 3% a year growth, the NAM estimates that annual tax revenues from sources other than the rates above 35% will grow by $12 billion in five years, while the cut in Federal revenues resulting from the 35% top income tax rate would be $10 billion. If the NAM tax plan should be put into effect, the savings affected by the Hoover Commission recommendations could be applied to the reduction of the public debt. The adoption of these plans would provide billions of dollars of new capital. Both proposals should receive the vigorous support of American industry.

Futility of Personal Effort

I have reserved comment on the most vital single factor that will affect the future of American industry to the very last, and that is the degree of interest and responsibility in public affairs that the individual citizen is willing to exercise. Lord Bryce, the noted British commentator on the American Republic said that the greatest weakness of a free government like ours is "the fatalism of the multitude, a sense of the futility of personal effort." That is fundamentally the reason why only 60% of the qualified electorate voted in the recent presidential election. Yet, as Dr. George S. Benson of Harding College points out: "Back in the 1840's in Dekalb County, Indiana, there lived a grain miller. He started to his mill on election day to grind his grain. On the way he met some friends who persuaded him to go to the polls instead. The records show that the candidate to the state legislature won by one vote — and the miller had voted for him. That legislator cast the deciding vote that sent Edward Allen Hannegan to the U. S. Senate. The question of statehood for Texas came up for a vote while Hannegan was acting as President pro tem. The vote was tied. Hannegan cast the deciding ballot in favor of admitting Texas to the Union. You could not convince that Indiana miller that his vote was insignificant; nor could you convince the people of Texas that it was. Your vote or mine has the potential power to shape the future course of a nation, or even of civilization itself."

After all, no business, no club, no church, no organization in fact, can prosper unless the individuals who compose it are willing to devote time and attention to its affairs. The same thing is true of a constitutional representative democracy, or a republic as our forefathers called our nation. As businessmen, we must take a personal interest in what goes on in government in Lancaster, Harrisburg, and Washington, if we are to remain free. And we must be willing to raise our sights above what may benefit us directly at the moment and think in terms of the over-all national welfare if our form of free government and private competitive business is to survive.

Paraphrasing an article that appeared in "The Guaranty Survey" last year, it may be said that whenever it is proposed to use the powers of government to advance the economic interests of a certain group or class, those who oppose such action are invariably stigmatized as being selfish, hardhearted and indifferent to the welfare of their fellow citizens. The objectives of the welfare state usually appear, and generally are, desirable from a strictly humanitarian viewpoint. For example, no one can object to such goals as full employment, better health, good housing, fair prices, and cheap power, provided such ends can be clearly defined and considered apart from the means by which it is sought to attain them. Those who object to measures seeking goals which are desirable in themselves, have the burden of proof laid upon them, and the proof is more difficult to supply because no matter how grave the objections, they are usually less evident than the ends that are sought.

Ends and Means

For this reason, the drift toward socialism is so difficult to combat. Socialism is not a conscious end but rather the secondary result of the means by which other objectives are sought. The overwhelming majority of people have no desire to become the slaves of an authoritarian socialistic state. They want freedom. But many of them also desire the social welfare programs which modern governments have adopted, and in seeking one set of objectives, they are unintentionally setting themselves on the road toward the other. The movement to the welfare state would end abruptly if a free people could be brought to realize the complete political and economic significance of what Montaigne asserted almost 400 years ago: "It is common to see good intentions, if they are carried out without moderation, push men into very vicious results."

As long as the majority of people keep their eyes fixed only on the ends they seek and not on the corollary results that will ensue, freedom and true security will be jeopardized and eventually lost. Here in the United States can be found numerous illustrations of means that have been aimed at attaining certain objectives but which have produced quite different results: for example, governmental guarantees of high prices for agricultural products, which has led to the creation of unwieldy surpluses; rent controls, which have discouraged proper maintenance and new construction; minimum wage laws, which have made marginal workers unemployable; welfare programs that are leading government to assume more and more responsibility for the conduct of the nation's economic life. One form of control inevitably leads to the necessity for another, and unless this process can be arrested by education of the public as to its hidden dangers, the ultimate destruction of our political freedom, our economic freedom and our civil and religious freedom will follow as surely as night succeeds day. Here the intelligent, patriotic manufacturer has his work cut out for him if the future of American industry is to continue bright and promising.

* * *

Today the express riders of the ether bring to our ears in steady stream the thunder of Armageddon from continents east and west, and even the ominous mutterings of class hatred, the sinister whispers of alien doctrines here in our own favored land. The fires of free government in the world are everywhere burning out. With us the torch of personal liberty is being dimmed — not merely by the few who would consciously destroy what America stands for, but also by the many who having eyes, see not, and who having ears, hear not the plainly blazoned lessons of bygone ages of slavery and despotism.

So should not we pledge our "loyalty to the cause of liberty" and to the perpetuation of our beloved nation "in this western land?" The awesome facts that we face today challenge us also "to show proof of our patriotism." It is high time that we too "joined hands" in outspoken defense of the faith of our fathers—a faith which was forged for them in the crucible of persecution and tyranny; that faith of theirs which rested on unqualified belief in the dignity of the human soul and the sovereignty of a personal God. For, as the inscription at Donegal asserts: "They got not the land in possession by their own sword, neither did their own arm save them: but Thy right hand, and Thine arm, and the light of Thy countenance."

Commercial Credit Co. 4½% Notes Offered

An underwriting group managed jointly by The First Boston Corp. and Kidder, Peabody & Co., on March 1 offered for public sale a new issue of $25,000,000 4½% subordinated notes due 1977 of Commercial Credit Co. at 98.06% and accrued interest to yield 4.65% to maturity.

The new notes may not be redeemed before March 1, 1967. On and after that date the company may, at its option, redeem the notes at 101%, the premiums scaling down to par after Feb. 28, 1970.

The net proceeds of the sale of the notes will be added to the Commercial Credit Co.'s working capital and may be used for the purchase of receivables, for advances to or investments in subsidiaries and for reduction of loans.

The business of Commercial Credit Co. and its subsidiaries consists primarily of specialized forms of financing and insurance. In addition the company has several manufacturing subsidiaries. The finance companies collectively are one of the three largest enterprises in the United States engaged in the business of acquiring instalment obligations, deferred payment obligations and accounts receivable. Total gross receivables purchased by the finance companies in 1956 amounted to $3,387,088,000 compared with $3,677,242,000 in 1955.

Among members of the underwriting group are: Goldman, Sachs & Co.; Stone & Webster Securities Corp.; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co.; Harriman Ripley & Co. Inc.; Lazard, Freres & Co.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler; Smith, Barney & Co.; White, Weld & Co.; and Robert Garrett & Sons.

With Denver Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—William M. Girtin, Harlan P. Hemphill, James M. Keeps, and Alice Pagliasotti have been added to the staff of Denver Securities Company, 1420 Mile High Center.

Continued from first page

As We See It

progressive individual income taxes and taxes paid by large corporations that the full burden of taxation is not completely understood or realized by the rank and file. Neither do the majority of the people understand or appreciate how much they pay in hidden taxes each and every day of their lives.

It is clear therefore that a huge and tedious task faces leadership in this country—that of convincing the rank and file that a very serious danger confronts us all by reason of the enormous and continuing expansion of government in this country, and that that hazard is not dependent upon unbalanced accounts in the national and state capitals. Not only must the people be convinced that such a danger exists, but they must be kept constantly reminded of its presence and in a mood to do something about it. It may be doubted in the first place whether there is any general realization of the extent to which government in this country has broadened its role during the past two or three decades.

Two or Three Times

How many of us realize that government's role in our economic life is now two or three times what it was in 1929? Who among us is aware that of all goods and services produced in this country at the present time nearly a fifth is taken by government? Who among us understands that this compares with substantially less than one-tenth in 1929. Yet here are some of the facts. In 1929 only a little more than $8 out of every $100 of production in this country went into government hands. The New Deal and the depression (by reducing private purchases) succeeded in getting the figure up to about 15% in 1934, but not even Mr. Hopkins and his associates who were so adept at "spending and spending and spending" were able to hold the figure at that level until the war came along.

Government absorption of the current product naturally rose drastically during the war. At one time it touched 46%. One would normally expect it to decline after the war was over to some level not very far from prewar. In fact it did decline in the early postwar years to some such level as that—a little over 12% in 1947—but we had become infected with the virus of that brand of semi-socialism which calls for a permanently expanded role of government. A new rise accordingly set in which still persists. In a half dozen years it had all but doubled, to more than 23%. In 1956 a year of unprecedented activity, the figure was about 19%. A similar course is evident in the statistics having to do with the source of individual income. In 1929 individuals looked to government for less than 8% of their income. There was a sharp rise during the war, and for that matter in the prewar New Deal years. It was over 14% in 1955.

Put all this in a nutshell and we have the fact that under present conditions government — for which read the politicians—not private individuals or private business decides what is to be done with some $19 of each $100 produced or received by the general public in this country. Only on the false theory that the politicians know better than the people themselves to what ends their energies should be directed can such a situation be in keeping with the best interest of the people. It will be noted that all this is true even if all budgets were in balance.

A Sad Spectacle

In light of such facts as these it is a sad spectacle that presents one political leader after another saying that he does not know or see where the planned outlays of the Federal Government for fiscal 1957 can be reduced. One would suppose that there was some inexorable law of nature which compels government to be extravagant in the extreme, or some dire emergency which compelled the people to pour out their funds even as the politicians suggest or direct. Of course, the plain unvarnished truth of the matter is that vested interests have been created in largesse which few politicians dare ignore or neglect. The farmers no longer ask; they demand that the remainder of the community put up funds to help pay their way. It has now become the accepted doctrine of many of those who control votes that government do all manner of things for people who used to do them for themselves.

It is with what William Graham Sumner used to call the mores of the people that has to be contended with, that is with notions that have come to be regarded as intrinsically right and proper, so much so that to question them is to be discredited by popular opinion. It is this fact which makes the current situation doubly serious. There is danger that it will require generations of time and a good deal of sad and costly experience to convince the rank and file of the unwise nature of a great deal that is now going on. But whether hard or easy, tedious or simple, the task of getting ourselves back on the right track should not be neglected for one minute.

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Avoiding Long-Run Inflation And Strengthening Competition

amount. This is the old family phenomenon where a rising income is disbursed in increased spending with no increase—in this case a decrease—in family savings. This can prove dangerous, if government continues to adopt this practice.

Tax Rate Structure

We cannot look forward with equanimity to continued existence of the present structure of tax rates. In the first place the system is basically unfair. Congress has erected a schedule of very steeply rising individual income tax rates. It has then built up a long, detailed and complicated list of circumstances in which particular classes of incomes or particular classes of transactions would not be subject to those rates. It has done this because it has been possible in a great many cases to show that the literal and universal application of these rates would have results that Congress did not really desire—results that would either be patently unfair or dangerous for certain kinds of economic activity that are valuable to the country. But every time one class of exceptions is created another class of exceptions is brought close to the borderline where it becomes arbitrary to say that it should be subject to tax. Pressure then arises, with considerable logical foundation, for bringing the new borderline cases within the area of the non-taxed. As this goes on the tax base becomes more and more eroded, and those who do not get the advantages of the special provisions come to feel more and more discriminated against.

We are embarked on a progressive process of deterioration of the tax system and weakening of taxpayer morale which is already far advanced, and which if long continued will undermine the essentials of a tax system that will pay for the necessary expenditures of government. This is the inevitable consequence of the schedule of tax rates Congress and the community apparently approve in the abstract, but do not really mean to apply to particular situations when they look at them closely. In my judgment the only way out of this situation is to get back to a much more moderate schedule of tax rates, a schedule which we are willing to apply with a fair degree of generality.

A somewhat similar problem exists in the schedule of excise tax rates, where there is no good or logical reason for distinguishing between the items subject to tax and those not subject to tax.

Tax Threat to Future Growth

In addition to being basically unfair, the present tax system contains within itself potentially highly dangerous threats to the future growth of our economy. A large part of the tax collected come from incomes that would normally be saved and invested in productive ventures. The structure of the system provides a strong incentive for financing all kinds of business by incurring debt rather than issuing equity securities. The system greatly increases the difficulty of obtaining funds for new and growing enterprises that need outside money because they cannot rely heavily on an adequate flow of income after tax for expansion. In addition it diverts a great deal of the attention of a great many imaginative people from productive work to the search for ways to minimize tax liability.

It is fashionable to say that, in view of the rapid growth of the American economy since the end of the war, the present tax system cannot be regarded as inconsistent with economic growth. This seems a shortsighted view. First, there are no advantages in the present tax system which justify us in courting the very real risk that, in the long run it will seriously impair our future rate of growth. Second, while we may be pleased with the growth rates of recent years, we have not achieved as rapid a rate of growth as our economy could achieve or, indeed, as may be necessary for our survival in view of the reported rapid growth rates in the U. S. S. R.

There are, in this situation, two possible courses of action. First, we can try to reduce expenditures, or at least hold down their rate of growth, so that rising levels of revenue will permit a general tax reduction within the confines of which basic reform of the tax system could be accomplished. Second, and more difficult, but necessary if we cannot hold expenditures down, we must seek to reform our tax system by altering its structure without substantially reducing the revenue.

Suggestions to hold down Federal Expenditures always run into the question, "Where will you cut?" I recognize that this is a difficult question. CED is only beginning its careful analysis of the 1958 budget, and I am not now in a position to offer specific suggestions for reducing the 1958 budget. However, I am impressed by the tendency for expenditures to rise automatically by amounts sufficient to absorb all the additional revenue that results not only from economic growth, but also from inflation.

I believe that, if the additional revenues had not been so easily forthcoming—had, for example, to be secured by raising tax rates—ways would have been found to restrain expenditures without impairing national security or other vital national objectives. Also, if proper weight had been given to the importance of tax reduction the same result would have followed.

Questions Budgetary Items

A first look at the Budget impels me to ask a number of questions. Are we now committed to an annual expenditure of $5 billion for aids to agriculture, and, if so, why? Why are we now planning to have FNMA buy $1.7 billion of mortgages in the two fiscal years, 1957 and 1958? Have plans for making FNMA a private, mutual enterprise been abandoned? What has happened to the theory that as social insurance benefits increase public assistance expenditures by the Federal Government will decline? Between fiscal 1948 and fiscal 1958 social security benefits will have risen from $500 million to $7.2 billion, but public assistance expenditures will have more than doubled, from $0.7 billion to $1.7 billion.

What has happened also to the general consensus in this country that the States and local governments should assume greater responsibility for financing and administering programs involving local matters? The present Budget indicates that Federal aid to the States will have tripled between fiscal years 1948 and 1958, from $1.7 billion to $5.5 billion. An top of this, the Budget also projects a four-year program of grants and loans to the States amounting to $2 billion for the construction of schools. I do not want to give the impression that a school program is not needed. On the contrary, there is clear evidence of a shortage of classrooms and teachers. But, some method must be found to arrest the growth of Federal aid programs if we are to succeed in bringing down the high Federal tax rates. Should not the states and localities be capable of helping toward this end by their own school construction financing? The very existence of the high Federal tax rates tends, however, to perpetuate high Federal spending, for high Federal taxes make it harder for States and localities to raise funds to finance their own essential services.

The Federal government is now planning a substantial increase in public works construction in the face of the heavy demands for materials and labor in this industry by the private sector of the economy. The Budget indicates that total expenditures for Federal public works are estimated to increase from $4.1 billion in fiscal year 1956 to $6.3 billion in 1958. Under present circumstances, it is essential to postpone to future years all but the most vital of projects. The alternative is further increase in construction costs which will reduce what the government, private individuals and businesses get for their dollars.

Defense vs. Non-Defense Decisions

The largest part of the present Budget on the disbursement side is for national security. The justification for this rests basically on the uncertain condition of the world and particularly the threat of Communism. There is no way in which the figures representing national defense items can be analyzed completely by an outsider. Even those who are entitled to full information, such as the Armed Services Committees of the Congress, and the civilian and military leaders in the Pentagon would be unable to prove conclusively that the estimates used are the right ones. Military budgets develop largely out of certain assumptions as to the strategy and tactics required to defend the country. These assumptions are always debatable and exceptionally difficult to make today because we are in a period of rapid evolution.

If the present level of national security expenditures must be accepted as the best judgment that can be applied, one is confronted with a question which we have not been willing to face. The question is: if we must devote such a high proportion of our Budget to defense, with the possibility, if not the probability of enlarging it, is it wise and feasible to increase our non-defense expenditures in the short run so far and so fast?

I realize that, with commitments already made, it is going to be difficult to do much about 1958 expenditures. But we should be taking steps now to bring future expenditures under better control. CED has made a number of recommendations for improving budgetary procedures, in the Administration and in the Congress, which are more urgently needed now than when they were first offered two years ago.

Tax Reform Without Tax Reduction

What if we cannot or do not make room for a general tax reduction? Then we should definitely consider something that has never been done in the history of Federal Government—a major tax revision and reform without substantial tax reduction. The following possibility, which has not had prior or present endorsement by the Committee for Economic Development, deserves serious consideration:

(1) Reduce the personal income tax across the board by some worthwhile amount.

(2) Eliminate the present selective excise taxes except those on alcoholic beverages and tobacco, and the highway taxes.

(3) Recoup the revenue lost by eliminating some of the many kinds of exclusions and deductions that now reduce income subject to tax and, to the extent necessary, by imposing a general consumption tax. It is to be hoped that some overall expenditure reduction would be available in order to assure that the rate of the general consumption tax would be kept as low as possible.

Reduction and revision of the personal income tax would do much to restore morale in the country in respect to taxes. It might and probably would increase somewhat the amount of money that was saved and invested. Some of these changes might, in part, reduce slightly consumer spending. In any event, consideration of this line of tax reform would bring squarely before the country the opportunity to debate in the Congress both the inequity of the present personal income tax structure and the magnitude of our fiscal problems. Certainly we cannot drift along with the present tax system which no one likes but which only survives in the absence of a national consensus on how to change it.

Money and Credit Policy

In the last year the demand for credit of all kinds — from businesses, home buyers and state and local governments — has outrun the supply of funds available from current savings. As a result, credit has become more expensive and harder to get. The Federal Reserve has not generally supplied the increased reserves on which banks could expand credit beyond the amounts that individuals and businesses were willing to save. By following this policy the Federal Reserve prevented the inflation of 1956 from being much worse than it actually was.

While the Federal Reserve was following correct policy, it began to appear as 1956 wore on that the policy did not have the public support and understanding that it deserved and required. It is this fact, more than anything else, that now calls for the establishment of a new National Monetary Commission. We cannot expect a public body like the Federal Reserve to continue to adhere to an anti-inflationary policy if the public actively resents the discipline such a policy imposes.

The Subcommittee of the Joint Economic Committee chaired by Senator Douglas and Congressman Patman did valuable work in raising public understanding of our national financial problems. But it is quite clear that the task of study and education in this field is not finished.

The main complaint about monetary policy in the past year has not been that it was too tight in general but that it "discriminated" against certain classes of borrowers—especially homebuilders, small businesses and school districts. Of course it is true that the effect of credit shortage will be felt most seriously by those lines of activity that are most dependent upon borrowed funds. Whether this by itself deserves to be called discrimination seems to me questionable. However the validity of these complaints should be the subject of careful study, and further comment here is limited to a few brief observations.

(1) The problem of tight money is only likely to arise when the economy is operating near capacity. In such conditions, promoting certain kinds of investment, like housing, necessarily results in less of something else, like factories, or office buildings or even automobiles. In a fully employed economy, we do not get something for nothing.

(2) Fixing maximum interest rates for specified purposes does not make money for those purposes cheaply available. It may make money entirely unavailable. We have had an instructive lesson on this point in the mortgage field.

(3) We should avoid like the plague any commitment of the Federal Reserve to support the price of any asset. One of the most worrisome aspects of current proposals for influencing interest rates is the superficially logical progression from pegging mortgages at 4% to pegging school bonds at 3½% to pegging Federal securities at 3%. Once we reach this point the inflationary fat is in the fire for sure. On this point, also, we have had sad experience.

(4) Whatever discriminations or other difficulties may be found in the operation of a tight money policy they are small compared to the evils of inflation. We cannot accept inflation, and inflationary policy, as the preferred alternative to monetary restriction.

(5) With the possible exception of the labor market, no other market is more important to a free economy than the capital market. If the government determines who get capital and on what terms the government controls the birth and growth of all businesses. Only the most compelling evidence of necessity should lead the government to intervene in this market with selective controls or preferences.

The Wage-Price Problem

The President's Economic Report, and other recent messages, call attention to the basic dilemma of stabilization policy. Suppose that as our economy is now organized high employment and general price stability are incompatible. This would mean that when employment is at a satisfactory high level, wage rates tend to rise faster than productivity, on the average, and prices on the average also tend to rise, whether because of the higher wage rates or for some other reason. Then a monetary and fiscal policy to prevent inflation would succeed only if it brought about excessive unemployment. And a policy to maintain high employment would inevitably lead to inflation.

This is a problem with which CED has been concerned for some time and which one of our Subcommittees is now studying. It is not entirely clear whether the situation I have just described as a hypothesis actually exists in the United States. We know that some wage rates are pushed up faster than productivity, and some prices are raised in periods of high employment. There have been some periods when this seemed to be a general occurrence. But we do not know whether this tends to happen on the average and most of the time if the demand for goods and services is not excessive. We know that there are strong forces tending to make prices and wages rise. But there are also strong forces tending to hold them down. Even in conditions of generally high employment and business activity, workers and management in particular firms and industries must reckon with the danger of pricing themselves out of their markets. If labor unions and business really had the power, singly or together, to raise prices and wages without limitation by the market, we could not explain why prices are not much higher than they are.

Poses Inflation-Employment Problem

In the present state of our knowledge, or lack of knowledge, it would be unwise to base monetary and fiscal policy on the assumption that high employment and general price stability are incompatible. For one thing, this would be too easy an excuse for failure to pursue the most anti-inflationary policy that is consistent with high employment.

Moreover, the surest way to develop the problem would be to act as if it already exists. If we stand ready to inflate the economy to take care of any tendency of wages and prices to rise, wages and prices will certainly behave in the way we fear.

At the same time we must take seriously the possibility that the dilemma does exist now or may arise in the future. We must consider, not how we will choose between high employment and a stable dollar, but how we will make the two compatible.

In addition to monetary and fiscal restraints, there are three general approaches to this problem: direct controls of wages and prices, self-restraint by labor and business, and competition. I assume that we can rule out direct controls. We do not want to solve other problems by giving up freedom. We have every right to expect responsible behavior from labor unions and businesses. But in a matter of such fundamental gravity, we cannot rely exclusively on that. Responsible behavior, while clear enough on the average, is terribly difficult to define in particular cases. If our economy as now organized tends to generate inflation under conditions of high employment, we shall need the most searching reappraisal of our economic organization. We shall have to do everything we can to strengthen the forces of competition in our system that tend to hold prices down.

I hope that before long CED will be issuing a policy statement on the problem of long-run inflation. The problem is one of great difficulty and importance, and must be approached seriously and without premature resignation.

Charles Steegmuller

Charles A. A. Steegmuller passed away March 2 at the age of 77. Prior to his retirement in 1955 he was associated with Hallgarten & Co. Mr. Steegmuller for the past 40 years had been Secretary of the Columbia University Colleges of Engineering and Architecture class of 1905.

With Allen Inv. Co.

(Special to The Financial Chronicle)

DENVER, Colo. — Thomas A. Grennan and Kermit R. Lundquist have become affiliated with Allen Investment Company, Mile High Center.

Carroll Adds to Staff

(Special to The Financial Chronicle)

DENVER, Colo.—David L. Garrett, Jr., Loyd I. Loew and Hyman P. Silverman have been added to the staff of Carroll & Co., Denver Club Building.

Columbine Secs. Add

(Special to The Financial Chronicle)

DENVER, Colo. — Harry H. Aabel, Virgil R. Carter, William T. McDonough and Roy B. Robertson have become affiliated with Columbine Securities Corp., 1780 So. Broadway.

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Mankind's Stake in Middle East Oil

as oil consumption is today, it is going to be a lot bigger soon. How big, how soon, I am reluctant to say because no reputable oil economist has ever yet made a long-range forecast of oil demand that was as high as consumption subsequently proved to be. I can point to a few straws in the wind, however. Over the past five years demand in the United States has grown at the rate of about 5% a year. In Europe during the same period demand has risen 12% annually. Increases in oil use have been still faster in less developed countries. Last year's oil consumption in the Free World as a whole was double what it was only nine or ten years ago. Whether such rates of growth continue, accelerate, or even slow down a little, it seems not unreasonable to expect that sometime between 1965 and 1975—if not sooner—the Free World will need twice as much oil as it is using today.

Future Oil Source

Where are we going to get it?

Last year's oil production came primarily from the United States. Production in the United States, while less than our consumption, came to nearly half of the Free World's total — 48% to be exact. The Middle East supplied 23% and Venezuela 17. It is roughly accurate and much easier to remember if we say that the United States supplied half, the Middle East a quarter, and Venezuela a sixth of the Free World's oil in 1956.

Can we count on a continuance of supply in those proportions from those sources?

A look at the rates at which the various producing countries are drawing on their oil "bank accounts" may help us answer that question. United States petroleum production last year amounted to 8.1% of our domestic proved reserves, and Venezuelan production was 6.8% of its reserves. But Middle East production was only 1.3% of Middle East reserves.

Obviously, the principal Western Hemisphere sources of oil — the United States and Venezuela —are being drawn on five to seven times as fast as those of the Middle East.

The United States, with roughly 20% of the world's reserves, produces nearly 50% of the world's oil output and consumers nearly 60%.

Overlooking for the moment the possibilities of getting oil from shale or from tar sands, the facts suggest that if present trends persist, the Western Hemisphere will run out of oil before the Eastern Hemisphere does.

We are talking, of course, about proved oil reserves. How about the chances of finding more oil? Oil men are forever hopeful. They know from experience that no matter how good their geology, or how careful their exploration, no one can say that oil is there or not until the horizon is tested by the drill. And admittedly only a very small proportion of the area in any country has been drilled.

Less Wells and More Oil in Middle East

Have we any evidence as to the relative chances of finding more oil, in America as against the rest of the world, or in the Western Hemisphere as against the Eastern Hemisphere? A few facts may help you to draw your own conclusions. Since Colonel Drake completed the first producing oil well in the United States 98 years ago next August, a total of 1,638,000 petroleum wells have been drilled in our country. With those wells we have proved up 94 billion barrels of oil, of which some 58 billion already have been produced.

In Venezuela from the beginning, something like 18,000 wells have been drilled and over 21 billion barrels of petroleum have been found, of which eight billion barrels have been consumed.

By contrast in the Middle East countries, around the Persian Gulf, fewer than 1,500 wells have been drilled. Yet the total amount of oil found by those 1,500 wells is at least 105 billion barrels. That is 11 billion more than we have managed to prove up in the United States with 1,000 times as many wells.

We must also bear in mind that most of this Middle East oil has been found with a minimum of exploratory effort before drilling. We have no good statistics on oil exploration other than actual wildcat wells. Yet we know that the potential acreage of the United States has been pretty exhaustively explored, and we can be reasonably certain that practically all of the conspicous structures have been tested. Some day we may develop an effective tool with which to find stratigraphic traps, and there may be many billions of barrels in them. But so far as orthodox structural features go, we may well be getting to the bottom here, whereas in Iran, Iraq, Saudi Arabia and other countries in that great oil area, we have far from exhausted the possibilities of finding more oil even using present day methods.

Moreover, the Middle East seems to be an almost unique geologic province. Marine sedimentary deposits in great depth are combined there with large, relatively unbroken folding. Where else do we know of single anticlinal accumulations of oil which measure from 40 to 150 miles in length, and contain five billion to 15 billion barrels of oil?

Many people have pointed out that the average oil well in the United States produces 12 barrels a day whereas the average output per well in the Middle East is 5,000. It is perhaps more dramatic to point out that it has taken a mile of hole in this country to prove as much oil as five feet of hole have found out there.

As I said, in the oil business anything can happen, and oil men still tell the story of the expert who sometime around the turn of the century volunteered to drink all of the oil ever found west of the Mississippi. But on the basis of nearly a century of experience, the odds against finding another oil province on this earth comparable to that around the Persian Gulf are too great to make such a hope a sound basis for the Free World's long-range planning.

Not So Self-Sufficient

Right now the United States and its neighbors of North and South America are self-sufficient as to petroleum. Though there has been and still is some movement of oil between the Eastern and Western Hemispheres—in both directions—it is nevertheless a fact that there is at present enough oil production within the Americas to supply the Americas. That should not lead us to complacency, however. Our world is no longer one in which nations can hope to be self-sufficient, either politically or economically. Not even a hemisphere can any longer aspire to that. One has only to think back on two World Wars, Korea and the critical days of the Berlin airlift, or to consider our present stake in NATO, SEATO, and

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in other alliances to realize how utterly outdated is the idea of real political self-sufficiency.

In the area of economics, the interdependence of Free World countries is equally evident. We all must interchange a multitude of raw materials and manufactured goods. Morever, the day has long since passed when an economic collapse in Europe, or Asia, would not affect us here. The point I am trying to make is that our continued access to Middle East oil is important not only because Europe and Asia and Africa are dependent on it now and we of the Western Hemisphere may well be tomorrow, but also because the Free East and the Free West are inescapably dependent on each other.

Discusses Middle East

I want now to talk a little about the countries of the Middle East, their economies and governments, and how the oil business operates in the area. The term Middle East is not precise but in the oil industry we regard it as including Iraq, Iran, Kuwait, Saudi Arabia, Jordan, Lebanon, Syria, Israel and Egypt, plus the Sheikdom of Qatar, the Island of Bahrein and a number of smaller sheikdoms along the Trucial Coast, and finally Aden with its protectorate, and Yemen. Most of this great area for several centuries until the end of World War I was part of the Ottoman Empire. It is well to remember that present boundaries of many of these countries were established by the League of Nations, and that their status as sovereign nations is relatively recent.

Though some of these countries are much more advanced than others, the area as a whole is, by our standards at least, lacking in industrial development, and except for oil relies largely on agriculture for its economy. Apart from the Tigris, Euphrates and Nile Valleys and the Mediterranean littoral, it is a land of little rainfall or other water resources. Agriculture is therefore arduous, and such animal husbandry as exists is by nomadic families and tribes, the Bedouins.

Governments vary all the way from the feudal sheikdoms through absolute monarchy as in Saudi Arabia, to the parliamentary democracies of Iran, Iraq, and Lebanon. I hesitate to define the present governments of Egypt and Syria. Perhaps "dictatorship" would best characterize them, although on paper both are democracies with Presidents, Prime Ministers and legislatures. We trust that the suppression of democratic practices there is only temporary.

Arab Nationalism

Iran is not an Arab country, nor of course is Israel. All the others are. There is a strong Arab nationalistic feeling in all the Arab countries. There is, of course, deep love of country, by the Iraquis for Iraq, the Lebanese for Lebanon, etc. But there is unquestionably a very strong pan-Arab bond which underlies the feeling of these peoples for their land. For example, Col. Nasser's seizure of Suez, though not favored by some of the Arab rulers, has unquestionably been admired by the "man in the street" in Beirut, Damascus, and Baghdad. In my view, this strong Arab feeling of kinship is a factor of first importance in the Middle East—we cannot ignore it, and it would be unrealistic to ascribe all of its unpleasant manifestations to Russian influence.

Before the Suez crisis, Middle East oil production was about 3,700,000 barrels a day. About 600,000 barrels came from Iran, 800,000 from Iraq, 1,200,000 from Kuwait, about 1,000,000 from Saudi Arabia and about 100,000 from Qatar. Then there was some additional production from the Kuwait Neutral Zone, Bahrein and Egypt.

Of the Iraq production, more than 500,000 barrels a day were moved by pipeline to ports in Syria and Lebanon. About 320,000 barrels daily of Saudi Arabian crude went through Tapline to Sidon in Lebanon. All of the balance of production except for the small amounts used locally moved by tankers from various Persian Gulf ports, either in the form of crude or as products refined at Abadan, Ras Tanura and Bahrein. More than half of that quantity or about 1,500,000 barrels daily went to western destinations via the Suez Canal.

Ratio of Oil to Population

Bearing in mind that oil revenues are by all odds the preponderant economic element of the Middle East today, let me point up some of the facts of life as we find them. Kuwait with some 200,000 of population enjoys the revenues from 1,200,000 barrels a day. Iran with 20 million people has 600,000 barrels a day. Iraq and Saudi Arabia have respectively nearly five million and seven million of population and 800,000 barrels a day and about 1,000,000 barrels a day of oil production. Obviously oil fields and population have no visible relationship.

Oil revenues come not only from production but also from pipeline transit fees. Jordan, a very poor country, picks up some revenue from 110 miles of Tapline. Syria and Lebanon are transit countries for both Tapline and the Iraq Petroleum Company pipelines to the eastern Mediterranean. Each of those countries also derives some income from the big tanker terminals on the Mediterranean.

In passing, let me point out that while Middle East oil production is distributed among four major producing countries, Syria which is not a producer can cut all branches of both major pipelines. Lebanon or Jordan, which also have no oil production of their own, can cut Tapline. And, of course, Egypt which so far has relatively little oil production can close and has closed the Suez Canal to all of the west-bound Persian Gulf oil. Thus the control over oil transportation is almost entirely dissociated from the countries with oil production.

Up to now, I have tried to show you why Middle East oil is of vital importance to us, and I have tried to give you some of the background against which this problem must be considered. That we, and perhaps more than we, our European allies, have a problem is all too evident. Now, what can we do about it?

Two Broad Approaches

It seems to me that there are two broad approaches we can make. The first would be to establish and maintain such relations with the Middle East countries that they will not arbitrarily deny their oil to us. This ought not to be unduly difficult. There is a strong mutuality of interest between us and them. Despite wide differences in customs between East and West, there is a surprising amount in common. The Prophet Mohammed, whose teachings largely constitute Moslem Law, had a pretty conservative philosophy. For example, he believed in property rights; indeed, the Arab penalty for relatively minor stealing is extraordinarily severe by our standards. He taught that a man's word must be his bond. Adultery is strictly taboo, and though the Moslem religion permits polygamy, Arab women have well-defined rights, and are protected by law. By tradition and philosophy, the Arabs abhor the Communist disregard for family, religion and property rights, and appear at heart to be real private enterprisers.

Perhaps the greatest difficulty we find in our dealings with the Arab peoples is that many of them lack background and experience in larger commercial transactions. Then, too, it is difficult to negotiate a contract in Arabic, and even more difficult to reduce it to writing. The Arab language just doesn't have all the words necessary to clearly state the provisions and intent of a complex business transaction. So far as I can determine, there is no way to express in Arabic the "whereases" which are so dear to the hearts of our legal fraternity.

Yet I think that if we deal with the Middle Easterners in good faith, patiently, and with due regard for their intense nationalism and pride in their comparatively new independence, we shall succeed. They and we have so much to gain from a close relationship.

Advocates Dispersal

The other approach, I think, must be along the line of achieving a reasonable dispersal of our commitments. The best of friends can and do fall out on occasion, and it is foolish to become unduly dependent on a single individual or nation. There is much that we can do to better disperse our operations. We can build additional pipelines, and over routes which will avoid the possibility that all can be shut down by one government. More pipelines will reduce the importance of the Suez Canal.

Another offset to the Canal might be very large tankers, which could proceed via the Cape of Good Hope, and by virtue of the size of cargo achieve fairly low cost of freighting. In this connection I might say that even tankers of 100,000 deadweight tons travelling via the Cape would suffer some disadvantage costwise as against a ship of say 40,000 deadweight transiting the Canal, but the disadvantages would not be ruinous.

Some protection, at least against interruptions of short duration, can be obtained by carrying larger stocks of petroleum products in the consuming countries. It is expensive to build tankage and, of course, idle inventory is costly.

It goes without saying that to have in each producing country some excess of producibility, together with a reserve of facilities to handle it, is insurance against a shutdown elsewhere.

All of these ideas, as well as others, are under consideration by oil people and by governments in all parts of the Free World. Standby facilities of any kind are costly. The safeguards I have mentioned are no exception. But it could be more costly not to have them.

Paying Stockpiling Costs

Whether industry alone should, or could, pay the whole bill of providing these safeguards is a question still to be resolved. It would not be unreasonable to expect governments to absorb some of the cost of standby facilities that exceeded commercial requirements. Our own government is essentially doing this by stockpiling certain essential materials on a substantial scale.

This problem of maintaining access by the West to Middle East oil is but one of many and varied international problems in today's complex world. It may be significant, though, that practically all of these problems have a common origin. They arise out of the increasing interdependence of nations at a time when mankind is striving with desperate urgency to outmode force as the final arbiter of international disputes. That being so, if we solve our oil puzzle, it may help to fit in the pieces for some of the others. And conversely, as some of the others get solved, we may find it easier to deal with the oil problem.

My guess is that though we shall have plenty to think about, we shall find it possible to work things out so that the world will continue to become a better place in which to live.

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The State of Trade and Industry

at its present level, auto makers will have to come into the market soon for more steel, it adds.

Several signs point to a pickup in the demand for steel by midyear, "Steel" noted.

Some sellers of hot-rolled carbon steel bars in the Philadelphia and New York areas think consumer inventory adjustments will have run their course by the end of April and that buying in May and June will be on the upgrade.

In the Boston area, cold-finished carbon steel bars, which have been lagging in demand, are picking up slightly for April delivery. The New England area also saw a mild flurry in late buying of cold-rolled and hot-rolled carbon steel sheets for March delivery.

The Chicago area is seeing a modest pickup in agricultural implements. General manufacturing is well sustained.

At Seattle, order backlogs for reinforcing bars are substantial. Approach of spring is quickening interest in building construction and is adding to the demand for reinforcing bars. On the West Coast, most second quarter order books of mills are just about filled and indications point to full books for the third.

Steel consumption and metalworking activity during January and February have been above the same months last year, the publication reported.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steel-making capacity for the entire industry will be an average of 94.9% of capacity for the week beginning March 4, 1957, equivalent to 2,429,000 tons of ingot and steel for castings, as compared with 96.0% of capacity, and 2,456,000 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 97.1% and production 2,485,000 tons. A year ago the actual weekly production was placed at 2,462,000 tons or 100.0%. The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Continues to Ease in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, March 2, 1957, was estimated at 11,791,000,000 kwh., according to the Edison Electric Institute. This was a further decrease from the week before.

The past week's output dropped 129,000,000 kwh. below that of the previous week; it increased 592,000,000 kwh. or 5.3% above the comparable 1956 week and 2,064,000,000 kwh. over the week ended March 5, 1955.

Car Loadings Dropped 7.3% in Washington's Birthday Week

Loadings of revenue freight for the week ended Feb. 23, 1957, which included Washington's Birthday, declined by 49,330 cars or 7.3% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Feb. 23, 1957, totaled 626,636 cars, a decrease of 60,382 cars or 8.8% below the corresponding 1956 week, and a decrease of 4,436 cars, or 0.7% below the corresponding week in 1955.

U. S. Automotive Industry Increased Its Unit-Volume This Week as a Result of Higher Truck Output

Automotive output for the latest week ended March 1, 1957, according to "Ward's Automotive Reports," was slightly improved due to an increase in truck production.

Last week the industry assembled an estimated 138,938 cars, compared with 139,038 in the previous week. The past week's production total of cars and trucks amounted to 162,738 units, or an increase of 358 units above that of the preceding week's output, states "Ward's."

Last week's car output fell below that of the previous week by 100 cars, while truck output increased by 458 vehicles during the week. In the corresponding week last year 132,889 cars and 24,643 trucks were assembled.

Last week the agency reported there were 23,800 trucks made in the United States. This compared with 23,342 in the previous week and 24,643 a year ago.

Canadian output last week was placed at 8,310 cars and 1,569 trucks. In the previous week Dominion plants built 5,168 cars and 1,635 trucks, and for the comparable 1956 week, 7,885 cars and 2,005 trucks.

Business Failures Declined in Latest Week and Were Below Corresponding Period of 1956

Commercial and industrial failures reported in the week ended Feb. 28 dropped to 284 from 300 the week before and trailed the year-ago total of 293 for the corresponding week, according to Dun & Bradstreet, Inc. The latest figure was well above the 1955 week's total of 222 and the pre-war 1939 week mark of 254, it stated.

Wholesale Food Price Index Registered a Further Slight Loss the Past Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc. declined slightly to $6.11 on Feb. 26 from $6.12 in the preceding week. It compared with $5.95 at this time a year ago, or an increase of 2.7%.

Commodities quoted higher the past week were steers, hogs, lambs, hams, flour, wheat, rye and sugar. Lower in price were corn, oats, lard, butter, coffee, cocoa and eggs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Shows Mild Recovery In Latest Week From Year's Low Point

After reaching the lowest level so far this year, the Dun & Bradstreet daily wholesale commodity price index inched upward slightly. At 291.02 (1930-1932=100) on Feb. 25, the index was above the 290.93 of the prior week, and it remained higher than the 281.86 a year ago.

Grain prices fluctuated mildly within a narrow range in the week ended Feb. 25. Reports of rain in parts of the West and Southwest resulted in some downward pressure on wheat prices. Corn prices strengthened somewhat and oats prices rose reflecting a sharp decrease in marketings. Daily average sales of grain and soybean futures on the Chicago Board of Trade in the holiday shortened four day week averaged about 44,000,000 bushels a day, compared with 50,000,000 bushels a week earlier and 62,000,000 bushels in the corresponding week a year ago. Trading volume was below last year's level in wheat, oats, rye and soybeans, contrasting with a moderate increase in the sales of corn.

The strength in corn was attributed to a shift in CCC selling policy to include sales of number 3 and number 4 grades to exporters.

This was interpreted to mean that the CCC would have less lower grade corn to offer in the domestic market.

Although flour trading remained sluggish the week before, with slowness in both domestic and foreign buying, the Department of Agriculture continued to purchase substantial quantities of flour for domestic relief and for shipment abroad. Of the 48,226 sacks of flour received at New York railroad terminals on Thursday of the week before, 28,341 sacks were for export, the remainder for domestic use. Rice buying remained very active with prices strong. The export demand for rice remained substantial.

Coffee trading was slow the past week with very little change in prices.

Imports of green coffee in 1956 amounted to 2.8 billion pounds, compared with 2.6 billion pounds in 1955, according to a recent report from the Commerce Department.

The average import price per pound for coffee was 51.2 cents in 1956, compared with 52.2 cents in 1955.

The pace of sugar trading two weeks ago was the slowest in several weeks. Sugar refiners were waiting for the clearance of the quantities of spot raw sugar which had accumulated during the dock workers' strike.

Sugar sales in the week ended Feb. 16, amounted to 146,185 tons, 12% higher than in the previous week and 5% higher than a year ago.

Small receipts and higher prices for some wholesale cuts of pork stimulated trading in hogs the week before, exerting upward pressure on hog prices. While receipts of lambs at Chicago were the largest in several weeks, prices remained firm.

Cotton buying lagged during the week, but prices did not change appreciably. Based on current consumption, the domestic use of cotton this season was estimated at 8,700,000 bales by the New York Cotton Exchange Service Bureau. This compares with 9,200,000 bales last season.

Trade Volume Stimulated the Past Week By Washington's Birthday Sales Promotions

Attracted by Washington's Birthday sales promotions, consumers increased their buying of Spring apparel, furniture and kitchenwares in the period ended on Wednesday of last week. Automobile dealers reported increased volume in new passenger cars and sales equalled those of a year ago.

Total retail trade was slightly higher than that of the previous week and moderate year-to-year gains occurred.

The total dollar volume of retail trade the past week was 2% to 6% 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 East South Central +1 to +5; Middle Atlantic +6 to +10; East North Central +3 to +7; West North Central and Mountain —4 to 0; South Atlantic 0 to +4; West South Central —2 to +2 and Pacific Coast +2 to +6%.

While orders for housewares, furniture, and Spring apparel climbed noticeably the past week, wholesalers reported declines in the buying of most textiles, major appliances and food products. The total dollar volume of wholesale orders was close to both that of the previous week and a year ago.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Feb. 23, 1957, increased 3% from the like period last year. In the preceding week, Feb. 16, 1957, an increase of 7% was reported. For the four weeks ended Feb. 23, 1957, an increase of 5% was recorded. For the period Jan. 1, 1957 to Feb. 23, 1957, a gain of 3% was registered above that of 1956.

Bad weather near the close of last week had a retarding influence on retail trade volume, and, as a consequence, sales declined 1% to 3% below the year ago level, trade observers report.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Feb. 23, 1957, showed an increase of 14% above the like period of last year. In the preceding week Feb. 16, 1957, an increase of 13% was reported. For the four weeks ending Feb. 23, 1957, an increase of 8% was registered. For the period of Jan. 1, 1957 to Feb. 23, 1957, the index recorded a rise of 6% above that of the corresponding period in 1956.

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Credit Challenge and Potential Truck Growth

on trucking states, "So far, the industry has to a major extent expanded internally. Earnings have been plowed back into the properties year after year."[2] As the market for this type of trucking expands, so does the amount of financing needed, not only for equipment, but for terminal facilities, maintenance, and other needs. There is some tendency toward merger, and among larger units a very understandable tendency to resort to equity financing for expanded capital needs. It should be stressed that the financing of actual automotive equipment is but one of the financing problems to be faced.

It will be apparent that since for-hire trucking is essentially a small-business industry, the criteria for credit applied for truck purchases will resemble the credit evaluation for any business tool purchased by any small business. Periodically articles have appeared in banking or other financial periodicals attempting to set standards for lending of this type. Summarizing a few in the order of importance:

(1) Management — specifically in preference to collateral. A weak management "can make a bad credit out of a well-planned one."[3] The very last thing any lender, whether bank or finance company, wants is to repossess equipment on the basis of the lien normally taken. Obviously managerial ability varies, and this is why credit always has to be granted on seasoned evaluations of ability, rather than a slide rule.

(2) Capital—the industry, due to rapid expansion, is characteristically undercapitalized. ". . . In a period of operating losses the absence of adequate capitalization could quickly cause trouble."[4] However, there is no generally accepted relation between assets, debt, and worth. As a rule of thumb, a 75% debt-to-worth ratio and one-to-one current ratio is used. Like all rules of thumb, these are honored in the breach as often as the observance.

We need not dwell on other specific considerations which include adequate working capital, a proven earnings record, appropriate licensing, and consideration of other loans outstanding. Once the lender is satisfied on these scores, it is desirable, says one writer,[5] "to extend about 75% of the cost of new equipment, with maturities set so that repayment is more rapid than depreciation."

Obviously, these criteria of credit-granting take a good deal of detailed analysis, and must be tailored to fit each case. Indeed, the distinguishing characteristic of truck financing, particularly in the for-hire and construction businesses, is precisely individual tailoring to fit individual cases. The relatedness of business considerations other than the depreciated value of truck, including management, capitalization, amortization, and other factors, can be easily seen in the foregoing remarks. Consequently any generalized conclusion I might be tempted to draw would probably be misleading.

In preparing this paper, I read carefully the American Trucking Association's "Financing the Motor Carrier Industry," which I quoted earlier. It is by truckers for truckers, and among other things, explains the operations of financial institutions to truckers. It is eminently fair, and offers very sound suggestions. If truckers take this guide seriously, and financial institutions continue to move, as I know they have been moving, to meet the truckers in their financing needs, I think the very last wrinkles can be ironed out quickly. For example, the A.T.A. pamphlet points out that "to assume an unbalanced financial condition is justification in itself for long-term credit is totally without foundation." Further, it notes that capital is fluid and seeks its best return; therefore to obtain capital, the going price must be paid. In view of statements like this, it would seem that understanding is well on the way.

2 Shields & Co., *op. cit.*, p. 39.

3 J. S. Bridges, "Credit Requirements for Motor Carrier Loans" *Bulletin of the Robert Morris Associates*, August 1952.

4 *Ibid.*

5 *Ibid.*

Construction Trucking and Road Program

Construction trucking is the last category to be analyzed. While it constitutes just 11% of the total truck market, this sector is particularly important in that it will be most immediately affected by the Federal road program, and involves very heavy trucks. The step-up in production of heavy trucks — i.e., 16,000 pounds and over—can already been seen. In 1954, about 10.7% of all trucks manufactured were in this category; for 1956 the figure is 17.4%, a rise of about two-thirds. The American Road Builders' Association estimates that an additional 22,500 vehicles of all types—about half of which are over three ton or miscellaneous trucks—will be needed additionally per billion dollars of road expenditure.

Like most people, I find it hard to imagine what a $50 billion construction program really means in concrete terms, let alone $90 billion, the probable ultimate road expenditure. To concretize the figure, something we can all visualize like the Panama Canal or TVA, may be compared to the road program. If these giants were built today, in 1956 dollars, at current construction costs, it is impressive to realize that 50 Panama Canals, or about 7½ TVA's could be built for $50 billion we plan to spend initially on roads.

Obviously the financing of construction or other heavy trucks which are heavy business machines, must be tailor-made, just as technical specifications for these giants are job-engineered by manufacturer or distributor. Particularly in the heavy-truck area, each credit analysis is unique, and there are few rule books. Manufacturers and financial institutions have developed, and are continuing to develop, joint arrangements to deal with the special problems inherent in heavy truck sales. Thus, truck manufacturers and distributors consider financing an integral part of the marketing job. The truck is job-engineered, sold through dealers or special heavy truck distributors, and financed by a financial institution in ways which directly meet the special needs of the manufacturer, the dealer or distributor, and the user.

Terms for heavy trucks tend to run to 20% to 30% down, with maturities depending upon the price of the vehicle, and the use to which it is put, which of course bears on its depreciation schedule.

For most trucks, excluding construction equipment and larger for-hire units, terms are not unlike automobile terms. Most trucks in this category are light or panel models. Normally between 25% and 33% is paid down, in cash or trade-in, with balances on new units running 24 to 36 months. While there are no national data on terms available, those data which were revealed that about 70% were financed in 24 months or less, 20% in 30 months or less, and 10% in 36 months. Like cars too, in view of increasing truck prices and other factors in recent years, terms have tended to lengthen. From 1953 through 1956, the percent of new trucks financed in 25 to 30 months had increased nearly three-fold, the portion financed in 31 to 36 months increased over eight-fold. At the other extreme, the proportion requiring less than 24 months had fallen.

Since the used truck market is well defined, with prices and depreciation schedules readily available, terms are well defined too, ranging from 18 to 24 months in maturity.

Broader Aspects

I would like to comment, in conclusion, on two rather broad, but related topics. First, the effect of tight money. This is, of course, another topic worthy of full treatment. But two factors are readily apparent. To the extent that the non-availability of funds have forced banks to make allocations as between one use and another, there have surely been instances of denial of financings which would have been granted under more normal circumstances. The very word allocation implies a choice among alternatives competing for a scarce supply—in this case of money. In the case of sales finance companies, the same forces are at work, but to a lesser extent. For sales finance companies, it must be recognized that the volume of truck financing, significant though it is, is less than 10% of the total volume of automotive credit extended. Virtually all of the funds of the larger sales finance companies go to automotive financing, so there is little question of allocation between uses. With the funds available, sales finance companies seek sound automotive outlets. Tight money affects price as well as availability, and the cost of money has risen.

Some economists now believe that the tightest of the tight money period may be over, with perhaps one more twist at tax-time in the early Spring. However, while the availability of funds is likely to increase as capital-expenditure stops shooting up and instead plateaus, it is doubtful that the price of money—the interest rate—will recede to the low levels of a few years ago, although it may recede somewhat from present levels. The current tight money pinch has, I believe, obscured the fact that there is also a long-term rise in money rates at work, along with the rise in wages and commodities. Owing to the Federal Reserve's postwar bond-support policy, this trend was largely suppressed until 1952, but as is usual with suppressed symptoms, it is now making up for lost time.

The question of the availability of funds for the future growth of the truck industry is the second question on which I would like to comment. There is no doubt in my mind that financial institutions can supply the needs of that growth. As noted earlier, about 10% of sales finance automotive credit goes to trucks. Bank figures are not similarly available, but it is doubtful that the ratio would be significantly larger.

At the projected rate of growth of truck production, from about one million units in 1957 to 1.3 (or 1.48 if exports are included) by the half-trillion G.N.P., a proportionate rise in credit needs may be projected. Without laboring the details, it is clear that the growth of truck credit presents no real financing problem. The assets of financial institutions will grow at least in proportion, and the volume of truck financing will represent no greater share — indeed a slightly lesser one — of total automotive credit extended by financial institutions than at present.

Truck manufacturers and users may rest assured that financial institutions can and will carry their end in the growth ahead.

Continued from first page

Current Business Trends And the Wage Outlook

season have been running slightly below sales of last year;

Freight car loadings, which had been expected by shippers advisory boards to be greater in the first quarter of 1957 than in the first quarter of 1956, have been consistently running well below a year ago;

There has been a slackening in the rate of wholesale price increases since about the middle of January;

The index of industrial production in January (after adjustment for seasonal factors) was slightly below December;

Total private construction in January (after adjustment for seasonal factors) was the lowest for any month in over a year;

The seasonal drop in business loans in the weekly reporting member banks was about twice as large in January and February, 1957, as in the corresponding period of last year.

The two principal questions which arise about the state of business are: (1) what are the causes of the prevailing lull in business; and (2) will the current lull be followed by contraction or expansion?

II

The Causes of the Present Lull In Business

The lull in business may be ascribed to two basic causes: (1) a drop in the rate at which business enterprises were accumulating inventories; and (2) a decision by many enterprises to conserve cash in order to finance large programs of expenditures on plant and equipment. These two causes are inter-related but independent.

The decision to reduce the rate at which inventories were being accumulated was a wise one and in the interest of economic stability. Total inventories, it is true, were not unduly large in relation to sales—in fact, in the latter months of 1956 they were little larger in relation to sales than they had been a year before. But in the last quarter of 1956 the accumulation of inventories had been going on at an annual rate of $4.4 billion outside of agriculture. This is about 50% above the normal rate. Such a rate of inventory accumulation could not go on for many months without causing trouble, and an early reduction in the building up of inventories was desirable. There was no increase in manufacturers' inventories in December and only a negligible increase in January. The decision to cut down the rate of inventory accumulation was undoubtedly influenced in part in many instances by the fact that firms were committed to large expenditures for plant and equipment and by the additional fact that they faced a tight money market. They needed money to pay for new plant and equipment. What would be more natural than for them to reduce the rate at which inventories were being accumulated?

The decision to reduce the rate of inventory accumulation was first reflected in a fairly large drop in new orders of manufacturers in December, 1956. As I have pointed out, there was no rise in manufacturers' new orders in January. The drop in new orders in December was followed by a small drop in industrial production in January. The total number of men at work outside of agriculture does not seem to have been affected, but there was a fairly sharp drop between December and January in the weekly hours worked in manufacturing, and a drop of almost 2% in weekly take-home pay of factory workers. In the light of these conditions, it is not surprising that retail sales in January, after adjustment for seasonal influences, showed no gain over the high rate of sales in December. The decision to reduce inventories has been manifested also in the more-than-seasonal drop in business loans of weekly reporting member banks in January—about twice as large as the drop in January, 1956 — and by the unexpected drop in car loadings below the levels of a year ago. The shippers advisory boards had been predicting a small increase in car loadings in the first quarter of 1957 over the first quarter of 1956.

Rise in Industrial Contract Awards

The second basic decision that has brought about the lull was the decision of many corporations to conserve cash for expenditures on plant and equipment by omitting extra year-end dividends. As a result, the annual rate of dividend disbursements dropped in December well below the level of any month in 1956 and even below the monthly average of 1955. This was the principal reason why total personal incomes, after adjustment for seasonal factors, did not increase between November and December. Closely related to the decision of corporations to conserve cash has been the postponement of a few projects by some prominent companies. These postponements, of course, have not prevented total industrial private construction contract awards in January from running 4% above January, 1956.

III

After the Lull What—Contraction Or Expansion?

Is the present lull in business a prelude to a real contraction? Will this lull lead to cutting down of present high programs of expenditures on plant and equipment or delay in starting new projects as present ones are completed so that total outlays will gradually drop? If investment expenditures drop, will the contraction feed on itself, producing drops in employment, personal incomes, retail sales, and before long attempts to reduce inventories?

Some fear has been expressed that the economy may be building up an excessive inventory of plant and equipment and that we may soon encounter trouble because of general over-capacity. The estimates of the McGraw-Hill Company show a 51% increase in manufacturing capacity since 1950. These fears that the economy is developing excessive capacity do not appear to be well grounded. The McGraw-Hill index of factory capacity exaggerates the real increase—possibly because the McGraw-Hill sample is based too much upon the returns from large plants in rapidly expanding industries. Certainly, the industries of the country as a whole were producing fairly close to capacity in 1956 because the entire available labor supply of the country was being pretty completely used. But the index of factory output in 1956 was only 31% above 1950. The index of factory output has its defects—the system of weighting gives it a downward bias—but it is not likely that the index understates the increase between 1950 and 1956 by more than 5 or 6 percentage points. Hence, one must conclude that the real increase in factory capacity between 1950 and 1956 was probably not more than 36 or 37%.[1] The increase in factory output between 1953, when the economy was operating at fairly close to capacity, and 1956, when the economy was operating at about capacity, was only about 9.2%, though the McGraw-Hill index of manufacturing capacity rose more than 20% in the same period.

Sees No Surplus Capacity

The total private output of the entire economy increased, in terms of 1956 dollars, from $345.3 billion in 1953 to $376.5 billion in 1956, or only 9% between 1953 and 1956. In the same period, personal incomes after taxes rose from $250.2 billion to $286.6 billion, or 14.5%. Population increased from 159.7 million in 1953 to 168.1 million in 1956, or 5.3%. Hence, private output per capita increased from $2,162 (in 1956 dollars) in 1953 to $2,239 in 1956, or only 3.56%—a very inadequate increase for a three-year period and certainly not one that supports fears that the country is getting too much productive capacity. Rather, the figures indicate that the economy in the last three years has not done a particularly good job of increasing productive capacity.

The available facts provide better support for the view that the lull will be followed by expansion rather than by contraction. To begin with, there is every reason to expect business to be well-sustained during the lull. The high rate of expenditures on plant and equipment will be well-sustained because these outlays largely reflect long-range plans of enterprises and are based upon progress in technology and shifts in markets. Industrial contract awards in January as I have pointed out, were 4% above January, 1956. Furthermore, new corporate securities to finance outlays on plant and equipment are being issued at a high rate. Even if the rate of accumulation of inventories drops from the moderately high rate of the last quarter of 1956, no general decumulation of inventories at the present time is likely—inventories are too low for that. The expanding parts of the economy are sufficient to offset the drop in production caused by the decrease in inventory accumulation. These expending influences are rising government expenditures and rising wages, adding to personal incomes even in the face of possible small declines in employment.

Perceives Expansion

But why should the period of lull be followed by expansion? The expansion will probably not come to any great extent from a rise in outlays on plant and equipment, though progress in technology creates a long-term tendency for these expenditures to increase. The expansion will be brought about in the main by three influences. In the first place, government expenditures for goods and services will continue to rise. In the second place, expenditures on housing may be expected to begin rising by the latter half of the year. There is a good underlying demand for housing—the result of a tendency for people to move from cities into the suburbs, of rising incomes, of the increasing size of families, and of a demand for houses with conveniences not found in most older houses. There has been much talk about the problems of residential construction, but in January residential contract awards were 1% in dollar volume more than a year ago—quite different from the record made in the closing months of 1956. The lull in business will reduce the shortage of mortgage money that has been limiting the demand for housing. Furthermore, the lull itself, if it persists for some months, will lead the government to act to increase the supplies of mortgage money.

In the third place, wage increases will tend to raise personal incomes and the demand for consumer goods. There is little realization of the extent to which wage increases have already been granted for 1957. These increases have been built into long-term contracts negotiated mainly in 1955 and 1956 and running until 1958 or 1959. The Bureau of Labor Statistics estimates that about five million workers covered by more than 550 contracts will receive automatic wage increases in 1957. The average increase will be around seven cents an hour. Most of the increases will occur in May, June, July, and November. Many more increases will be negotiated in the new contracts that replace the ones expiring in 1957.

This analysis of the immediate outlook for business and of the probable aftermath of the lull indicates that the pattern of business for the year 1957 will be materially different from that quite generally predicted by forecasters at the beginning of the year. Most of these forecasters stated that the first half of the year would be a period of expansion and that the second half would be a period of either horizontal movement or slow contraction. At the present time, it looks as if the pattern will be very different. The first part of the year (possibly as much as the first half) will be a period of horizontal movement with small month-to-month changes or possibly a very slow rise. But the second half of the year will be a period of greater expansion—not rapid expansion, but moderate or moderately slow expansion.

IV

Developments in Industrial Relations in 1956

The difficulty of summarizing briefly and accurately developments in union-employer relations is suggested by the fact that there are more than 125,000 collective agreements in effect, covering around 18 million workers.[2] Of these agreements between 1,700 and 1,800 cover 1,000 workers or more, or about 9 million in all. About 300 of the agreements cover 5,000 or more employees each.[3] Let us look first at some of the principal developments in 1956; then let us look at the prospects for 1957 and 1958; and finally, let us consider briefly a few important current trends that are not particularly related to 1956 or 1957—particularly trends in the administration and the negotiation of contracts.

An examination of contract negotiations in the year 1956 shows the following principal developments: (1) rather large wage increases; (2) some tendency to move away from uniform flat cents per hour increases; (3) little change in regular working hours per week; (4) a somewhat limited spread of supplementary unemployment compensation; (5) a continuation of the tendency to liberalize fringe benefits—to increase the number of paid holidays, to liberalize vacation plans, pension plans, and sickness and welfare plans; (6) a considerable increase in the number of so-called "long-term" agreements running two or three years; and (7) a rapid tendency to incorporate cost-of-living escalator clauses in contracts. Let me comment briefly upon some of these developments.

The year 1956 stands out as a period of rather large wage increases. The rise in the average hourly earnings of factory workers in 1956 was 10 cents as compared with 7 cents in the previous year, and 4 cents between 1953 and 1954. In building construction, retail trade, and other fields the rise in hourly earnings was also considerably greater in 1956 than in 1955. The rather large increase in hourly earnings in 1956 occurred in the face of virtually no gain in physical productivity. Indeed, output per worker per year in 1956 was virtually no greater than in 1955. The rise of wages in the face of stationary output per manhour put strong upward pressure on prices. Hence, in spite of the policy of credit restraint imposed by the monetary authorities, consumer prices rose by nearly 2.9% between December, 1955, and December, 1956, and the wholesale prices of products other than farm products and foods rose by about 4.3%. Factory workers lost through higher prices about half of their gain in money wages between December, 1955, and December, 1956. In spite of the fact that money wages of factory workers increased considerably more in 1956 than in 1955, the purchasing power of hourly earnings of factory workers gained less in 1956 than in 1955.

Overtime Rates and Shift Differentials

The growing scarcity of skilled workers and their increasing dissatisfaction with the differentials between their wages and those of less skilled workers has led to a movement away from flat cents per hour wage increases and to various arrangements for doing more for skilled workers. The percentage wage differential between skilled and unskilled jobs does not seem to have increased during the last three years, but the slow narrowing of this differential has apparently been halted.[4] There is a slow tendency in negotiations to increase overtime rates and shift differentials. It looks as if overtime rates in most plants are already too high, since these rates are more than sufficient to make overtime quite popular with most workers. On the other hand, it looks as if shift differentials are still too low, since the differentials are not large enough to equalize the attractiveness of the several shifts. The great majority of workers still prefer the first shift at a lower rate to the second or third shift at a higher rate. One of the most important wage changes in 1956 was the institution of premium pay for Sunday work as such in the steel industry—time and one-fifth for the first year and time and one-fourth thereafter. This is a precedent that will have far-reaching long-term effects.

Little was done in 1956 to change the length of the working week. For some years most unions have shown little interest in reducing the length of the working week and, except in the railroad industry, there have been no large changes in the working week in American industry for 15 years. The indifference of unions to this issue seems to be a result of the continuously high employment.

Supplementary unemployment

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1 The following table compares the McGraw-Hill index of manufacturing capacity with the Federal Reserve index of actual factory output for the years 1950 to 1956. Each index is expressed in terms of 1950=100.

Year	McGraw-Hill Index of Manufacturing Capacity	Index of Factory Output
1950	100	100
1951	107	107
1952	117	111
1953	125	120
1954	131	112
1955	140	125
1956	151	131

2 *Monthly Labor Review*, July, 1956, p. 805.

3 Unfortunately, there is no breakdown of the agreements by the size of the employers covered. About one-third of the agreements covering about two-fifths of the workers apply to multiple employer groups. These multiple employer agreements usually apply to small employers. Thus, many of the agreements covering a large number of employees apply only or mainly to small employers.

4 U. S. Bureau of Labor Statistics, "Occupational Wage Relationships in Seventeen Labor Markets." *Monthly Labor Review*, December, 1956, p. 1419.

compensation plans, which caused such a furor in 1955, are spreading rather slowly — much more slowly than most other fringe benefits. At the end of 1956 these plans covered only about 2 million workers. The plans spread to the steel industry, the aluminum industry, and the rubber industry in 1956. Most unions show little or no interest in these plans. The total amount paid out in benefits under the plans, even in the automobile industry where the benefits became payable in the principal companies on the first of June, 1956, have been quite small in relation to the payrolls of the companies. A unique supplemental unemployment benefit plan was negotiated by the Federation of Grain Millers in the Harper Flour Mills, Inc., of Buffalo. It made company contributions to a trust fund vary from 2 to 5% of payrolls depending upon the number of man-hours required to produce a ton of feed.[5]

Increasing Holidays and Vacations

High and rather steady employment has increased the interest of employees in paid holidays and vacation plans. Agreements continued to be liberalized in these respects. I do not have the information to enable me to say whether or not liberalization of provisions governing holidays and vacations went on more rapidly in 1956 than in previous years, but the movement toward increasing the number of holidays and the length of vacations went on rapidly.

The spread of pension plans to new companies, which was going on quite rapidly during most of the last 15 years, has slowed down considerably. At the end of 1956, about 23,000 pension plans qualified under Treasury regulations for tax consideration. These plans covered only 14 million workers, or roughly a little more than one out of three employees in private non-agricultural industry. Some powerful unions (the Teamsters, for example) are spreading supplementary pension plans to small employers, but from now on the increase in the employees covered by supplementary pension plans will probably be slower than in the past. A large number of small employers cannot meet the accrued liability imposed by a pension plan.

The process of liberalizing existing pension plans continues at a fairly rapid rate. Pensions are being increased, eligibility requirements are being lowered, protection is being broadened to include permanent disability under some circumstances, a limited amount of vesting is gradually being introduced. Thus, in the steel industry last year vesting was negotiated for employees who have reached the age of 40, have 15 years seniority, and who are laid off.

Health and welfare insurance, which cover considerably more workers than private pension plans, continues to be liberalized.

Long-Term Contracts

One of the most important developments in recent years (especially since 1948) has been the negotiation of long-term contracts—contracts running two, three, or even five years. A study by the U. S. Bureau of Labor Statistics of 1,737 agreements covering more than 1,000 employees each and a total of 8,932,800 workers, showed that 830 agreements covering 5,011,000 employees were for two years or more and 301 agreements covering 2,206,500 employees were for three years or more.[6] The growth of long-term agreements is shown by several studies of the National Industrial Conference Board. These studies show that out of a sample of 313 contracts in 1948, 24.6% were for more than one year; in 1950, 46.4% of 306 contracts were for more than one year; and in 1956, 56.0% of 923 contracts were for more than one year.[7] Very few contracts run for more than three years.

Most of the long-term contracts provide for automatic wage increases, and many of them provide that wages or other items may be re-opened for negotiation during the life of the contract either with or without the right to strike. But one of the most important developments of the last two years has been the conversion of nominal long-term contracts into real long-term contracts by substituting automatic wage increases for wage re-opening clauses.

The extension of contracts to two or three years makes possible both better negotiations, because it gives both sides a better opportunity to prepare their cases, and also better administration of contracts. When negotiations come every year, no sooner have negotiations been completed, than each side must begin to get ready for the next negotiation. Neither side has proper opportunity to give the administration of the contract the thought and attention that it deserves.[8]

Spread of Escalator Clauses

The spread of long-term contracts has been accompanied by a great increase in escalator clauses tied to the consumer price index. In January, 1955, the number of workers covered by such clauses was about 2 million; at the beginning of 1957, the escalator clauses covered about 3.8 million workers.[9] Among the industries in which escalator clauses have recently been adopted are the steel industry, the aluminum industry, the trucking industry, the meat packing industry, and the agreements of the non-operating railroad unions and some of the operating unions.

In recent months wage increases ranging from 1 to 4 cents per hour have been given to many thousands of workers under cost-of-living escalator clauses. Many workers have received two such increases during the last six months. The number of workers receiving increases under escalator clauses in recent months has been:

August, 1956 — 500,000 workers in aircraft, electrical machinery, and trucking industries.

September, 1956 — 1,250,000 in the automobile and farm equipment industries and in other industries.

December, 1956—1,500,000 workers in the automobile, farm equipment aircraft, and electrical industries.

January, 1957—900,000 workers in steel, aluminum, aircraft, and meat packing industries.

February, 1957—1,000,000 workers in the trucking and electrical industries.

The spread of escalator clauses represents a change in the thinking of many union officers. Several years ago many leaders thought that escalator clauses limited the ability of the union to get wage increases for its members. Perhaps the observation of the working of the escalator clause in the automobile industry has led to a change of view. At any rate, many union leaders have changed their opinions about escalator clauses.

New Cyclical Wage Pattern

An examination of the changes in wages in recent years leads to several interesting conclusions concerning the effect of change in the wage structure and the wage policies of unions on the economy. To begin with, the structure of wages is being changed in ways that increase the rate at which payrolls rise in periods of boom. This is being done in three principal ways—the increase in overtime premium rates, the increase in shift premium rates, and the spread of cost-of-living escalator clauses. These same changes also tend to make payrolls decrease more rapidly in periods of contraction, but this effect is offset by the automatic annual wage increases that are a feature of so many agreements. And while unemployment compensation does not add to payrolls, it does help sustain labor incomes. Thus, the net effect of these several changes is to raise labor income more rapidly in periods of expansion and to check the drop of labor income in periods of contraction.

A special word should be said about the built-in wage increases which are an inseparable feature of long-term contracts and which are quite rapidly becoming a more and more important characteristic of our economy. The day is probably not far distant when at least 10 million workers (twice the present number) will automatically receive wage increases each year. Insofar as these built-in wage increases are confined to strong companies which can pay them even in the face of declining business without impairing their credit position, these built-in increases are an important stabilizing influence. They tend to sustain spending in periods when production and employment are contracting. But built-in wage increases which apply to weak companies may aggravate contractions in business by impairing the credit standing of the weak firms. As built-in wage increases spread, they will make it more and more imperative that the government take very vigorous steps to halt quickly any contraction in business.

V

The Outlook for 1957 and 1958

The outlook for 1957 is that wages and prices will rise less than they increased in 1956. One reason is that there are fewer wage negotiations in which powerful pattern-setting unions will be pushing through wage increases. The principal negotiations in 1957 will be in the petroleum industry, the rubber industry, and between the railroad industry and some of the train service unions, and in the Pacific Coast shipyards. These negotiations may set some fairly large wage increases. Other important negotiations in 1957 in the men's apparel industry, the textile industry, and the telephone industry are not likely to produce large increases.

The negotiations scheduled for 1957 lead one to expect smaller wage increases than were given last year. A second reason for expecting a slower rise in wages and prices is the current lull in business which will affect the total changes for the year. A third reason for expecting a slower rise in prices (though not necessarily a slower increase in wages) is the prospect that productivity will improve faster in 1957 than it gained in 1956. Managements are aware of the poor productivity record of 1957, they are disturbed about it, and they will try hard to do something about it. I believe that they will succeed.

Higher Wages in 1958

What about the year 1958? That could well be a stormy year. It is the year when the contracts expire in the automobile industry, and the union has always been ambitious to be a pattern-setter. The year 1958 will also see important negotiations in the glass industry, the aircraft industry, and the farm equipment industry. If business continues good through 1958 (and there are good reasons to expect that it will), wage increases in that year will be greater than in 1957. It is too early to speculate at any length concerning what the issues will be. The United Automobile Workers has announced that it intends to make a big issue of a shorter work week, but the union may not do this. So long as employment is high, the rank and file interest in a shorter work week appears to be quite lukewarm. Hence, the union may concentrate on demands that arouse more enthusiasm among the rank and file. More money for the skilled workers in the industry is certain to be one of the union's principal demands. This demand may not arouse great enthusiasm among the majority of the members, but it is a demand that must be made and pressed in order to keep the skilled workers in the union. With a year of considerable tension and strain in prospect in 1958, employers would be wise to use the relative quiet of 1957 to improve their personnel practices and also to improve the administration of their contracts with unions.

VI

Progress in the Negotiation and Administration of Union-Management Contracts

More important than the settlements that were made last year or that are likely to be made this year or next are developments in the procedures and practices in negotiating and administering union-employer contracts and in thinking about the basic problems of industrial relations. Much progress remains to be made, but developments of the last several years have been considerable and encouraging. My impression is that greater progress has been made in improving administrative practices than negotiating methods. A few companies have been taking an over-all and critical look at their policies and have been asking themselves whether they really possess a well-thought-out set of labor policies or whether they have been allowing the initiative in labor matters to be taken pretty completely by the unions.

The principal improvement in negotiating methods has been more thorough preparation for negotiations. Both unions and employers are doing more and more advance work in preparing their cases. Employers usually know in advance what the principal union demands will be, and more and more they gather facts and make investigations in support of the company's position. An increasing number of companies build up a clause-by clause file on how the expiring agreement has been working and hold management conferences on changes that would be desirable. In connection with these conferences, the management negotiators seek suggestions from foremen, superintendents, and others on changes that these men would like to see. A few companies see negotiations as a useful method of communication by which the employee representatives learn much about the company and the industry. Such companies may prefer to have the early stages of negotiation conducted with fairly large committees from the union.

The progress in administering union-management contracts has been quite considerable. The need for such progress has been great. Unionism grew up so rapidly during the 30s and the war that both companies and unions alike did not have much time to give thought either to basic policies or to problems of administration. Furthermore, the strong pressure for production created by the war had bad effects upon the administration of trade agreements and caused many companies to put short-run considerations of production ahead of their long-run interest in good administration. The progress in administration has taken the following principal forms:

Progress in Five Areas

(1) **Company policies for dealing with wildcat strikes.** In many enterprises wildcat strikes were frequent and management lacked a definite policy for dealing with them. In particular, many managements were afraid to impose discipline for such strikes. Wildcat strikes have not been eliminated as a problem, but enormous progress has been made.

(2) **Moderate progress has been made in developing more workable seniority rules.** As everyone knows, seniority is a complicated subject, and seniority rules sometimes produce unexpected effects. Furthermore, some seniority rules were worked out with management not looking very carefully into their probable consequences. I have even heard managements say that they would be willing to take any seniority rules that would be satisfactory to the union. The result of failure to give proper attention to the probable consequences of seniority rules has been the development of exceedingly expensive bumping practices in some plants, and in some cases loss of flexibility in the working force. Once seniority rights are established by any rule, whether a good rule or a bad rule, these rights are difficult to change. The process of improving seniority rules has been a slow and painful one and much still remains to be done.

(3) **The replacement of loose production standards with proper standards and, in some cases, the replacement of submerged incentive rates with good rates.** The war was responsible for the development of many loose standards and loose practices in administering standards and incentive systems. In many plants these loose practices continued long after the war. In the course of time, however, loose standards are bound to impair the competitive position of the company. Many concerns, therefore, have been led to take steps to improve their standard-setting processes and also to improve their standards. Technological change has helped them in this because these changes have given an opportunity to set new standards. In a few extreme cases, however, it has been necessary to transfer work to new plants.

(4) **Improvements in the methods of handling grievances.** In the early days of collective bargaining, in many plants everyone was too busy to give much thought to methods of administering grievances. Furthermore, managers were too inexperienced with collective bargaining to realize the importance of good administration of grievances. This topic has many more ramifications than I have time to discuss. Poor grievance administration may have far-reaching effects on the efficiency of the organization because it may undermine the morale of the foremen. Poor grievance administration may lead the union stewards to challenge quite freely even the most reasonable actions of management simply because the stewards wish to maintain a high grievance rate.

Some organizations have been slow to realize the importance of avoiding a big backlog of grievances. But considerable progress has been made, and in plant after plant grievances are now being handled far more expeditiously than several years ago. Management is better organized to investigate complaints and to get the facts. Furthermore, management has learned the importance

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5 *Monthly Labor Review*, September, 1956, p. 1073.

6 *Monthly Labor Review*, July, 1956, pp. 810-811.

7 *Management Record*, June, 1956, p. 206.

8 Opposition to the strong trend toward longer-term contracts has been voiced by the American Newspaper Guild. In its 23rd Convention it limited the maximum duration of future contracts to two years except by permission of the international executive board, and approved a motion that the trend in contract length should be toward one year agreements. *Monthly Labor Review*, September, 1956, p. 1073.

9 *Monthly Labor Review*, January, 1957, p. 52.

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Current Business Trends And the Wage Outlook

of taking a firm stand when it is right and also the importance of departing from the letter of the agreement when it is necessary to do this in order to be fair. Managements have learned the importance of not settling grievances by mere bargaining. Managements have learned not to stand pat on weak cases and thus be forced to go to arbitration on cases in which the management position is difficult to defend.

(5) **Improvements in the administration of discipline.** The new militant unions which grew up suddenly in many plants led in some instances to the development of lax policies in administration of discipline. In not a few cases the very companies which had been rather harsh in administering discipline before the union came in went to the other extreme after the union came in. There are many reasons why fair but firm administration of discipline is important. In addition to the obvious reason that rules must be observed when people are working together in groups, is the effect of lax administration of discipline upon the moral position of the supervision. Foremen who feel that they have been deserted by higher management are going to be poor administrators in all aspects of their work.

VII

Some Unsettled Problems

My remarks will conclude with a brief discussion of several problems of importance: (1) the need for the training of more skilled workers; (2) the need for a systematic review of industrial relations practices and policies by both employers and unions; and (3) the problem of rising labor costs and the creeping inflation caused by them.

(1) **The need for more skilled workers.** The foreseeable technological trends of American industry indicate that the need for skilled workers and also for technical personnel will grow faster than the labor force—just as it has been growing much faster than the labor force for the last 40 odd years. The growing need for skilled workers means that American industry should expand substantially its plans for training craftsmen and other skilled workers. Some skills are best acquired by the process of upgrading—found in parts of the paper industry, the steel industry, the railroad industry. Many skills, however, can be mastered only by formal apprenticeship which gives boys experience at various parts of the trade and some vocational schooling to go with shop experience. The number of registered apprentices in the United States (boys in courses that meet the standards of the U. S. Bureau of Apprenticeship and State Apprenticeship Agencies) has increased from 21,300 on June 30, 1941, to 155,800 on June 30, 1952, and to 188,000 on January, 1957. Washington experts, however, regard the number of apprentices as far short of the needs of industry.

A few unions have shown considerable interest in encouraging the training of more apprentices. Among these unions the plumbers' union stands out. It has recently negotiated an agreement with the National Constructors' Association for a contribution of one cent an hour to a fund to support off-the-job school training for apprentices. This contribution is expected to yield about $400,000 a year. Although the employer ordinarily loses money in the first two years of an apprentice's training, he usually comes out ahead in the second two years. Hence, the net cost to the employer of training apprentices can be kept fairly moderate. So superior is the training of many boys that they become foremen within a few years after completing their apprenticeships.

(2) **The need for a systematic review of industrial relations practices and policies.** Union-management contracts have developed in a piecemeal fashion over a period of years. Hence, the usual agreement cannot be regarded as reflecting carefully thought out views of personnel policies on the part of either unions or employers. The initiative in introducing changes in the agreements has usually come from the unions. The union demands have sometimes reflected pressures from the workers in particular plants or particular departments or the interests of certain groups of workers, such as those who for one reason or another are particularly interested in pensions or paid holidays or some other condition. Sometimes the union demands have mainly reflected the desire of the union to match the conditions that other unions were getting.

Employers have made settlements, as a rule, on the basis of the minimum concessions that would keep the peace. Some of the features that have been incorporated into trade agreements have not been particularly well understood by either the union or the employer, and they may or may not come quite close to meeting the needs of the workers. Certainly, in negotiating about pension plans, sickness benefit plans, life insurance plans, both the union and the management have been dealing with matters about which they have had rather limited understanding. Even in negotiating about seniority rules, very limited consideration has been given to the broad question of what set of seniority rules constitutes a sound personnel policy for the particular plant.

Perhaps it has been inevitable that trade agreements shall have developed in a piecemeal fashion and much influenced by political pressures. The very fact, however, makes it important for both employers and union to take an over-all look at their handiwork and to ask how well and how equitably the terms of the trade agreements protect and advance the interests of the various kinds of workers in the plant — the interests of the short-service workers as distinguished from long-service, men as distinguished from women, exceptionally able workers as compared with workers of mediocre ability. Such a thorough review of the terms of agreements and their relationship to sound an equitable personnel policies will probably not lead to large and sudden changes in the agreements, but it should help both sides to do a better job of negotiating. In particular, such a review may be expected to lead employers to take more initiative in negotiations and to work more vigorously for developing union-management contracts that embody sound personnel practices.

Rising Labor Costs and Inflation

(3) **The problem of rising labor costs and the creeping inflation caused by them.** Undoubtedly, the most important problem that is created by current trends in industrial relations is the problem of rising labor costs and their effect upon prices. For some time wages have been rising faster than the productivity of labor. Between 1953 and 1956, for example, output per manhour in manufacturing went up about 7.7%, but average hourly earnings increased 11.8% and there were additional increases in fringe benefits.

As a result of wages rising faster than productivity, labor has lost through higher prices a large part of its gains in money wages. In the last year, as I have pointed out, about half the gains of factory workers in money wages were lost in higher prices. Employers in most industries have been able to pass on the increases in costs in recent years with the result that corporate profits after taxes per dollar of sales rose from 4.3 cents in 1953 to about 5.3 cents in 1956, and corporate profits per dollar of stockholders' equity increased from 10.4% in 1953 to more than 12% in 1956. But in both 1953 and 1956 corporate profits per dollar of sales and per dollar of stockholders' equity were well below the average of 1947-50.

It is clear that if wages continue to rise faster than productivity, prices must creep slowly upward as they have been doing during the last several years. This prospect is deeply disturbing to many economists and businessmen who believe that a creeping rise in prices is bound to become a galloping rise and to end, as runaway inflation always does end, in a great collapse.

I see no immediate prospect of halting the tendency for wages to rise faster than productivity. That result is the inevitable result of the present balance of bargaining power between unions and employers. Hence, a slow rise in the price level will not be easily avoided. But I disagree with the many eminent economists who declare that a creeping rise in prices must inevitably become a galloping rise. If these economists are right (and I am confident they are not), a great collapse in the United States is not far away because in their view as soon as a large number of people expect a creeping rise in prices to continue, their very efforts to protect themselves against it or to profit from it will cause it to become a galloping rise.

I wish that I could suggest a good practical method of limiting the average increase in money wages to the average increase in productivity per manhour, but every proposal that I have heard presented is a greater evil than the one that it is intended to cure. Hence, I fear that we shall probably have to live for some time to come in a world in which the price level is slowly rising most of the time. The principal comfort that I can offer is that this kind of a world is not as bad a world as many very distinguished economists would have you believe. There will be no galloping inflation, no runaway prices, no frenzy of speculation, and no great collapse. Rather, our world will be one in which markets will be large and expanding, in which technology will be changing rapidly, in which competition will be extremely keen and profits fairly modest, a world in which bondholders will fare rather badly, in which the proportion of the national product going to the stockholders will continue to drop slowly, and in which most of the gains of increasing productivity will be to the employees.

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DENVER, Colo. — Raymond G. Penny has become affiliated with Colorado Investment Co., Inc., 509 Seventeenth Street. He was previously with Carroll & Co.

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BRIDGEPORT, Conn. — Walter Perry III has become associated with Smith, Ramsay & Co., Inc., 207 State Street.

Business Man's Bookshelf

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

Construction in 1956 — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.—On request.

Corporate Debt and the Stockholder: The Effects of Borrowing on Rates of Return — Louis O. Foster—Amos Tuck School of Business Administration, Dartmouth College, Hanover, N. H. —(paper).

Debt: Public and Private—Report of the Committee on Economic Policy—Chamber of Commerce of the United States, Washington 6, D. C.—(paper)—$1.

Eliminating Premium Overtime From Hourly Earnings in Manufacturing — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.—On request.

Enterprise in Oil: A History of Shell in the United States — Kendall Boston—Appleton-Century-Crofts, Inc., 35 West 32nd Street, New York 1, N. Y. — (Cloth)—$7.50.

Federal Control of Consumer Credit — New York State Consumer Finance Association, Woolworth Building, New York 7, N. Y.—(paper).

Freeman: Ideas on Liberty — Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—50c per copy; $5 per year.

Handbook of Life Insurance — Penn Mutual Life Insurance Company, Independence Square, Philadelphia 5, Pa. (on request).

Journal of the Institute of Bankers, February 1957—Containing articles on "Finance for Personal and Professional Customers," "The Economic Intelligence Department of an English Bank," and "Methods of Terminating or Varying a Trust"—Institute of Bankers, Lombard Street, London E. C. 3, England (available on subscription).

Mergers — Report of the Committee on Economic Policy—Chamber of Commerce of the United States, Washington 6, D. C.—(paper)—50c.

Monopoly Power as Exercised by Labor Unions — National Association of Manufacturers, 2 East 48th Street, New York 17, N. Y. (paper) 25 cents.

More for Your Capital Dollar — John A. Griswold — The Amos Tuck School of Business Administration, Dartmouth College, Hanover, N. H.—(paper) —On request.

Municipal Costs and Revenues Resulting From Community Growth—Walter Isard and Robert Coughlin — Chandler-Davis Publishing Company, Box 251, Wellesley 81, Mass.—$5.

North Carolina, the Tar Heel State —8-panel folder and map with background material on North Carolina—State Advertising Division, Department of Conservation and Development, Raleigh, N. C.

Oil & Gas Output Forecast — Report — Department of the Interior, Washington, D. C. (paper).

Organizational Picketing in New York State: An Indefensible Union Weapon Which Must Be Restricted By Law—Commerce and Industry Association of New York, N. Y., 99 Church Street, New York 7, N. Y.—(Paper).

Our Manpower Future—1955-65—Population trends—Their Manpower Implications—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Ave., New York 1, N. Y. (paper) 30 cents.

Port of New York — Illustrated brochure deschibing facilities (available in English, Spanish and Portuguese)—Port Promotion Manager, The Port of New York Authority, 111 Eighth Avenue, New York 11, N. Y. On request.

Production Forecasting, Planning and Control—Second Edition—E. H. MacNiece—John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, N. Y.—$8.25.

Punched Card Annual of Machine Accounting and Data Processing —Volume 5—The Punched Card, Maccabees Building, Detroit 2, Mich.—$8.50 (complete set of five volumes, $37.50).

Railroad Transportation—A Statistical Record 1921-1955—Association of American Railroads, Bureau of Railway Economics, Washington 6, D. C. (paper), on request.

Real Estate Forecast for 1957 — Roy Wenzlick—Society for Savings in the City of Cleveland, Cleveland, Ohio.

Saving Income Taxes Through Capital Gains — Arno Herzberg Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y.

Security Dealers of North America—1957 Edition—Completely revised directory of stock and bond houses in United States and Canada (with a section on Hawaii) — Arranged geographically—Includes description of character of business; names of partners or officers and principal department heads; wire services; teletype numbers; phones; etc.—Herbert D. Seibert & Co., Inc., 25 Park Place, New York 7, N. Y.—(Fabrikoid)—$12.

Some New Patterns in U. S. Business — Selected business essays from "Time"—Time, 9 Rockefeller Plaza, New York 20, N. Y. (paper).

Stock Market, The—Second Edition—George L. Leffler — The Ronald Press Company, 15 East 26th Street, New York 10, N. Y. —$7.

Trend of Bank Loans—Semi-Annual supplement for last half of 1956—American Bankers Association, 12 East 36th Street., New York 16, N. Y., $2.00 per year.

Underdepreciation from Inflation —Machinery and Allied Products Institute, 1200 18th Street, N. W., Washington, D. C. (paper), 25c.

What You Can Earn in 250 Different Careers—Rittenhouse Press, Inc., 2401 Walnut Street, Philadelphia, Pa.—$1.

Woman Worker — (Programs and Services of the Women's Bureau, 20c; Minimum Wage and the Woman Worker, 10c; New Teachers for the Nation's Children, 15c; Negro Women and their Jobs, 10c; Bibliograph on Employment Problems of Older Women, 35c), U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.

Yearbook of International Trade Statistics, 1955—United Nations — Columbia University Press, 2960 Broadway, New York 27, N. Y.—(Paper)—$7.

Your Investments—Leo Barnes—Revised 1957 Edition—American Research Council, 2 East Avenue, Larchmont, N. Y.—(Paper) —$3.

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. 10	§94.9	*96.0	97.1	100.0
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 10	§2,429,000	*2,456,000	2,485,000	2,462,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 22	7,567,200	7,515,400	7,395,500	7,183,350
Crude runs to stills—daily average (bbls.)	Feb. 22	¶7,795,000	7,976,000	8,189,000	8,084,000
Gasoline output (bbls.)	Feb. 22	25,673,000	26,327,000	26,850,000	26,389,000
Kerosene output (bbls.)	Feb. 22	2,318,000	2,610,000	2,487,000	2,555,000
Distillate fuel oil output (bbls.)	Feb. 22	13,858,000	14,685,000	14,333,000	13,829,000
Residual fuel oil output (bbls.)	Feb. 22	8,651,000	8,682,000	8,702,000	8,828,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 22	204,122,000	202,254,000	193,248,000	193,988,000
Kerosene (bbls.) at	Feb. 22	21,723,000	22,552,000	25,619,000	18,684,000
Distillate fuel oil (bbls.) at	Feb. 22	87,895,000	91,385,000	106,490,000	74,330,000
Residual fuel oil (bbls.) at	Feb. 22	35,772,000	35,812,000	39,531,000	37,102,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 23	626,636	675,966	665,745	687,018
Revenue freight received from connections (no. of cars)	Feb. 23	615,287	641,386	632,757	671,144
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 28	$321,197,000	$374,710,000	$406,802,000	$355,716,000
Private construction	Feb. 28	211,391,000	160,805,000	223,012,000	256,368,000
Public construction	Feb. 28	109,806,000	213,905,000	183,790,000	99,348,000
State and municipal	Feb. 28	75,598,000	162,856,000	154,370,000	80,260,000
Federal	Feb. 28	34,208,000	51,049,000	29,420,000	19,088,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 23	9,850,000	9,750,000	10,170,000	9,970,000
Pennsylvania anthracite (tons)	Feb. 23	491,000	376,000	531,000	572,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 23	100	102	96	97
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 2	11,791,000	11,920,000	12,322,000	11,199,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 28	284	300	320	293
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 26	5.663c	5.661c	5.622c	5.174c
Pig iron (per gross ton)	Feb. 26	$62.90	$62.90	$62.90	$59.09
Scrap steel (per gross ton)	Feb. 26	$52.17	$53.33	$55.50	$47.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 27	31.325c	31.400c	35.575c	46.150c
Export refinery at	Feb. 27	29.650c	30.175c	32.750c	46.700c
Lead (New York) at	Feb. 27	16.000c	16.000c	16.000c	16.000c
Lead (St. Louis) at	Feb. 27	15.800c	15.800c	15.800c	15.800c
‡Zinc (delivered) at	Feb. 27	14.000c	14.000c	14.000c	14.000c
Zinc (East St. Louis) at	Feb. 27	13.500c	13.500c	13.500c	13.500c
Aluminum (primary pig, 99%) at	Feb. 27	25.000c	25.000c	25.000c	22.500c
Straits tin (New York) at	Feb. 27	98.125c	99.250c	102.375c	105.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 5	90.79	90.84	91.98	95.63
Average corporate	Mar. 5	96.54	96.38	95.92	108.16
Aaa	Mar. 5	101.31	101.64	100.81	111.81
Aa	Mar. 5	99.36	99.04	98.25	110.15
A	Mar. 5	96.54	96.23	96.23	108.16
Baa	Mar. 5	89.51	89.23	88.95	102.80
Railroad Group	Mar. 5	95.47	95.32	94.86	106.56
Public Utilities Group	Mar. 5	96.69	96.69	96.33	108.52
Industrials Group	Mar. 5	97.31	97.16	96.54	109.42
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 5	3.26	3.25	3.15	2.83
Average corporate	Mar. 5	3.97	3.98	4.01	3.27
Aaa	Mar. 5	3.67	3.65	3.70	3.07
Aa	Mar. 5	3.79	3.81	3.86	3.16
A	Mar. 5	3.97	3.99	3.99	3.27
Baa	Mar. 5	4.45	4.47	4.49	3.58
Railroad Group	Mar. 5	4.04	4.05	4.08	3.36
Public Utilities Group	Mar. 5	3.96	3.96	3.98	3.25
Industrials Group	Mar. 5	3.92	3.93	3.97	3.20
MOODY'S COMMODITY INDEX	Mar. 5	4.12	411.7	424.2	403.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 23	245,909	219,422	234,936	248,753
Production (tons)	Feb. 23	262,293	280,060	282,631	291,984
Percentage of activity	Feb. 23	93	94	96	100
Unfilled orders (tons) at end of period	Feb. 23	370,885	389,413	380,684	499,696
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Mar. 1	110.99	111.24	111.13	107.07
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Feb. 9	1,357,660	1,227,000	1,595,140	1,250,390
Short sales	Feb. 9	206,230	215,120	285,740	243,000
Other sales	Feb. 9	1,170,130	1,020,160	1,481,530	1,078,040
Total sales	Feb. 9	1,376,360	1,235,280	1,767,270	1,321,040
Other transactions initiated on the floor—					
Total purchases	Feb. 9	215,330	273,130	349,050	230,600
Short sales	Feb. 9	24,700	30,100	22,700	31,000
Other sales	Feb. 9	289,600	245,950	343,700	231,350
Total sales	Feb. 9	314,300	276,050	366,400	262,350
Other transactions initiated off the floor—					
Total purchases	Feb. 9	425,185	382,981	528,371	528,870
Short sales	Feb. 9	120,500	111,820	139,950	87,630
Other sales	Feb. 9	481,781	461,048	558,625	533,050
Total sales	Feb. 9	582,281	572,868	698,575	620,680
Total round-lot transactions for account of members—					
Total purchases	Feb. 9	1,998,175	1,883,111	2,472,561	2,009,860
Short sales	Feb. 9	351,430	357,040	448,390	361,630
Other sales	Feb. 9	1,921,511	1,727,158	2,383,855	1,842,440
Total sales	Feb. 9	2,272,941	2,084,198	2,832,245	2,204,070
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. 9	1,375,914	1,242,434	1,564,230	1,439,920
Dollar value	Feb. 9	$63,114,186	$59,541,934	$77,553,576	$70,735,609
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 9	1,051,288	877,489	1,078,221	1,195,972
Customers' short sales	Feb. 9	10,010	9,404	8,315	6,396
Customers' other sales	Feb. 9	1,041,278	868,085	1,069,906	1,189,576
Dollar value	Feb. 9	$50,702,912	$42,075,870	$52,253,290	$60,075,471
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 9	255,880	191,930	214,180	322,320
Short sales	Feb. 9	------	------	------	------
Other sales	Feb. 9	255,880	191,930	214,180	322,320
Round-lot purchases by dealers—					
Number of shares	Feb. 9	552,240	540,750	699,070	522,180
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. 9	536,500	530,600	613,210	453,260
Other sales	Feb. 9	11,311,910	8,978,060	11,829,160	10,247,870
Total sales	Feb. 9	11,848,410	9,508,660	12,442,370	10,701,130
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 26	116.8	116.9	116.9	112.1
Farm products	Feb. 26	88.3	88.5	89.4	85.1
Processed foods	Feb. 26	103.6	103.7	104.3	98.7
Meats	Feb. 26	80.8	80.7	82.9	71.3
All commodities other than farm and foods	Feb. 26	125.4	125.4	125.2	120.4

*Revised figure. ¶Includes 789,000 barrels of foreign crude runs. §Based on new annual capacity of 133,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,000 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
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of November	145,081	149,125	133,689
Stocks of aluminum (short tons) end of Nov.	87,584	62,290	14,172
AMERICAN PETROLEUM INSTITUTE—Month of November:			
Total domestic production (barrels of 42 gallons each)	238,438,000	240,213,000	234,038,000
Domestic crude oil output (barrels)	214,174,000	215,936,000	210,406,000
Natural gasoline output (barrels)	24,221,000	24,245,000	23,608,000
Benzol output (barrels)	43,000	32,000	24,000
Crude oil imports (barrels)	26,124,000	31,123,000	24,685,000
Refined products imports (barrels)	14,722,000	16,660,000	14,964,000
Indicated consumption domestic and export (barrels)	297,106,000	277,489,000	284,867,000
Decrease all stocks (barrels)	17,822,000	¶¶10,507,000	11,180,000
AMERICAN RAILWAY CAR INSTITUTE—Month of January:			
Orders for new freight cars	5,328	4,992	1,818
New freight cars delivered	7,822	7,260	4,199
AMERICAN TRUCKING ASSOCIATIONS, INC. Month of December:			
Intercity general freight transported by 352 carriers (in tons)	4,005,293	4,561,296	4,243,234
AMERICAN ZINC INSTITUTE, INC.—Month of January:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	93,452	98,234	90,315
Shipments (tons of 2,000 pounds)	83,100	99,787	89,962
Stocks at end of period (tons)	78,974	*68,632	41,330
Unfilled orders at end of period (tons)	42,922	*34,913	60,717
ASSOCIATION OF AMERICAN RAILROADS—Month of January:			
Locomotive units installed in service	117	110	126
New locomotive units on order (end of month)	787	814	835
COKE (BUREAU OF MINES)—Month of Dec.:			
Production (net tons)	6,835,684	*6,533,126	*6,882,300
Oven coke (net tons)	6,615,935	*6,328,272	6,650,900
Beehive coke (net tons)	219,949	*204,854	231,400
Oven coke stock at end of month (net tons)	2,325,674	*2,442,070	1,697,200
COMMERCIAL PAPER OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—			
As of Jan. 31 (000's omitted)	$548,000	$506,000	$573,000
COPPER INSTITUTE—For Month of Jan.:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	109,479	*104,583	108,717
Refined (tons of 2,000 pounds)	139,150	129,839	123,798
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	119,925	99,594	130,431
Refined copper stocks at end of period (tons of 2,000 pounds)	113,564	120,645	50,016
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Consumed month of January	840,567	631,507	750,282
In consuming establishment as of Feb. 2	1,640,031	1,567,196	1,703,918
In public storage as of Feb. 2	15,217,293	16,451,579	17,232,236
Linters—Consumed month of January	128,446	127,176	157,170
Stocks Feb. 2	970,445	978,766	1,465,233
Cotton spindles active as of Feb. 2	18,725,000	18,736,000	19,399,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Feb. 2	21,564,000	21,553,000	21,983,000
Spinning spindles active on Feb. 2	18,725,000	18,736,000	19,399,000
Active spindle hours (000's omitted) Feb. 2	10,790,000	8,062,000	9,577,000
Active spindle hours per spindle in place Jan.	431.6	403.1	478.8
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of January (1947-49=100)	76.5	80.6	80.2
METAL OUTPUT (BUREAU OF MINES)—Month of October:			
Mine production of recoverable metals in the United States:			
Gold (in fine ounces)	165,519	*178,324	184,480
Silver (in fine ounces)	3,170,136	*2,926,162	3,202,693
Copper (in short tons)	92,538	*85,251	92,192
Lead (in short tons)	31,374	*27,455	27,564
METAL PRICES (E. & M. J. QUOTATIONS)—			
Copper (per pound)—			
Domestic refinery	35.526c	35.649c	43.749c
Export refinery	33.337c	33.876c	45.562c
††London, prompt	£265.898	£272.967	Not Avail.
††Three months, London (per long ton)	£264.716	£273.408	Not Avail.
Lead—			
Common, New York (per pound)	16.000c	16.000c	16.151c
Common, East St. Louis (per pound)	15.800c	15.800c	15.960c
‡‡Prompt, London (per long ton)	£116.256	£115.681	£118.568
††Three months, London (per long ton)	£114.534	£114.684	£116.500
Zinc (per pound)—East St. Louis	13.500c	13.500c	13.431c
§§Zinc, Prime Western, delivered (per pound)	14.000c	14.000c	13.931c
††Zinc, London, prompt (per long ton)	£103.256	£101.368	£100.835
††Zinc, London, three months (per long ton)	£98.682	£96.796	£97.659
Silver and Sterling Exchange—			
Silver, New York (per ounce)	91.375c	91.375c	90.357c
Silver, London (per ounce)	80.290d	80.099d	78.267d
Sterling Exchange (check)	$2.79570	$2.78504	$2.80662
Tin, New York Straits	101.308c	104.405c	104.820c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$255.000	$255.000	$273.040
¶Antimony, New York boxed	36.590c	36.470c	36.470c
Antimony, (per pound), bulk Laredo	33.000c	33.000c	33.000c
Antimony, (per pound), boxed Laredo	33.500c	33.500c	33.500c
Platinum, refined (per ounce)	$101.028	$104.000	$103.560
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97% grade	$2.35000	$2.35000	$2.60000
Aluminum, 99% grade ingot weighted average (per pound)	27.100c	27.100c	24.400c
Aluminum, 99% grade primary pig	25.000c	25.000c	Not Avail.
Magnesium ingot (per pound)	35.250c	35.250c	32.500c
**Nickel	74.000c	72.480c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.25
ZINC OXIDE (BUREAU OF MINES)—Month of December:			
Production (short tons)	17,460	16,760	17,292
Shipments (short tons)	12,679	14,551	14,301
Stocks at end of month (short tons)	26,193	21,412	23,177

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne, U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange. ¶¶Increase all stock.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Adams-Phillips, Inc.
Feb. 20 (letter of notification) 5,000 shares of common stock (par $20) to be offered to stockholders, officers, directors and employees for a period of 10 days, the unsold portion to be offered publicly. **Price**—$21 per share. **Proceeds** — For purchase of additional autos and for working capital. **Office** — 10 S. Craig Ave., Pasadena, Calif. **Underwriter**—Pasadena Corp., Pasadena, Calif.

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 Electronics, Inc. (3/25-29)
Feb. 28 filed 190,000 shares of common stock (par $1), of which 130,000 shares are to be sold for account of company and 60,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—Los Angeles, Calif. **Underwriters**—Van Alstyne, Noel & Co., New York, and Crowell, Weedon & Co., Los Angeles, Calif.

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 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. (3/25-28)
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.

★ American Telephone & Telegraph Co. (3/26)
March 5 filed $250,000,000 of 28-year debentures due April 1, 1985. **Proceeds**—For advances to subsidiary and associated companies; for purchase of stock offered for subscription by such companies; for extensions, additions and improvements to its own telephone plant; and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Morgan Stanley & Co. **Bids**—Tentatively scheduled to be received on March 26.

Appalachian Electric Power Co. (3/19)
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.

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.

★ Baltimore Gas & Electric Co. (3/20)
Feb. 28 filed a maximum of 581,537 shares of common stock (no par) to be offered for subscription by common stockholders of record March 18, 1957 at the rate of one new share for each 11 shares held; rights to expire on or about April 3, 1957. Subscription warrants are expected to be mailed on or about March 19. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—The First Boston Corp., New York.

• Bank Shares, Inc.
Dec. 27 (letter of notification) 30,000 shares of 6% prior preferred series C stock being offered for subscription by holders of series A prior preferred stock of record Dec. 31, 1956 on the basis of one new share for each five shares of series A stock held; rights to expire on March 11. **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.

★ Basin Royalty Co.
Feb. 25 (letter of notification) 100,000 shares of common stock. **Price**—At par ($2 per share). **Proceeds**—To invest in producing and non-producing oil and gas leases. **Office**—826 Amarillo Bldg. (P. O. Box 1235), Amarillo, Tex. **Underwriter**—None.

★ Bassons Industries Corp.
March 1 (letter of notification) 19,945 shares of common stock (par 50 cents). **Price**—$2.50 per share. **Proceeds**—To two selling stockholders. **Underwriter**—None. Securities are to be sold on the over-the-counter market to customers of Jay W. Kaufmann & Co., New York.

• Bayless (A. J.) Markets, Inc. (3/12)
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.

★ Bourns Laboratories, Inc.
Feb. 21 (letter of notification) $200,000 of 5% registered instalment debentures (an additional 3% interest to be payable contingent upon net earnings). **Price**—At face amount. **Proceeds**—For working capital. **Office**—6135 Magnolia Ave., Riverdale, Calif. **Underwriter**—None.

★ Braddock Investment Corp.
Feb. 18 (letter of notification) 4,000 shares of common stock (par $1); 6,000 shares of class B common stock (par $1) and 100,000 of 7% 7-year convertible debentures. **Price**—Of stock, $12 per share; and of debentures, 120% of principal amount. **Proceeds**—To acquire properties of various types and moving of homes on a contractual basis. **Office** — 2029 M St., N. W., Washington, D. C. **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.

★ California Electric Power Co. (4/2)
March 4 filed 300,000 shares of common stock (par $1). **Proceeds**—To repay bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Carl M. Loeb, Rhoades & Co. and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co.; White, Weld & Co. **Bids**—Expected to be received on April 2.

★ Canadian Fund, Inc., New York
Feb. 28 filed (by amendment) 200,000 additional shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

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.

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.

★ Coin, Inc.
Feb. 21 (letter of notification) 136,500 shares of common stock (par 10 cents) to be offered to stockholders and then to others. **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office**—Grove Hotel, Denio, Nev. **Underwriter**—None.

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.

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.
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. **Office**—Sioux Falls, S. D. **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.**
Feb. 13 filed 549,324 shares of common stock (no par) being 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**—$42.75 per share. **Proceeds**—For construction program. **Underwriter** — Kuhn, Loeb & Co. and Ladenburg, Thalmann & Co. (jointly).

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.

● **Delaware Income Fund, Inc. (3/18)**
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.

★ **Diversified Investment Fund, Inc.**
March 4 filed (by amendment) 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Elizabeth, N. J.

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. (3/11)**
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 as of March 11, 1957. **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.

● **El Paso Natural Gas Co. (3/18)**
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. (3/18)**
Feb. 26 filed 300,000 shares of convertible second preferred stock, series of 1957 (no par), to be offered for subscription by common stockholders of record March 18, 1957, at a ratio to be determined at a later date; rights to expire on April 2. **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.

★ **Fischer & Porter Co., Hatboro, Pa. (3/20)**
Feb. 28 filed $3,200,000 of convertible subordinated sinking fund debentures due 1977. **Price**—To be supplied by

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NEW ISSUE CALENDAR

March 7 (Thursday)

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

Tower Acceptance Corp.__________Class A Common
(S. D. Fuller & Co.) $1,000,000

March 11 (Monday)

Carolina Telephone & Telegraph Co.______Common
(Offering to stockholders—no underwriting) 58,310 shares

Duval Sulphur & Potash Co.______________Common
(Offering to stockholders—no underwriting) 300,000 shares

General Public Utilities Corp.___________Common
(Offering to stockholders—without underwriting) 646,850 shares

Minnesota Power & Light Co.______________Bonds
(Bids 11:30 a.m. EST) $12,000,000

Pennsylvania RR. _____________Equip. Trust Ctfs.
(Bids noon EST) $4,350,000

March 12 (Tuesday)

Bayless (A. J.) Markets, Inc.____________Common
(H. M. Byllesby & Co. Inc.) $3,950,000

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

Minneapolis Area Development Corp.
Debentures & Common
(No underwriting) $1,250,000

Montreal Transportation Commission__Debentures
(Shields & Co.; Halsey, Stuart & Co. Inc.; and Savard & Hart, Inc.) $9,000,000

New England Electric System_____________Common
(Exchange offer—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co. to act as dealer-managers) 819,000 shares

Pioneer Natural Gas Co._______________Debentures
(Eastman Dillon, Union Securities & Co.) $12,500,000

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

Gob Shops of America, Inc._______________Common
(Bruns, Nordeman & Co.) $300,000

New York Central RR.__________Equip. Trust Ctfs.
(Bids noon EST) $3,825,000

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

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 noon EST) $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

March 15 (Friday)

Ford Gum & Machine Co., Inc.______________Bonds
(No underwriting) $250,000

Transition Metals & Chemicals, Inc.______Common
(M. S. Gerber, Inc.) $500,000

March 18 (Monday)

Delaware Income Fund, Inc._______________Common
(Delaware Distributors, Inc.) 600,000 shares

El Paso Natural Gas Co._______________Preferred
(White, Weld & Co.) $15,000,000

El Paso Natural Gas Co._______Convertible Preferred
(Offering to stockholders—underwritten by White, Weld & Co.) 300,000 shares

March 19 (Tuesday)

Appalachian Electric Power Co.____________Bonds
(Bids to be invited) $29,000,000

Chicago, Burlington & Quincy RR.__Equip. Tr. Ctfs.
(Bids to be invited) $7,500,000

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.) 133,315 shares

March 20 (Wednesday)

Baltimore Gas & Electric Corp.____________Common
(Offering to stockholders—to be underwritten by The First Boston Corp.) 581,537 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

Hawaiian Electric Co., Ltd._______________Bonds
(Dillon, Read & Co. Inc. and Dean Witter & Co.) $7,000,000

Herold Radio & Electronics Corp.________Preferred
(Amos Treat & Co., Inc.) $800,000

Public Service Electric & Gas Co._____Debentures
(Bids 11 a.m. EST) $50,000,000

Roberts Co.______________________________Common
(Straus, Blosser & McDowell), 190,000 shares

Spokane, Portland & Seattle Ry.____Equip. Tr. Ctfs.
(Bids to be invited) $3,700,000

United States Borax & Chemical Corp._____Common
(The First Boston Corp.) 150,000 shares

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 noon EST) $5,540,000

West Penn Power Co.______________________Common
(Offering to stockholders—no underwriting) about $12,000,000

March 25 (Monday)

American Electronics, Inc._______________Common
(Van Alstyne, Noel & Co. and Crowell, Weedon & Co.) 190,000 shares

American Photocopy Equipment Co._________Common
(Lehman Brothers) 200,000 shares

Development Corp. of America_____________Common
(Sutro Bros. & Co. and Allen & Co.) $2,200,000

Metro, Inc.___________________________Debentures
(Auchincloss, Parker & Redpath), $600,000

National Lithium Corp.___________________Common
(Gearhart & Otis, Inc.) $3,900,000

Stouffer Corp.___________________________Common
(Glore, Forgan & Co. and Fulton Reid & Co., Inc.) 245,270 shares

Ulen Management Co.______________________Common
(Sutro Bros. & Co. and Allen & Co.) $2,200,000

Winter Park Telephone Co.__Preferred & Common
(Security Associates, Inc.; First Florida Investors, Inc.; Bache & Co.; and Grimm & Co.) 4,000 preferred shares and 40,000 common shares

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

Berkshire Gas Co._________________________Common
(Offering to stockholders—no underwriting) 20,000 shares

April 2 (Tuesday)

California Electric Power Co._____________Common
(Bids to be invited) 300,000 shares

April 3 (Wednesday)

Columbia Gas System, Inc._________________Common
(Bids to be invited) 1,500,000 shares

April 9 (Tuesday)

California Electric Power Co.______________Bonds
(Bids to be invited) $6,000,000

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 noon CST) $2,700,000

Northwestern Bell Telephone Co.________Debentures
(Bids to be invited) $30,000,000

May 7 (Tuesday)

El Paso Electric Co.______________________Common
(Offering to stockholders—Stone & Webster Securities Corp. may be dealer-manager) 119,522 shares

May 9 (Thursday)

Alabama Power Co. _________________________Bonds
(Bids 11 a.m. EDT) $14,500,000

May 15 (Wednesday)

El Paso Electric Co.________________________Bonds
(Bids to be invited) about $6,500,000

May 21 (Tuesday)

Florida Power & Light Co.___________________Bonds
(Bids to be invited) $15,000,000

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)

Northern States Power Co. (Wis.)___________Bonds
(Bids to be invited) $10,000,000

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

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amendment. **Proceeds**—For general corporate purposes, including capital improvements and working capital. **Underwriter**—Hallowell, Sulzberger & Co., Philadelphia, Pa.

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.

★ **Florida Trust, Pompano Beach, Fla.**
March 4 filed 850 certificates of beneficial interest in the Trust. **Price**—$1,000 per certificate. **Proceeds**—To acquire by purchase, lease or otherwise, and to hold, own, subdivide, lease, mortgage, exchange, bargain, sell and convey lands and every character of real property. **Underwriter**—None.

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.

★ **Fyr-Fyter Co.**
March 4 (letter of notification) 3,300 shares of 6% cumulative preferred stock. **Price**—At par ($30 per share). **Proceeds**—To two selling stockholders. **Office**—2 West 46th St., New York 36, N. Y. **Underwriter**—None.

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 Public Utilities Corp. (3/11)
Feb. 6 filed 646,850 shares of common stock (par $5) to be offered for subscription by common stockholders of record March 8, 1957, at the rate of one new share for each 15 shares held; rights to expire on March 29, 1957. [Each holder of less than 15 shares will, in lieu of the warrant otherwise deliverable to him, receive the cash equivalent thereof.] Subscription warrants are expected to be mailed on or about March 11. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for further investments in domestic subsidiaries. **Underwriter** — None. Merrill Lynch, Pierce, Fenner & Beane, New York, will act as clearing agent.

● **Gob Shops of America, Inc. (3/13)**
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

★ **Hawaiian Electric Co., Ltd., Honolulu (3/20)**
Feb. 27 filed $7,000,000 of first mortgage bonds, series J, due March 15, 1987. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—Dillon, Read & Co. Inc., New York, and Dean Witter & Co., San Francisco, Calif.

★ **Herold Radio & Electronics Corp. (3/20)**
Feb. 27 filed 160,000 shares of 6% cumulative convertible preferred stock (par $5) and 25,000 shares of common stock (par 25 cents). Of the latter issue, 12,500 shares are to be sold to underwriter at par and the remaining 12,500 shares issued to Alton Blauner as a finder's fee at par. **Price**—Of preferred, $5 per share. **Proceeds**—For working capital. **Office**—Mount Vernon, N. Y. **Underwriter**—Amos Treat & Co. Inc., New York.

Hilo Electric Light Co., Ltd., Hilo, Hawaii
Feb. 7 filed 51,380 shares of common stock (par $20), of which 45,320 shares are to be offered for subscription by common stockholders of record March 5, 1957 at the rate of two new shares for each seven shares held; rights to expire on or about April 6, 1957. Any unsubscribed shares plus the remaining 6,000 shares to be offered to employees, and the balance, if any, to the general public. **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for expansion and construction program. **Underwriter**—None.

Holly Corp., New York
Jan. 25 filed 406,638 shares of 50-cent convertible preferred stock, series A (par $5) and 2,476,116 shares of common stock (par 60 cents), of which all of the preferred and 763,011.3 shares of common stock are to be offered in exchange for Mount Vernon Co. preferred and common stock on the basis of one Holly series A share for each of the 406,638 shares of Mount Vernon preferred stock and 2½ shares of Holly common stock for each of the 305,204.52 shares of Mount Vernon common stock. Of the remainder, 210,000 Holly common shares are to be offered to certain holders of 35,000 shares of Van Dorn Iron Works Co. common stock on a six-for-one basis; 38,333 Holly common shares will be offered to certain finders, 60,000 shares to certain vendors of property; 1,016,595 shares will be reserved against conversion of preferred stock; and the remaining 388,176 are to be reserved for possible issuance at a future date in exchange for 64,696 shares of Van Dorn Iron Works common stock. **Underwriter**—None.

★ **Holy Land Import Corp., Houston, Texas**
Feb. 27 (letter of notification) 100,000 shares of common stock. **Price**—At par ($3 per share). **Proceeds**—For inventory, working capital, etc. **Underwriter**—Benjamin & Co., Houston, Tex.

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 135,000 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.

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.
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.**
Feb. 13 filed 154,834 shares of 4.84% cumulative convertible preferred stock being 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.**
Feb. 8 filed 71,390 shares of common stock (par $12.50) being 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**—$21 per share. **Proceeds** — For working capital and general corporate purposes. **Underwriter**—Clark, Dodge & Co., New York.

★ **Marietta Theatre, Griffithsville, W. Va.**
Feb. 15 (letter of notification) 3,000 shares of class A common stock and 4,000 shares of class B common stock. **Price**—$25 per share. **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.

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.

★ **Metro, Inc., Baltimore, Md. (3/25)**
March 4 filed $600,000 of 6% convertible subordinated debentures due March 31, 1967. **Price**—100% of principal amount. **Proceeds**—For working capital. **Business**—Financing of automobiles and durable consumer goods, etc. **Underwriter** — Auchincloss, Parker & Redpath, Washington, D. C.

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.

● **Minneapolis Area Development Corp. (3/12)**
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. Philip B. Harris (Vice-President of Northwestern National Bank of Minneapolis) is President.

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**—To be received up to 11:30 a.m. (EST) on March 11 at Two Rector St., New York 6, N. Y.

★ **Minot Builders Supply Association**
Feb. 27 (letter of notification) 90 shares of common stock. **Price**—At par ($1,000 per share). **Proceeds**—For working capital. **Office**—1667 Snelling Avenue North, St. Paul, Minn. **Underwriter**—None.

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 (3/12)**
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., Chicago, Ill.**
March 4 filed 22,584 shares of capital stock (par $10), to be issuable upon exercise of options granted to key management personnel pursuant to company's restricted stock option plan; also $5,000,000 of employee savings notes for employees of company and its domestic subsidiaries. **Proceeds**—For working capital. **Underwriter**—None.

● **National Lithium Corp., New York (3/25-29)**
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.

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.

★ **Nyvatex Oil Corp.**
Feb. 26 (letter of notification) 225,000 shares of common stock, par one cent). **Price**—$1 per share. **Proceeds**—For payment of note; and drilling and development of properties. **Office** — Esperson Bldg., Houston, Tex. **Underwriter**—Milton D. Blauner & Co., Inc., New York, N. Y.

Ohio Power Co.
Sept. 20 filed 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blyth & Co., Inc.; Kuhn Loeb & Co.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc. and Stone & Webster Securities Corp. (jointly); Lehman Brothers. **Bids**—The two received up to 11 a.m. (EST) on Oct. 30 were rejected.

Oneita Knitting Mills
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 Fund, Inc., Boston, Mass.**
Feb. 28 filed (by amendment) 1,000,000 additional shares of capital stock. **Price**—At market. **Proceeds**—For investment.

● **Pioneer Natural Gas Co. (3/12)**
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.

★ **Roberts Co., Sanford, N. C. (3/20)**
Feb. 28 filed 190,000 shares of common stock (par $1), of which 150,000 shares are to be sold for account of company and 40,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — To reduce outstanding obligations and for working capital. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

● **Rochester Telephone Corp.**
Feb. 15 filed 195,312 shares of common stock (par $10) being 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**—$15.50 per share. **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.

★ **Rogosin Industries, Ltd., New York**
March 1 filed 75,000 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For site improvements and buildings in Israel; for process equipment and machinery; for utilities; working capital; and other corporate purposes. **Underwriter**—None.

★ **Rushmore Lumber Co., Rapid City, S. D.**
Feb. 21 (letter of notification) 125,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For purchase of stumpage rights and for working capital. **Underwriter**—None.

Samson Uranium, Inc., Denver, Colo.
Aug. 21 (letter of notification) 25,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For core drilling, including geological research and core assays; for mining shaft; to exercise purchase of option agreement on additional properties; for working capital and other corporate purposes. **Underwriter** — Indiana State Securities Corp. of Indianapolis, Ind., for offering to residents of Indiana.

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 Sportsman, Inc., Atlanta, Ga.
Dec. 7 filed 486,000 shares of common stock, of which 375,000 shares are to be publicly offered and 111,300 shares are to be reserved on exercise of options to be granted to employees of the company (latter exercisable on or before Dec. 31, 1956). **Price**—$3 per share. **Proceeds**—To buy or establish a complete sporting goods house; other expansion and inventories. **Underwriter**—Investment Underwriters, Inc., Atlanta, Ga. Philip H. Dohn, Jr., and Roger H. Bell, sole stockholders of the underwriter, are officers and directors of Southern Sportsman, Inc.

Southern Union Oils Ltd., Toronto, Canada
Aug. 24 filed 750,000 shares of capital stock (par $1). **Price**—64½ cents per share. **Proceeds**—To selling stockholders. **Underwriter**—None.

Southwide Corp., Anniston, Ala.
Sept. 12 filed 450,635 shares of common stock (par $1), of which 211,681 shares are to be offered publicly 238,954 shares are to be offered in exchange for the class A stock of Capital Fire & Casualty Co. and common stock of Allied Investment Corp. **Price**—$2 per share. **Proceeds**—For purchase of stock of Capital and Allied firms and for purchase of U. S. Government bonds. **Underwriter**—None, but a selling commission will be allowed to dealers for sales effected by them. Elvin C. McCary, of Anniston, Ala., is President.

Sperti Products, Inc., Hoboken, N. J.
Jan. 29 filed $745,300 of 6% debentures due March 1, 1972 and 14,906 shares of common stock (par $1) to be offered in units of a $100 debenture and two shares of stock, of which $545,300 of the debentures and 10,906 shares of stock are to be offered first in exchange for the 54,530 outstanding shares of 5% cumulative convertible preferred stock (par $10) at the rate of one new unit for each 10 shares of preferred stock. The remaining $200,000 of debentures and 4,000 shares of common stock are to be publicly offered. **Price**—$100 per unit. **Proceeds**—For general corporate purposes, including working capital and for redemption of any unexchanged preferred stock. **Underwriter**—Smart, Clowes & Oswald, Inc., Louisville, Ky. **Offering**—Expected shortly.

Spokane Natural Gas Co. (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.

★ **Spokane, Portland & Seattle Ry. (3/20)**
Bids are expected to be received by the company on March 20 for the purchase from it of $3,700,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Stouffer Corp., Cleveland, Ohio (3/25)**
March 5 filed 245,270 shares of common stock (par $2.50), of which 155,270 shares are to be sold for account of certain selling stockholders and 90,000 shares for the company. **Price**—To be supplied by amendment. **Proceeds**

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—To pay short-term notes, to reimburse the treasury for expansion costs, and to equip three restaurants. **Underwriters** — Glore, Forgan & Co., New York, and Fulton Reid & Co., Inc., Cleveland, Ohio.

★ Stratford Corp.
Feb. 20 (letter of notification) $300,000 of 6% and 7% convertible debentures (the 6% debentures to have a two-year maturity and the 7% debentures a five-year maturity). **Price**—At par (in denominations of $500). **Proceeds**—To be invested in secured loans. **Office**—700 Denver Club Bldg., Denver, Colo. **Underwriter**—None.

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. (3/8)
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. Statement effective Feb. 20.

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. (3/15)
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.

Ulen Management Co. (3/25-29)
See Development Corp. of America above.

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. (3/20)
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.

★ Universal Transistor Products Corp.
March 1 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For machinery, equipment, expansion, inventory and working capital. **Office**—50 Bond St., Westbury, N. Y. **Underwriters**—Milton D. Blauner & Co., Inc.; Michael G. Kletz & Co., Inc.; Stanley Heller & Co.; and Aetna Securities Corp.; all of New York City.

Vanderbilt Mutual Fund, Inc., Los Angeles, Calif.
Dec. 31 filed 50,000 shares of common stock (par $1). **Price**—At market. **Proceeds** — For investment. **Underwriter**—Vanderbilt Mutual Fund Management Corp., 458 So. Spring St., Los Angeles 13, Calif.

Venezuela Diamond Mines, Inc., Miami, Fla.
Aug. 31 filed 1,500,000 shares of common stock. **Price**—At par (20 cents per share). **Proceeds**—For exploration and mining operations in Venezuela. **Underwriter**—Columbia Securities Co., Inc., of Florida (name changed to Alfred D. Laurence & Co.), Miami, Fla.

Venezuelan Sulphur Corp. of America (N. Y.)
Jan. 29 filed 150,000 shares of common stock (par 50 cents). **Price**—At market, but not less than $3 per share. **Proceeds**—For mining operations. **Underwriter**—None.

West Penn Electric Co.
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**—Carl M. Loeb, Rhoades & Co.

West Penn Power Co. (3/21)
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) 43,635 shares of common stock (par $5) being offered to stockholders on the basis of one share for each five shares held; rights to expire on March 27. **Price**—$6 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ Western Massachusetts Electric Co.
March 5 filed $12,000,000 of first mortgage bonds, series C, due April 1, 1987. **Proceeds**—To repay bank loans. **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).

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. (3/25-29)
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., Eache & Co., New York, N. Y.; 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.

★ Air Products, Inc., Emmaus, Pa.
Feb. 26 it was reported company may offer to its common stockholders some additional common shares. **Underwriter**—Reynolds & Co., New York.

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.

● Ann Arbor RR. (3/14)
Bids will be received by the company at 44 Wall St., New York 5, N. Y., up to noon (EST) on March 14 for the purchase from it of $1,830,000 equipment trust certificates dated April 1, 1957 and due in 15 equal installments. 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. 28 it was announced that the company is not at present contemplating sale of any mortgage bonds, as had previously been reported in these columns. See under "Securities Now in Registration" for proposed offering of not exceeding 581,537 additional shares of common stock to company's stockholders.

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.

★ Byers (A. M.) Co.
Feb. 27 it was announced stockholders on May 7 will vote on authorizing a new class of 100,000 shares of cumulative preference stock (par $100) and on increasing the authorized outstanding indebtedness to $15,000,000, in connection with its proposed recapitalization plan. There are no specific objectives involved. **Control**—Acquired by General Tire & Rubber Co. in 1956. **Underwriter** — Dillon, Read & Co., Inc., New York, handler previous preferred stock financing, while Kidder, Peabody & Co. underwrote General Tire & Rubber Co. financing.

● California Electric Power Co. (4/9)
Feb. 25 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds due 1987. **Proceeds** — To repay bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Lehman Brothers and Dean Witter & Co. (jointly). **Bids**—Expected to be received on April 9.

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.
March 4 it was reported that the company plans to issue and sell about $4,200,000 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 announced 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).

● **El Paso Electric Co. (5/7)**
Feb. 26 it was reported company plans to offer to its common stockholders of record about May 7, 1957 the right to subscribe on or before May 21 for 119,522 additional shares of common stock (par $5) on the basis of one new share for each 15 shares held (probably with an oversubscription privilege). **Proceeds** — To reduce bank loans and for new construction. **Dealer-Manager**—Stone & Webster Securities Corp., New York, acted as dealer-manager for common stock offering last year.

★ **El Paso Electric Co. (5/15)**
Feb. 26 it was reported company plans to issue and sell about $6,500,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster Securities Corp., Equitable Securities Corp.; Kidder, Peabody & Co., Shields & Co. and White, Weld & Co. (jointly); Blair & Co. Incorporated. **Bids**—Expected to be received on May 15.

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.

★ **Florida Power & Light Co. (5/21)**
March 4 it was reported company plans to issue and sell $15,000,000 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.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Blyth & Co., Inc. and Lehman Brothers (jointly). **Bids**—Expected to be received on May 21.

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 and 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.

★ **Gulf States Utilities Co.**
March 4 it was reported company plans to issue and sell $16,000,000 first mortgage bonds late in June. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner and Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Stone & Webster Securities Corp.; Lee Higginson Corp.

★ **Gulf States Utilities Co.**
March 4 it was reported company plans to raise approximately $7,000,000 through the sale of additional common stock. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Stone & Webster Securities Corp.; Carl M. Loeb, Rhoades & Co. **Offering**—Expected in June.

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 May 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.

★ **Iowa-Illinois Gas & Electric Co.**
Feb. 26 it was reported company plans to issue and sell later in 1957 about $11,000,000 of new securities. **Proceeds**—For construction program. **Underwriter**—For any preferred stock, to be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. Hutzler; Harriman Ripley & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc.; Lehman Brothers.

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.

★ **Michigan Consolidated Gas Co.**
March 4 it was reported company plans to issue and sell between $25,000,000 and $30,000,000 of first mortgage bonds before Summer. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders. Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Lehman Brothers (jointly).

● **Minneapolis & St. Louis Ry. (4/23)**
Bids will be received by the company up to noon (CST) April 23 for the purchase from it of $2,700,000 equipment trust certificates, series A dated May 10, 1957, 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. **Registration**—Scheduled for March 15.

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.

★ **National Telefilm Associates, Inc.**
March 4 it was announced company plans to issue up to $8,000,000 convertible notes or debentures in the near future. **Proceeds**—For reduction of short-term debt, working capital and other corporate purposes. **Underwriter**—Charles Plohn & Co., New York.

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. (3/13)**
Bids will be received by the company up to noon (EST) on March 13 for the purchase from it of $3,825,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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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).

★ Northern States Power Co. (Minn.)
March 4 it was reported company plans to issue and sell in the Fall of 1957 $15,000,000 first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner and Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc.

★ Northern States Power Co. (Wis.) (6/4)
March 4 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds due 1987. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers and Riter & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received on June 4.

Northwestern Bell Telephone Co. (4/23)
Feb. 23 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.

Pacific Telephone & Telegraph Co.
Jan. 14, James S. Cantlen, Vice-President, announced that company plans to spent $159,000,000 in 1957 and $157,000,000 in 1958 for expansion and improvement to be financed in part, by debt borrowings and stock issues. About 90% of Pacific's stock is owned by American Telephone & Telegraph Co. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Pennsylvania 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.

Portland Gas & Coke Co.
Feb. 1 was reported company plans offering, probably first to common stockholders, of additional common stock later this year. **Underwriting**—May be on a negotiated basis.

Potomac Edison Co.
Dec. 27 it was announced company may in 1957 issue some $14,000,000 to $15,000,000 of senior securities. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Equitable Securities Corp.; Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers; Kidder, Peabody & Co.; W. C. Langley & Co. and The First Boston Corp. (jointly). **Offering**—Expected in May.

★ Principal Retail Plazas of Canada, Ltd. (Canada)
Feb. 28 it was reported that early registration is expected of an issue of $15,000,000 of subordinated debentures due 1982 and 1,500,000 shares common stock to be sold in units of $50 of debentures and five shares of stock. **Proceeds**—For expansion and working capital. **Business** — Operates shopping centers. **Underwriter** — Eastman Dillon, Union Securities & Co., New York, for about two-thirds of issue. Balance to be underwritten in Canada.

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).

• Puget Sound Power & Light Co.
Feb. 6, Frank McLaughlin, President, announced that later on in 1957 the company plans to sell an issue of first mortgage bonds (company is authorized to issue $25,000,000 additional principal amount). **Proceeds**—To retire bank loans. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.

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 will be received by the company up to noon (EST) on March 21 for the purchase from it of $5,540,000 equipment trust certificates, series WW, due semi-annually to Jan. 15, 1967. 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.

Thorp Finance Corp.
Jan. 30 it was reported company plans to issue and sell locally 10,000 additional shares of 5% preferred stock and to sell generally some additional common stock during 1957. **Price**—Of preferred, $102 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Emch & Co. and The Marshall Co., both of Milwaukee, Wis.

TMT Trailer Ferry, Inc.
Jan. 21 it was reported corporation is considering public financing, but details have not as yet been determined. **Financial Adviser**—Salomon Bros. & Hutzler, New York.

Transcontinental Gas Pipe Line Corp.
Jan. 8 it was reported that company plans to sell some additional preferred stock and bonds in order to raise part of the cost of its $140,000,000 1957 construction program. **Underwriter**—For preferred stock—White, Weld & Co. and Stone & Webster Securities Corp. Bonds previously were placed privately.

United Artists Corp.
Jan. 9 it was announced this privately-owned company is giving active consideration to a public stock issue. **Proceeds**—Together with a loan of about $6,000,000 from motion picture exhibitors, to be used for working capital and other general corporate purposes.

★ United Illuminating Co.
Feb. 22 it was announced company plans to offer to its common stockholders 311,557 additional shares of common stock on the basis of one new share for each eight shares held. **Proceeds** — For new construction. **Meeting**—Stockholders to vote March 20 on increasing authorized common stock from 2,492,456 shares to 3,500,000 shares. **Underwriter**—None.

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.

Our Reporter's Report

There is no doubt that industry is disposed to curtail its capital spending plans in some measure due to a number of factors which were not in evidence some months back when appropriations were made.

But in spite of this tendency it appears that the capital market will be taxed heavily to take care of projects which are destined to be carried through. And while there has been some "trimming of said" it is possible that this year's outlay for new plant and equipment still may top the record set last year.

In this respect railroad expenditures for new equipment appear destined to make more than a modest contribution to the overall total judging by a quick glance at proposals already in sight.

It develops that the nation's carriers have no less than 16 such issues — equipment trust certificates—headed for market over the next several months. . . . In fact between now and the end of May the market will be called upon to absorb between $65 and $70 million of such securities.

Running true to precedent none of these offerings, of itself would burden the market. Rather they average out around $4 million. . . . The largest thus far in sight is Chicago, Burlington & Quincy's $7.5 million entry.

This paper, running normally from one to fifteen years, is currently popular with major institutional investors, such as the big insurance companies.

Waiting On Treasury

Now that the Treasury has disclosed its plans for seeking out $2 to $3 billion of new money its decision is likely to make for some hesitancy momentarily on the part of corporate borrowers.

They may wish to wait and see what type of security the Government decides upon as a cue to the outlook for the money market. . . . Right now the betting seems to favor a note issue, but hardly out to the full five years usually fixed for maturity of this type of paper.

Treasury officials will be meeting with banking and investment interest within the week to discuss the market and prospective terms of its forthcoming offering.

Keeping the Pace

The pace of the new issue market for the week ahead is not destined to set the world afire. But it will maintain the recent steady tempo of flotations plus a rather satisfying variety.

Largest single undertaking in sight is Commonwealth Edison Co.'s $50 million of 30-year first mortgage bonds on which bids will be opened on Tuesday. The big Chicago utility will use the funds to finance construction.

Minnesota Power & Light Co. will sell $12 million of 30-year, first mortgage, bonds on Monday at competitive bidding and on Wednesday the Commonwealth of Australia, through its bankers here, will market $20 million of 15-year bonds to help refund outstanding 3¼s.

"Standby" Operations

The flow of equities as a source of new capital for corporations continues to set a fast pace. The week ahead will have its quota of such flotations, topped by Southern Co.'s offering of 1,507,304 shares of additional common to its holders. Bids for the "standby" on this offering will be opened Wednesday.

Owens-Corning Fiberglas Corp. will offer 300,000 shares of its common publicly through its bankers the same day and Florida Telephone Corp., will give its holders rights to subscribe to 128,918 shares of new common.

Central & South West Corp., on Tuesday, will be seeking the best bid from bankers for the privilege of underwriting its projected offering of 600,000 shares of additional common to shareholders.

Guardian Mutual Fund assets in year ended Feb. 28 increased from $3,963,196 to $4,743,453, while share value went up from $16.63 to $17, including a capital gains dividend of 70 cents.

Mutual Funds

By ROBERT R. RICH

Investment Companies Buy Low, Sell High

Until now, no concerted effort has been made to demonstrate in detail the real value of professional management to the shareholders of investment company shares.

To the detractors of the industry, mutual funds are no better an investment than an across-the-board purchase of stocks in the Dow Jones Industrial Average.

To the supporters of the industry, mutual funds can, through professional selection of portfolio purchases and sales, offer investors greater opportunities during the upswings in stock prices, and greater protection when stocks are over-valued.

It is not until the present, however, that two studies made by the National Association of Investment Companies, under the direction of Edward B. Burr, Executive Director, have clearly demonstrated the ability of investment company managements—in the words of Rothschild—"to buy sheep and sell deer."

The first study, covering the last two years, is by way of introduction. It shows that two years ago member companies in the association had $174,037,000 invested in the common stocks of 46 steel companies. Today, they have $428,573,000 invested in the stocks of 51 steel companies. During this period, Standard & Poor's steel index increased from 329.9 to 604.2.

Second Study

The second study, conducted by the association for the United States Senate Banking and Currency Committee, covers 34 months—from Jan. 1, 1953 to October 1955.

This study examined the monthly purchases and sales by 20 open-end and five closed-end investment companies in 25 leading common stocks including Bethlehem and U. S. Steel.

The stocks on the list were chosen by the Senate Committee because they were known to have been "favorites" of institutional investors during the period.

Combined figures show that the investment companies made purchases and sales of both U. S. Steel and Bethlehem in most of the months for which data were requested. The extent of their buying declined, however, as prices of stocks rose.

And, in each case, they acquired the bulk of their holdings before the most dramatic increases in the price level occurred.

Specific Cases

But, let's get down to specific cases. In the first 22 months of the period, while the price of Bethlehem went up from 55½ to 82⅞—an increase of 27⅜ points—the investment companies were net purchasers of 187,000 shares, accounting for 88.2% of their net purchases for the entire period and representing 5.7% of the total trading volume in Bethlehem Steel on the New York Stock Exchange.

Then, in the last 12 months of the period, when the price of Bethlehem stock went up from 82¼ to 165⅛, these investment companies bought only 25,000 shares, which accounts for 11.8% of their total net purchases for the full period. In the last 12 volumes, their volume accounted for only 1% of total trading in the issue on the Stock Exchange.

A like pattern existed in the investment companies' dealings in U. S. Steel during the same period. The companies acquired most of their net new holdings of the stock while the price was relatively low.

In the entire 34 month period, the funds were net purchasers of 291,400 shares, representing 2.3% of total Exchange trading.

But 94.9% of this net buying was made in the first 23 months while the price of U S Steel increased 27⅜, from 42⅜ to 70. In the final 11 months of the period, while the price went up another 54½ points, the investment companies were net buyers of only 14,800 shares, which represented only 0.3% of total Exchange volume.

Other Steel Data

The top ten common stocks now held by investment companies are U. S. Steel, Bethlehem, Armco, Republic, Youngstown, National, Allegheny Ludlum, Jones & Laughlin, Inland and Cleveland Cliffs Iron Mines.

The top five preferred stocks are U. S. Steel, Kaiser Steel, Pittsburgh Steel, Cleveland Cliffs Iron Mines and Wheeling Steel.

The top five bond holdings are Bethlehem, Detroit Steel, Wheeling Steel, U. S. Steel, and Kaiser Steel.

All told, investment companies have $428,573,000 invested in the common stocks of 51 steel companies, $23,154,000 in the preferreds of 12 companies and $9,947,000 in the bonds of seven steel companies.

Chemical Fund, Inc. Elects Three Directors

The election of three new directors of Chemical Fund, Inc., was announced by F. Eberstadt, Chairman, and Francis S. Williams, President, following the annual meeting of stockholders. The new

Alfred E. Driscoll

Craig Severance

Nelson Loud

members of the Board are Alfred E. Driscoll, Nelson Loud and Craig Severance.

Mr. Driscoll served as Governor of the State of New Jersey from 1947 to 1954. After his retirement from that office he was elected President and a director of the Warner-Lambert Pharmaceutical Company in which capacity he continues to serve.

Mr. Loud is a partner of F. Eberstadt & Co. and has been a Vice-President of Chemical Fund, Inc. since 1952. His association with the Eberstadt firm began in 1935. He is also a director of Diversey Corp., Elliott Co., and O. A. Sutton Corp.

Mr. Severance is a partner of F. Eberstadt & Co. He has been associated with the firm since 1936.

The action taken at the annual meeting yesterday increased the Chemical Fund Board of Directors from 11 to 14 members.

Rockefeller Starts Brazil Mutual Fund

Nelson A. Rockefeller's International Basic Economy Corp. has organized a mutual fund—called Fundo Crescinco — to invest in Brazilian corporate securities and in the securities of certain American firms doing business there. The fund, emphasizing growth as an investment objective and patterned after the mutual funds in this country, will be launched with an initial portfolio of 30,000,000 cruzeiros. The shares will be sold publicly in Brazil.

Distributor for the fund will be Sao Paulo-headquartered Companhia Distribuidora de Valores, an IBEC company, while an IBEC affiliate, Companhia Empreendimentos e Administracao IBEC will manage the new fund. The latter has organized a counselling board including among its members Robert W. Purcell, Board Chairman of Investors Diversified Services, Inc., Minneapolis.

Affiliated Fund Assets Now $363 Million

Affiliated Fund, in the first quarter ended Jan. 31, 1957, of the new fiscal year reports assets increased from $357,997,445 to $363,043,550, while share value went up 10 cents a share to $5.79, including paid out securities profits of 26 cents. During the quarter, an income dividend of 6 cents a share was paid.

The leading common stock fund received $19,629,512 on new shares sold to investors, including $11,877,745 of reinvested capital gains, while shareholders cashed in their shares with the fund to an amount of $4,625,229.

Profits on securities sold amounted to $1,979,058, while unrealized profits went up $3,676,618.

The fund's President, H. I. Prankard 2nd, told the company's 136,000 shareholders in his report that the work of the common stock fund's management continues to show that many of the best values are in the stocks of service companies, non-durable goods, producing companies, and fuel and raw materials companies.

"Our investments," he said, "are larger in these stocks. Our investments in the popular so-called

Continued on page 46

Continued from page 45

Mutual Funds

'growth stocks' and stocks of companies producing durable goods are small because we believe many of them are still substantially overpriced in relation to their values."

In the quarter, the fund added newly to its portfolio the commons of Arkansas Louisiana Gas and Sigmode Steel Strapping Co., while Allis Chalmers, Baltimore Gas, Brooklyn Union Gas and Union Bag-Camp Paper were sold out.

Incorporated Income Fund Pays 5.17%

For the quarter ended Jan. 31 Incorporated Income Fund's total assets increased from $48,772,141 to $58,017,925. In the last 12 months, share value went up from $8.98 to $9.24, including paid-out securities profits of 50 cents. For the year income dividends totalled 52 cents, making a current income return on Jan. 31 of 5.17%.

During the quarter, gross income totalled $1,013,537 and net, $899,134. Realized losses totalled $233,524, while unrealized profits went up $616,077.

Stocks sold out of portfolio were Denver & Rio Grande and Industrial Rayon Corp., while stocks sold off were Allis-Chalmers, Briggs Manufacturing and Miami Copper.

New common stocks in the portfolio include Arkansas Louisiana Gas, Santa Fe Railway, Columbia Gas, Commercial Credit, Evans Products, Illinois Central International Harvester, Moore-McCormack, New York, Chicago & St. Louis Railroad, Ruberoid Co., and Southern Pacific.

MIP Plans Using Funds Gain More

The popularity of closed-end investment company shares among those investors using the New York Stock Exchange's Monthly Investment Plan continue to grow at a more rapid rate than MIP as a whole.

During 1956, for example, plans using the closed-end shares increased 61%, while the total number of plans went up 47%.

In the year, the plans using closed-end fund shares went up from 1,635 to 2,635, while the total number of plans rose from 37,227 to 54,769.

Johnston Mutual Fund Inc. reports net assets on Dec. 31, 1956, of $5,728,085.95, equivalent to $21 per share on the 272,800 shares outstanding. This compares with net assets of $4,612,626.62 or $20.77 per share, a year ago on 222,122 shares then outstanding. During the year the fund paid dividends of 65 cents per share from investment income and 50 cents per share from realized profits.

The fund was owned by 1,434 shareholders at the end of 1956, an increase to 43% during the year. Of these new shareholders, 78% opened Accumulation Plan accounts and at the year-end over 60% of total shareholders of the fund were participating in the Accumulation Plan.

Shareholders in military service continue to be the fastest growing group of shareholders, comprising 11% of total shareholders at the end of 1956, compared to only 5% at the end of 1955.

Personal Progress

Herman H. Petersen, of the investment advisory department of Glore, Forgan & Co., Chicago, has been named an advisor to Wisconsin Fund, Inc., a mutual fund, it was announced by Harold W. Story, fund President and Vice-President and general attorney of Allis-Chalmers Manufacturing Co.

Mr. Petersen will work with Fernand Paternotte, director of Glore, Forgan's advisory department, who has counselled the fund's investment committee on portfolio holdings for 20 years. Prior to joining Glore, Forgan & Co. in 1956, Mr. Petersen was Vice-President in charge of the investment department of Northwestern National Insurance Company of Milwaukee, a firm he had been with since 1939.

* * *

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 Janney, 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.

* * *

Grayson M-P. Murphy has been elected to the Board of Directors of Investors Management Company, Inc., assuming the position formerly held by the late General Boykin C. Wright. Investors Management Company is investment advisor to Fundamental Investors, Inc., Diversified Investment Fund, Inc., Manhattan Bond Fund, Inc. and Diversified Growth Stock Fund, Inc.—mutual funds with total combined net assets of more than $475 million.

Mr. Murphy is a partner in the law firm of Shearman and Sterling and Wright and was at one time a limited partner in G. M-P. Murphy and Company, a prominent Wall Street financial house. He is a director of Fifth Avenue Coach Lines and a trustee of the Beekman-Downtown Hospital, the Museum of the City of New York and Kips Bay Boys Club, Inc.

* * *

Charles M. Kinsolving, Financial Advertising Manager of "Newsweek," has been elected a director of Mutual Investment Fund, Inc., of New York, a mutual fund founded in 1926. Shares of Mutual are used as the underlying investment of various monthly and other investment plans issued by First Investors Corporation of New York. Mr. Kinsolving was born in Brazil and studied at the University of Virginia. Winner of the Croix de Guerre in World War I, he first served in the American Ambulance Field Service of which he is currently a trustee, then in the French Flying Corps and later took command of the 163rd Aero Squadron, Army Air Service, American Expeditionary Forces.

Puritan Fund reports total assets in the three months ended Jan. 31 went up from $28,508,553 to $30,416,446, while share value went up from $6.47 to $6.54.

Railroad Securities

By GERALD D. McKEEVER

Chicago & North Western Railway

The review of the Chicago & North Western which appeared in this column in the issue of last Dec. 20 was replete with intimations of changes for the better at the hands of the new management of the road which took office last April 20. Pointed out were moves to reduce equipment maintenance costs by consolidation of car repair shops which is now about to be accomplished by the replacement of 14 scattered and inefficient shops by the new and highly efficient single shop at Clinton, Iowa, the proposed consolidation of several freight yards in both Chicago and Milwaukee, and the completion of dieselization. Another important factor mentioned was the lease of the 100% owned Chicago, St. Paul, Minneapolis & Omaha and its consolidation with the parent which is expected to cut expenses by about $2 million annually.

Since this Dec. 20 article appeared we have been fortunate in learning in considerable detail so much more of the moves that have been made or which are planned by the new management that it seems appropriate to supplement the earlier story. As the latter pointed out, it is not to be expected that benefits of the changes being made should become immediately manifest as to dollar results. Some, like the completion of the new car shop, scheduled for about May 1, take time. In other cases, like the reduction of the payroll by 4,818 employees as of the end of January this year and as compared with January, 1956, the dollar economies are obscured by other factors.

Chief among these nullifying forces in 1956 were the $5.6 million decline in revenues in that year and the increase in wage rates in effect throughout the whole year without complete offset from freight rate increases, and the further wage increases effective as of last Nov. 1, or in the case of the unions that have not accepted, presumed to be so. In the case of the North Western the entire wage increase has been made effective as of last Nov. 1 since this road has taken the conservative stand that contracts still to be settled will be made retroactive to that date and therefore the full wage increase is being accrued even if not entirely paid out. For the North Western each penny per hour of increase means about $600,000 annually.

Not long ago Board Chairman B. W. Heineman of the Chicago & North Western was quoted as having stated to the effect that any merger plans are "dead" and that his road will be made into a valuable independent property. His optimism and that of Mr. C. S. Fitzpatrick, who left the operations vice-presidency of the Illinois Central to become President of the North Western, might well be based on the conviction that the situation of this road is such that, with the direction and management that they intend to bring about, there is only one way that the fortunes of the road can turn, and that must be upward. It was pointed out by Mr. Heineman that, with about $300 of consolidated revenues per share of North Western common—one of the highest leverages in the rail field—it should be possible to retain some reasonable share for the equity.

This, of course, has been far from the case in recent years. Except for the 39 cents per common share earned "before funds" in 1953, and this being "before funds," not available for payment on the common, there has been a deficit for the road's junior stock in all other of the past six years. Last year's deficit of $11.40 per common share was the worst by a small margin in this period, the previous "record" having been the corresponding 1954 deficit of $11.23 per share.

The condition of the North Western when the new management assumed control last Spring must have been challenging, to say the least, for the property has been characterized as having been a "pick and shovel" road. Its horrendous wage ratio—57.2% in the generally good year of 1955—has been ascribed to lack of mechanization with the result that there was no adequate gain in man-hour performance to offset the constantly rising wage cost. Another source of waste was the lack of proper utilization of diesel power. When the new management went in they found over 100 diesels awaiting repair and, as a result, 130 steam locomotives in operation with the high operating and maintenance costs that this obsolete power entailed. Under the new management the number of bad-order diesels had been reduced to 44 units by the end of last May, and on May 10 of last year, all steam locomotives had been retired without having to buy a single additional diesel. As of the end of January this year the number of diesel units awaiting repair had been reduced to 29, and it is stated that not a few have been stored serviceable as a reserve against seasonal needs next Fall.

In spite of this catching up on maintenance there has been a steady reduction in the outlay for equipment maintenance since the new management took the reins. This is not evident in the road's maintenance ratio for 1956 which is a percentage of gross revenues, and which was actually higher than that for 1955. The previously mentioned decline in gross revenues is largely the reason for the increase in the ratio. Except for a nominal rise in July of last year equipment maintenance has shown a steady month-by-month decline and, in the final five months of 1956 and in January of the current year, sharp declines from the corresponding months of the preceding year. It has been explained that it has been possible to do this without reducing maintenance physically by getting more work done for the maintenance dollar.

The principal sources of the economies in equipment maintenance thus far have been given as the elimination of the steam locomotive and its costly repairs, the reduction in the number of diesel shops from nine to one, or corresponding to the previously mentioned consolidation of car shops, and the control of diesel repairs by laboratory tests which result in about 200,000 miles of service between shoppings. Upon completion of the Clinton car shops, further savings are anticipated, which will include, among other things, the elimination of miles of storage track now holding cars awaiting repair. All told, the road counts a 35% increase in efficiency in equipment maintenance operations since the new management entered the scene. Corresponding accomplishment is seen in maintenance of way. The number of ties replaced in 1956, for instance, was 50% greater than in 1955 and 100% greater than in 1954, while miles of rail relaid last year was 42% more than in 1955. While these two are not the only way maintenance items by far, they are the big ones and the dollar outlay for maintenance of way was $30,164,000 in 1956 as against $29,481,000 in the previous year, or very little more in 1956.

To summarize, the new management intends to provide the supervision, over-all direction and generalship which is needed to bring the North Western up to parity of operating efficiency. This will be accomplished by an improvement in tools and facilities which will have the result of avoiding waste of manpower, and thereby of increasing employee morale. The aim is to encourage employees to strive for higher-paying supervisory jobs rather than to be content with pay augmented by overtime on a routine job done inefficiently due to lack of proper tools. This will make it more possible for the new management to fill supervisory jobs from within and will thus improve employee competition.

At the same time, changes have been made at the top by replacing the former "departmental" set-up run from Chicago by autonomous divisional management. The former office of Executive Vice-President has been abolished along with certain other "brass hat" berths. At the same time, the former duplicative and ineffectual accounting systems are being replaced by "responsibility accounting" with integrated reports of such nature as will, for instance, make car-spotting almost immediate rather than a matter of hours or even days. Fully mechanized accounting is expected to be installed by next Jan. 1. Finally, the rejuvenation of the North Western is expected in itself to go far toward solving the other big problem of the road, which is to boost its traffic. For the last five years particularly, both revenues and traffic of the North Western have lagged. The opening of the St. Lawrence Seaway should also be a big help.

David Morris to Tour Far East


David Morris

David Morris, David Morris & Co., New York City, and Mrs. Morris will leave April 5 by air for San Francisco where he will travel by the S. S. President Wilson to Honolulu, Tokyo, Manila and Hong Kong. He will return by air to New York June 2. Mr. Morris will study the economic picture in the Far East.

Norman Dacey Adds

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—William Marcuse is now with Norman F. Dacey & Associates, 114 State St.

With Birkenmayer Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Eugene A. Jones has become associated with Birkenmayer & Co., Denver Club Building. He was formerly with Colorado Investment Co. and Brereton Rice & Co.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Edward W. Krasenics has joined the staff of Shearson, Hammill & Co., 37 Lewis Street. Mr. Krasenics was formerly Manchester representative for Coburn & Middlebrook Incorporated.

With DeHaven, Townsend

(Special to THE FINANCIAL CHRONICLE)

STAMFORD Conn.—Edward R Martin has been added to the staff of DeHaven & Townsend, Crouter & Bodine, 1 Atlantic Street.

R. F. Griggs Adds

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, Conn.—Andrew J. Jackson, Jr. is now with The R. F. Griggs Co., 35 Leavenworth Street.

Phila. Inv. Women to Hear

PHILADELPHIA, Pa. — Miss Margaret McKnight, Chairman of the Entertainment Committee of the Investment Women's Club of Philadelphia, announces a dinner meeting of the club to be held on Monday, March 18 at 6:15 p.m. at the Barclay. Oscar Kind, Jr., of S. Kind & Sons, will speak on "The Fabulous Gem—The Diamond."

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Rep. Burr P. Harrison of Virginia has conducted a project which his colleagues rate as both thoughtful and ingenious. Furthermore, they have pointed to this project as illuminating forcefully the reasons for the current political chaos which has followed the adoption by President Eisenhower of the New and Fair Deals in toto.

Mr. Harrison is a Democrat, and is as sound as a dollar was before Roosevelt. He comes from Winchester, Va., and his Congressional district embraces the home of Senator Harry F. Byrd.

The discrepancy in voting between national and Congressional party tickets was as forcefully illustrated as to Mr. Harrison's constituency as anywhere in the country. The Seventh district of Virginia, served by Mr. Harrison for 10 years, gave Dwight D. Eisenhower in 1956 a majority of 15,000 over Adlai Stevenson. In the same election Mr. Harrison was reelected by a majority of over 22,000 — 7,000 greater than was given Mr. Eisenhower.

Furthermore, the Republican challenger to Mr. Harrison campaigned on the need for electing a Republican to back the President whom the constituency proved to favor. The Republican deviated from Eisenhower only on the question of "civil rights," a not too significant deviation considering the character of the constituency.

Mr. Harrison, on the other hand, announced that he would support the President when he, the incumbent, thought the President was right or represented the wishes of his constituents. But he said that he would not support the President if Mr. Harrison thought the former did not represent the best interests of the country or the wishes of his constituents.

Mr. Harrison was personally told by any number of influential people in his district that while they were voting for Eisenhower for President they were voting for Harrison for Congress because they knew he was the proper man to back Eisenhower.

Issues Questionnaire

Mr. Harrison got together a questionnaire asking his constituents to answer how they stood on 12 major issues, marking "yes" or "no." Sixty thousand of these questionnaires were mailed out. One went to each family. However, the Congressman requested that where there were differences of opinion between husband and wife or among other members of the family, that they fill out separate questionnaires expressing their individual views.

Of the 12 question, 11 consisted of major, pending proposals of the Eisenhower Administration. They were not identified as "the President's proposals." The legislation requested by the President was just listed in its 11 parts, and people were asked to express their opinions on the merits of each.

These were not "loaded" questions. A perusal of the questionnaire disclosed not only an honest but a successful attempt to solicit a cross-section tabulation of the views of constituents severally on each of these 11 questions.

Likewise it was not in the slightest a "smart-alecky" attempt to confuse the constituents. Mr. Harrison is absolved of any effort to show up the voters, for the year before he had conducted a similar questionnaire on issues before the Congress to seek guidance, as he did in 1957, on the views of his district.

Only the 12th question was identified with Eisenhower. This read:

"Without emphasis upon any particular proposal, do you favor generally the program proposed by President Eisenhower?"

Results Surprising?

It may be that to the layman the results were surprising. On only two questions was there a majority in this conservative southern constituency for the major pieces of the Eisenhower program. The two favored were the Administration's proposal (since modified) on extension of coverage of the minimum wage law, and the admission of Hawaii and Alaska to statehood.

The other nine questions, all involving economics or philosophy of government, related to the Middle East doctrine, Federal aid to education, the proposed $71.8-billion budget, a continuation of the soil bank, the extension of the union closed shop, the several pieces of the President's "civil rights" program, liberalization of immigration quotas, liberalization of immigration for refugees, and foreign aid.

On the nine questions other than minimum wage and territorial statehood, the results were ALL against these specific pieces of the current Eisenhower program. The narrowest negative majority by which Mr. Harrison's constitutents opposed any of these nine parts of the Eisenhower program was 2 to 1. In some instances, the opposition to the specific parts of the Eisenhower program was 9 to 1.

Only on the 12th and final question asking whether the Eisenhower program was favored, was there an even break for the Administration's program as a whole. Initially, with the election surge of the President's popularity, the returns on this question were overwhelmingly for the President. After the "Eisenhower doctrine" was put forward and still later after there was the informal proposal for sanctions against Israel, the tide of voting on this "popularity" question turned strongly against the President. While Mr. Harrison did not have final figures at writing, he believed the final question would be about 50-50 for Mr. Eisenhower.

"Yes" and "No"

Furthermore, Mr. Harrison before sending these returns outside his office to be tabulated by an independent statistical organization, personally looked over any number. He found that almost invariably in those cases in which the voters answered "yes" to most parts of the Eisenhower program, they voted "no" to the 12th question on whether they supported the Eisenhower program generally.

It is within the range of possibility that if some Democrat from a heavily Labor, partly Negro constituency such as, say in Detroit, conducted the exact same questionnaire he would get back an overwhelmingly "yes" vote to a majority of the proposals of the Eisenhower program and an equally overwhelming "no" to favoring the Eisenhower program generally.

Questionnaire's Meaning

Mr. Harrison's craftsmanlike job has excited a great deal of private interest at the Capitol, and as its results are announced officially it will stimulate some considerable public attention.

Among professionals in the political realm, it suggests the following conclusions:

(1) It confirms the ever-present suspicion of the professional politician that the constituents absorb little concrete information about specific issues, or what candidate stands for what, for the most part.

(2) Voters choose not by knowing for what a candidate stands, but on the basis of acquiring a superficial and offhand impression of his ability, economic bent, or personality.

(3) That in this particular constituency, predominantly conservative, the majority of the voters regarded Mr. Eisenhower as a conservative.

(4) That if a candidate can establish an outstanding impression as a Favorable Personality with the masses, this personality is of far greater electoral significance than the specific issues for which the candidate actually or allegedly stands.

(5) That Mr. Eisenhower himself and his retinue have done a superb political job of convincing most conservatives that the President is a conservative whilst convincing a large part of the "liberals" that the President is a "liberal," at the same time.

Poses Today's Problems

These conclusions are borne in mind by the great majority of the practical artisans of the political trade who, despite the text books, holiday orations, and professors of political science are not "statesmen" who stake their personal political fortunes on "educating the people." As these politicians see it:

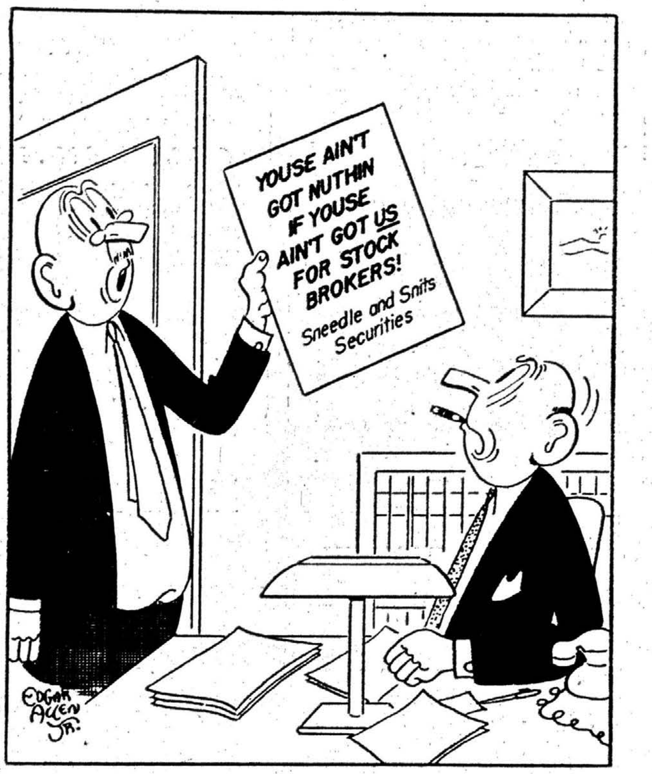
(1) While Eisenhower's popularity remains high, it is futile to attack spending concretely, the welfare state, or numerous other proposals repugnant to the majority of the Republican conservatives. Only one handful of Republicans today are bold enough to declare that they are NOT "modern Republicans." (If Eisenhower pulls a boner, the change can be instantaneous).

Only after months and months if not years and years of day to day developments, will it dawn on "Republicans" by the millions (not by the tens of thousands of informed who do not count), where Eisenhower stands in fact, will it be possible to attack the President's program frontally by Republicans.

(2) As for Democrats, who are bereft of political merchandise to sell because Eisenhower has stolen all their trade goods, the opportunity to oppose may come even later.

[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



"Think we might have checked our new advertising manager's scholastic background a bit more carefully?"

COMING EVENTS

In Investment Field

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.

March 27-28, 1957 (Chicago, Ill.)
Central States Group Investment Bankers Association annual conference at Drake Hotel.

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

April 26, 1957 (New York City)
Security Traders Association of New York 21st annual dinner at the Waldorf Astoria.

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 14, 1957 (New York City)
Municipal Bond Club of New York annual field day at Westchester Country Club and Beach Club, Rye, N. Y.

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

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

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

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

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

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

ANNUAL MID-WINTER DINNER

At Bellevue Stratford Hotel MARCH 1, 1957

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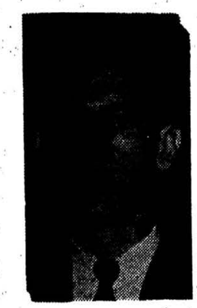

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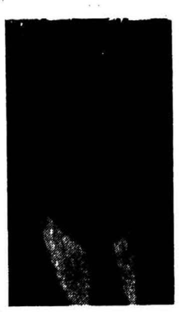

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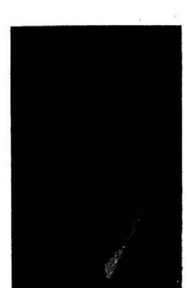

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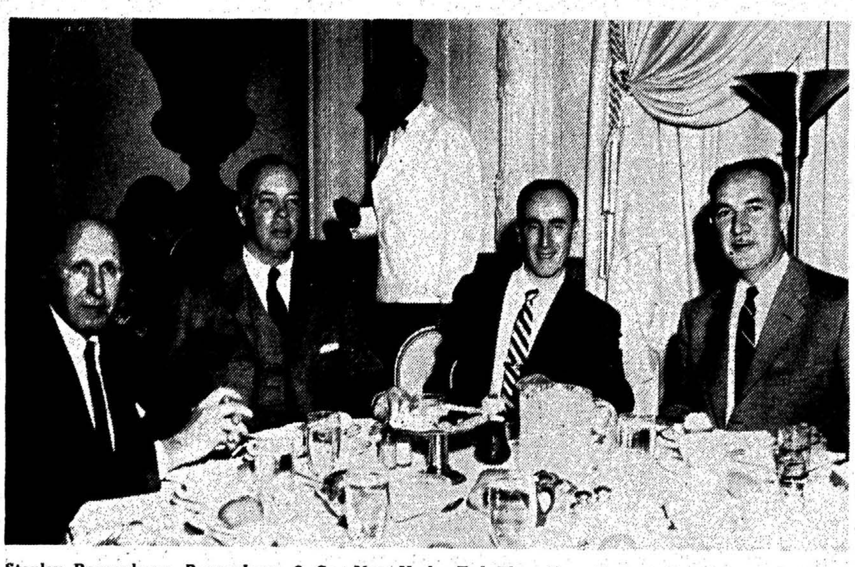
John Hudson, *Thayer, Baker & Co.*, Philadelphia; Wallace Runyan, *Hemphill, Noyes & Co.*, Philadelphia; Samuel Kennedy, *Yarnall, Biddle & Co.*, Philadelphia; Frank L. Newburger, *Newburger & Co.*, Philadelphia; Bill Burke, *May & Gannon, Inc.*, Boston



Stanley Roggenburg, *Roggenburg & Co.*, New York; Ted Plumridge, *Eastern Securities, Inc.*, New York; Bob Donovan, *Blyth & Co., Inc.*, Philadelphia; Hal Murphy, *The Commercial & Financial Chronicle*, New York

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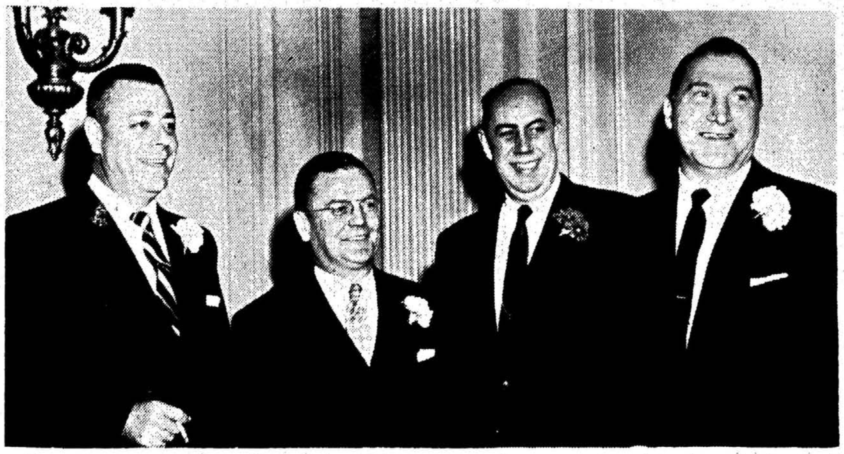

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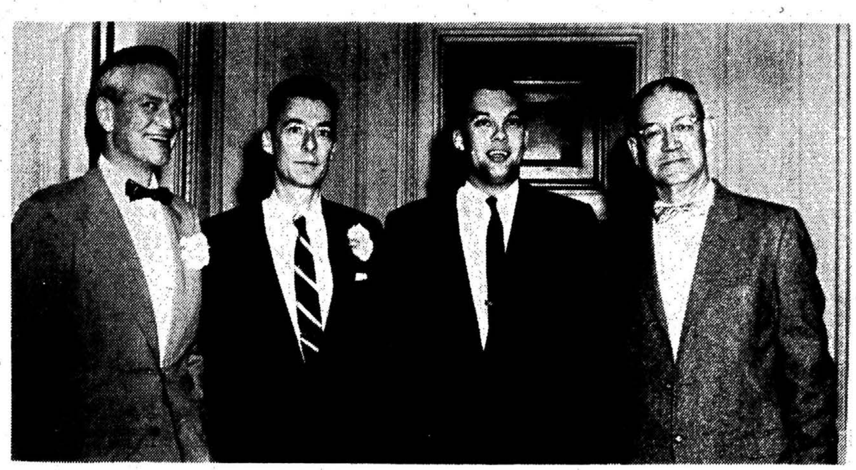

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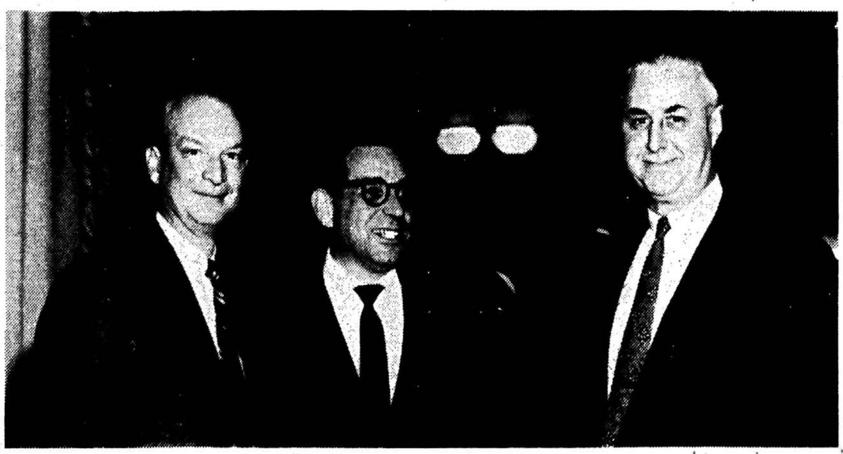

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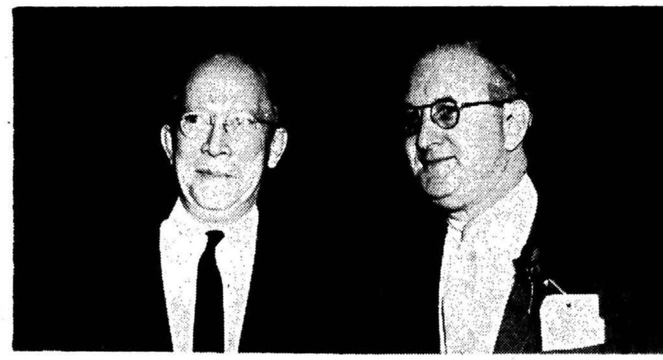

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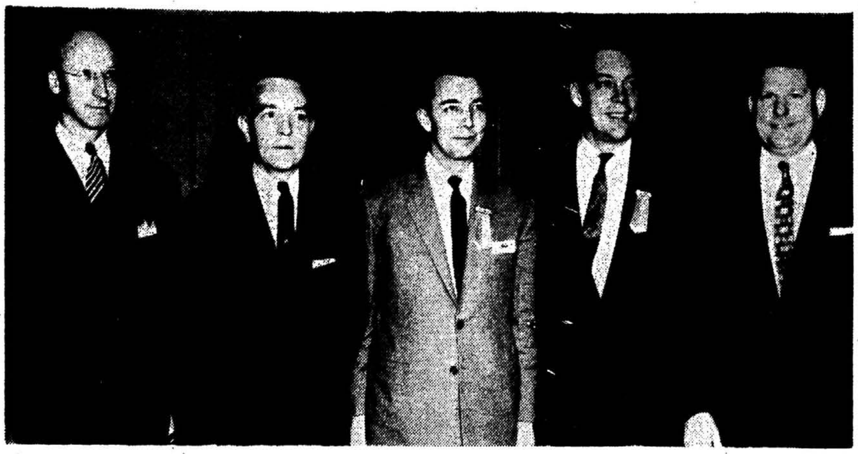

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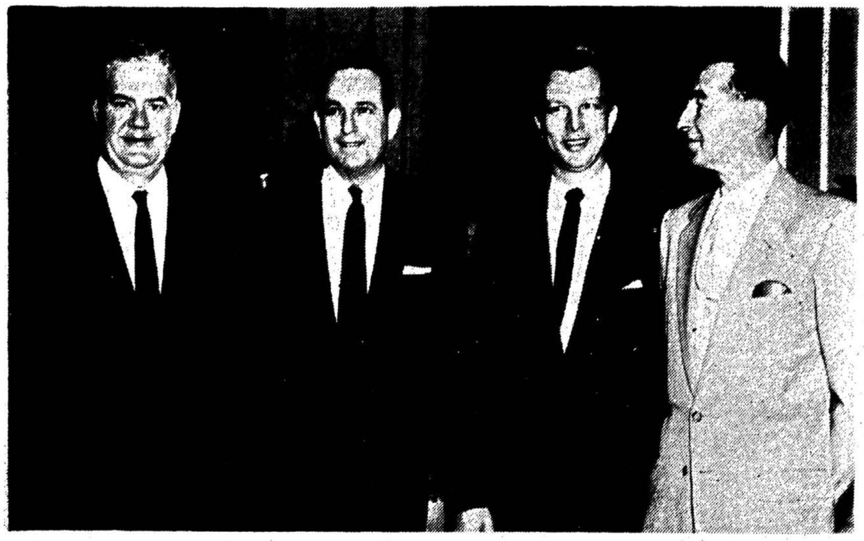

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Floyd Justice, *Kidder, Peabody & Co.*, Philadelphia; Coit Williamson, *Schmidt, Poole, Roberts & Parke*, Philadelphia