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EDITORIAL

As We See It

"At the present time the governments of France, the Federal Republic of Germany, Italy, Belgium, the Netherlands, and Luxembourg are," according to a statement issued late last week by the Kremlin, "preparing to set up in Western Europe two new exclusive organizations, namely the atomic agency 'community' of the above six countries (the so-called Euratom) and the 'common market' within the framework of which they plan gradually to remove customs tariffs which are protecting the economy of everyone of these countries, the 'free' movement of labor and capital, and the joint exploitation of French, Belgian and Dutch colonial possessions."

Having given the world this bit of news—which, of course, was not news at all—the masters of the Kremlin then set off this blast at the United States: "It should not be forgotten that certain quarters in the United States, who are actively supporting Euratom, are working for the speediest rebirth of German militarism and the equipment of the West German Army now being created with all types of modern weapons, including nuclear weapons. . . . The creation of Euratom will constitute a practical step in the realization of these aggressive plans which spell danger for the peoples."

And again after a few paragraphs devoted to other propaganda designed to foment trouble: "It is common knowledge that American capital has further penetrated the economy of France, Western Germany, Italy, and other West European countries in the postwar years. Scores of branch and daughter companies of the largest American monopolies and corporations such as

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Factors Indicating Coming Turn in Mortgage Market

By ALFRED J. CASAZZA*
Vice-President, Savings Bank Trust Co., N. Y. City

Prominent savings banker holds out the prospect that a smaller rise in mortgage debt, a lesser increase in business borrowing, and heavier bond absorption by individuals "will combine to create a trend toward an easier market for mortgage loans during the course of 1957." Such a mortgage market turn is likely, according to Mr. Casazza, to be magnified and accelerated by Federal Reserve shift from restraint to ease if an economic recession appears in the offing.

Recent months have witnessed an acute stringency in the market for mortgages. The demand for mortgage loans has far outstripped the supply of loanable funds. Not only have interest rates risen, but many would-be borrowers have been unable to obtain the funds they want.

Alfred J. Casazza

The reasons for this acute shortage of loanable funds have been widely discussed in banking, mortgage and government circles, and are now well known.

Chief among these reasons has been a sharp increase in the volume of mortgage borrowing. Mortgage debt outstanding, which rose by $12.5 billion in 1954, increased by $16.1 billion in 1955 and by $14.8 billion in 1956.

This bulge in the demand for mortgage loans has had a particularly strong impact upon the capital market because it has coincided with a sharp rise in business borrowing. Corporation bonded debt, which rose by $3.8 billion in 1954, increased by $4.5 billion in 1955 and by $5.4 billion in 1956. Corporation bank loans, which actually declined by $2 billion in

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*An address by Mr. Casazza before the Mortgage Bankers Association of New York, March 13, 1957.

Problems of Prosperity

By GABRIEL HAUGE*
Special Assistant to the President

President's principal economic assistant perceives in the decade ahead a time when we shall be trying to overuse rather than underuse the economy, characterized by a labor shortage, and maps a road assuring economic success designed to avoid prosperity's problems of price inflation, inadequate savings and building competition-shelters. Mr. Hauge prescribes prudent restraints from time to time via general monetary and fiscal controls and appeals to labor and business, which he doubts is naive, impractical or visionary. Rejects: notion that sound dollar is in contradiction to sound people; depression psychosis and idea that prosperity and price stability is unattainable; and view that we can avoid fluctuations such as that experienced since World War II.

Not long ago I was reading the transcript of a hearing held late last year before a Congressional Committee on the always fascinating subject of money. Many matters were discussed in the give-and-take between members of the Committee and the witnesses — the pressure of recent heavy demands for capital and credit upon available supplies, the resultant rise in interest rates, the inability of some borrowers—individuals, businesses and governmental units—to satisfy all their needs, and, of course, the efforts of the Federal Reserve System through its credit-restraint policy to resist upward pressure on prices.

Dr. Gabriel Hauge

As the hearings drew to a close, a member of the Committee admonished the Federal Reserve officials present to place first in their thoughts, "the maintenance of a sound people rather than a sound dollar." That admonition has lingered in my mind and continued to haunt me. If the time has come to choose between a sound

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*An address by Mr. Hague before the Economic Club of Detroit, March 11, 1957.

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

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Crescent Corporation—William H. Gumpel, New York City (Page 2).

Schering Corporation—Ernest Oppenheimer, Research Dept., Naess & Thomas, New York City. (Page 2).

WILLIAM H. GUMPEL
New York City

Crescent Corporation

There are many people who like the suspense and excitement contained in mystery stories, but it happens sometimes that the story of a stock makes equally interesting reading. I do not mean the often mysterious movements of its price, but the mystery that surrounds certain huge transactions made by the management. Exactly such was the case with Crescent Corporation, formerly known as Deep Rock Oil.

William H. Gumpel

Financial circles were surprised when Deep Rock announced a series of huge transactions in 1954, culminating in the sale of virtually all its producing properties, refinery, pipelines and marketing properties to General American Oil Company for $22 million cash and $5 million in stock. Deep Rock, **in turn**, leased back the refinery, pipelines, etc., for a period of eight years, at a yearly rental of $250,000. The air of mystery that surrounded these transactions climaxed, when on April 1, 1955 Deep Rock **transferred** to Kerr-McGee Oil Industries the **leases** on the refinery, pipelines and marketing properties, taking as payment 674,880 shares of the latter's 4½% $25 par value convertible preferred stock, of which it distributed 450,000 shares in exchange for 150,000 of its own shares, thereby reducing its capitalization, but retaining 224,880 shares of Kerr-McGee preferred. In an article in "Petroleum Week" of Nov. 23, 1956, "How an oil major goes independent," President W. H. Garbade explained these "mystery moves," adding that "with the emergence of CRESCENT CORPORATION the story of what we did with Deep Rock should now be told."

Present and Future

Under its new name, CRESCENT CORPORATION, the company is now engaged as an oil and gas producing, royalty, engineering and investment enterprise. Company has more than 1,000 barrels a day of crude production with production interests in Kansas, Alberta, Canada, Colorado, Oklahoma, New Mexico and Texas. Crescent has a wholly owned subsidiary, Hugoton Plains Gas & Oil with an average daily production of 65,000,000 cubic feet of gas, and Crescent retained a 17½% interest in Siboney Caribbean Oil, owning 5,200,000 acres in Cuba, and also owns an interest in the Kuwait-Saudi-Arabian Neutral Zone concessions. Under its diversification program Crescent is about to expand into the petrochemical field, with its present key project the new synthetic graphite plant, the first West of the Rockies. It will make high purity synthetic graphite from petroleum coke and its products will be marketed during the second quarter of 1957. Forming the future as an Independent, Garbade states that his "guiding light" is this: "The greatest amount of leverage for our investment dollar with the minimum of risk . . . this principle applies to the outside investments, as well as those in oil. . . . **Crescent's method in entering new fields is to form subsidiary companies, with the parent corporation getting as much equity as possible, while risking as little as possible."** I feel impressed by such principles, summed up by Garbade: "We place no limit on our future expansion, but we will exercise caution."

Conclusion

In November, 1955 the stock was split five-for-one and the capitalization increased from 1,000,000 to 3,000,000 shares. A 25-cent initial dividend was paid after the split. There are now 1,391,325 shares of common stock outstanding. Dividends have been paid without interruption since 1945, but were suspended in 1955 when the transition took place. However, the company offered an exchange of three 4½% Kerr-McGee preferred shares for each of its own shares to stockholders, who desired to keep funds invested in an income-producing security. The omission of the dividend came as no surprise.

With about 50% of the authorized capital stock in treasury or not issued, plus the one million $25 par value preferred stock authorized in 1956, this highly capable and youthful management team (four of the five men are under 40 years of age) has many millions of dollars at hand for use at its discretion for the intended diversification program and the extension into the petrochemical field.

Attracted by the extraordinary financial transactions, I recommended Crescent under its old name, Deep Rock Oil, in December, 1954 at a price of 45, pointing out that "this stock may well appeal to those who do not look for income, **but for the possibility of great developments in the future, with the resulting capital appreciation.** The name of the company was changed from Deep Rock to Crescent Corporation in July, 1955, and the stock reached a high of 74 in 1955 and of 80 in 1956. (By comparison: 54% of the stocks listed on the N. Y. Stock Exchange declined in 1956.)

I do not hesitate to repeat the same wording and reasoning now when recommending the stock of **Crescent Corporation** after the five-for-one split at the present level of 15. Although near Deep Rock's all-time high of 16 (adjusted), this stock presents not only by its name (Crescent means "growing") an interesting growth situation, but also a speculation for substantial price appreciation for those willing to exercise patience. It is no stock for an average investor looking for regular dividends only. It is a speculation on the continuation of the management's success. I am greatly impressed by the management's daring past performance and its sound principles for the future of a company whose situation is unique in many ways. The management seems to own the "Magic Formula," adding mystery to a stock with romance. I plunge for CRC, one of the lowest-priced oil stocks, not dealt in Canada, but right here in New York on the Big Board, appealing only to those, who feel: "Nothing ventured, nothing gained."

ERNEST OPPENHEIMER, Ph.D.
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Schering Corporation

A company that tripled its sales and septupled its earnings in the brief period of two years is sufficiently rare to command investor curiosity. The incentive for studying such a company is magnified if its common stock can be purchased at an unusually attractive level. The above facts obtain in the case of Schering Corporation, a leading ethical drug specialty manufacturer. In order to bring this company into better perspective, it seems desirable to make some observations about the ethical drug industry in general. The outlook for this industry appears highly promising in view of its impressive growth rate, with sales doubling every five years since 1935. Future growth is ensured by favorable population trends, with sizable increases in the children and the aged, the largest consumers of drugs; and by the outstanding research effort, with all areas of human affliction under intensive investigation, presaging exciting developments. Moreover, the ethical drug industry has the advantage of relative immunity to the business cycle, due to the nature of the products and the large health insurance coverage, which now exceeds $7 billion. These favorable considerations have led investors to place a high value on companies with a strong established trade position, sound research effort, and top-notch management. An outstanding example is G. D. Searle, selling at about 25 times current earnings. The common stocks of other leading drug companies, such as Smith, Kline & French, Pfizer and Merck, sell at 14 to 16 times earnings. The only exception has been Schering, whose market valuation is eight times consolidated 1956 earnings of $7 per share (including approximately $1 by foreign subsidiaries).

Ernest Oppenheimer

Schering holds a leading position in the manufacture of anti-arthritic preparations, antihistamines, male and female sex hormones, chemotherapeutic agents, and X-ray diagnostics. The most important products are Meticorten and Meticortelone, used for the treatment of rheumatoid arthritis. The "Metis" have been combined with other drugs for a wide range of applications, including Metimyd for eye conditions, Meti-Derm for skin disorders, Metreton for allergies, Sigmagen for rheumatism, and Metibiotic for bovine mastitis (a cattle disease). In addition to the "Metis," the company manufactures some 50 ethical specialties.

The fact that Schering places great emphasis on research augurs

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Government's Continued Role in Financing of Housing Industry

By THEODORE J. KREPS*
Professor, Graduate School of Business, Stanford University, California

No signs of diminution of government interest and participation in financing the housing industry is found by well known Californian Economist after classifying four main sets of reasons for this outlook. Indications are found in the economic passages of the President's message to Congress, objectives of the Employment Act, and the numerous financial and non-financial vested interests and grass-roots forces within the housing industry. Professor Kreps provides insight as to how: (1) budget figures understate government's actual economic and financial impact by a great deal; (2) general credit control acts to generate forces clamoring for selective credit controls; (3) housing stimulation occurs during prosperity as well as labor surplus periods; and (4) automatic and non-automatic counter-cyclical policies directly and indirectly affect housing finance.

The outlook, both long-run and short-term, is that governments, Federal, State, and local, will continue to participate in the financing of the housing industry.

Theodore J. Kreps

There are in the main four sets of reasons. First, the continued pursuit of national strength as a major goal involving such corollary aims as healthy economic growth, "full employment" opportunity, and compensatory budget, fiscal, and monetary policies. Second, the substantial branching out into home-financing activities by rival and new financial institutions. Third, the increasing number of regulatory agencies with policies of confusing and conflicting impact on housing finance. Fourth, the continued attractiveness, from a political and humanitarian point of view, of "doing something" for vote-numerous groups, such as small homeowners, the needy, aged, veterans, military personnel, defense workers, growth enterprises and small businesses.

I

A Free Money Market and Economic Strength

President Eisenhower in his State of the Union message, on Jan. 10 of this year, analyzed the elements of national strength in the following terms:

"With other free nations, we should vigorously prosecute measures that will promote mutual strength, prosperity and welfare within the free world. Strength is essentially a product of economic health and social well-being."

In his *Budget Message* of January 17, as further amplified by his *Economic Report* of January 23, the President stated the composition of national strength and its corollary economic policies as follows:

"In making plans for the coming year, I have been guided by the following national objectives:

"(1) Peace, justice, and freedom for our own and other peoples;

"(2) Powerful armed forces to deter and, if need be, to defeat aggression;

"(3) A healthy and growing economy with prosperity widely shared;

"(4) Enhancement of individual opportunity and the well-being of all our people;

"(5) Wise conservation, development, and use of our great natural resources;

"(6) Fiscal integrity;

"(7) A well-balanced choice of programs at home and abroad; and

"(8) Increasing international trade and investment essential to the growth of the economies of the United States and the rest of the free world.

"Progress toward greater equality of opportunity for all of our people as well as toward a balanced development and conservation of our national resources must go forward. Emphasis must continue upon promoting, through private enterprise, the development and productivity of our economy. Schools, roads, homes needed. We must move forward in some areas of investment while we hold back in others. For example, the needs for schools, highways, and homes are so urgent that I am proposing to move ahead with programs to help our states, cities, and people undertake such construction at a prudent rate."

Among these corollary policies, those of greatest importance to housing finance are (1) sustained economic growth (2) high-level employment opportunity, and (3) compensatory budget, fiscal and monetary policies.

Implications of Economic Growth

(1) The primary requirement for sustained economic growth is sustained investment. Sustained investment depends on vigorous aggregate demand, stimulated by

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*An address by Professor Kreps before Second Annual Southwestern Senior Executives Conference Co-Sponsored by the Mortgage Bankers Association of America and The School of Business Administration of Southern Methodist University, Dallas, Texas.

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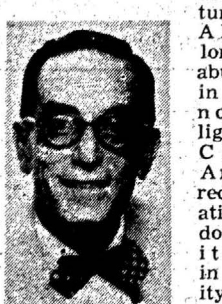
Observations . . .

By A. WILFRED MAY

HEADS YOU WIN — TAILS I LOSE

The current major hardening of money rates, with the possibility of future reversal, brings to the fore the importance of the redemption feature in bonds. Also is the long-standing abuse inherent in that device now highlighted by SEC Chairman Armstrong's recent affirmative re-indorsement of its inclusion in public utility issues.


A. Wilfred May

Relatively infrequent previously, particularly in its "tough" form, the borrower's redemption privilege came into great vogue in the 1930's. Declining interest rates of that period brought home its attractiveness to borrowers, who were able to put it across because of the prevalent lack of demand for capital which was going begging. In the case of bond issues generally, emphasis on the device has since been particularly intensified, during periods of low money rates; but in the case of the public utilities, under the aegis of the SEC and some State authorities, borrowers have endeavored to insist on the privilege during all times.

Past Drastic Experience

In the 1953-1954 period, perhaps harboring some analogies with the present, the sagging of interest rates following their rise entailed holders' wholesale loss of bonds that were callable. In fact, three issues, California Electric Power, Central Power and Light, and Central Vermont Public Service, were called within a year after their issuance. And Washington Gas Light was actually redeemed before its first interest payment date.

A One-Way Street

Although the interest course and the growing place of bond financing make the matter particularly important now, the basic gross inequity of the call feature under any attending circumstances should be realized. The routine whereby the borrower only is given the very valuable option to call off "the deal" before the specified termination date, surely constitutes a most unfair heads-you-win-tails-I-lose arrangement. The valuable unilateral privilege of "welshing" on the contract can be thus freely exercised by the *borrower* if changed conditions make this advantageous to it; such elements including a fall in interest rates or perhaps an improvement in financial strength. On the other hand, the *buyer* is afforded no opportunity to gain from a subsequent rise in interest rates, nor protection against the borrower's financial deterioration.

In fact, the buyer can make no progress in equal protection, as perhaps by willingness to pay the equivalent penalty should *he* want to get out of the contract, by being paid off on his initiative at 97 instead of 103.

Additionally, this one-way arrangement should be viewed in the context of our traditional bond refinancing practice whereunder at a loan's due date, in lieu of a pay-off from cash, Lender A's claim is satisfied only via reborrowing from Lender B (akin to the notorious Mr. Ponzi's personal chain-borrowing System).

The SEC's Unjustified Attitude

The Securities and Exchange Commission's policy of endorsement it attributes to an alleged mandate of the Public Utility Holding Company Act to protect consumers via the price utility companies pay for their money. But surely this law, as well as the balance of the Federal securities regulatory statutes, charges the Commission with devoting major attention to protecting the investor. In fact the preamble of the cited Public Utility Holding Company Act states it this way: ". . . It is hereby declared that the national public interest, the interests of *investors* in the securities of holding companies, and their subsidiary companies and affiliates, and the interests of *consumers* of electric energy and natural and manufactured gas, are or may be adversely affected." (Italics ours.)

And as a matter of fact, many consumers are at the same time investors, including the 80 million holders of life insurance policies. Segregating them as consumers is a political argument. The long-term effect of the call system is gradually to freeze these people into the lowest average interest rate level.

The position of the SEC is amazing. In lieu of providing the indispensable protection for the unwary unsophisticated public buyer, the Commission actually goes to the length of compelling an unfair arrangement by administrative fiat.

Who else is there to protect him, with the knowledgeable institutional buyers largely turning to private placements to avoid this onerous feature, and even with the pension fund administrators, because of conflicting interests, frequently displaying split personalities toward this proviso in the bond contract?

In Double Jeopardy

So, as the arrangement now stands, the bond buyer is saddled with the outlook whereunder he may be forced into current income reduction in the middle of the contract period, or possibly at the end of the term recouping his principal in inflated dollars.

Practical Market Implications

At the very least, the SEC should keep its administrative fingers out of the picture. On practical grounds, forcing the call feature, and thus interfering with the free business processes of the market place, makes borrowing more difficult. This is evidenced by the recent bond financing difficulties in the affected utilities field, with the knowledgeable institutional buyers forcing direct placements with freedom from the punitive call feature.

Institutional investors are becoming ever more wary of the call drawback, with even the pension funds beginning to insist on its elimination. Texas Gas Transmission presents a recent clear example of such an issue dependent on institutional buyers. And their realization of the call implications has driven many insurance companies completely out of utility bond purchases, thus injuring that financing area—besides raising borrowing costs.

Where the feature is inserted, as one of several cardinal terms of the bond contract, it is often partially compensated for by higher current interest payments, thus even obstructing the SEC's stated reason of consumer-protection for its action.

In connection with the impact on borrowing costs, the traditional call-free (or at least negligible) arrangement in government bond issues must be borne in mind. In both its open market issues and Savings Bonds the Treasury is thereby paying a lower interest rate than it would be with a call provision.

A New Scientific Study

Fortunately and constructively, an impartial overall study of bond redemption features is under way. Financed by the Life Insurance Association of America it is being conducted by the Wharton School of Finance of the University of Pennsylvania; and guided by an advisory committee composed of representatives from university positions, pension funds, investment banking, the Federal Power Commission, the Securities and Exchange Commission, the life insurance business and similar groups.

The topics to be newly explored will include: historical perspective; experience of investors and borrowers under prevailing bond redemption features; the process by which bond redemption features are determined; the relationship between redemption features and interest rates; their effects on the flow of capital funds; and conclusions about the equity considerations involved. No doubt the results, due later in the year, will add to the enlightenment of and more constructive attitudes by borrowers, lenders, and the SEC.

The State of Trade and Industry

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

Total industrial production in the period ended on Wednesday of last week pointed moderately above the corresponding period of 1956. The most pronounced gains on a year-to-year basis were noted in the output of electric power, petroleum and automotive industries. On the other hand, production of steel, lumber and paperboard was slightly below the level of one year ago.

"Industrial activity in February," the Federal Reserve Board reported, "was unchanged from the January rate, and total non-agricultural employment, personal incomes and retail sales continued at record levels. Average wholesale prices of both industrial commodities and farm products were stable from early February to early March. Although total bank credit declined, bank loans to business increased."

In the prior month, the board stated, production of durable and non-durable goods "changed little" while minerals output "increased somewhat to a new high."

The steel market outlook is brighter this week. Order volume has picked up and the turn for the better probably will be reflected in May shipments, states "The Iron Age," national metalworking weekly.

Behind the shift, a pickup in plate, structural and pipe bookings has partially offset the dip in sheet and strip demand. As a result, the downtrend in steel order backlogs has been halted at least temporarily. Mills are hopeful that a pickup in automotive and appliance sales will reverse the soft tone of recent weeks and spur steel users to a rash of protective ordering.

Another hopeful note, declares this trade weekly, is the indication from time to time that some consumers have cut their inventories too thin. Spot orders for emergency shipments of sheet and strip, even of bars, is the tipoff. These orders are being met, but a sudden turn in the overall market could leave some users in a fix.

An "Iron Age" survey indicates that the present emphasis on inventory reduction, largely in flat-rolled, may come to a halt early in May. Two reasons for this are that some consumer inventories will be down to a bare minimum and there could be a flurry of price hedging among users whose inventories have leveled off. But hedging this year will be nothing like past years when the possibility of a strike was an added incentive. Most buyers say they are not interested in stocking up prior to the expected July price boost.

Oddly enough, this trade magazine notes, some analysts insist that overall steel inventories continue to rise. They look for a leveling off, followed by a downturn, about mid-year. This apparent contradiction is due to the fact that overall steel shipments are running ahead of estimated consumption. This is largely because of continuing strong demand for the so-called heavy steel shapes.

A prediction by this trade journal that while operations will slip gradually toward the 90% mark over the next several weeks, "Iron Age's" previous prediction of a 95-96% operating rate during first quarter will be substantiated.

As for the second quarter, the relatively sharp dip in the early weeks will be offset by counter-seasonal influences during the latter part of May and most of June. The second quarter operating rate will average close to 90%, concludes "The Iron Age."

In the automotive industry last week a 2.9% gain in car and truck production marked United States operations.

"Ward's Automotive Reports" said this week's volume compared favorably with the 1957 high of 170,120 reached in the Feb. 4-9 period.

The statistical agency said the upturn centered around truck manufacturing and resumption of Willys operations after a one-week inventory shutdown, plus increases at Ford and International Harvester.

The four-week strike at Eaton Mfg. Co. axle plant, Cleveland, is interfering with medium- and heavy-duty truck manufacturing at International Harvester where 1,000 workers already

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This Business of Bigness Or, the Bigness of Business

By ROGER M. BLOUGH*
Chairman of the Board, United States Steel Corporation

Tracing the evolution of business and the American people's expectations regarding economic growth and big business performance, U. S. Steel Chairman maintains some of the biggest corporations "are rapidly getting too small" to do all that is expected of them. Looking at future risks and expenses too large for single firm's resources to satisfy needs beyond the lifetime of executives now planning ahead, Mr. Blough dismisses "little minds" who fear progress and arch reactionaries who want to force industry back to 19th Century production patterns. Lists American people's special expectations that big business must live up to; claims big firms have not been a threat to new and small businesses, and have been progressive in their competition; and agrees that the informed should expect big business to "compete realistically."

I wish to discuss the subject that is on most everyone's mind: this business of bigness . . . and vice versa—the bigness of business. But since the purely economic aspects of that issue have been debated exhaustively—though inconclusively—ever since the 20th Century began, I should like to attempt a more philosophical approach based upon a proposition which seems to be axiomatic. And the proposition is this:

Roger M. Blough

That the great enterprises of America are the result—simply and solely—of the great expectations of the American people.

Despite all the frustrating lessons of history, it has always been the nature of man to harbor great expectations. And down through the ages, it has been the purpose of man to fashion for himself the instruments through which those expectations could be realized. As his expectations have increased in size and scope, so too have the industrial instruments, organizations and agencies which he has created. And any arbitrary limitation that may be placed upon the size or scope of these instruments—either by legislative edict or tax subterfuge — must automatically place similar limits upon the realization of man's expectations. Thenceforth, and beyond those limits, his dreams would be empty and sterile.

Today, in America, we have more than four and a quarter million business units of every size and type which are designed to meet the needs and wants of our people. Many of these are very small enterprises and their number is growing as the variety of our demands increases. A few of them are very big businesses; and their size is growing as the expectations of our people soar to new and stratospheric heights.

What the People Want

But when we stop to think about it, we realize of course that the American people themselves —by their actions as consumers, investors and workers—have created all of these instruments; and that by simply withholding their patronage, their investment, or their services, these people can regulate—or even destroy—their handiwork as their changing expectations may require.

Thus it is clear, I believe, that what an informed people think and want in this native land of ours will determine the ultimate destiny of your business and mine. And fortunately, we have an informed people—informed in more ways, through more media, and to a higher degree, than anywhere else that I know of.

So it might be profitable to examine briefly just what it is that an informed public expects of business—and especially that extra something which it is coming to expect of big business.

Informed People's Expectations

And quite properly, of course, the first thing that an informed people expects of any good-sized corporation is to be kept informed about its affairs.

When we go into the baker's shop on the corner, it does not occur to us to ask how much profit the proprietor is making, or how much he is paying the help in the kitchen. We merely ask the price of the product, judge the quality for ourselves, and make up our minds accordingly.

But it is quite different in the case of a big business, or of any business that is of outstanding importance to the community in which it operates. Here people do want to be informed about what wages the company is paying — whether they are too low or too high, and what effect they will have upon prices and inflation. They want to know what kind of salaries are paid to the executives—about profits and costs and dividends and competition — who owns the company, and what it produces—about all of its comings and goings. In short, they want to be able to judge for themselves whether or not the business in question is measuring up fully to their expectations of it.

And big business, of course, does provide this information to the public—not only through the records it files with governmental agencies and trade associations; but also through its detailed annual reports, proxy statements, news releases and many other media. So big business lives and works in a goldfish bowl, where all the world can watch it—mostly because the informed expect that of big business.

Now I suppose that when you get right down to cases, the fundamental thing that people expect of business in general is to deliver the goods, so to speak.

They expect business to provide them with whatever they want to buy — from buttons to blimps. They expect it to meet every whim of the civilian population in times of peace, and especially to produce everything that science can devise for our national protection in the event of war. But this is only the beginning of their expectations, especially where big business is concerned, for they not only want it to supply them—through mass production — with an ever-expanding quantity and an ever-improving quality of goods and services, but to do so at more favorable prices!

An informed public, of course, realizes that prices cannot be expected to decline in terms of actual dollars and cents at a time when inflation is shrinking the value of the dollar materially, and when wages are rising rapidly. It also realizes that the unfailing improvement which is constantly being made in the quality, style, convenience and utility of industrial products adds substantially to their value.

But after making due allowance for this improvement in quality, and for the shrinking value of the dollar, an informed public does expect a steady improvement in what I would call the real price of our products—that is, in the number of hours of work that it takes to earn the price of such a product.

Eighty Percent Approve

And in this respect, too, I believe that the record will show beyond doubt that not only do the informed expect more of bigness than of business generally but that big business has measured up to the expectations of the public which created it. This is probably one of the major reasons why more people than ever before express the view that big business is a good thing for our country. In fact, 80% now hold this belief, according to a recent public opinion survey.

Here again, however, an informed people knows that the constant improvement which has occurred in the real price of the things it buys, could only be brought about by improved efficiency; and that this efficiency, in turn, stems chiefly from the purchase and use of mammoth and costly new tools of production. It also realizes that the continued purchase and installation of such facilities will require huge sums of capital — the savings of millions of investors who are willing to risk their money in industry.

So an informed public expects us, I believe, to be able at all times to recruit such capital. It expects us to maintain the kind of financial stability and to earn the kind of a profit that will command the confidence of these investors. And it expects us to pay a fair wage for the use of these savings, just as we must pay a fair wage for the services of our fellow workers. The informed understand that only in this way can any business, of any size, live up to the total expectations of our people.

But just as the American people expect us to produce all the things they wish to buy, so they also want us to provide the wherewithal to buy them. And so —among all of their great expectations—the outstanding one, perhaps, is that business—and here again the emphasis is on big business—should play its full part in supplying enough new jobs to meet the ever-increasing requirements of our rapidly growing population.

They demand, moreover, that these shall be the better jobs, with good pay and good benefits. Yes, here, again, an informed public always seems to expect a little bit more—a plus, if you please—from business, when it comes to good jobs.

They believe that big business is better able than small business is, to devote its time, energy and money to the development of safeguards against industrial accidents. They also believe that it should concern itself deeply with the security of its employees and their families—that it should in proper ways help these workers to insure themselves against the hazards of serious illness, old age, and layoffs.

But they go farther. They expect big business to respect and preserve the dignity of the worker in his job—to increase his sense of satisfaction and his sense of achievement, to give him the incentive to better himself, to provide him with the industrial training and the special educational courses which will qualify him for promotion; and then to afford him unrestricted opportunity to advance, through the ranks, to the limit of his individual capacity.

And all this, too, is being done.

So two of the most important things that Americans expect of industry are constantly improving production and better and better jobs. And next on their list, probably, is their insistent expectation in the field of research.

Research Today

Now this expectation, of course, falls directly on the shoulders of big business. It is true that much of the individual inventive genius of our people finds its natural outlet through the small enterprises that have contributed so richly to our national progress. But small business, as a whole, has neither the manpower nor the money to support the broader programs of basic research in the fields of fundamental and applied science. Its limited resources must be devoted in the main to the manufacture and sale of its product.

So when our people decide, for example, that they want an airborne machine that will travel many times faster than the speed of sound—and when they discover that no metal known today will withstand the terrific heat which is generated by atmospheric friction at that particular speed—they do not take their problem to the local blacksmith. They turn to United States Steel, or to one of its major competitors, to devise a brand new combination of metals that will defy the thermal barrier.

And that is natural, of course, because over the years many such new combinations of metals have been born out of U. S. Steel research. Each of these differs from the others in its chemistry and composition to such an extent that it might justly be termed an entirely new metal. Each has its unique properties and characteristics. And each serves its special purpose. But since all of them are called steel, few people — even among the better informed—are aware of the fact that these new metals exist. Yet each represents the realization of another of man's expectations.

Nature of Competition

And next we come to what I regard as the key to America's industrial success: competition. Over the years, I have studied the writings of many of our theorists upon this subject; and I have marvelled at their semantic brilliance. As a steelman, moreover, I have had to

Continued on page 22

*An address by Mr. Blough before the Economic Club of Chicago, March 13, 1957.

Railroads: Their Future

By ANTHONY ARPAIA*
Member, Interstate Commerce Commission

Graphically refuting six misconceptions entertained by the railroad industry, picturing bright future for rails, and attacking—heretofore—unyielding opposition to any new transportation developments, ICC member appeals to rails to take the lead in providing a functional, efficacious transportation system, involving joints services wherever feasible. Mr. Arpaia enumerates and praises recent advances of past several years, denies regulation handicapped the industry or lessened competition and, in singling out the railroad Cabinet Committee's proposed amendment, terms the publicized rate reduction plan as an euphemism for recreating disastrous pre-1887 conditions of reducing some rates and raising others without lowering the level, with disregard for rate relationships between competitive shippers and competing markets.

The recent rash of articles in our newspapers and leading periodicals which have taken a rather dim view of the prospects of American railroads makes the selection of this topic timely. If the future of the major agency of transportation in this country is in doubt, then, by all means, it should be seriously discussed. I can tell you at the outset that I share neither the prevalent pessimism nor the unscientific and loose reasoning behind it. For that reason, I am glad to have the opportunity to express my views.

Anthony F. Arpaia

Before getting into the subject of the future of railroads, I should like to discuss a few of the misconceptions which seem to surround the entire subject of transportation. An understanding of the facts may stop the underrating of our railroads' potentialities and the over-estimation of their obstacles. Each of the points I shall make could be discussed at length, but since I am before an audience of experts, I shall touch upon them only briefly. I approach the matter out of a desire to be constructive — to help remove the underbrush of misunderstanding which seems to foster current misapprehensions. In my opinion, they are due to dark imaginings which grow out of the simple lack of full information. The misconceptions which I shall discuss, as others for which I do not have time, are always expressed in terms of sweeping extremes. For example:

Misconception No. 1 is that automobiles and trucks are the enemies of railroads.

To conclude that motor vehicles have hurt railroads would be to view vast social and economic changes superficially and without analysis. The fact is that the boundless industrial growth of this country has been in large measure due to the automobile. Without the automobile which gave the American people new freedom to locate, new desires, new demands, new employment, our total economy would not have developed to the extent it has.

With increased production and movement, has come a higher standard of living. And with a higher standard of living, there developed an increased demand for more goods, including such basic commodities as cement, steel, rubber, aluminum, copper, building materials and every other product which goes not only into trucks and automobiles but into highways, bridges, power plants, factories, schools, churches, libraries, homes, as well as all the things and services that people need and use in a society with an advanced economy.

Since our economic system is inseparable, the benefits which flow from progress touch every segment of it. Trucks and automobiles are not merely competitors of railroads; they have created a new economy in which railroads now operate. Today rails carry more freight than all forms of transportation did in 1939 and about twice as much as they themselves did in 1939. The present volume of freight which rails enjoy is directly attributable to the expansion of our economy in which motor vehicles have played a major part, directly and indirectly.

Misconception No. 2 is that all of the motor freight and passenger business is competitive with rails.

As I have just pointed out, without the existence of motor vehicles, much of this new traffic would not have been generated in the first place. Secondly, a sizable proportion of this traffic is not accessible or appropriate to rail service. What has happened is that the type of traffic which was originally handled by horse team and carriage has been greatly extended in area and location and increased in volume.

The use of statistics can be distracting. For that reason, I am trying to avoid them in this talk in which I am trying to establish perspective. However, it is noteworthy that, according to estimates by the Bureau of Public Roads, in 1955, 94.58% of the trips made by trucks were for distances of less than 100 miles. Now this does not mean that the volume of traffic handled by 94.58% of the trips is anywhere near that percentage. It does, however, indicate a use factor which is significant and reduces the commonly understood area of actual competition. It is because of increased dispersal of population and industry and the relatively short distances involved that the truck is performing this type of intercity traffic. Much of the transportation performed by motor carriers for longer distances is to newly developed areas where rail service does not exist at all. If the rails are not participating in greater measure in the long-haul traffic carried by motor trucks, it is partly their own choice as I shall point out later.

Misconception No. 3 is that if railroads could reduce their rates at will, they would get a substantial amount of this newly created competitive traffic.

The greatest proportion of the traffic not hauled by the rails is going to exempt and private carriage. The explanation and cure for this is too long a subject to discuss now. But looking only at the traffic handled by regulated motor carriers, the significant thing is that present rail rates are generally lower than motor rates. But let a recent magazine writer put it in his own words: "So today the railroads are producing more than two and one-half times as many ton miles as the truckers, but are getting $7 billion less for doing so." And this does not mean that truckers get all of the high grade traffic. The "Manufactures and Miscellaneous" commodity classification still makes the largest contribution to rail revenue.

What this does indicate is that price is not the only attraction to shippers. Therefore, when shippers choose to use the service of trucks, they are influenced by other factors. Among them are: (a) specialized or better service, and (b) less total over-all costs to certain classes of shippers in spite of higher rates. Some of the obvious advantages of such shippers by motor include the ability to maintain lower inventories, which permit less capital investment and warehousing; fewer plant interruptions or slow downs due to the failure to meet delivery schedules; less handling and fewer loss and damage claims.

Shippers are hard-headed businessmen, who measure not only the immediate cost of transporta-

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*An address by Mr. Arpaia at the Third Michigan Railroad Management Seminar, sponsored by Transportation Institute of University of Michigan and the Michigan Railroads Association, with the cooperation of the Association of American Railroads, Ann Arbor, Michigan.

Investment Banking, the Interest Structure and Economic Outlook

By PAUL HEFFERNAN*
Financial Writer, The New York "Times"

Banking expert, pointing out that the interest structure has two conflicting phases, namely, interest cost and investment yield, maintains rising yields on fixed-income securities broaden area of investment bankers' service through intensified selling of bonds to the public. Predicts "tight money is going to stay with us for a while," in view of prices having caught up with the money supply, and of the demand for capital. While doubting the possibility of a severe depression, Mr. Heffernan, sees some "squall clouds," as in short-circuiting of international capital flow resulting from break-up of Western Europe's colonial systems.

I propose to discuss something that has puzzled me ever since I began to write about this business. This is the relationship between the securities business and the interest structure. Perhaps I should say the attitude of the industry toward the interest structure. Rightly or wrongly, I have got the idea over the years that the investment banking industry favors cheap money rates. And that is what keeps puzzling me.

Paul Heffernan

Now the interest structure, of course, is a two-faced thing, and is a natural for semantics. On one side of the coin is interest cost, and on the other is investment yield. The advocate of cheap money views with alarm what he calls "the rising cost of money," as if to suggest that any cost for money was evil in itself. On the other hand, the person who favors higher rates speaks reverently about the "reward for savings," as if no reward were too much to promote the virtue of thrift.

This is only assigning moral values to something that is strictly economic. In the ordinary affairs of men, where there is no valid moral issue, sides are usually taken according to the play of economic interest. The business man who wants low-cost capital is naturally biased in favor of low interest rates. And the investor out for a high return, naturally is biased in favor of high rates.

Now where does that leave your industry? You investment bankers claim to serve the nation; and you do. And you claim to serve business. You do this, too. But I think that your big service is to the investing public. If there were no savings in this nation, the country would still get along somehow, and so would the business man. But you would have no function at all.

On the other hand, if the nation's savings were to rise, your business would stand to expand with it. If a high return on a conservative fixed-income investment were to induce your customers to save more, they would do more business with you. And if nonsavers could be induced to become investors, you would have that many more investors.

Now I am not advocating high interest rates and I am certainly not suggesting that you advocate them, either in behalf of yourself or your customers. I am merely expressing perplexity at what seems to me to be your indifference to or even your resentment of a development that promises to widen the area of your service.

Overemphasis on Equities

In thinking about this, it occurred to me that your industry distributes equity securities as well as fixed-income investments. It could be the inflationary experience of recent years may have made the industry unduly equity-minded. Owners of common stock are notoriously tolerant of cheap money and rising prices. At least they are hedged against these things. Some owners of equities even cherish the quaint notion that they have a vested interest in continuous inflation because under inflation the money value of their stock keeps going up. I cannot believe, however, that the responsible thought in your industry goes along with this.

It occurred to me, too, that the industry may like cheap money because it enables it to carry inventory costlessly or even at a profit. Not every industry can make money on inventory that it cannot sell.

I admit my perplexity about this would be an academic question if it were not for one thing—the advent of tight money. It would still be academic, if tight money were to last only a little while. Perhaps that is what you expect.

Tight Money to Stick

But I am inclined to think that tight money is going to stay with us for a while. I don't mean that there won't be any declines in interest rates. I mean rather that the rates for the long-run period ahead are likely to resemble more those of the recent past than those of the depression, the war or the early postwar period.

My chief reason for thinking this is that prices have caught up with the money supply. And governments are no longer disposed to expand the supply of money whenever a new economic prob-

*An address by Mr. Heffernan before the Eastern Pennsylvania Group, Investment Bankers Association of America, Philadelphia, March 15, 1957.

lem comes up. The tendency is rather in the other direction—to keep a prudent rein on credit expansion and to try to spur savings among the people.

Then there is the demand for capital. By and large, I think this will continue. It may fall off now and then here and in other advanced nations but the drop will be offset by the demand from the have-not nations.

Impact of Tight Money

Now if tight money is going to be with us, it will mean that in your industry there will be some changes made. The big change, as I see it, is the comeback for fixed income investment. If substantial returns are to continue to be available for high-grade bonds, the going is bound to be harder and harder in the marketplace for low yielding common stocks.

The big question, then, as I see it, is this: is your industry prepared to sell bonds to individuals as widely as stocks? I doubt it. It is probably no exaggeration to say that if an individual wanted to buy a fixed-income investment say in the Philadelphia Electric Co. it would be easier for him today to do it indirectly by buying a share of stock in a mutual fund than by trying to buy the bond direct.

The bond salesman vanished from your business during the cheap money period of the '30s when the bond market was institutionalized. I think you will have to find him again and fashion a way for him to make contact with the public. What you need is a Harry Stuart to find a new way of marketing bonds, just as he did in the cheap-money '30s.

* * *

Some Storm Clouds Ahead

In conclusion, I should like to say a word about the next depression. Anybody who lived through the last one carries with him a morbid apprehension of its return, and I am no exception. I would not be so rash as to predict that there will not be another depression like the '30s. History has a way of repeating itself and the return performance is often upon you before you know it. But I don't see a 1930 depression ahead. There are clouds in the sky but they look more like squall clouds. They will bring distress and the need for readjustments, but I think that our economy is flexible enough and our people resourceful enough to survive such readjustments without great harm.

There is one exception to this. I see one cloud that is uncomfortably reminiscent of the early '30s. In those days, you will recall, the international flow of money and credit was short-circuited badly by the retirement of Great Britain as the banker of the five continents and the seven seas. England threw away the torch and nobody caught it. The United States at the time was a teen-ager in the field of international affairs. The Republicans were concerned mainly with the adequacy of a protective tariff. And the Democratic Administration of Franklin Roosevelt reacted to the crisis by going isolationist. There died within a few months one of the New Deal's prominent figures—Judge Jerome Frank. He is best remembered by many here, I am sure, for his book "Save America First."

In those days, every nation was cold-shouldering every other one. Each nation was charging the other with exporting unemployment and each was trying to find salvation alone. It didn't work.

Today's Parallel

The parallel today to the downfall of Britain, the world, banker, is the breakup of the colonial systems that had economic ties with Western Europe. Already the short-circuits are threatened. Foreign capital is in flight. Other foreign capital is being expropriated. Tempers are rising. Even outside of the region of colonial struggle, tensions are rising. The comrades-at-arms honeymoon of World War II is over. General Eisenhower and General Zhukov are no longer exchanging salutes. Britain has lost face over here. We have lost popularity in Britain.

If these tensions are to be resolved by another series of mass sulkings and withdrawals—if it is to be Britain for the British, France for the French, and America for the Americans, etc. etc.—and if the international flow of credit and money is again to come to a full stop, then I'm afraid we're fated again for the full blow, a depression that will not only curl your hair but will take your scalp.

These colonial nations coming into being are looking to the United States more than to anybody. They want political independence. They want to develop their own cultures their own way. They want a better living for their countless populations. They want foreign capital, but they want, too, to generate capital from within. They want foreign managerial skill, yes; but they want to develop their own managerial skill, too—something not easy in the colonial days. They have the labor force; they yearn to increase its productivity. These nations are looking mostly to use and their cry is like Eliza's great song in "My Fair Lady"—"Don't talk of love—show me!"

Of course this challenge goes far beyond the investment banking industry, but I think that a significant part of it is directed at this industry. I hope there will be a response.

H. T. Mathews Joins Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Henry T. Mathews has become associated with Reynolds & Co., 39 South La Salle Street. Mr. Mathews, who has been in the investment business in Chicago for many years, has recently been with Kneeland & Co., in the investment department.

Baxter Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Belden S. Gardner, Jr., is now with Baxter & Company, 605 Market Street. He was previously with Hannaford & Talbot.

Hubert S. Conover Is With Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Hubert S. Conover has become affiliated with Walston & Co., Inc., 231 South La Salle Street. Mr. Conover was formerly vice president of F. S. Yantis & Co. Incorporated.

Form Investment Co.

WASHINGTON, D. C.—Professional Employees Investment Co. has been formed with offices at 1129 Vermont Avenue, Northwest to engage in a securities business. Partners are Joseph O. Sall, formerly with Coombs & Co., and James L. Lesko, previously with Daniels & Co.

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.

Automotive Review—Brochure—McDonnell & Co., 120 Broadway, New York 5, N. Y.

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

Canada—Economic review of 1956 and forecast for 1957——Gairdner and Company Limited, 320 Bay Street, Toronto, Ont., Canada.

Common Stocks for Income—List of ten suggestions—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y. Also available is an analysis of the **Crane Co.**

Common Stock Ownership—Analysis of 20 listed companies with the most shareowners—in current issue of Exchange Magazine—$1 for year's subscription—The Exchange Magazine, Department 7, 11 Wall Street, New York 5, N. Y.

Dry Sugar in Bulk—Booklet of facts on handling—Lamborn & Company, Inc., 99 Wall Street, New York 5, N. Y.

Electric Utilities—Analysis with special reference to **American Gas & Electric, Commonwealth Edison, Pacific Gas & Eectric,** and **Public Service Electric & Gas**—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Investment Company Shares—An aid to Bankers and Trust Officers—booket for bankers—National Association of Investment Companies, 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 in Cuba — Analysis of background, present prospects and investment appraisal—$1 per copy — J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

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

Uranium Industry — Discussion — Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

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American Machine & Foundry Company — Annual report — American Machine & Foundry Company, C. J. Johnson, Secretary, Executive Offices, AMF Building, Room 638 I, 261 Madison Avenue, New York 16, N. Y.

Beech Nut Life Savers Inc. — Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available are a discussion of **Convertible Bonds** and a list of **Growth Stocks** at a discount.

Christiana Securities Co. — New bulletin — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Commonwealth Life Insurance Company — Analysis — Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a discussion of **Life Insurance** earnings results.

Consolidated Freightways, Inc.—Analysis—J. M. Dain & Company, Inc. 110 South Sixth Street, Minneapolis 2, Minn.

Cook Coffee Company—Analysis—A. G. Becker & Co., Incorporated, 60 Broadway, New York 4, N. Y.

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

Diamond Match Company—Annual report—Secretary, Diamond Match Company, 122 East 42nd Street, New York 17, N. Y.

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

Farmers New World Life Insurance Co. — Analysis — Pacific Northwest Company, Terminal Box 3686, Seattle 24, Wash.

Faultless Rubber Co.—Analysis—Ball, Burge & Kraus, Box 361, Mansfield, Ohio.

Ft. Worth Steel and Machinery Co.—Data—Eppler, Guerin & Turner, Inc., Fidelity Union Life Building, Dallas 1, Texas. Also in the same bulletin are data on **Fritz W. Glitsch & Sons, Inc.**

Franklin Life Insurance Company — Review — Wm. H. Tegtmeyer & Co., 39 South La Salle Street, Chicago 3, Ill.

General Cable Corp.—Memorandum—Winslow, Cohu & Stetson, 26 Broadway, New York 4, N. Y.

Globe Hill Mining Co. — Circular — Cleek-Tindell Co., Inc., Paulsen Building, Spokane 1, Wash.

Granite City Steel—Study—Moore & Schley, 100 Broadway, New York 5, N. Y.

Grinnell Corporation—Analysis—Boenning & Co., 1529 Walnut Street, Philadelphia 2, Pa.

Hevi-Duty Electric Company—Circular—Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Homestake Mining Company—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a review of the current market and reports on **Amerada Petroleum Corp., Seaboard Oil Co.,** and **Electric Utility Stocks.**

Hugo Stinnes Co. — Memorandum — Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Jones & Laughlin Steel—Report—Bache & Co., 36 Wall Street, New York 5, N. Y.

Eli Lilly & Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Maryland Shipbuilding & Drydock Co.—Memorandum—Shields & Company, 44 Wall Street, New York 5, N. Y.

McColl Frontenac Oil Company Limited — Analysis — Burns Bros. & Company Limited, 44 King Street, West, Toronto 1, Ont., Canada.

Miami Window Corp.—Memorandum—Arthur M. Krensky & Co., 141 West Jackson Boulevard, Chicago 4, Ill.

Micromatic Hone Corp.—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available are bulletins on **Purex Corporation** and **Eastern Industries, Inc.**

Miehle-Gross-Dexter, Inc.—Report—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available are analyses of **El Paso Electric Company** and **Consolidated Water Power Company.**

Page Hersey Tubes Ltd.—Data—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also available are data on **Algoma Central & Hudson Bay Railway Co.**

Paramount Pictures — Analysis — Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Perkins Elmer Corp.—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Scott & Williams, Inc.—Report—May & Gannon, Incorporated, 140 Federal Street, Boston 10, Mass.

Texas Toy Company—Analysis—John J. Keenan & Co., Inc., 639 South Spring Street, Los Angeles 14, Calif.

Twentieth Century Fox Film Corp.—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

West Virginia Turnpike—Review—John Nuveen & Co., 40 Wall Street, New York 5, N. Y.

Worthington Corporation — Data — McManus & Walker, 39 Broadway, New York 5, N. Y. Also in the same circular are data on **Ohio Water Service** and **Burndy Corporation.**

Washington Underwriters Formed in Dallas, Texas

DALLAS, Tex. — Washington Underwriters, Inc. has been formed with offices at 2111 North Akard. Bruce E. Constant is a principal.

Now Johnson & Geisler

POMPANO BEACH, Fla. — The firm name of Roger G. Johnson & Co., 2631 Atlantic Boulevard, has been changed to Johnson and Geisler.

With Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Philip R. Jague is now with Palmer, Pollacchi & Co., Inc., 84 State Street.

Joins McAndrew Staff

SAN FRANCISCO, Calif.—Barbara Brown has joined the staff of McAndrew & Co., Incorporated, Russ Building.

COMING EVENTS

In Investment Field

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 11-14, 1957
Investment Dealers' Association of Canada Convention at Jasper Park Lodge, Alberta, Canada.

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.

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

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

Impact of Population Increase on Various Economic Areas

By ROGER W. BABSON

Noted financial writer forecasts a lagging labor force growth compared to increased population growth during the next 20 years, causing problems in labor-management relations, and necessitating more educational emphasis on science vocational objectives. Mr. Babson sees no automatic correlation between prosperity and bigness in population and predicts optimistic future for farmers.

In 1950, our U. S. population was about 150,000,000. Today we are 170,000,000 strong and the prospect is that our rapid expansion in numbers will continue. The 20,000,000 more Americans added since 1950 are equivalent to twice the present population of the six New England states!

Tremendous Growth Ahead

I am told that a baby is born in this country every eight seconds, and that if present rates of increase continue, we could well have a population of 220,000,000 by 1975. This huge gain means that demand prospects for our products are good. Each new birth, each immigrant, and each person living a longer lite than had previously been considered normal, adds to the poten ial demand that American manufacturers and merchants can attempt to satisfy.

Roger W. Babson

This growth in population far exceeds earlier predictions. I well remember the experts telling us in the depression days of the thirties that the U. S. population would hit a peak — probably around 1980 — and then decline. As I recall it, they thought that peak might be around 154,000,000, — a mark we actually passed about five years ago!

What About Our Labor Force?

The current boom in people is the result of an unexpectedly high birth rate and a steadily declining mortality. Modern medicine conquers many of the diseases which in the past have cut life short. Thus the area of our greatest population gain is among the very young and among our senior citizens. The adults who form the labor force are a decreasing segment of the total population. That being the case, we should be more concerned about labor management relations in future years. I forecast that labor-force growth may continue to lag the total population rise to an increasing degree during the next 20 years. This widening gap will create problems for management except as the automatic factory becomes a factor in the situation. This is especially true if too small a proportion of the labor force possess the scientific and engineering skills required to keep us abreast of technological developments.

Instead of paying too much attention to the expensive frills of education (as we do now), we need to encourage high school boys and girls to become scientists, chemists, and engineers, as well as economists, business managers, merchants, and teachers. We ought to find out whether our schools are actually doing the type of educational job that needs to be done. If we do not mend our ways in this respect, we shall pay dearly in coming years for our foolishness.

Will More People Mean More Sales?

Growth in population suggests a rising demand for products and services. However, we should not be too quick to assume that this increase will always be translated into actual buying power. Much will depend on the economic conditions during the years ahead.

More people will not necessarily mean more sales if the government does not curb its spending. Such spending makes for highly progressive taxes which undermine profits and cripple business incentive. Neither will more people mean more sales unless we are able to adjust as a nation to the vast changes which are ahead. I have in mind the further development of atomic power, automation, speedier transport, and other new manufacturing and marketing techniques. Mere bigness in numbers and in potential resources will not assure our prosperity. Hence, my repeated emphasis on the need for more religious training of our children.

Are There Too Many People?

Our rapid population growth scares some folks. They fear we cannot produce enough food for all these people. I do not share those fears. We have learned during and since World War II how to step up our crop yields to levels not dreamed of a generation ago. We now have food and feed surpluses. Irrigation and phosphate can produce miracles.

Surely more people in future years may well solve our current farm problem of overproduction. In fact, I forecast that the time is not far distant when we shall be eager to increase our farm output. **We will step up our crop yields to new record highs through an intelligent use of irrigation and fertilizer and other soil and crop builders. I am optimistic about the future of American farmers.**

Courts & Co. to Admit T. J. Pendergrast

ATLANTA, Ga.—Courts & Co., 11 Marietta St., Northwest, members of the New York Stock Exchange, on April 1 will admit Thomas J. Pendergrast to partnership.

Successful Functioning of A Free Capital Market

By J. SINCLAIR ARMSTRONG*

Chairman, Securities and Exchange Commission

Stressing the importance of listed and over-the-counter markets, in an extemporaneous address, SEC head expresses belief 1957 new security public offerings may go higher than the $11 billion in 1956 and may burst through to almost $12 billion. Moreover, Mr. Armstrong expects new plant and capital equipment to approach an all-time annual high of $38 billion. Refers to regulatory activities and commends the NASD in alluding to problems facing the SEC in dealing with trading markets and new issue markets.

I think it is very significant that the New York Security Dealers Association was formed even before the enactment of the Federal securities laws out of a desire and with the motivation of raising the standards of conduct in the business.

J. Sinclair Armstrong

I think that is absolutely vital and I think the cooperation which has been expressed by Mr. Dunne on behalf of your association with the Federal regulatory authorities is something that we on our side are equally appreciative of and we, as you, recognize the importance of that attitude toward the success of the markets in which you trade as well as for the ultimate benefit of the investing public.

Why are the trading markets important? I think the real virtue of active, healthy liquid trading markets is this: The capitalistic system in which we live has permitted the industrial wealth of this country to be very broadly shared. The studies which the Brookings Institution has made, the studies which the New York Stock Exchange research organizations have caused to be made, have indicated the growth in the number of shareholders in and over the past four years by at least two million individuals so that today it is estimated there are well over eight and a half million individuals owning stock in American companies.

One of the things that makes it possible and feasible and attractive for individual investors to own securities in American corporations is the fact that the money they have invested and have tied up in those securities has a considerable measure of liquidity. They can buy stock and they can sell stock without fear, in most cases today, that they are going to be locked in; tied up in investments; frozen in over long periods of time.

Commends Both Types of Markets

Of course, the listed markets are extremely important in that area. I suppose it is true that the listed markets provide a considerably greater total volume in the trading of securities, but I think it is very important that the over-the-counter markets, which are markets for many hundreds, indeed thousands of companies that are not qualified to be on the listed markets, are also provided with liquidity for trading purposes by the over-the-counter dealers who are making markets in the over-the-counter securities.

How does that liquidity, that ability or facility available to the individual investor to buy stock and sell stock, how does that relate to capital formation? It seems to me it works this way: When a company is in need of new money to finance an increase in business, to build a new plant, to purchase new capital equipment, to finance the tremendously increased working capital requirements of the present day and to finance the tremendously important developments flowing from the perfectly astounding technological progress that has been made by the research of our country in the last 20 years, when a company needs to raise new money for those purposes, it is simply impossible for the internal funds of the company to supply that money. They have got to go into the capital markets and seek from the investing public enormous amounts of new capital.

How could they do it if there weren't an active trading market for securities? For one thing, the trading markets supply an indication of the ability of the capital market as a whole to absorb the tremendous volume of new issues that are being placed with the investing public. For another thing, the underwriters of the new issues are certainly vitally concerned, as are the issuers, with the pricing and the fact that there are pricings available and there is liquidity in the trading markets that makes it possible for issuers, underwriters and investors to place a new issue of securities in the market at a proper and appropriate price in relation to all of the market conditions prevailing.

Predicts Increased Financing In 1957

The ability of industry to raise this quantity has been particularly important and I think the market itself has done a perfectly outstanding job in recent years. For example, last year in 1956, the total volume of new issues of corporate securities, publicly sold, reached a high figure of $11 billion. That, of course, is somewhat more than the net increase in corporate issues outstanding which we estimate to have been between $8 and $9 billion. In the present year, we believe, on the basis of information that we have obtained from many companies that are willing to cooperate with us in furnishing us on a confidential basis their plans for the current year, that the total of new securities offerings may go higher and may burst through to almost $12 billion.

Record Capital Outlay

If that money was not made available from the savings of the American people to American industry through the capital markets, there would be no other place in the world that American industry could get the money needed for those capital expansion requirements. Again, based on estimates which we have worked out in our economic research organization, we believe that in the current year the total capital outlays of American business corporations for new plant and equipment will probably approach $38 billion, an all-time annual high.

What are the problems of the regulators, the Securities and Exchange Commission, in this business? I don't propose to give you gentlemen tonight, on this occasion, any of the detailed and factual information which I have spoken about from time to time about some of the abuses of the character that existed in the 1920's which were stamped out for many years and which have recently been appearing.

SEC and NASD Efforts

I would like to say to you and to suggest to you as a matter to approach and a matter of philosophy that when the Securities and Exchange Commission steps up its enforcement program, its anti-fraud program, its anti-manipulative program and all of its broker-dealer programs, that we have been stepping up in the last several years because of these conditions in the markets, we, in effect, are doing the industry and the capital markets a tremendous service just as we are doing a service to the investing public because you gentlemen who are here, by virtue of your own points of view in regard to your business and by virtue of your point of view expressed by this Association, you who adhere to the high standards of conduct that are specified in the membership in the NASD, you certainly are subjected to what I think of as very unfair competition when you have got to compete for the investor's dollar against the high pressure, "boiler-room" type of activity which has been seen in this country and seen coming into this country out of Canada in recent years.

The effective cooperation of you with the government agency is tremendously important from your standpoint as well as from the standpoint of the investing public.

Finally, just let me say this about the present position of the industry in relation to the Congress. I believe it is true that there has never been a time in recent years when the two Committees of the Congress concerned with our Commission have been as interested in our program and as interested in the success of the market.

Our Commission has testified at length in the past three weeks before the Interstate and Foreign Commerce Committee of the House of Representatives in regard to the conditions that are going on and in regard to our enforcement program. We have also spent a considerable amount of time in the last week before the Senate Banking and Currency Committee on that subject.

The Concern of Congress

I believe that the interest of the Congress in the success of the capital markets, and in the success of our regulation on the Federal level and in the success of the State regulation, the State authorities here in New York, the anti-fraud work which the Attorney General does, and in the successful operation of the Dealers Associations that were authorized by the Maloney Act amendments, which Mr. Dunne referred to, I think that interest on the part of the Congress is extremely important from the standpoint of the successful operation of your business and of the capital markets ultimately for the success of the free enterprise system.

I can't say that phrase "free enterprise system" too often because we are a country, one of the great countries, the greatest country left in the free world in which there is not only tremendous individual freedom, but also a very great amount of economic freedom. That is our basic philosophy, and in that free enterprise system, the successful functioning of a free capital market is vitally important.

In your business it is equally an important part as are the other segments of the business which I have mentioned. I believe that you should consider our efforts on the part of the Securities and Exchange Commission to carry into effect the regulatory standards of the securities acts to be very much in your favor as well as in the favor of the public investor.

*From an extemporaneous talk by Mr. Armstrong before the 31st Annual Dinner of the New York Security Dealers Association, New York City, March 8, 1957.

McDonald & Co. to Admit Two Partners

CLEVELAND, Ohio — Charles J. Kilroy and Benjamin J. McPolin on April 1 will become partners in McDonald & Company, Union Commerce Building, members of the New York and Midwest Stock Exchanges. Both have been with the firm for many years.

S. E. Dunn Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Donald R. Helson is now with Simon E. Dunn & Co., 500 Griswold.

Joins Hudson White

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Camille Gebella is now associated with Hudson White & Company, Buhl Building. Miss Gebella was previously with Smith, Hague & Co.

With H. H. Butterfield

(Special to THE FINANCIAL CHRONICLE)

JACKSON, Mich. — Clyde E. Perkins is now associated with H. H. Butterfield & Co., City Bank Building.

With C. J. Nephler

(Special to THE FINANCIAL CHRONICLE)

PONTIAC, Mich. — James K. McDermid is now connected with C. J. Nephler Co., Community National Bank Building.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

SAGINAW, Mich. — Ralph W. Parker is now connected with Merrill Lynch, Pierce, Fenner & Beane, 121 South Washington Ave.

With F. L. Putnam

(Special to THE FINANCIAL CHRONICLE)

BANGOR, Maine—Brainard F. Steel is now connected with F. L. Putnam & Company, Inc., of Boston. He was previously with Chas. A. Day & Co.

Class in Glass

By IRA U. COBLEIGH

Enterprise Economist

Containing some favorable reflections upon one of the most eminent glass manufacturing organizations in the world—Corning Glass Works.

Glass is a wonderful product, not half appreciated. It is waterproof, and more durable and corrosion-resistant than most metals; so much so that we have, preserved unto this day, glass vases, ornaments, and goblets which are relics of an Egyptian civilization flourishing 5,000 years ago. Strong, brilliant, it is adaptable to hundreds of practical and artistic uses from cocktail glasses to cathedral windows; from beads bedecking beautiful ballerinas, to the huge telescopic lenses at Mt. Palomar Observatory; from monocles to Macy's windows. Glass is everywhere and the only thing that's held it back from even wider application in our sybaritic civilization is its native brittleness; and we're even overcoming that. Right now we can make a goblet (very expensive) so tough that you hurl it at a brick wall and it won't shatter (this could spoil a lot of drinking sprees at Old Heidelberg); and we have fiber glass, so strong and resilient that it is used to make the hulls of 40-foot motor boats, and the bodies of automobiles. We talk about this being a jet and atomic age—it may also be described as an age of glass.

Ira U. Cobleigh

But enough of this random reflection upon one of the most serviceable and sparkling products of mar ind. Let us proceed from glass in general, to Corning Glass Works in particular. It's a fabulous company turning out some 35,000 products from flexible glass ribbons only 1/1000th of an inch thick, to the massive windows weighing over 17 tons which insulate technicians from cookers and reactors in neucleonic laboratory, and power plant installations. In the household the best known product is doubless "PYREX," the glass heat-absorbing oven ware, native habitat of macaroni, baked beans, and casserole dishes for buffet suppers.

Far less well known is the fact that Corning is the largest manufacturer of electric light bulbs, tubes for radio, television and radar. Right after the war it went heavily in for TV tubes, and became the largest maker, a fact which contributed importantly to the classification of Corning Glass Works common as a growth stock. Right now GLW is preparing to assert leadership in color TV glassware. This most promising market, however, has not unfolded as swiftly as had been expected, because of certain technical difficulties, and the fact that color sets have not yet been brought down to popular price levels. When color TV really catches on, you may expect another surge in GLW earning power from this source.

Other GLW items include photosensitive glass, and laboratory glass equipment, a broadly expanding market due to the heavy current accent on research in almost every industry you can think of.

GLW is not only an important company in its own right, but it is a powerful partner in related enterprises. For example, glass brick is enjoying steadily broader acceptance in residential, industrial and commercial building construction. Pittsburgh Corning Corp. is a sizeable producer of glass brick; and Corning Glass Works owns half the stock in Pittsburgh Corning.

One of the postwar glamor industries has been fiber glass. We have seen it rocket ahead in insulation, ceilings and partitions, fishing rods, curtains, awnings, etc. Well, the General Motors of this product is Owens-Corning Fiberglas Corporation, of which GLW owns 2,100,000 common shares (a 31.8% interest). This common also has been a popular and actively traded growth stock on the N. Y. S. E. (Another indirect way of becoming a fiberglass shareholder is via purchase of Owens Illinois 4% preferred now selling around 100 and convertible share-for-share into Owens-Corning Fiberglas common.)

A third partnership interest is 50% ownership of Dow Corning Corp. (Dow Chemical has the other 50%) regarded as the dominant factor in silicone resins.

More recently, GLW has joined forces with Sylvania Electric to form a new company—Sylvania-Corning Nuclear Corp. This will combine the know-how of Corning in glass and ceramics, with the special technique of Sylvania in metallurgy in the development of nuclear fuel elements. A new plant employing 300 people and costing around $5 million is to be completed in 1958 at Andover, Mass.

This, in the briefest sort of way, sets down the various component elements of present and prospective earnings of GLW. There's the traditional business in incandescent lamps and electronic tubes; and an exciting long-term vista in high temperature refractories, silicone resins, fiberglas, glass brick and nucleonics.

For Corning Glass Works, 1956 was a year of consolidation. Gross sales moved into new high ground ($163 million vs. $157.6 million in 1955) but due to the pressure squeeze of higher labor and material costs, net per share on the common (6,681,202 shares outstanding) slipped by exactly four cents from $2.76 in 1955, to $2.72. This should alarm no one. Moreover these figures do not include undistributed earnings in associates which, for 1956, totalled $4,772,616. Another point about last year's results—while TV unit sales held up quite well, relatively larger sales were for portable sets which use smaller (and less expensive TV bulbs) than the 21- and 24-inch household cabinet sizes.

For this year TV sales are expected to be unimpressive for the first half, due to high TV set inventories but the second half should improve; and toward the year-end some real forward motion in color TV is expected to materialize.

GLW, in respect to its management viewpoint, its allocation of $5 million a year for research, its substantial retention of earnings in the form of plant reinvestment, and its demonstrable talent for developing and marketing new products, definitely qualifies as a growth stock. In common with many other shares in that general class, the market has, in recent months, substantially lowered the price/earnings valuation formula. In the case of GLW, today you can buy at 67½ a stock intrinsically superior to the same share you might have bought at the 1956 (and all-time) top of 87½. If 87½ was "getting ahead of the story" for GLW, then the opportunity to buy 20 points lower, would seem to indicate that substantial correction of an optimistic bias has been made. For example, right now if you allow $23.50 a share (which is not unreasonable) as, roughly, the combined value of affiliate and subsidiary company equity, you are actually buying for $44 indicated per share earnings for 1957 of about $2.90. GLW is selling at 15 times earnings on that basis—an uninflated ratio for a stock containing such long-range promise.

Financially GLW has long enjoyed a high state of solvency. The 1956 year-end statement showed net working capital of almost $50 million. This current position plus the fact that depreciation charges and retained net earnings now deliver over $20 million per year, suggest that Corning will have no early need for financing. At the present dividend rate of $1.50, GLW at 67½ yields 2.22%. This of course is not a bountiful cash yield. There was, however, a 2½-for-1 split in January of 1955, and another split, considering the present price level of the shares, would not seem illogical.

The management under Mr. Amory Houghton, Chairman, and Mr. William C. Decker, President, is effective and imaginative; and Mr. Decker's recent allusion to the creation of "a revolutionary new type of material" to "considerably expand the use of glass because of its remarkable new properties," adds new zest to this distinguished equity. Corning is a great glass company not yet "full-blown."

With Hill & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Marilyn B. Hyman is now connected with Hill & Company, Carew Tower, members of the New York and Midwest Stock Exchanges.

With Townsend, Dabney

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—R. Allen Keyworth is with Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

Hutchins & Parkinson Add

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Don P. Johnson, Jr. has been added to the staff of Hutchins & Parkinson, 27 State Street, members of the New York and Boston Stock Exchanges.

Joins W. R. Plankinton

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Frank Stubert is with Walter R. Plankinton, 1637 South Broadway.

With H. Hentz Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Max de Jong, Jr. is now associated with H. Hentz & Co., 120 South La Salle Street.

C. J. Devine Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William B. Wilson has been added to the staff of C. J. Devine & Co., Boatmen's Bank Building.

Joins Mountain States

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Howard V. Horne has become affiliated with Mountain States Securities Corp., Denver Club Building.

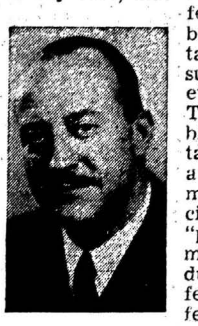
The Economic Effects of Possible Armament Reduction

By HENRY HAZLITT*

Business Tides Columnist of "Newsweek" Magazine

Mr. Hazlitt terms a complete myth and product of Russian propaganda the widespread belief that huge government expenditures are necessary to keep the economy going. Agrees that there may be some particular temporary dislocations, but that, in line with experience at end of second World War, there will be no prolonged mass unemployment. States popular belief concerning indispensability of government defense spending is largely attributable to invalid Keynes theory thinking.

I propose to confine myself to a discussion only of the economic effects of a reduction in armament. I assume, in any case, that most of us are agreed on certain broad considerations. One is that any reduction of armaments that is possible, without harmful overall economic effects and without real danger to our security, should be made. A second is that we cannot afford to relax our guard as long as the menace posed by the Soviet Union, and its goal of world domination, continues. A third is that any disarmament agreement with the Soviet Union would be worse than worthless unless we could obtain absolute guarantees that the Soviet Union would abide by the agreement. A fourth is that such ironclad guarantees, in practice, would be extremely difficult to secure and enforce. The danger of a disarmament agreement that would give our people a false sense of confidence, and cause us to relax our guard prematurely, can never be overlooked.



Henry Hazlitt

Given these broad assumptions, however, I should like to make one preliminary observation. This is that a cut in our present huge overall dollar **expenditures** on armament would not necessarily involve a corresponding reduction in armament itself—or rather, it would not necessarily involve any real reduction in national **security** if some of our funds are now being spent foolishly or wastefully, i.e. for unnecessary or duplicate projects and activities that do not really add to that security. A study by the Hoover Commission, and numerous investigations by Congressional committees, have brought out appallingly wasteful expenditures of "defense" funds in the past. It is probable that similar wastefulness still exists if only Congress knew how and where to find it.

Implications of a 50% Cut

With these preliminaries out of the way, we may consider the probable economic effects of a reduction in armament expenditures if such a reduction were found to be possible on other grounds. Purely as an arbitrary hypothesis, I should like to discuss the results of cutting the present annual defense expenditures in half over the next one, two, or three years. In the budget for the fiscal year 1958, $38 billion would be spent for the military functions of the Department of Defense, and a total of $45.3 billion is to go for "spending for major national security and closely associated programs." For the convenience of using a round figure, let us see what the probable effects would be of cutting defense expenditures by about $20 billion a year.

These effects can be stated very simply. If the government's defense expenditures are cut by $20 billion a year, it can also cut taxes by $20 billion a year (assuming it wishes to keep the budget in the same balance as now). The government will spend $20 billion less a year than before, but taxpayers will be immediately in a position to spend $20 billion more than before on their own civilian needs. The amount of "purchasing power" in the community will therefore not be reduced. The business that the defense industries lose, the non-defense industries will gain.

Government Spending Necessity a Myth

In short, there will be no net adverse effect on the economy as a whole. The belief that huge government expenditures are necessary to keep the economy going at full blast is a complete myth. Many of our citizens, unfortunately, sincerely believe in this myth. While there is no reason to suppose that the Russian rulers sincerely believe their own propaganda, the basic assumptions of orthodox Communist economics are grotesque enough; and most of the Communist theoreticians no doubt really do believe that the American people must go on pouring out foreign aid, and must go on with the present huge government expenditures on armament, in order to keep their capitalist economy from collapse.

So much for a broad overall view of the matter. But the qualifications to be made are important. A $20 billion reduction in government armament expenditures would not of course affect everyone equally. The defense industries would be hurt as much as the non-defense industries would be helped. And the burden of the loss would not be equally distributed, even among defense industries, any more than the benefits of the new civilian spending would be equally distributed among non-defense industries.

The steel industry, for example, would doubtless suffer a cutback. Yet it might find that smaller orders for steel for defense purposes would be largely compensated by bigger orders for steel for bridge, road, factory, and office-building construction. A manufacturer of guided missiles might have to suspend operations completely, or at least close down the particular plants working on such missiles. The particular towns in which such plants were situated might be hurt. Workers who had acquired specialized skills might be temporarily out of employment. And it is impossible to say in advance on what particular commodities or services taxpayers would spend their newly retained incomes — whether on houses, washing machines, hi-fi sets, automobiles, or more vacations in Florida or France.

Resulting Diversion of Expenditures

Yet we know from experience that such a diversion of expenditures will occur, and that there is no reason for supposing there will be any prolonged mass unemployment. The whole theory, in fact, that defense spending is necessary for prosperity got a crushing refutation at the end of the second World War. Immediately after Japan surrendered in August 1945, there was a sweeping cancellation of war contracts. Government economists predicted that unemployment would reach 8,000,000 by the following year. Nothing of the sort happened.

Yet the dimensions of the cut in governmental spending at that time were far greater then than what we are considering in our hypothetical reduction now. In the fiscal year 1944, the government spent a total of $95 billion: in the fiscal year 1947 it spent $39 billion. Here was a drop in the annual spending rate in this three-year period of $56 billion. Yet, far from there being a recession in this three-year period, there was a substantial increase in employment, wages, and prices.

In spite of this crushing historical refutation, and in spite of the fact that it rested on no sound theoretical basis in the first place, the theory that our prosperity is dependent on the government defense spending program is astonishingly persistent. If that rises, we are told, business activity and prices will rise, but if it declines there is no telling how much business will deteriorate.

I called attention several times in my "Newsweek" column to the 1944-1947 experience and its refutation of this theory. In The New York "Times" of Sept. 8, 1955, Arthur Krock presented a table summarizing a more recent experience. This table consists of comparative official statistics for the second quarters of 1953, 1954 and 1955 respectivelv. The figures are expressed in billions of dollars at seasonally adjusted annual rates. Here is the table:

	1953	1954	1955
Gross Natl. Product	$369.3	$357.6	$384.8
Federal purchases of foods and services	61.0	48.6	45.2
All other expenditures	308.3	309.0	339.6

Now let us see what these figures show. They show that while government spending ran at an annual rate of $3.4 billion less in the 1955 quarter than in 1954, and $15.8 billion less than in the corresponding 1953 quarter, non-government activity was running in the second quarter of 1955 at a rate $30.6 billion higher than in the same period of 1954, and $31.3 billion higher than in 1953.

An Invalid Theory

In brief, the theory that American prosperity rises with an increase in government defense spending and falls with a decrease in such spending receives no support either from theory or from experience.

Why, in the face of this, does this strange theory persist? It persists, I suggest, for two main reasons, apparently contradictory but perhaps not really so. It persists because it is what one might call man-in-the-street economics. The man who is working in a defense plant knows that he is working on a government order. The owners and managers of the plant know that they are working on a government order. The residents of the town in which the plant is located know that the plant is working on a government order. All of them see what is obvious—that if the government orders stop, **that particular plant** will either have to close down or get orders from some other source; and that the particular jobs the plant provides might have to be changed or might vanish entirely.

What is less obvious, and too often forgotten, is that the $10 million, say, that the government pays for the fulfillment of this order, has been or will be taken from the taxpayers, and that if the government ceases to place such an order annually, the taxpayers will have that much more to spend themselves on the things that they want, so creating orders and jobs in other directions to compensate for the orders and jobs that are lost.

Keynes Fiction

The second reason for the persistence of the notion that the economy depends on the volume of defense orders derives from a peculiar "modern" theory taken from the writings of the late John Maynard Keynes. This is the singular theory that people with low incomes spend their entire incomes while the people with high incomes do not spend their entire incomes. The income that is "spent," it is said, helps business; the income that is "saved" does not help business, but leaves it stagnant.

This is a very naive theory. It is incredible that it should have had so much vogue. True, people with low incomes spend a higher percentage of their income—perhaps all of it — on **consumption** goods and services; while people with higher incomes spend some part of their income on **production** goods and services. What is "saved" is in fact spent. It is invested. By being invested, it improves existing plants and equipment, adds new plants and equipment, increases the productivity of jobs, and consequently the wages paid for those jobs, and provides new jobs. It is precisely this continuous flow of investment, this continuous plowing back of profits into new plants, new equipment, and new methods, that has made America the most powerful and the most prosperous country in the world.

Of course, the Keynesian error I have just discussed rests on another Keynesian theory, to wit, that while the rich "save" their income, they do not "invest" all that they save, but "hoard" it in some mysterious fashion. There is not time here to examine this fallacy at length. I must content myself with pointing out that while it is true that people do not invest heavily at a time of depression, neither do they spend as much on consumption goods. The problem here is not excessive "saving." It is "non-spending." This exists only in a depression, when people expect prices to be lower next year or next month than they are this year or this month; or lack confidence in business altogether. But obviously it is not the non-spending that causes the depression; it is the depression that causes the non-spending. It is a complete fallacy to regard "hoarding" or non-spending by people in the higher income brackets as if it were continuous or permanent. It occurs only toward the bottom of the business cycle when confidence in the future has been profoundly shaken.

So far, I have discussed the probable **short-term** effects of a reduction of armament expenditures of the general dimensions of $20 billion a year. Such a reduction would necessitate some adjustments, of course, serious for particular individuals or firms, but not likely to be serious for the economy as a whole. We must now look, finally, at the probable **long-term** effects of a cut in armaments of these dimensions. I am still speaking, of course, purely of economic effects, and continuing to assume for the purpose of argument that the question of security is not involved.

These long-term effects will be entirely good. For the production of armaments is production of goods and services, like airplane carriers, atomic and hydrogen bombs, rifles, machine guns, tanks, bombers, combat planes and guided missiles, that do nothing to raise the standard of living of the masses of the American people. If we should stop producing $20 billion worth of these things a year, and build instead additional new homes, new electric refrigerators, dishwashing and clothes-washing machines, new and better heating systems, better highways, more books and schools and churches and research laboratories and hospitals, we will reduce the amount of needless toil and increase the comforts, amenities and opportunities of life for all our people. In brief, we will substitute goods and services that raise the standard of living for goods and services that do not.

But we will do something more than this. When we reduce the burden of taxation (and by our assumption we are reducing it some $20 billion a year) we not only give our citizens spending power to use for the goods and services that raise the quality of their own lives, but we increase the incentives to production all along the line. Instead, therefore, of merely increasing our civilian production by $20 billion to compensate for the $20 billion previously devoted to defense work, we shall probably increase it by much more than the equivalent of $20 billion. It is impossible to calculate by just how much our present huge burden of taxation, our steep levels of personal income tax, corporation taxes and excise taxes, are discouraging production and investment. But that we are retarding production and investment to a considerable degree is highly probable. Corporations can hardly be expected to pay more than half of their income, for example, in taxes, and still invest as fully and boldly as they otherwise would in new equipment for producing, or in research for discovering new and better products. The gain that lower taxes would mean for our economy is obviously not a gain that we are able to measure precisely in advance. But the probability is that it would be a very great gain indeed; and that the increase in productivity from the increased investment to which it would lead would mean a substantial increase in the real wages of every American worker.

*Statement of Mr. Hazlitt before the Subcommittee on Disarmament of the Senate Committee on Foreign Relations, Washington, March 13, 1957.

With T. R. Alcock

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — C. Bertram Currier is now with T. R. Alcock & Co., 80 Federal Street.

Forms Bush Securities

Max Bush is engaging in a securities business from offices at 82 Beaver Street, New York City under the firm name of Bush Securities Co.

Gabriel Gladstone Opens

Gabriel Gladstone & Company, Inc., is engaging in a securities business from offices at 470 Fourth Avenue, New York City.

Income Fund Enterprises

JAMAICA, N. Y. — Income Fund Enterprises Corporation has been formed with offices at 168-25 Hillside Avenue to engage in a securities business.

A. H. Kupersmith Opens

Aaron H. Kupersmith is conducting a securities business from offices at 250 West 57th Street, New York City.

McDermott, Johnson Opens

MINEOLA, N. Y. — McDermott & Johnson, Inc., is engaging in a securities business from offices at 150 Old Country Road.

Form Pilgrim Securities

Pilgrim Securities, Inc., has been formed with offices at 19 Rector Street, New York City to engage in a securities business.

N. Pinsker Opens

HEMPSTEAD, N. Y. — N. Pinsker & Co., Inc., is conducting a securities business from offices at 9 Centre Street.

Federal Reserve Board Measures Disarmament Impact

By WILLIAM McCHESNEY MARTIN, JR.*

Chairman, Board of Governors, Federal Reserve Board

Prefacing presentation of Federal Reserve staff studies on the possible effects of drastic disarmament on our economy with his own unofficial views, Chairman Martin opines we can successfully manage the transition. Staff economists believe the impact of a 50% cut in defense spending is difficult to prognosticate since "past experiences with demobilization are of limited value in anticipating the effect of a cutback at the present time," and that underlying economic conditions and transition government policies are principal governing factors. Recommends policies to ease impact, timely action, and preservation of public confidence.

It is something of a novelty and a relief to appear before a committee of Congress in my individual and not in an official capacity. Your Chairman, in his letter to me of Jan. 7, addressed me not in my official role but, I gathered, as one who has been interested in economic studies for a good many years—though of course I do not profess to be an expert in these vast fields that you are exploring.

W. McC. Martin, Jr.

Your chairman's very interesting letter said that "in order to obtain some understanding of possible effects of a reduction in armaments, I would like to pose a few questions on the assumption that the defense budget was reduced by an across-the-board cut of 50%."

As you are aware, that is a hypothetical proposition that would be affected by many unforeseeable possibilities—the timing of such a cut, whether it was brought about gradually or abruptly, the state of the economy at the time, the needs of the country for all manner of goods and services, housing, roads, schools, and so on. The labor force available would be a very important factor.

Despite these imponderables, it seems to me very worth while to make certain assumptions, as you have done, and then to explore the possibilities—if not the probabilities. One's view of the future depends largely on his own state of mind, his confidence in the vitality and adaptability of our economic system and institutions. I am an optimist. Experience of the not distant past has, I think demonstrated the extraordinary capacity of this country to adjust to radically different environments—from slack times, to preparedness, to all-out war, to a period of postwar transition that did not bring about the heavy tide of unemployment that was almost universally feared and predicted.

Expresses Confidence

Being an optimist about our future, I do not accept the belief that prosperity rests upon indefinite continuance of vast government expenditures for arms. The diversion to private consumption or other public uses of the great resources of manpower and materials at our disposal could, I believe, add immeasurably to our standard of living without grave economic dislocation. We could, of course, so mismanage our affairs that transitions would be wasteful, painful, and needlessly severe. I have a high degree of confidence that we will not bungle that badly.

I wanted to make these few prefatory remarks in presenting two memoranda prepared by our staff people at the Board of Governors as informal studies, based on your hypothesis and not in any sense as Board statements. Both were prompted by suggestions emanating from your subcommittee. One discusses "Control of Armament Reduction Through Budgetary Inspection." The other is entitled "Comments on the Economic Significance of a 50% Cut in Security Expenditures."

Control of Armament Reduction Through Budgetary Inspection[1]

Proposals to ensure international compliance with scheduled armament reductions through periodic inspection of governmental budgets assume that budgetary appropriations can be brought — by relatively simple regulations—to reflect accurately actual levels of military expenditure. Numerous difficulties, both technical and in respect to enforcement, raise serious doubts whether this can be done.

At the technical level, the difficulties of identifying and measuring provisions for military expenditure under a variety of dissimilar budgetary procedures should not be minimized. The experience of domestic agencies in establishing and enforcing uniform accounting methods for regulated industries may give some idea of the complexity of the problems presented. Price level fluctuations, moreover, raise a basic difficulty. It seems unlikely that any simple coefficient applied to the monetary unit from year to year, as suggested in the proposal, would compensate for the impact of price changes on the real rate of military outlay. Military expenditures do not represent an unchanging "package" of component goods and services, and movements in individual prices are likely to diverge widely —especially where these may be subjected to various measures of selective control.

Defining Military Expenditure

Fundamental differences in methods of capital accumulation between socialist and capitalist economies further complicate the problem of defining military expenditure. Any defense program is concerned not merely with maintaining armed froces in being but with expanding productive capacity in defense related industries, transportation, and power facilities. Under a capitalist system, the government may encourage private investment along these lines through tax relief, military contracts, stockpiling commitments, of action undertaken by the Government to ease the transition. These circumstances, indeed, are of such overriding importance that past experiences with demobilization are of limited value in anticipating the effect of a cutback at the present time.

Past Experience Not Indicative

This was illustrated by the situation at the end of World War II, when military expenditures reached a peak annual rate of about $90 billion and accounted for two-fifths of the Gross National Product. During four years of war, a backlog of demands and financial liquidity had accumulated, and when security outlays were sharply reduced, total output of goods and services declined only briefly, and the large scale unemployment that many observers predicted did not develop.

More closely comparable to the currently proposed cutback in military outlays is that which occurred after the Korean War. From mid-1953 through the third quarter of 1954, the annual rate of defense expenditures fell by $11 billion from a level of $53 billion; this reduction in the national security component amounted to 3% of the Gross National Product. A $22 billion reduction in defense spending would amount to 5% of the current level of the Gross National Product.

In the post-Korean experience, the initial defense cutback—during the second half of 1953—reduced the annual rate of national security outlays by $4 billion; over the same period, total output of goods and services declined about $10 billion. A shift from business inventory accumulation at a rate of $3.1 billion to liquidation at a rate exceeding $5 billion largely accounted for this decline. At the same time, disposable personal income did not decline but only leveled off, in part reflecting a significant increase in unemployment payments both to veterans and to non-veterans, and consumer purchases declined only slightly; state and local government expenditures increased.

Despite an additional decline of $7 billion in the annual rate of national security outlays and some reduction in purchases of producers durable equipment during the first three quarters of 1954, other expenditures, particularly residential construction, state and local expenditures and consumer outlays, all rose. These increases were reflected in a reduction in the rate of inventory liquidation and formed the basis for economic expansion in 1955. Vigorous use of fiscal and monetary policies, including the reduction in personal income tax rates in 1954 and a policy of active monetary ease, contributed to the recovery.

From the second quarter of 1953 to the third quarter of 1954 the Armed Forces were reduced by 300,000 and nonfarm employment fell by almost two million. Unemployment increased from about 1.5 million persons, or 2.5% of the labor force, to about 3.5 million, or 5.5% of the labor force. Most of the decline in employment was concentrated in durable goods manufacturing industries, but work forces were also reduced in nondurable goods manufacturing, in the Federal Government and in the railroad and mining industries. In the same period, however, almost 500,000 were added to the payrolls of the finance and service industries and state and local governments. Part of the downward adjustment was reflected in a reduction in hours of work.

By mid-1955, however, an expanding labor market had largely absorbed earlier declines. Employment was at record levels and unemployment was again low. In 1956 unemployment averaged less than 4% of a labor force of 70 million persons, 3.5 million more than 1953.

Underlying Economic Conditions

It is evident from this review that both the initial impact of the post-Korean cutback and the rate of readjustment depended on underlying economic conditions at that time, and on the governmental policies adopted during the transition. Similarly, the impact of defense cutbacks in the near future can only be gauged in terms of the underlying economic conditions likely to prevail when it occurs. The current situation is one of general economic strength. Some areas of the economy are less buoyant than others, but in general demands for goods, services and credit remain high. Defense expenditures, while an important component of total activity, have contributed little to the rise in activity since mid-1954. Some aspects of the defense program, such as stockpiling and defense plant expansion, have been exerting a diminishing pressure on resources.

In the latter part of 1956, there were about 2.8 million men in the Armed Forces compared with about 3.5 million in mid-1953. It is estimated that national security expenditures for supplies, equipment and construction had declined to about 10% of the physical volume of industrial production, as measured by the Board's index. This compares with 20% in early 1953, before the 1953-54 reduction in defense production, and 13% in late 1954. Perhaps 17 or 18% of total industrial activity in late 1956 in durable goods industries was directed to the defense effort in the form of output of ordnance, military aircraft and ships, radar, trucks and locomotives, and other end-products and in the form of aircraft parts, electric motors, steel, aluminum, etc., as compared with 5% or less for nondurable goods.

Expenditures for stockpiling of strategic materials have also been of declining over-all economic significance. In the first half of 1956 deliveries to the stockpile amounted to $145 million, half the value of deliveries in the first half of 1955 and one-third the rate in 1952 and early 1953. Through loans and long-term purchase agreements, the stockpiling programs stimulated expansion in capacity for several basic materials. In the past few years of high level economic activity the additional supplies thus made available have been largely ab-

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*Statements by Chairman Martin and Memoranda by Federal Reserve Staff delivered before Subcommittee on Disarmament of the Senate Committee on Foreign Relations, March 7, 1957.

1 Prepared by the Division of Research and Statistics, Board of Governors, Federal Reserve System.

Effective Compensation Program For Professional Executives

By ROBERT P. MEIKLEJOHN*

Vice-President, Administrative Research, General Dynamics Corporation

Executive procurement and various forms of compensation —to recruit, hold and appropriately motivate executives— are scrutinized by Mr. Meiklejohn and explained in terms of their implementation in his firm, General Dynamics. Avers salary is the basic element in all compensation plans; finds no single form of compensation fits all situations and executives; and critiques non-salary forms of compensation: supplemental (bonus, profit sharing, incentive, stock-option-purchase-gift), protective (retirement, disability, death), deferred compensation, and "perquisites" (medical programs, vacations, club membership, etc.). Advises allowing executive to select, within limits, forms of compensation most attractive to him in light of his character, age, financial and family situation.

Executives in the modern large, publicly-held corporation—and in particular top management executives—play a complex role in the economic scene. They must provide the inspiration and leadership that give the business enterprise direction and purpose. They make decisions, establish policies and implement both. They are in a sense "hired men" employed by the share owners to perform assigned tasks at a "price" established by the market supply of and demand for the required talent. They are themselves employers with respect to their own subordinates. To a significant degree they perform functions associated with ownership which the scattered share owners can perform only casually and intermittently, as in the allocation of the corporate resources to the most productive employment. Executives act in part in a quasi-judicial capacity, as in reconciling the often conflicting claims of the share owners, employees, customers, the government, the general public, and management itself. In part, executives act as members of a profession animated by a professional code in which immediate self-interest is not the dominant consideration, and in which non-financial motivation is recognized as important. In respect of their own careers and reputations, if not their fortunes, they share with the owners the risks of enterprise.


Robert P. Meiklejohn

Stresses Salary Incentive

In order to serve as an effective instrument for recruiting and holding executives, a compensation program must provide levels of compensation which are competitive in the market for the executive talents required. It must also incorporate just, well-reasoned and internally consistent gradations in compensation within the enterprise itself. But it is not enough to recruit and hold executives. In addition, the company must create an environment which will stimulate each executive to exert his best efforts in the manner which will best serve the interests of the owners. Although non-financial considerations are important, the compensation plan is the most direct and most powerful single tool available for exerting this stimulus.

The attitudes that the company seeks to encourage in its executives vary with the functions each performs, his level in the organization, the nature of the company's business, the stage it has reached in its growth and development, and its immediate and long-range objectives. In addition, the amounts, forms and timing of compensation which will most effectively influence the executive to act in the way desired by the company vary in each of his capacities as employee, employer, leader, partner, and professional man, and with his character, age, financial resources and family situation.

Thus an industrial organization such as General Dynamics Corp. which, throughout its Canadair, Convair, Electric Boat, General Atomic, Stromberg-Carlson and Electro Dynamic Divisions, is active in dynamic and fast moving industries where technology is pressing hard upon the boundaries of human knowledge has a specific problem of executive procurement. It seeks by incentive-type compensation programs to attract and hold in its key development, production and sales positions the able, aggressive and imaginative type of executive with the aspirations of the traditional entrepreneur who is willing and even anxious to stake his career opportunities on his ability to perform in superior fashion. But, every organization requires indians as well as chiefs, and not every job offers dynamic career opportunities. There is need also for men who are attracted by a more conservative compensation program built around salary, insurance and retirement plans.

It follows, therefore, that no single form of compensation fits all situations and all executives. Although salary is the basic element in all compensation plans, other compensation tools are needed which recognize the roles that the corporate executive plays in addition to that of "hired man," and the complex of motives which guide and stimulate his attitudes and actions.

The propriety of making use of forms of executive compensation other than straight salary has been questioned on grounds of principle by those who believe that the executive is in fact a hired employee like anyone else on the payroll and therefore, they contend, is not "entitled" to the status and perquisites of a member of a profession, or to a participation in the profits which properly belong to the share owners.

I submit that the issue of whether executives are or are not "entitled" to forms of compensation other than salary is beside the point in the development and in the justification of a compensation program.

Factors to Consider

On the basis that executive compensation is most usefully looked on as an incentive to performance, it suffices for the company, in developing its compensation program, to determine with respect to each type of executive position whether it is in the interest of the share owners that the incumbent be motivated primarily to act:

As if he were simply an employee (as in the case of those engaged in relatively routine tasks at lower levels of organization).

As if he were a partner in the enterprise (as in the case of those executives discharging major corporate responsibilities and in a position to influence profits significantly).

Or in a professional or other capacity.

Then having determined the type or types of motivation required, the company should adopt, to the extent administratively practicable, the form or forms of compensation appropriate in each instance.

Thus the primary justification from the company viewpoint for giving an ownership interest in the enterprise to top management executives is not that they are "entitled" to such an interest as a matter of right but rather that it is to the shareowner's advantage to motivate executives to act as if they were owners by directly associating the financial interests of the executives with those of the owners.

The primary justification from the company viewpoint for giving to top executives very substantial compensation adapted in form and timing to the individual's needs is not that executives are "entitled" to such privileges. It is founded, instead, on more realistic considerations:

First—The fact that the talents necessary for the exercise of top management responsibility are

Continued on page 28

*An address by Mr. Meiklejohn before the American Management Association's General Management Conference, Los Angeles, Calif.

From Washington Ahead of the News

By CARLISLE BARGERON

Without claiming to be a psychologist or psychiatrist or anything of the sort, I do feel capable of making the observation that some interesting results are coming from the cult of personal leadership which we have been mostly experiencing since the great depression. First there was the idolatry of Roosevelt.


Carlisle Bargeron

On one occasion, in 1944, I was in Philadelphia, during the war and with everybody being gas, tire and food rationed. In the midst of the Presidential campaign of that year Roosevelt the Great came through on one of his censored inspection trips. The parade of politicians which met him at the train and accompanied him to the war plants numbered twenty or more cars. Standing in a throng watching the parade go by I remarked quietly to my companion: "I wonder where they get all of that gas."

A woman turned upon me, followed by about ten others. "Don't you worry about that, you damned reactionary," they chorused and it appeared that I was in the midst of mob violence. I undoubtedly would have been had I retorted.

The feeling of the Roosevelt idolators was that he could do no wrong and woe be it to anyone who criticized him. Famous writers of the times, critical of him, have passed into oblivion. Such was the period.

Now we have Eisenhower who has just as much of an idolatrous following as did Roosevelt except that it is somewhat of a different kind. It includes not so much of the rank and file that Roosevelt had but it has a lot of them—and then it has bankers, big business men, a lot of conservatives who have come to be, following Eisenhower, middle of the roaders.

Republicans in Congress who now want to cut the budget are running into the wariness of this crowd. These conservatives, big business men, bankers, don't like the budget which Mr. Eisenhower has presented to Congress. They are tremendously disappointed that he would present such a budget.

Nevertheless, it is Eisenhower's budget and they don't like the opposition that has been stirred up in Congress. Republican members are hearing from them, cautioning that they go slow in the movement to cut the budget. After all, they don't like the budget either, these conservatives are saying, but they don't want Eisenhower to be hurt. They don't want his leadership destroyed or weakened. Apparently they are willing to pay the bill to preserve Eisenhower's prestige.

Such an attitude has got the Republicans on Capitol Hill in a pickle. It was with them that the budget cutting movement originated. In the first place they were getting a lot of mail from rank and file people demanding it. Secondly, from Secretary of the Treasury Humphrey's statements there was reason to believe Eisenhower wouldn't mind it and it seemed a good way to develop an accomplishment for the Republican party as such, something different and aside from the Eisenhower personal leadership.

Now the Democrats, reluctant at first, have jumped into the budget cutting business with both feet. They are seeking to make an issue of it against Eisenhower, a way of deflating him.

This has apparently frightened a lot of Republican big wheels outside of Congress. Some of them are even taking the tack in their approach to Republican members of Congress that too much budget cutting may bring on a slump. Be careful, they are cautioning. Let's not walk into a Democratic trap.

As it stands now, pretty much of the whole Congress seems bent upon cutting the budget. Economy is in the air. And it does look as if the movement may take on something of the color of a repudiation of Eisenhower.

Even if it should be that, I can't see how any harm could be done because he is President for four more years. But the pressure of business and banker influences upon the individual Republican members of Congress not to let Eisenhower suffer any setback, regardless of what the cost may be, can bring about a situation where the Republicans will be fighting against budget cutting to preserve the Eisenhower influence. It is a shame that this should be so. The present Budget Director is Mr. Brundage. His two predecessors, Messrs. Dodge and Hughes, successfully withstood the pressure of interests seeking this and that appropriation. Mr. Brundage is apparently not of their stubborn streak. That is all that is involved. If the budget is cut, Mr. Eisenhower will still be President and saved from the spending tendency which he has unintentionally developed.

But it is a commentary on something that we have influences in this country who are willing to pay the bill to keep Mr. Eisenhower at the top of his personal power.

Joins Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Mrs. Elfrieda Clark has joined the staff of Goodbody & Co., Penobscot Building.

Joins De Young-Tornga

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich. — Robert N. De Young has joined the staff of De Young-Tornga Co., McKay Tower.

With H. W. Schmidt Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Harvey H. Morse is now connected with H. W. Schmidt & Co., 17319 Wyoming Avenue.

King & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich. — Robert E. Jones has been added to the staff of King & Company, Michigan National Bank Building.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks idled session after session in the middle of the 1957 trading range without any real conviction this week. A further dip in steel operations restrained sentiment and there was still no sign of any spring upsurge in auto sales to hearten investors dubious about this segment of the economy.

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In short, the market saw no reason to encourage either the bulls or the bears and devoted the major time to a backing and filling operation. The lack of interest was pinpointed by a decline in volume to the slowest pace since last October when the pre-election doldrums had taken over the field.

A False Signal?

The most encouraging aspect of the stalemate was that the industrials, in particular, were lolling much closer to the top of the 455-475 range that has held now for some seven weeks. This stagnation was bolstering the opinion that the technical bear market signal given more than a month ago was a false one. A similar bear signal proved false several years ago so there is precedent for doubting the infallibility of such signals.

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The record size of the Federal budget, and of governmental budgets generally, and the fact that business expansion plans haven't been trimmed appreciably and, in fact, point to a record outlay this year, are the main props that pretty much guarantee high level operations through 1957 despite soft spots here and there.

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Company expenditures on expansion naturally could be cut back below present projections but it is interesting that a joint study of the Securities & Exchange Commission and the Department of Commerce of last year's actual expenditures came within 1% of exactly matching the business projections at the start of the year.

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Spotty earnings even within the various groups chilled sentiment and turned the market highly selective. Copper company reports were generally favorable and the growing conviction in the industry that the price of the red metal was levelling off was reflected in occasional demand for these issues.

Nibbles at the Agricultural Equipments

There was also some nibbling among the agricultural equipment issues which have been neglected for the most for a handful of years as farm prices declined steadily. Last year there was at least a pause in the downdrift and the possibility of a reversal to the trend focussed attention on this group. There are in the group some rarities like Oliver which is selling below its asset value to bring back the phrase forgotten in the last half dozen years of companies "worth more dead than alive."

* * *

Aircrafts have been as erratic as other major groups as hopes and fears switch from one issue to another but a rather good flow of new orders to the leaders, with the emphasis pronounced on missile work, pointed up the fact that they have a really tremendous backlog of unfilled orders even without new assignments. One tabulation of a couple of dozen companies with fat backlogs that are all higher than they were a year ago showed about half of them to be issues in the plane group.

Air Lines' Prospects

A couple of speculative situations that are hinged on government action were able to step into the limelight occasionally. One such was United Air Lines which, like the other air transport groups, is in need of a fare boost. If one comes, the outlook will be bright.

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Profits of United Air last year fell below expectations as the cost squeeze took over. The company trimmed its dividend payments to cash-and-stock from the higher all cash basis in effect before. Obviously, all this was no help marketwise and the stock has been an occasional entry on the list of new lows, including an appearance again this week. It doesn't paint any picture of an issue overpriced in the current market and approval of its bid for a fare boost could change both the outlook and market sentiment drastically.

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For a case of maintained profits despite the cost pinch, Eastern Air Lines stands out prominently. Its net profit last year reached a record level on an increase of well past a dollar a share. But despite this impressive showing, the stock was among those not even selling at the "norm" of 10-times earnings. Eastern, along with the other lines, is seeking a fare hike which could also brighten up its 1957 results if approved.

"iffy" Gas Transmission

Gas transmission companies are another "iffy" proposition, their fate tied to possible Congressional action to ease some of the heavy regulatory chains that weigh on this industry. The uncertainty has kept an issue like United Gas Corp. remarkably restrained despite a good appreciation in earnings last year. And even without any help from Washington, United is one of the companies being projected to even higher earnings this year. Any new legislation to ease the burden would be that much more help in revising the projections upward.

Woolworth is another old favorite that has had a static market life. This despite a seeming change for the better in its fortunes. The stock held in a range of only eight points last year, which is distinctly below average.

* * *

Shrugged off in the process was the fact that revamped management thinking resulted in sales climbing to a new record with a moderate improvement in profit. Also ignored was the fact that its large interest in its British subsidiary is carried at a book value of less than a tenth the actual value. On the basis of the book value figure, this subsidiary returned a thumping 30% in dividends last year. Woolworth's own yield, because of its desultory market action, is close to 6%, which is a high order for a high-grade issue.

Home Building Outlook Bleak

One phase of the economy that has little silver lining to it at the moment is home building which is rather generally regarded as certain for a decline this year because of tight money primarily. But this will be offset considerably by commercial and industrial building and ambitious school and municipal building projects. American Radiator which is a leader in servicing the building trades has heeded the dire predictions with a decline of some 10 points or nearly a third of its value. With the trim in building so well discounted, American Radiator was felt to be in a position where it would have little additional pressure to absorb.

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An issue that hovered in the middle of its own private trading range, despite prospects of good business ahead, is Westinghouse Air Brake. Once dependent to an extreme on the cyclical railroad equipment business, the company today has diversified markedly to where its non-railroad business last year accounted for nearly two-thirds of sales. It is important in the road building and earth moving machinery field and, for a dash of romance, is getting entrenched in the electronic "brain" field, including one unit that handles the new 500-stock average to measure the stock market. Profit rose sharply last year and the backlog is up appreciably. But marketwise the issue has been far from distinguished.

[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.]

Connecticut Brevities

Winchester Electronics, Inc. which presently operates plants in the three Connecticut towns of Winsted, Norwalk and New Milford has announced plans to open a plant at Danielson in a plant formerly occupied by Connecticut Mills. It is anticipated that employment at the new plant will gradually rise to 200 persons. The company manufactures precision electronic components for the aircraft industry.

* * *

Adley Express Company, which operates a motor transport business extending from upper New England to North Carolina, has announced expansion plans including new terminals at Orange, Hartford and Waterbury, Connecticut. The Orange terminal will be among the largest in the country and will be located on a 14-acre tract between the Milford Turnpike and the proposed Connecticut Turnpike. It will include two buildings with a combined floor area of 120,000 square feet, providing inside loading area for 52 trucks. As part of the expansion program the company has ordered 110 diesel tractors, each with a 30-ton gross combination capacity. Present facilities include 19 terminals and nearly 900 truck units. Gross revenues were about $13 million in 1956 and are estimated at over $15 million this year.

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Kell - Strom Tool Company, which manufactures aircraft tools and electronic test equipment, has established a 35-hour standard work week for its 100 employees. Any additional hours worked will be at time and a half rates. The plant which is located in Wethersfield is presently operating 50 hours a week and is expected to increase to 55 hours a week in the near future.

* * *

The recent offering of Common Stock through rights to stockholders of **The Connecticut Light and Power Company** was 96.2% subscribed for, leaving a balance of 34,946 shares remaining. It is expected that the unsubscribed shares will be offered to employees at the stockholders subscription price of $16.50 a share. The company has a total of about 2,800 employees.

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The United Illuminating Company, which provides electric service in the New Haven and Bridgeport areas, plans to offer 311,557 shares of its Common Stock to stockholders on a one for eight basis. Stockholders of the company will be asked at the annual meeting on March 20 to approve an increase in the authorized number of shares of Common to 3,500,000 to permit the present offering and provide stock for future financing. A public hearing will be held by the Connecticut Public Utilities on March 28 at which time the company will officially request permission to offer the stock.

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Stockholders of **American Hardware Corporation** have been informed that merger discussions are being held with Kwikset Locks, Inc. of Anaheim, California. The possible merger would be accomplished through issuance to stockholders of Kwikset of stock of American Hardware.

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The annual report of **Arrow-Hart & Hegeman Electric Company** shows that net income increased to $3,473,055 or $5.79 a share in 1956 from $2,588,788 or $4.31 a share a year earlier, with both per share figures adjusted to reflect the 20% stock dividend paid Jan. 21, 1957. Net income does not include equity in unconsolidated foreign subsidiaries amounting to $303,000 in 1956. At the year-end the company had 6,496 stockholders and 2,411 employees.

Research & Statistical Co.

PHILADELPHIA, Pa. — Research & Statistical Co. has been formed with offices in the Land Title Building to engage in a securities business. Officers are Michael M. White, President, and Elkins Wetherill, Secretary and Treasurer. Both were formerly with Elkins, Morris, Stokes & Co.

North American Planning

BOSTON, Mass.—North American Planning Corporation of New England has been formed with offices at 40 Central Street to engage in a securities business. Sumner E. Britton is a principal.

A. C. Kingsriter Opens

MINNEAPOLIS, Minn. — Arvid C. Kingsriter is conducting a securities business from offices at 910 Elliot Avenue, South.

J. V. Nash Opens

ROOSEVELT, Okla.—Joseph V. Nash is engaging in a securities business from offices at 306 Main Street. He was formerly with Calvert & Canfield.

Richard Harrison Adds

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Gerald W. Swanston has been added to the staff of Richard A. Harrison, Inc., 2200 Sixteenth Street.

John Bunting Joins Reed, Lear & Co.

PITTSBURGH, Pa.—Reed, Lear & Co., Grant Building, members of the New York Stock Exchange, have announced the opening of a Municipal Bond Department, under the management of John B. Bunting.

John B. Bunting

With the new integrated set-up, the firm plans to become much more active in the actual underwriting of, as well as the distribution of, all types of municipal bonds; school, water, sewer, and parking authority bonds. Although specializing in obligations of Pennsylvania authorities, they will be equipped to underwrite and distribute revenue and all types of municipal bonds in certain other states.

Mr. Bunting, Reed, Lear's new municipal manager, was until recently a partner in the municipal underwriting firm of Thackara, Grant & Co. of Philadelphia and New York. While with them he handled the program and prospectus work for Hagerstown, Md.-Washington County combined $13,800,000 bond issues. He is currently handling the field work for setting up the financing to cover the construction of a complete $2,600,000 water supply system for the City of Rockville, Md., this being a joint venture with Reed, Lear and Thackara, Grant & Co.

Mr. Bunting has been engaged in the underwriting and distribution of municipal bonds and particularly various types of Pennsylvania Municipal Authority Bonds since the late 1930's. His experience has included the setting up, underwriting, and distribution of numerous bond issues in Western Pennsylvania as well as other parts of the state. Among these were the original $5,000,000 Revenue Bond Issue of the Beaver Falls Municipal Authority, two programs for the White Oak Borough Authority, and the last issue of the Latrobe, Pa., Water Authority and Lower Indiana County Water Authority.

Mr. Bunting's education includes a Civil Engineering background. He served for 10 years with various factory units of General Motors Corp. prior to entering the investment banking business.

White, Weld Group Offers El Paso Nat. Gas Preferred Shares

White, Weld & Co., as manager of an investment banking syndicate is underwriting a total of 450,000 shares of El Paso Natural Gas Co. preferred stock, consisting of 150,000 shares of 5.68% cumulative preferred stock, series of 1957 (par value $100 per share) and 300,000 shares of $5 convertible second preferred stock, series of 1957 (no par value).

Public offering of the 5.68% cumulative preferred stock was made on March 19 at $100 per share, plus accrued dividends from March 1, 1957. El Paso Natural Gas Co. is offering to holders of its common stock rights to subscribe for the 300,000 shares of $5 convertible second preferred stock, at a subscription price of $100 per share, on the basis of one share of the new preferred stock for each 56 shares of common held of record March 18, 1957. Rights to subscribe will expire at 3:30 P. M., (EST), on April 2, 1957.

The new $5 convertible second preferred stock will be convertible into common stock of the company to and including April 30, 1967 at the rate of three shares of common stock for one share of $5 convertible second preferred stock.

Net proceeds from the sale of the cumulative preferred stock and the convertible second preferred shares will be used by El Paso Natural Gas Co. to enlarge the capacity of its system, and to repay at least $25,000,000 of bank loans incurred in connection with its construction program.

El Paso Natural Gas Co. transports natural gas over its own 6,790 mile pipeline system for sale to customers in west Texas, New Mexico, Arizona and for delivery at the Arizona-California boundary to distributing companies in California and Arizona. At Dec. 31, 1956, the certificated delivery capacity of the company's main transmission lines was about 2½ billion cubic feet of natural gas per day.

Up to $15,000,000 of the proceeds from the financing will be loaned to Pacific Northwest Pipeline Corp., which on Jan. 31, 1957, became a subsidiary of El Paso Natural Gas, for use in Pacific Pipeline's construction program. Pacific has constructed and is now placing in operation a new natural gas pipeline aggregating 1,482 miles extending from New Mexico, where it has substantial natural gas reserves and production facilities, to a terminus at the Canadian Border in western Washington, where, commencing in the fall of 1957, Pacific has been authorized to import large quantities of Canadian gas.

For the 12 months ended Oct. 31, 1956, El Paso Natural Gas Co. and its subsidiaries had consolidated operating revenues of $215,496,955 and consolidated net income of $25,904,333.

2 With Dempsey-Tegeler

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — George W. Cooper and William H. Griesedieck have become associated with Dempsey-Tegeler & Co., 1000 Locust Street, members of the New York and Midwest Stock Exchanges.

Joins Merrill Lynch

(Special to The Financial Chronicle)

CINCINNATI, Ohio — Kent F. Holwadel is with Merrill Lynch, Pierce, Fenner & Beane, Dixie Terminal Building.

Modern Republicanism Goes Back to Abraham Lincoln

By HONORABLE SINCLAIR WEEKS*
Secretary of Commerce

Vigorously denying charges that "the Eisenhower program is 'just like the New Deal'," Commerce Secretary defends the Republican administration in terming "Modern Republicanism" as the traditional party philosophy in modern dress. Mr. Weeks' attributes budget's size to payment of former and current national defense, and to keeping pace with population growth and increasing complexities of advancing economic standards. As a percent of GNP, shows budgetary cost is now down to 16-17% as against previous 20%. Appeals for restraint on part of all and not just some.

At the start of the new Congress and a re-elected Administration, it is a fitting time to take our bearings and chart our course. So let's study some of the lessons of recent events and discuss frankly a few controversial topics, which Al Smith used to call "hot potatoes."


Sinclair Weeks

I shall try to do so without reflecting narrow partisanship and by giving full credit to those Democrats in Congress and the nation, who believe in sound principles and support the President.

The "New Dealism" Charge

Now let's tackle the first controversial "hot potato" — New Dealism.

Right here I should like to say a word to those old friends we sometimes hear complaining that the Eisenhower program is "just like the New Deal."

Obviously, this just isn't so, period.

How short are some memories. How blind are some eyes. If the Eisenhower program really is a repeat performance of the New Deal, why is it that old line New Dealers and a new crop of left-wingers are fighting that program tooth and nail?

If it is a New Deal carbon copy, why did the last Republican National Convention — representing rock-ribbed Republicans from every state in the Union—endorse that program?

This Administration's actions are different in spirit from the New Deal practices of its predecessors, who tried to pack the Supreme Court, seize the steel mills and draft strikers into the Army.

The record clearly proves the sharp contrast between our Middle-of-the-Road Administration and the New Deal, which fostered socialized medicine and socialized agriculture — filled regulatory agencies with members hostile to private enterprise—tried to make electric power a Federal monopoly — used the tax system to change the social order — encouraged the squandering of tax funds — harassed honest business — retarded the sound recovery of agriculture — set class against class — played politics with civil rights — treated spy hunts as "red herrings" and some of whose leaders even condoned corruption.

Let those who grumble that we are New Dealish point out in what way the following great popular accomplishments of the Eisenhower Administration are a second edition of the New Deal?

We rejected the despairing philosophy that prosperity must be based on a war boom. We stopped the agony and slaughter in Korea and thereby freed a peacetime economy to produce the greatest prosperity in all history.

We rejected the alien theory of nurse-maid government, which claims that distant bureaucrats know better how to run business and meet a payroll than businessmen.

In sharp contrast and often with the help of members of **both** parties in the Congress we created a climate favorable to private competitive enterprise and free labor — we removed strait jacket controls—we reduced government competition with private industry —we checked fast-rising inflation —we kept government's hand off the scales in collective bargaining — we checked monopoly and helped small business by enforcing anti-trust laws—we established new programs to promote world trade—we made the greatest tax cut in history—paid installments on the public debt—balanced the budget twice—and plan to do it again this time. And we are making progress with the recommendations of the Hoover Commission.

The disposal of the government's smelter in Texas, its synthetic rubber plants and the liquidation of the RFC and its former activities, plus the release of cash previously held for working capital for these programs, have resulted in a return to the U. S. Treasury of **more than one billion dollars.** That's the kind of benefit the public receives when this Administration gets government out of business—and I have cited only a part of this particular program.

Yes, when President Eisenhower was inaugurated in 1953, the New Deal went **out** and a new day dawned.

A wave of confidence lifted this nation to unprecedented heights of prosperity because of his inspired leadership.

That which this Administration is doing today is a projection of the Republican record of the past four years and is in keeping with the 1956 Republican campaign promises.

The 1958 Budget

Now let's tackle a second hot potato—**the budget.** It provides for the expenditures of $71.8 billion between next July 1 and June 30, 1958, to finance national security and other services. It was designed to carry out the Republican program of peace, prosperity and progress.

In order to present the whole truth about the budget, let us tell the public some of the facts which some critics fail to mention.

It is a fact, based on the latest comparative figures, that while Federal expenditures went **down** 13.2%, state and local spending went **up** 22.8%.

It is a fact that our population has grown more than 11 million in the last four years—that in the same period our Gross National Product rose more than $49 billion and that our national income increased $40 billion. Obviously the Federal Government must expand some functions to keep pace with this tremendous growth.

It is a fact, nevertheless, that whereas in 1953 the budget, measured against the Gross National Product, was 20%, it has now gone down to about 16 or 17%.

The Cost of Security

It is a fact that the chief reason for the current size of the budget is national security—payment of former wars and spending to keep us out of future wars. **The price of security and peace is not cheap.**

This problem can be readily appreciated by showing where the budget dollar goes:

62.6% of expenditures are earmarked directly for national security, including defense and aid to our free nation partners.

27.7% are earmarked for interest on the national debt, veterans benefits, agricultural supports and grants to states.

9.7% are earmarked for all the rest of government — Executive, Legislative and Judicial—actually less than a dime in every dollar appropriated.

I repeat with grim emphasis that Americans, living under the awful shadow of the hydrogen bomb, must pay a lot of money to **remain free and stay alive.**

A disturbing paradox of modern times is that while science, technology and invention have enriched modern civilian life, these innovations also have increased the heavy burden of national defense.

Every year it takes more money to buy the absolutely essential new weapons in the field of guided missiles, atomic forces and other ultra-modern war material.

One example will suffice:

The old B-29 bomber plane cost $693,000; our current B-52 bomber costs $8 million. Suppose a necessary household expense jumped from $6.93 to $80, can you imagine what a problem that would create in a family budget? Yet that is the **comparative increase** in just **one** type of modern airplane.

If we are ever to escape from the increasing burden of military expense, we must concentrate our utmost efforts in easing world tensions, in making friends among the nations, in spreading international good will and in bringing a just and lasting peace to this war-cursed generation.

I say — what I believe is the response of every woman — that no man on earth is **working harder and doing more to bring this era of peace than our great President, Dwight D. Eisenhower.**

Because the price of survival is so high, we dare not waste our substance. If we are to provide the private savings to produce the new plant and equipment that create jobs for the growing number of young people, we must do a better job in reducing the drain of taxes.

27.7 Per Cent Residual

I should like here to enlarge on my reference to that portion of the budget (27.7%) which goes for interest, veterans' benefits, agricultural supports, grants to states, etc.

The almost insatiable demand of different groups and different people for new government services and the continued expansion of the old is one of the most difficult aspects of the budget problem. In turn, the temptation on their representatives in Congress to vote for money to be spent in their districts is almost irresistible. And, just so no one will think I'm trying to let the Executive Branch off too lightly, let me admit that in my opinion we in the Executive Branch can improve upon our record in this regard.

If we ever are going to be able to tighten the tap on public spending, all of us must throw our weight against the mounting pressure, year after year, to swell special favors, subsidies, pet projects, grants to states and pork barrel expenditures. By all of us, I mean the Executive Branch, the Congress and the public.

Ask most anyone today if he favors reducing the cost of government and the reply is "yes." Then suggest stopping some Federal service which he wants and the reply is a loud **"no."** We'll not get very far in reversing the trend in government spending if everyone says, "Cut the other fellow's benefit, but don't touch mine."

If every section, every segment, every pressure group succeeds in grabbing more and more, the future economy could crumple under the increasing weight of taxes. But if, on the other hand, the aroused people of the United States rise up and demand greater economy in Federal, as well as local and state appropriations, **then they will get greater economy.**

Let me ask every woman to reflect a minute; are you a member of any group which is pressing for projects that will expand the Federal budget? Is your husband? If you are, consider well whether your activity in this respect is right or wrong.

Meeting Modern Needs

Still another "live wire" subject is **meeting modern needs.**

Complicated life in an urban industrial society and the rapid progress of science create many serious problems — undreamed of a few years back—which must be solved soon or we and the coming generation could face stagnation in our economy and other critical conditions.

Progress in an electronic-atomic age is one of the corner stones of the Eisenhower Republican program.

To meet modern needs, programs have been designed for highways, peaceful uses of atomic energy, water resources, power development, St. Lawrence Seaway, flood control, soil bank, widened opportunities for small business, a transport policy aimed at cheaper transportation and a four-year emergency program of Federal cooperation with states in overcoming the critical shortage of school-rooms.

Although there may be some differences of opinion about some of these items, they are aimed at helping to create valuable private and public assets and at meeting the requirements of a growing population and a growing economy.

Offers Illustration

For example, in my own Department is lodged the duty of protecting the safety of those who fly — now and in the jet age.

Already the highways of the sky face congestion. The situation is being handled now. But it could grow more dangerous in the years ahead as slow-moving vertical flight helicopters cross the slanted path of commercial and military jets, traveling at breathless speed.

If we do not get ready now to safeguard the airways of the future, the toll of tomorrow's crack-ups and collisions could be appalling.

To forestall such a hazard, the President appointed Edward P. Curtis, an outstanding expert, to recommend a long-range solution. In the interim the Civil Aeronautics Administration of the Commerce Department is embarked on the greatest air safety program in history and is providing air navigational aids such as radars, electronic devices and other safe air traffic controls. But this is costing money — nearly three times the bill in '53.

One of the great current and future needs which we are trying to meet at the Bureau of Public Roads of the Commerce Department is modern highways. Had public demands not been neglected so long, we might not have had such traffic bottlenecks and road accident slaughter as now.

Although the President's highway program is by far the greatest public works program in all history, its cost does not appear in the budget. Instead of passing along debts for our children to carry we have undertaken — thanks to sound legislation—the first major project of its kind that is entirely self-liquidating. Pay-as-you-build taxes on the gasoline and oils of highway users are footing the bill. Not a mile of road is laid until the money to pay for it is in the Treasury.

Modern Republicanism

In conclusion, let us size up **Modern Republicanism** — about which there is so much interesting talk today.

Modern Republicanism is **not** something brand **new,** dreamed up recently—as some folks think—by maverick stargazers. It is as **old** as the principles of the first successful Republican candidate for the Presidency, Abraham Lincoln.

The Republican Party, in its finest hours, has been concerned with human freedom and human welfare. In fact, it was born to **fight for freedom—and still does.**

The Republican record of a century clearly proves that all through our history our party has provided sound government services to foster the well-being of farmers, workers, businessmen, children and others and to meet future national needs.

The Lincoln Administration founded the Department of Agriculture and initiated the first Homestead Act, which gave land to farm families who would work it. Republicans passed the Sherman Anti-Trust Act to protect small business against monopoly. To insure workers' rights Republicans started the Bureau of Labor which later became the Department of Labor. Republicans established the merit system through the Civil Service Act of 1883.

Republicans protected family health through the passage of the Pure Food and Drug Act and the Meat Inspection Act. Republicans in 1912 established the Children's Bureau after the passage of child labor laws in many Republican states.

The Panama Canal was built to meet future needs. Under President Theodore Roosevelt, programs also were launched to conserve the nation's forests, minerals and water resources. One of the conservation measures to preserve water and timber resources was the Week's Act of 1911 — introduced in Congress by my father, when he was a Representative.

Later the Reconstruction Finance Corporation was established; the Federal Land Banks were strengthened; a new system of agricultural credit banks was organized and the Home Loan Bank System was created to assist individual farm and individual home owners. These latter protections against adversity were initiated in the Administration of your honored guest, that life-long humanitarian—President Herbert Hoover.

Just New Dress

Republican policies today are the expression of our party's great century-old principles, dressed in the clothing of this current age.

So we are in keeping with a century of Republican accomplishments for the American people, when Republicans insist that "Government must have a heart as well as a head."

We also are in harmony with our 1956 Platform, in step with our Republican President and in line with the overwhelming majority of American citizens, when we support programs reflecting a hard head, a warm heart and a far-seeing eye.

Let us go home with renewed faith that Republican policies are

*An address by Mr. Weeks before the Women's National Republican Club, New York City, March 9, 1957.

helping to encourage a healthy and growing economy with prosperity widely shared and are helping to advance peace, justice and freedom. Let us, by our attitude on public issues, prove worthy of the trust the American people have placed in our party and in our great President, Dwight D. Eisenhower.

Toronto Bond Traders 25th Annual Dinner Highly Successful

TORONTO, Canada—The increased number of out-of-town guests in attendance was an important factor in making the 25th Anniversary Dinner of the Toronto Bond Traders' Association the most successful on record. (A pictorial account of the event will appear in the "Chronicle" of March 28). In his address of welcome to the over-flow gathering, President Cecil W. McBride, Director of Midland Securities Corpn. Limited, cited the contribution made by the organization toward the well-being of the Canadian investment business as a whole, and pointed out that Metropolitan Toronto enjoys the distinction of "being the fastest growing community on the North American continent."

Cecil W. McBride

Mr. McBride remarked as follows:

"On behalf of the Toronto Bond Traders' Association I extend a very cordial greeting to all of our out-of-town guests who are here to attend the Association's 25th Anniversary Dinner and sincerely hope that their stay in Toronto will be pleasant.

"Metropolitan Toronto is now the fastest growing community on the North American continent with a population of over 1,700,000 and it is expected that with the completion of the St. Lawrence Seaway, our City over the next 10 years will continue its rapid growth both in terms of population and industry. The Toronto Bond Traders' Association was formed in 1932 to establish a code of ethics and fair business practice among the Investment houses in Toronto. The membership of the Association now includes over 100 investment firms and Chartered Banks and is steadily growing. During the 25 years of the Association's existence, I believe that it has rendered good service to the Investment business as a whole and I am sure that in the years to come the Toronto Bond Traders' Association will continue to grow and serve the Investment industry in Toronto."

John William Smart

John William Smart, President of Smart, Clowes & Oswald, Inc., Louisville, Ky., passed away suddenly March 13 at the age of 74. Mr. Smart came to Louisville in 1918 as a representative of the National City Bank of New York. Later he was Manager of the bond department of the Louisville National Bank, was Manager of the investment department of W. L. Lyons & Co., and was local Manager for Otis & Co.

With Midland Secs.

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Frank C. Westbrook, Jr. is now with Midland Securities Co., Inc., 1016 Baltimore Avenue. He was formerly with Dewey, King & Johnson.

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co., Inc., as manager of an underwriting syndicate yesterday (March 20) offered $29,000,000 of Appalachian Electric Power Co. first mortgage bonds, 4⅝% series due March 1, 1987, at 101.22% and accrued interest, to yield 4.55%. The underwriters won award of the issue at competitive sale on March 19 on a bid of 100.58%.

Net proceeds from the financing, together with a cash capital contribution to be made by the parent organization, American Gas & Electric Co., will be used by Appalachian Electric Power Co., to prepay bank loans, in construction program, and the balance will be used to pay for further additions and improvements to the company's properties.

The new bonds will be redeemable at regular redemption prices receding from 105.85% to par, and at special redemption prices ranging from 101.23% to par, plus accrued interest in each case.

Appalachian Electric Power Co., is engaged in the generation, distribution and sale of electricity to the public in extensive territory in West Virginia and Virginia, and in the supplying of electric energy at wholesale to other electric utility companies and municipalities in those states and in Tennessee. The company serves 1,227 communities in an area having an estimated population of 1,766,000.

Electric operating revenues of the Company in the year 1956 amounted to $95,625,633 and net income was $15,680,171.

With Ohio Co.

(Special to The Financial Chronicle)

COLUMBUS, Ohio — John N. Holscher is now with the Ohio Company, 51 North High Street, members of the Midwest Stock Exchange.

Two With Merrill Lynch

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Edwin S. Mullett and David L. Upshaw are now with Merrill Lynch, Pierce, Fenner & Beane, 216 Superior Avenue, Northeast.

McDonnell Celebrates 40th Anniversary

McDonnell & Co., 120 Broadway, New York City, members of the New York Stock Exchange, are celebrating the 40th Anniversary of the founding of the firm in 1917 as successor to Byrne & McDonnell which was formed in 1905.

The firm presently has 11 partners, including James F. McDonnell, Sr., founder of the predecessor firm, and maintains five offices, of which two are in New York. Other branches are located in Chicago, Detroit and Asbury Park.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

On March 26, 1819—138 years ago—the New York State Legislature granted a charter to **The Bank for Savings in the City of New York.** The signing of the bill by DeWitt Clinton, famous Governor of New York, marked the beginning of savings banking in New York State.

Among the men who spearheaded the movement for this non-profit institution were Richard Varick, William Few and Brockholst Livingston, Colonels in the Revolutionary War, and civic associates of Washington when, as First President, he lived in New York.

On July 3, 1819, the first bank in New York solely for savings—and appropriately called — "The Bank for Savings," opened for business in a basement room in The Old Alms House in City Hall Park. On that first day 80 New Yorkers banked a total of $2,807. At the end of the first year the bank had 1,527 accounts with deposits totaling $148,195.

On Oct. 11, 1836, The Bank for Savings made its first loan on privately owned New York City Real Estate. This loan was for $10,000 secured by a mortgage on the store and lot at No. 136 Front Street, corner of Pine, with an estimated value of $20,000.

A special loan of $60,000 made six years earlier by the bank to the Public School Society of New York was the first mortgage loan ever made by a savings bank in this state. Now the savings banks of the state have approximately $12 billion invested in real estate mortgages. Sixty-five to 70 cents of every dollar which is deposited in a savings bank ends up in a mortgage.

For over a century the bank's record of successful experience as a pioneer with real estate loans in the city has been a source of great benefit and safety to its depositors. Alfred S. Mills, President of The Bank for Savings, reports its 138 year record of uninterrupted dividends paid to depositors is unequalled in the state.

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The First National City Bank of New York announces the appointment of Kenmore L. Emerson, formerly Manager at Calcutta, as an Assistant Cashier in the Overseas Division. Robert C. Paradise has been appointed an Assistant Cashier in the Special Industries Group of the Domestic Division.

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Irving Trust Company, New York, announced on March 18 that Peter D. Crawford, Vice-President, has been named officer in charge of the Bank's branch office at 57th Street and Madison Avenue.

Mr. Crawford formerly headed this office from its opening in 1950 until 1955 when he was reassigned to the Bank's domestic banking division at One Wall Street. During the past two years he has been active in the Bank's loaning activities. Mr. Crawford has been with the Irving since 1931.

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The appointment of Brian T. Moran, Jr. as an Assistant Comptroller of **Manufacturers Trust Company, New York,** was announced by Horace C. Flanigan, Chairman of the Board.

Mr. Moran entered the banking field over 30 years ago with the former **Pacific Bank of New York.** He has been associated with banks ever since, either directly or through accounting, new business, and systems work for bank clients.

He joined Manufacturers Trust Company in 1941, and was appointed an Assistant Secretary in 1948.

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Six executive promotions by **Chemical Corn Exchange Bank, New York,** were announced by Harold H. Helm, Chairman.

Willis C. Anderson was advanced from real estate officer to Assistant Vice-President; Frank G. Sheehy, from Assistant Secretary to Assistant Vice-President; Frederick W. Turner, from Assistant Secretary to Assistant Vice-President; Melville E. Ambler and John G. Riddell, from Assistant Trust Officers to Trust Officers, and G. Tyler Baldwin was named Assistant Secretary.

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Central Savings Bank, New York, appointed Randolph C. Larsen as Secretary and Assistant Treasurer.

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Sol. G. Atlas, elected a Trustee of the **Jamaica Savings Bank, New York,** was announced on March 16 by John Adikes, President.

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The Long Island National Bank of Hicksville, New York increased its common capital stock from $835,000 to $860,050 by a stock dividend, and from $860,050 to $1,010,050 by the sale of new stock, effective March 5. (202,010 shares, par value $5).

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Burdette G. Chamberlin has been elected an Assistant Trust Officer of the **Marine Midland Trust Company of Central New York.** He joined the Bank in October of 1929. He had a commercial banking background before serving as Chief Clerk in the Trust Department, a position he has held since 1949.

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Frank P. Gage, formerly associated with the **Hanover Bank of New York,** has been appointed a Vice-President at the **First National Bank of Jersey City,** Kingsbury S. Nickerson, President, announced.

Mr. Gage assumes his new post with the Bank's business development program. He has been active in banking since 1926, when he joined the **Manufacturers Trust Company of New York.**

He left the latter institution in 1950, to serve in the foreign department at the Hanover Bank.

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Broad Street Trust Company, Philadelphia, Pa. announces the opening of its 14th and newest Office at Academy Gardens, Willits and Exeter Roads, Holmesburg, Philadelphia, on March 21.

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Stockholders of **Provident Trust Company, Philadelphia, Pa.** and **Tradesmen's Bank and Trust Company, Philadelphia, Pa.** at special meetings on March 12 approved the joint plan of merger of the two institutions.

Under the merger agreement Provident shareholders will receive one and one-fourth shares of new stock for each share of Provident and the Tradesmen's exchange will be on a share for share basis.

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Appointment of Harold A. Goldstein as Assistant to the Executive Vice-President of the Washington Trust Office of **Western Pennsylvania National Bank, McKeesport, Pa.,** was announced on March 15.

WPNB Executive Vice-President Louis J. Reizenstein, who is in charge of the Washington Trust Office here, said Mr. Goldstein also will serve as Assistant Cashier.

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Clarence S. Siegfried, for 30 years President of the **Kutztown National Bank,** died on March 12, at the age of 75.

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The common capital stock of **The First and Merchants National Bank of Radford, Va.,** was increased from $128,000 to $256,000 by a stock dividend and from $256,000 to $320,000 by the sale of new stock, effective March 7. (16,000 shares, par value $20).

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The Board of Directors of **Central National Bank of Cleveland, Ohio,** March 14, elected J. M. Killpack, formerly senior Vice-President, to Executive Vice-President. Following extensive financial experience, he joined Central National in 1938, and has been closely identified with all of the Bank's major activities.

H. R. Harris was named Vice-Chairman of the Board. Mr. Harris was with Central National for 27 years, has served as Vice-President in charge of the Corporate Trust Department and most recently as Chairman of the National Division of the Commercial Banking Department.

Elected as Senior Vice-Presidents were W. E. Caldwell, Jr., E. L. Carpenter, A. C. Knight and Frederick Lynch, Jr.

Mr. Caldwell will head the Bank's Loan Committee. A banker with over 40 years experience, he has been Cashier at Central National; Vice-President in charge of the branch system; and since 1949, Chairman of the City Division of the Commerical Banking Department.

Mr. Carpenter, a Vice-President since 1947, assumes new duties as the senior officer in charge of bank operations. He joined the Bank in 1928 and since 1947 has directed the activities of the Ohio Division of the Commercial Banking Department.

Mr. Knight has been Vice-President in charge of the Bank's Trust Department since 1949. Associated with Central National since 1919, his early experience was in the Banking Department and since 1928 he has specialized in trust services.

Mr. Lynch has been director of personnel since joining the bank in 1950, and was elected a Vice-President in 1955.

Mr. F. J. Blake, director of public relations and advertising, was elected Vice-President and will continue to direct those activities.

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The Farmers National Bank and Trust Company of Ashtabula, Ohio increased its common capital stock from $700,000 to $840,000 by the sale of new stock, effective March 7. (42,000 shares, par value $20).

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The First National Bank of Delaware, Ohio increased its common capital stock from $150,000 to $250,000 by the sale of new stock, effective March 6. (2,500 shares, par value $100.)

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Stockholders of the **American Fletcher National Bank & Trust Company, Indianapolis, Ind.** will receive rights to subscribe for 100,000 additional shares of capital stock in the ratio of one additional share for each four shares held of record on March 20, 1957. The subscription price will be determined shortly before the offering on March 21, and the rights will expire on April 8, 1957. The offering is being underwritten by a group of investment banking houses under the joint management of The First Boston Corp., City Securities Corp., Collett & Co., Inc. and Indianapolis Bond and Share Corp.

* * *

Belleville National Bank, Belleville, Ill., with common stock of $250,000; and **Belleville Savings Bank, Belleville, Ill.,** with common stock of $300,000 consolidated as of the close of business March 1. The consolidation was effected under the charter of Belleville National Bank and under the title **Belleville National Savings Bank.**

At the effective date of consolidation, the consolidated bank will have capital stock of $500,000, divided into 40,000 shares of common stock of the par value of $12.50 each; surplus of $1,050,000; and undivided profits, including capital reserves, of not less than $400,833.

* * *

By a stock dividend, the common capital stock of **The Hillsboro National Bank, Hillsboro, Ill.** was increased from $200,000 to $300,000 by a stock dividend effective March 8. (3,000 shares, par value $100).

* * *

The First National Bank of Neenah, Wis. increased its common capital stock from $300,000 to $400,000 by a stock dividend and from $400,000 to $500,000 by the sale of new stock effective March 5. (25,000 shares par value $20.)

* * *

Wadena County State Bank, Wadena, Minn. has changed its title to **Wadena State Bank** effective Feb. 25.

* * *

The Toy National Bank of Sioux City, Iowa stock was increased from $300,000 to $600,000 by the sale of new stock, effective March 8. (6,000 shares, par value $100.)

* * *

The Board of Directors of **Trust Company of Georgia, Atlanta, Ga.** John A. Sibley, Chairman, announced that the following promotions had been made:

In the Banking Department, the following were elected Vice-Presidents: A. C. Hannon, Garnett Wood, Joel B. Kersey, Robert H. Dunn, John S. Evans, and W. R. Robertson. Mr. Robertson is in charge of the bank's West Peachtree Office.

The following Assistant Vice-Presidents were named: Fred S. Hill, George T. Lamb, Robert Strickland, C. A. McNair and J. Wallace Winborne, Jr.

Raymond A. Boyer and William E. Reynolds were promoted to Trust Officers.

Jere Dodd was named Assistant Secretary in the Bond Department.

Elected Assistant Treasurers were Lyndon A. Harris, Robert S. DeBorde, A. F. Bullard, Jr. and Bradley Currey, Jr.

* * *

James C. Andress of the **First National Bank of Mobile, Ala.** was advanced from Assistant Cashier and Manager of the bond department to Assistant Vice-President and Manager of the bond department; and William H. Sadler, Jr., was promoted from Assistant Cashier to Assistant Vice-President.

Mr. Andress, who came with the bank in 1934, was named Assistant Trust Officer in 1950. He became Assistant Cashier and Manager of the bond department in 1952.

Mr. Sadler joined the First National staff in 1929 and was made an Assistant Cashier in 1947.

* * *

Mouney C. Pfefferkorn, Vice-President and head of the foreign department of **The First National Trust and Savings Bank of San Diego, Calif.** retired recently upon the completion of his 50th year of service to that institution,

Mr. Pfefferkorn began his banking career at First National in 1907 as a bookkeeper. Three years later he was made chief teller and placed in charge of personnel. In 1920, he was appointed Assistant Cashier by the board of directors and three years later was accorded the title of Vice-President.

* * *

County National Bank and Trust Company of Santa Barbara, Calif. increased its common capital stock from $750,000 to $1,000,000 by the sale of new stock, effective March 7. (10,000 shares, par value $100.)

* * *

A new branch of **The Canadian Bank of Commerce, Toronto, Can.** was opened on March 18 in Nassau, Bahamas. The branch will provide a complete banking service for Canadian business interests and for tourists. D. H. A. Cruickshank, former Assistant Manager of the London, Eng., branch, is Manager of the new office.

* * *

The Boards of Directors of the **National Bank of India Ltd., London, Eng.** and of **Grindlays Bank Ltd., London, Eng.** have decided it is in the interest of both banks that the two institutions should be amalgamated. They have accordingly taken preliminary steps to give effect to this unanimous decision. Both concerns have a long history in overseas banking, the National Bank of India Ltd. having been founded in 1863 and Grindlays Bank Ltd. in 1828. The entire share capital of Grindlays Bank Ltd. has been owned by the National Bank of India Ltd. since 1948.

* * *

On April 1 a new office of the **Hollandsche Bank, Amsterdam, Holland** will be opened at Paramaribo, Surinam.

The management of the new office will be entrusted to Mr. C. H. Weddepohl.

The Paramaribo Office will for the time being be housed in a building, adjoining the definite office building under construction which is now expected to be completed in the autumn of the current year.

Carl Marks & Co. In New Location

Carl Marks & Company, Inc., one of the largest and most active dealers in international securities, today announced the removal of their offices to the latest of Wall Street's new buildings at 20 Broad Street. For the past 20 years, the firm has been located at 50 Broad Street.

During the 32 years that the firm has been in business, it has worked directly or indirectly with almost every foreign government with an external dollar debt. The firm has also represented and advised many of the large international companies in financial matters, especially in questions of repatriation. Many of the theories established in connection with the rules and regulations governing foreign exchange and blocked currencies are said to have originated within the walls of their offices.

They cover the securities of more than 36 different countries. They usually confine their business to banks, brokers, and financial institutions. In addition to its regular business activities, the firm continues to suggest and advise foreign governments and companies in matters concerning foreign exchange, the establishment of businesses in foreign countries, financial regulations and restrictions, and other matters relating to international trade.

Hodgdon Adds to Staff

(Special to The Financial Chronicle)

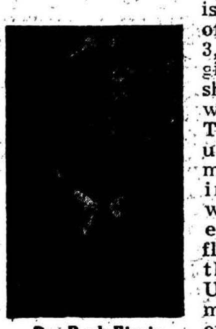
BOSTON, Mass.—Tully Nettleton has become associated with Hodgdon & Co., 10 Post Office Square.

Britain's New Labor Crisis

By PAUL EINZIG

Government's and employers' incorrectly expressed relationship between productivity and wages is cited by noted British economic interpreter for responsibility in current inflationary-wage round of demands. Economist Einzig notes a stiffening of employers' attitude now that higher wages can no longer be easily passed off in higher prices, and warns that higher wages to those producing new labor-saving equipment and for those operating the equipment before cost is amortized amounts to paying productivity benefits twice.

LONDON, Eng.—Britain is experiencing one of her all-too-frequent crises in industrial relations. At the time of writing there is acute threat of a strike of 3,000,000 engineering and shipbuilding workers. Their trade unions demand a 10% increase of wages, and the employers flatly rejected the demand. Until recently most employers confronted with excessive wages demands, were almost invariably inclined to take the line of least resistance. Although they went through the gestures of resisting the claims, they usually ended by concluding most of it. They cheerfully consented to wages increases because, thanks to the ease with which they were able to add the higher cost to their prices, higher wages did not prevent them from maintaining and even increasing their profits.



Dr. Paul Einzig

But during the last 12 months or so many firms found themselves compelled to pay the higher wages out of their profits. There was a sharp fall in profits and dividends in a number of instances, because of the growing difficulty of putting the higher costs on the selling prices. This circumstance, together with the government's exhortations to avoid price increases, must have been mainly responsible for the stiffening of the employers' attitude toward wages demands.

Self-denial practiced by many business firms during the years of voluntary dividend restraint had failed to call forth a corresponding spirit on the part of employees' organizations. This experience seems to be repeating itself once more. Until recently the rise in profits and dividends constituted the main argument with which wages demands were pressed. Although profits are now down and many dividends have been cut, wages demands are pressed nevertheless with unrelenting vigor.

Trade unionists also argued in wages disputes prior to 1956 that, since the output was expanding, substantial wages increases were an imperative necessity both on moral and economic grounds. On moral grounds it was claimed to be a matter of elementary social justice that the workers should have their share in the prosperity of their industries. On economic grounds it was contended that unless the purchasing power of the masses is increased it might be impossible to find buyers for the increased output.

But in 1956 industrial output remained more or less unchanged. Although there are now signs of a revival of the increasing trend —especially in the automobile industry—the extent of the expansion is not likely to be sufficient to justify a demand for an increase of anything like the 10% claimed for the engineers. The granting of such a demand would certainly result in "too much money chasing too few goods."

Blames Government

To a large extent the government is to blame for this resurgence of wages demands. By artificially reinforcing the gold reserve with the aid of various arrangements with the International Monetary Fund and the United States and Canadian Governments, it helped to create a false atmosphere of security amidst which trade unions feel they are entitled to press claims to the full extent of their bargaining power. The government, and also employers, are to blame for the excessive wages demand also because their spokesmen, in ill-advised public statements, have unwittingly conveyed a false conception about the relationship between increase of productivity and increase of wages.

Every now and again a member of the government or a prominent industrialist declares that wages increases in excess of the increase in productivity are unjustified, thereby conceding by implication that wages increases right up to the full extent of increased productivity are justified. In connection with the present wages dispute in the engineering industry, the President of the Engineering and Allied Employers' National Federation declared quite recently that "wages must not be allowed to outrun productivity." Neither he nor other industrial or governmental spokesmen expressing similar views made any attempt of defining what precisely they meant.

Yet the implications of their statements are open to three different interpretations. They may mean that workers in any firm are entitled to wages increases up to the extent to which productivity has increased in the firms concerned. Or they may mean that workers in any industry are entitled to the full benefit of higher productivity. Or they may mean that the total wages bill of the nation as a whole may increase to an extent corresponding to the increase of the output.

Erroneous Wage-Productivity Formula

The first of the three interpretations is clearly impracticable in industries with national wages agreements. The increase of productivity varies from firm to firm, and it would be impossible to establish wide and varying wages differentials between firms in the same industry.

The second interpretation would tend to widen wages differentials between various industries. If carried to its logical conclusion it would mean that only the workers of the progressive industries would benefit by the expansion of production. On that principle the employees of static industries would have no share in the growing prosperity, either as employees or as consumers, because, if the entire benefit of higher productivity is distributed among the employees of the industries directly concerned, there would be nothing left that could be given to consumers in the form of price reductions.

We must bear in mind that pressure for higher wages is not confined to progressive industries. The wages of workers in static and even declining industries must also be increased to some extent. If employees of progressive industries secure for themselves the full benefit of higher productivity then the wages increases granted in non-progressive industries must constitute additional purchasing power without any corresponding increase in the amount of goods available for purchase. In other words the application of the principle that workers in each industry are entitled to the full benefit of higher productivity would necessarily mean inflation.

This latter criticism would not apply if the principle were applied to the relation between productivity and wage income of the nation as a whole. Those governmental spokesmen and industrialists who were prepared to concede the principle ought to have made it plain that they interpret it in this sense. Owing to the loose wording of their statements they conveyed the impression that they were in favor of wages increases in particular industries so long as the increases do not outrun productivity in those industries. This attitude must have largely contributed to the spirit that has developed among the trade unions leading to the claim for the full benefit of higher productivity achieved in their respective industries.

What is worse, human nature being what it is, since employers appear to have conceded this principle, unions feel they must ask for even more than is voluntarily offered to them under that principle. They are pressing, therefore, for wages increases in excess of the increase in productivity in their respective industries, without regard to the fact that satisfaction of their claim necessarily entails inflation.

Impact Upon Export Prices

Moreover if owing to the strong bargaining power of unions in Britain the whole benefit of higher productivity is given away in higher wages, British exporters may find it difficult to compete with rivals of countries where part of the increased productivity is used for lowering the selling prices of manufactures.

Last but by no means least, in so far as increase in productivity is the result of the installation of new and costly labor-saving capital equipment, the benefit of higher productivity has already been paid out in advance in the form of wages to workers who had produced the new equipment. If the full benefit of increased productivity is distributed among workers operating the equipment before the cost of the equipment is amortized, this necessarily means the distributing of those benefits twice over. The result is inflation.

It is a pity that those who speak with authority on behalf of the government or of employers have not taken the trouble of analyzing the economics of the relations between wages increases and higher productivity before committing themselves to loosely-expressed dangerous principles. Given the prevailing balance of power between employers and employees, trade unions are inclined in any case to press excessive wages demands. It is not for the government or employers to encourage them further and to provide them with ammunition by conceding too much in advance.

Inv. Planning Adds

BOSTON, Mass.—Frank J. Maggi is now connected with Investors Planning Corporation of New England, Inc., 68 Devonshire St.

Harold Haff Joins Cosgrove, Whitehead

Harold W. Haff has become associated with Cosgrove, Whitehead & Gammack, 44 Wall Street, New York City, members of the New York and American Stock Exchanges, and has been named Business Manager of the firm's Investment Service Department it was announced. Mr. Haff will also serve as assistant to Louis H. Whitehead, a partner, in all of the firm's activities.

Harold W. Haff

serve as assistant to Louis H. Whitehead, a partner, in all of the firm's activities.

Prior to joining Cosgrove, Whitehead & Gammack, he was associated, since 1946, with National Securities & Research Corporation, as manager of the Dealer Service Department.

Joins Dodge Secs.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — William F. Clapp is now with Dodge Securities Corporation, Engineers Building.

Joins Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert F. Goldhammer is now connected with Kidder, Peabody & Co., 75 Federal Street.

Western Securities New Eastern Office

JERSEY CITY, N. J.—Western Securities Corporation has opened a new office at One Exchange Place, it was announced by Clinton H. Andersen, President. This is the tenth branch office of the company, with home offices in Salt Lake City, Utah. Morton Lesser, formerly with Peter Morgan & Co., of New York has been appointed Resident Manager of the new office. Lester F. Gannon, also formerly with Peter Morgan & Co., is manager of the trading department. Western Securities Corporation are brokers, dealers and underwriters specializing in natural gas and oil stocks.

Lester F. Gannon

Cooperatives Banks Offers Debentures

The 13 Banks for Cooperatives are making arrangements for a public issue of $50 million 6½-month consolidated collateral trust debentures, the Cooperative Bank Service of the Farm Credit Administration announced on March 19. The new issue will be offered through John T. Knox, 130 William St., New York City, the fiscal agent for the banks, with the assistance of a nation-wide group of security dealers.

Proceeds will be used to redeem the $50,000,000 of 3½% debentures maturing April 1, 1957, to repay short-term borrowings, and for lending operations.

The debentures will be offered at par and the rate of interest will be announced on or about March 21.

The Banks for Cooperatives make loans to farmers' marketing, purchasing, and business service cooperatives. Chartered under the provisions of the Farm Credit Act of 1933, the banks operate under the supervision of the Farm Credit Administration. The debentures are the secured joint and several obligations of the 13 banks. Although the Government, as well as cooperatives, owns capital stock in these banks, their debentures are not Government obligations and are not guaranteed by the Government.

Forms C. S. Johnson & Co.

(Special to THE FINANCIAL CHRONICLE)

TALLAHASSEE, Fla.—Charles S. Johnson is engaging in a securities business from offices at 313 North Monroe Street under the firm name of C. S. Johnson & Company.

John L. Griffin Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John L. Griffin has opened offices at 569 Geary Street to engage in a securities business.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

One area in which there is but little difference between the leading New York City banks and the large units outside New York is in the distribution of operating income: the gross amounts derived from loans and discounts, from securities holdings, and from trust activities and miscellaneous sources. In other words, a breakdown of gross income as derived from working assets. This omits from consideration, cash; and while cash supplies no income to a bank as long as it continues as cash, it is an important factor among assets.

For example, on the accompanying schedules, the average ratio of gross income that came from loan interest in the two years, 1955 and 1956, was about 9% greater for the list of interior banks than for the New York City banks. When it is pointed out that New York is a central reserve city in the Federal Reserve System and thus must, perforce, maintain a more liquid position than the reserve city banks or the country banks, large cash reserves are the means to this liquidity. The central reserve city institutions are of course subject to call for funds by the interior banks and have to emphasize cash and assets that are readily convertible into cash.

Thus, their loan portfolios tend to be somewhat smaller proportionately than those of the interior banks; and if the cash holdings of the two groupings of banks are analyzed, they usually will be found to be greater in the central cities.

Among both the New York and the out-of-town banks it will be apparent that the 1955-1956 trend has been to increase loan volume at the expense of security holdings. Thus, the average increase in loan income of the New Yorks was over 11% and 6% for the banks outside New York. Higher interest rates have contributed to this increased take, but the greater volume has been by far the important component.

When we consider interest and dividends from securities, the matter of liquidity as between the two groups again comes into play. By-and-large the leading New York City banks adhere to a policy of investing in short governments, again for the same reason that they are heavy in cash The interior banks tend more toward somewhat longer maturities for the higher yields and because they are not as much subject to call as are the New York banks.

One large New York bank at the 1956 year-end date had 100% of its government holdings maturing (or callable) within five years; two of them with 99% of their portfolios in the same maturity category. Not all of the out-of-town banks publish this information, and of those in the out-of-town list that do so, only one, Philadelphia National, nears the three mentioned above, with 95% maturing in five years.

With any decided let-down in general business activity we can expect loan volume to decline somewhat and government holdings to increase. While there has been some decline in loan volume, countrywide, it is probably little beyond seasonal in this part of the year after Christmas trade.

Breakdown of Sources of Gross Income
New York City Banks

	Loan Interest		Int. & Div. from Securities		Fees, Commissions, Etc.	
	1955	1956	1955	1956	1955	1956
Bankers Trust b	62%	66%	14%	11%	24%	23%
Bank of New York	52	55	18	15	30	30
Chase Manhattan b	62	68	23	17	15	15
Chemical Corn Exch.	60	68	24	17	16	15
Empire Trust	41	48	27	23	32	29
First National City c a	49	59	29	20	22	21
Guaranty Trust	55	60	23	18	22	22
Hanover Bank	55	66	24	14	21	20
Irving Trust	61	63	22	21	17	16
Manufacturers Trust	51	56	31	26	18	18
J. P. Morgan & Co.	54	61	20	16	26	23
New York Trust	58	64	22	16	20	20
U. S. Trust	23	27	21	17	56	56

a Includes City Bank Farmers Trust Co.
b Pro forma for earlier period.
c Net earnings remitted from foreign branches included in Fees, Commissions, etc.

Breakdown of Sources of Gross Income
Seventeen Leading Banks Outside of New York

	Loan Interest		Int. & Div. on Securities		Fees, Commissions & Misc.	
	1955	1956	1955	1956	1955	1956
First Penn Co.	65%	69%	18%	13%	17%	18%
Mellon National	50	59	35	26	15	15
Peoples First	58	61	28	25	14	14
Philadelphia National	61	71	28	19	11	10
Nat'l City, Cleveland	58	63	27	24	15	13
American Trust, S. F.	62	65	20	18	18	17
Security First	37	42	40	35	23	23
Calif. Bank, L. A.	53	59	25	20	22	21
Girard Corn Exch.	56	63	17	11	27	26
Crocker Anglo	63	69	24	19	13	12
Seattle First	62	68	19	15	19	17
Bank of America	65	69	18	16	17	15
Nat'l Bank, Detroit	49	55	40	34	11	11
First Nat'l, Boston x	62	57	15	20	23	23
First National, Dallas	78	78	14	13	8	9
Valley National	66	62	13	16	19	22
Second State, Boston	50	46	18	21	32	33

x Includes Old Colony Trust Co.

Forms General Inv. Co.

DALLAS, Texas—Harry Casper is engaging in a securities business from offices at 6105 Banders under the firm name of General Investment Co.

A. S. Garrison Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Alfred S. Garrison is conducting a securities business from offices at 111 Sutter Street.

Continued from page 5

This Business of Bigness Or, the Bigness of Business

cope with the practical facts of some mighty tough competition. But I frankly confess that I am still a little hesitant to try to state with any certainty exactly what it is that an informed public expects of big business in this area —unless it is these things:

First, that competition from big business shall never prevent the steady establishment and growth of new and small business. Nor has it done so; for the number of business units continues to grow more rapidly than the population, and for every company that failed last year, 11 new corporations were established.

The informed, moreover, have come to realize that instead of competing against each other, big and small buisness — in many fields — are dependent on each other for their very existence. U. S. Steel, for example, produces much of its own major raw materials, and is about as fully integrated as a steel company can be. Yet it still must depend on more than 50,000 smaller businesses to supply it with necessary goods and services; and similarly, nearly 100,000 smaller businesses rely on U. S. Steel for the basic materials which their operations require.

Another important fact which is beginning to be more widely understood, I think, is that while some big businesses have grown bigger over the years, industry as a whole has grown even more rapidly, so that today a single big business represents a diminishing segment of our total economy—a smaller proportion of the whole business community if you see what I mean.

Thus back in 1909, U. S. Steel's assets represented 22% of all of the assets of the 100 largest industrial corporations in America. But by 1955, that 22% had shrunk to 4%; even though the assets themselves had more than doubled in this period. In other words as new industries were born and other companies grew, U. S. Steel, although itself a growth company, became less than one-fifth as large proportionately as it was 50 years ago.

By the same token, we find that at the beginning of the century, U. S. Steel produced 67% of all of the steel that was made in this country. Today it can only produce between 29% and 30%, despite the fact that its tonnage capacity has almost quadrupled in the meanwhile.

So it is evident, I think, that big business has not stood as any threat to the establishment and growth of smaller enterprise in this country. It is also evident, I believe, that the laws governing business competition have been effective and have measured up fully to the purpose for which they were enacted.

Progressive and Realistic Competition

Now second, it seems to me, that the informed expect big business to be progressive in its competition. They do not want it to become fat and lazy and complacent—clinging to old products and old models, old styles and old concepts. And if it does so, the people need no help from government in dealing with the situation. They merely put the offending company on the shelf and out of business, whatever its size may be.

In this respect, it is interesting to note that of the 100 largest industrial corporations in the country in 1909, only 29 were still in this category in 1955. Apparently these 29 have successfully lived up to the expectations of the American people; and United States Steel is glad—need I say—to be one of them.

And third, I believe that informed people expect big business to compete realistically and in accordance with the best commercial concepts of the American market place.

The youth who walks up to a modern vending machine does not expect to haggle over the price of a bottle of Coca Cola whatever may be the custom in the Far East in the atmosphere of an oriental bazaar.

If a housewife wants a piece of liverwurst at the corner grocery store, she certainly doesn't expect the grocer to auction it off to the highest bidder like a piece of antique furniture.

She merely looks at the price tag and buys or not as she chooses. But if she stops to think about it at all, she expects that the price on the tag must cover the grocer's costs and his overhead, allow for the necessary profit, and still meet the competition across the street. For if it fails in any of these respects, he will soon be out of business, and she will have to hunt up a new grocery.

So in the same way, I believe, informed people expect big business to price its products with some relation to its costs and yet meet its competition in the market place. That it does try to meet its competitor's price is not, to them, a sinister indication of monopoly. Nor are they so wedded to the law of supply and demand that they expect any business—as an evidence of competition—to gouge them for all that the traffic will bear in times of shortage, or to sell at a loss in times of surplus, thus paying its customers, in effect, to carry its products away.

They just expect vigorous, healthy, intelligent competition—theorists to the contrary, notwithstanding.

And outside the realm of competition and research and jobs and production, they expect many other things, too.

Aiding Education

Among these, they look to big business to discharge fully its obligations as a corporate citizen of the community. Beyond the heavy burden of taxation that it bears, they expect it to contribute both time and money to civic improvement, charity drives, hospitals, schools and recreational facilities. And when a new need arises, they are very likely to look to big business first.

In this connection it is interesting to note that since the U. S. Steel Foundation was set up five years ago, the list of corporations aiding higher education has grown from a few hundred to many thousands, including more than 5,000 corporations or corporate-financed foundations which are aiding the Liberal Arts college groups. And the number is growing.

Still another plus which the informed expect from bigness, of course, is leadership; and I am not sure that we have always been as successful in meeting this expectation as we have been in other cases.

While much is expected of business generally in this respect, here again big business is expected, as though it were a special responsibility, to stand up and be counted on virtually every issue that affects the industrial community. If a bill is introduced in Congress which may purport to benefit one segment of industry, but which, in reality, would be harmful to all, big business is expected to bear the brunt of the battle, to search out the facts, and to carry the case to the public so that the informed may have all the factors before them and decide for themselves what action they think their representatives in government should take.

The same is the case when the depreciation provisions of the tax laws become so outmoded — as they now are — that they seriously impair the ability of industry — both large and small — to replace its worn-out facilities and to modernize its plants.

And when powerful labor unions demand wage increases that vastly exceed the rise in industrial productivity — and thus force prices higher and higher — the whole community looks to big business to hold the line if it can; to take the strike if it must; and to pay the consequences, whatever they may be. Unfortunately, however, even our biggest businesses have not been big enough—or strong enough—to stem this tide of inflationary power.

Planning Ahead

But they have, I believe, been more successful in meeting the final expectation on the list of those that I shall discuss: and that is the responsibility of business to plan ahead, and to provide the American people with the natural resources that they must have in order to insure their industrial future.

Today our big corporations are pushing the search for iron ore, and oil and bauxite and other vital raw materials to the farthest corners of the earth. In many industries, like steel, moreover, they are developing costly new processes for the manufacture of usable raw materials out of low-grade deposits which were once thought to be worthless. And in both of these ways, our big companies are uncovering reserves that will satisfy the needs of our nation far beyond the lifetime of any of the corporate executives who are now planning and directing the search.

Now I have covered here, a few of the more important things which an informed public expects of bigness in our enterprise system; and it seems to me that they raise a very interesting and challenging question. The question is: How big must business be if it is going to measure up fully to the great expectations of our people?

Big Are Too Small

Well, if we look at the facts realistically, we are bound to conclude, I believe, that even some of our biggest corporations are rapidly getting too small to do all of the things that are expected of them.

The development of raw materials, for example, has become so expensive, and involves such risks, that a number of large steel companies have had to band together to develop far-away iron-ore deposits, and — again — to establish plants and processes for the manufacture of usable blast-furnace materials out of low-grade taconite ores here at home.

Similarly in a number of instances, several companies are working together to create the titanium industry. Utility companies are going into partnership to develop atomic power for private use. And out in the Middle East, the major oil developments are seldom the undertaking of a single company, even though the leading oil companies are among the very biggest corporations in America.

So it would seem that we are now witnessing another significant step in the evolution of big business. First came the individual entrepreneur: then the partnership in which a number of people pooled their resources and their managerial skills; then the modern corporation where hundreds of thousands of persons provide the necessary capital and share the risks involved; and now we see these great corporations themselves necessarily forming partnerships—for one reason and one reason alone, to do the job that is expected of them in an enterprise system where size and responsibility are companion words.

Does this joint development idea, perhaps, presage the birth of even larger joint ventures in business enterprise than our present-day organizations?

I wouldn't know, nor shall I even venture a prophesy.

But when I see our population doubling and, perhaps, redoubling in a single century, when I see the standard of living rising all over the world, when I contemplate the enormous drain on our natural resources in the coming century, when I witness man's first faltering steps in an atomic age, when I watch him seeking to penetrate outer space, when I see him trying to harness the rays of the sun, when I observe his determination to unlock, if he can, the ultimate secrets of the universe—such as the creation of matter out of energy—and when I comprehend, in short, the boundlessness and vastness of his expectations, I do know one thing:

Reactionary "Little Minds"

That the future is not for little men with little minds. It is not for men without vision who fear progress. It is not for timid men who early were frightened by the story of Frankenstein. And it is not for those arch reactionaries who seek to shatter big enterprise and to force American industry back into the puny production patterns of its Nineteenth Century infancy.

No. The future is for men who dare to have great expectations; and who—with the guidance and encouragement of all the people for whom they strive—will also have the courage, the persistence, the wisdom and the patience to transform those expectations into realities!

Halsey, Stuart Group Offers Equip. Trusts

Halsey, Stuart & Co. Inc. and associates on March 15 offered publicly $2,250,000 of Pittsburgh & Lake Erie RR. 3⅝% equipment trust certificates, maturing annually April 15, 1958 to 1972, inclusive, at prices to yield from 3.625% to 3.80%, according to maturity, and $1,830,000 of Ann Arbor RR. 3⅝% equipment trust certificates, maturing annually April 1, 1958 to 1972, inclusive, at prices to yield from 3.625% to 3.85%, according to maturity.

Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The Pittsburgh & Lake Erie RR. issue is to be secured by 350 self-clearing hopper cars estimated to cost $2,922,500 and the Ann Arbor RR. issue by 300 all-steel box cars estimated to cost $2,292,887.

Participating in both offerings are: Dick & Merle-Smith; R. W. Pressprich & Co.; Freeman & Co. and McMaster Hutchinson & Co.

Palmer. Pollacchi Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Edmund C. Levy has been added to the staff of Palmer, Pollacchi & Co., 84 State Street.

With Amott, Baker

Amott, Baker & Co. Inc., 150 Broadway, New York City, members New York Stock Exchange, announced that Theodore F. Bullen, Jr. is now associated with the firm as a member of the Research Department.

Haunts vs. Optimism

By COL. HERBERT G. KING

Member, New York Stock Exchange

Col. King adds up the international and domestic factors confronting the harassed businessman and finds "the total sum equals a brighter picture."

The horrible specter haunting a great many people in this country today is the fear of a depression. With interest rates rising, costs and prices going up, sales and earnings declining, plans for expansion and construction diminishing and the uncertainty of the foreign situation, it is small wonder that people are confused. However, it is a good time to take stock of the situation and consider the many factors that will enable the harassed businessman to face the future with hope and confidence.

Col. Herbert G. King

First of all, we must realize that now the United States has assumed the role of world policeman, that there will ever be present a tense foreign situation somewhere. England had it for centuries and her businessmen became accustomed to being constantly seated upon "a powder keg" and adjusted themselves accordingly. They discovered that every crisis, sooner or later, resolved itself and after we become cognizant of that fact, we shall not be so jittery by the constantly changing daily foreign picture.

Sees No Depression

Secondly, our domestic situation is a great deal healthier than any-one realizes. Employment is at its peak and there is an ever growing demand for new and better products. The population is increasing, new industries are developing and expanding, Government spending and bank deposits are at an all-time high and foreign trade is constantly improving. Social Security, pension benefits and unemployment and health insurance have made great strides in helping labor to face the uncertainties of old age. Also, the Government has learned a lot and made great strides toward ways to avoid a depression. The President's tremendous personal popularity and his many new powers make it possible to help any ailing situation before it becomes too damaging and any weak spot is given immediate attention.

A depression is a long way off. Our greatest need at the present time is to adopt a little more of our old fashioned courageous optimism, which when coupled with an honest day's work, has always successfully overcome any difficulty that has ever confronted us. Bury your haunts, weigh the pros and cons and the total sum equals a brighter picture.

Stein, Roe Appoints

CHICAGO, Ill. — Mildred N. Baker has been elected Assistant Treasurer of The Stein Roe & Farnham Fund Incorporated, it was announced by Harry H. Hagey, Jr., President.

Viola R. MacMillan Renamed President of Mining Association

Head of Viola Mac Mines chosen for 14th consecutive year as head of Prospectors and Developers Association.

At the recent 25th Silver Anniversary Convention of the Prospectors and Developers Association in Toronto, Mrs. Viola R. MacMillan, President of Viola Mac Mines, was unanimously elected to the Presidency of the Association, this marking the 14th consecutive year she was so honored. In addressing the Convention, Mrs. MacMillan took the occasion to remind the new generation in the prospecting world that despite the advances that have been made in the facilities available to prospectors, "there is still no substitute for hard work, persistence, patience and stick-to-it-iveness" for success in the mining business.

Viola MacMillan

Elliott, N. Y. Agent For Toronto Dominion

The Toronto-Dominion Bank has announced that T. F. R. Elliott has been appointed New York agent. He will make his headquarters at 28 Broadway. He was formerly manager of the bank's Montreal office.

Continued from first page

Factors Indicating Coming Turn in Mortgage Market

1954, expanded by $3 billion in 1955 and $5 billion in 1956.

While builders and corporations have thus stepped up their demands for borrowed funds by billions, our people have not expanded their savings to keep pace with these demands. The total of savings accounts and life insurance company assets, the chief sources of loanable funds, actually registered a smaller net gain in 1955 and 1956 than in 1954.

The sharply increased demand for loans from real estate and business during the past two years has thus encountered a sluggish supply of savings. True, the commercial banks could have made good the deficiency of savings if they had been given the reserves to support a large-scale expansion of their loans and investments. But the Federal Reserve banks, to combat inflation, properly refrained from supplying these added reserves. Because of the restrictive Federal Reserve policy, the shortage of savings has not been relieved by an expansion of bank credit.

In consequence, keen competition has developed between mortgage and business borrowers for the limited supply of loanable funds that has been available. Institutional investors that operate in both markets, like savings banks and life insurance companies, have been confronted with a plethora of offerings of both mortgages and bonds at attractive yields. In most cases, they have not been able to satisfy all the demands made upon them.

Why Markets Turn

In any market, when demand exceeds supply by a wide margin, it seems to the people concerned that shortages will persist indefinitely and that prices can go only one way—upward.

But economic history has taught us repeatedly that, in a free market, shortages tend to breed their own cure. Demand is discouraged by higher prices and the difficulty of securing supplies, while supply is expanded by more attractive prices.

This holds just as true in the capital market as in commodity markets.

Hence, the shrewd mortgage man will now look below the surface of events for evidences of changes in demand and supply which could lead to a basic change in mortgage market conditions. The sooner he can discern a coming turn in the market, the easier it will be for him to take timely steps to adjust his operations to the change.

There are three main trends now in evidence in the economy that could bring substantial relief this year from the prevailing stringency in the mortgage market. These trends are so significant that each calls for careful analysis at this time.

A Smaller Volume of Mortgage Borrowing

The most important of these trends affecting the mortgage market is the decline in the volume of mortgage borrowing.

The increased dificulty and higher cost of financing have discouraged home building and home buying, as you well know. New housing starts have been declining steadily. They numbered 1.3 million in 1955 and 1.1 million in 1956. They are down to an annual rate of barely 1 million today, and the present trend is still downward.

The full impact of this drop in housing starts is only now beginning to be clearly seen in the mortgage market because there is usually a lag between a decline in starts and an actual reduction in mortgage borrowing. Permanent financing is usually consummated on the completion of building.

Last year, higher prices for homes and the rise in commercial building acted as partial offsets to the fewer housing starts. But, as the mortgage stringency has become more acute, lenders have come to look for larger down payments which reduce the amounts loaned, despite higher prices. More recently, also, there have been indications that some plans are being curtailed for future commercial building due in part to the discouraging effects of the mortgage stringency.

Furthermore, the real estate market has become less active, so that there are fewer cases of refinancing of old mortgages with new liens in increased amounts.

A decline in new mortgage borrowing is particularly effective in slowing down the rise in mortgage debt because amortization payments on outstanding loans increase from year to year. Hence, it is logical to expect a considerably smaller net rise in outstanding mortgage debt this year, perhaps not much more than $13 billion as compared with the $14.8 billion total of 1956.

The fact is that, while mortgage borrowing continued heavy in 1956, the trend in new loans had turned down at the start of the year. The increase in outstanding mortgage debt was $1.3 billion less than in the record year 1955. And the smallest increase was reported for the final quarter of the year.

Mortgage borrowing constitutes by far the largest single source of demand for funds in our capital market, accounting for a third of the total rise in debt in recent years. A material reduction in the absorption of funds by mortgage borrowers contributes substantially to a better balance between the demand for and supply of savings. When the demand for savings no longer largely exceeds the supply, the upward pressure on interest rates is lessened.

A Decline in Business Borrowing

A second current trend that could relieve the mortgage market is the growing evidence of some decline in business borrowing this year. This is extremely important because, as we have seen, it was the combination of very heavy mortgage and record business borrowing that produced the capital market squeeze of the past year.

True, business spending upon plant and equipment is still at peak levels. Such outlays are expected to reach a $38 billion annual rate in the second quarter, compared with $35 billion spent last year.

But plant and equipment expenditures are only one of several reasons why business has been borrowing so heavily. Others are expansion of inventories and a rise in accounts receivable.

Last year, corporate inventories increased by an estimated $6 billion and accounts receivable by $8 billion. To finance this enormous expansion of current assets, caused by prosperity and rising prices, corporations had to draw heavily upon their cash resources, to increase their borrowings from commercial banks by some $5 billion, and to put out a record volume of new bond offerings.

Recently, however, there has been a strong tendency to halt the expansion of inventories and to slow down the rise in accounts receivable. In view of the decline in corporate liquidity and the increased difficulty of borrowing, this is not surprising. In addition, managements are confronted with a flattening out of the curve of general business activity, for there are sagging tendencies in such important segments of the economy as automobile manufacturing and home building and softness in prices of copper, lumber, textiles, steel scrap and some other commodities.

Perhaps most persuasive of all, corporate profits in the final half of 1956 were below the level of a year before. Corporate managements watch closely the rate of return earned on the investment, and will be less willing to spend on new facilities if profits do not keep pace with new capital investment in the business. This is especially true where sales volume has been disappointing, so that there is less need for additional productive capacity. Moreover, since the turn of the year there has been a substantial decline in stock prices. Lower stock prices discourage business expansion because equity financing becomes more difficult. As a psychological influence, a decline in the stock market fosters greater conservatism in both business and consumer spending.

Several large corporations have also announced that they are deferring plant and equipment projects. For the most part, however, such projects, once undertaken, are carried to completion. Hence, some time usually elapses between the adoption of more conservative spending policies by business and an actual decline in plant and equipment outlays.

Regardless of the near-term trend in plant and equipment expenditures, the slackening of inventory and receivables expansion alone should reduce total business borrowing requirements as compared with 1956. However, this is likely to be reflected more in a slackening in bank borrowing than a reduction in bond financing for the time being, due to the tight lending policies of commercial banks. But lessening of business demands upon commercial banks reduces pressure on them to sell more government securities, and this will make for some easing of conditions in the money market.

Less new borrowing by business this year, whether from the banks or the bond market, lessens competition from this source for loanable funds, and leaves more funds available for the mortgage market.

More Individuals Buy Bonds

A third trend of significance to the mortgage market is the revival of interest in bond investment among individual investors.

In recent years, individual investors as a class have invested chiefly in equities. Whatever bond buying occurred was concentrated in United States Government obligations and tax-exempts.

A spectacular change has occurred in the relation of stock to bond yields. Moody's average of yields of 125 industrial stocks was 6.82% for 1949, when Moody's composite average yield of corporate bonds was 2.96%, or less than half. By contrast, last December the stock yield averaged 3.90% and the bond yield was higher at 3.99%. New offerings of bonds, moreover, have provided substantially higher yields than the outstanding issues that are used to make up the average.

With new bond issues offering higher average yields than stocks, and with the outlook for corporate profits clouded, there has been a considerable revival of buying of corporate bonds among individual investors. There has also been much shifting from stocks to bonds in personal investment accounts by trust companies and investment counselors. At the same time, holders of United States savings bonds have been cashing them in large volume and reinvesting the proceeds in marketable bonds at higher yields.

Were it not for the broader demand for new corporate bond issues by individuals, bond yields today would be higher. A stronger demand from individuals was responsible in no small part for the brisk buying of recent new issues, with many of them now selling at premiums. As fewer bargains in corporate bonds are offered financial institutions, mortgage loans become relatively more attractive to them again.

To the extent that individuals invest in bonds rather than in stocks, there is correspondingly less competition from the bond market for the limited volume of new savings flowing into financial institutions. These institutions will thus have more money available for mortgage lending.

Timing the Turn

One of the most baffling aspects of economic and financial forecasting is the timing of a major turn in trend.

Even when we clearly see forces at work that will bring about such a turn, new developments may occur at any time to postpone or check it. Such contingencies may arise in the months ahead to postpone a relaxation of stringency in the mortgage market.

For example, Congress is giving consideration to reducing FHA down-payment requirements on houses and to raising the present 4½% rate on VA guaranteed mortgages. Also, the borrowing authority of the Federal National Mortgage Association may be liberalized. In that event, mortgage debt might increase by a larger amount than we now have reason to expect.

However, the increase in the FHA insured mortgage rate to 5% late last year had little effect upon the volume of home building. At best, it will take some time to get builders to embark again on new residential developments for veterans on a large scale. Also, if money is provided builders by FNMA or by direct Federal lending, the funds will be raised by selling short-term obligations of FNMA or the United States Treasury chiefly to the commercial banks. This will not absorb savings flowing into thrift institutions, although it will add to tightness in commercial bank lending and in the short-term money market.

A second development that could check the trend towards greater ease in the capital market this year would be a seasonal upturn in business borrowing, especially in connection with the quarterly tax payments in March and June. The liquidity of our corporations is at the lowest point in 15 years, due to heavy drains upon their cash resources last year to finance the enormous spending on new assets. Strained liquidity makes it necessary for many concerns to borrow more even for purely temporary needs.

But total expenditures for plant, inventory and receivables, rather than mere seasonal fluctuations in requirements, will determine how much money business will have to borrow from banks and the bond market this year as compared with 1956. And there are strong reasons to believe, as we have seen, that total business spending will register a sizable drop this year, especially for inventories.

To be realistic, we must recognize that the new trend away from stringency in the capital markets may not prove to be a one-way street. There may well be times when tightness will return for a while.

But the current prospect is that a smaller rise in mortgage debt, a lesser increase in borrowing by business from banks and the bond market, and heavier absorption of bonds by individual investors will combine to create a trend towards an easier market for mortgage loans during the course of 1957.

A Change in Federal Reserve Policy

Up to this point, we have been discussing changes in the demand for and supply of investment funds in the capital market without taking into account the ever present possibility of an accompanying change in Federal Reserve credit policy.

The Federal Reserve System has ample powers, as we have seen repeatedly, to add to or subtract from the supply of loanable funds through expanding or contracting the reserves of its member banks. During World War II, for example, it was only because member banks were being provided freely with additional reserves by Reserve Bank purchases of government securities that the Treasury could expand its debt by over $200 billion without raising interest rates. Between 1941 and 1945, the commercial banks, because they were provided at all times with excess reserves in large amount, increased their government security portfolios by almost $70 billion.

Conversely, if the Reserve banks had not held down member bank reserves in the past two years by their open market operations, so as to force commercial banks to borrow heavily from the Federal Reserve banks, there would have been a far greater expansion of bank lending to satisfy the enormous demands for credit that have developed.

Following the turn of the year, the Federal Reserve banks sold Treasury bills and other short-term securities to mop up the added reserves that member banks obtained from the usual post-holiday return flow of currency from circulation and from a gain in the nation's gold stocks stemming from the Suez crisis. The Reserve banks thus made sure that member banks would not be encouraged to expand their loans and investments because of an increase in reserves.

But it cannot be emphasized too strongly that Federal Reserve policy is subject to change without advance notice at any time. Spokesmen for the system have asserted repeatedly that they operate on a "day-to-day" basis, and that they will change its policy just as soon as changed economic conditions call for such action. They seek to "lean against the wind," as Chairman Martin has said. A shift in the economic wind will bring prompt shifts in policy.

Whenever there is clear-cut evidence that building activity and business spending have turned downward to an extent that would spell the end of the business boom, we may be sure that Federal Reserve policy will veer from restraint to ease, just as it did with such notable effect in the summer of 1953.

The Federal Reserve System, in other words, is not a free agent operating in a vacuum. Rather, it is required by law and policy considerations to promote economic stability by restricting credit in a boom, and expanding credit when a recession occurs or is seriously threatened.

This means that a turn in the mortgage market caused by a lessened demand or an increased supply of funds is likely to be both magnified and accelerated by a shift from restraint to ease in Federal Reserve credit policy.

With Keller Brothers

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Albert Datz has joined the staff of Keller Brothers Securities Co., Inc., Zero Court Street. He was previously with B. C. Morton & Co.

First Boston Group Offers Borax Shares

The First Boston Corp. and associates offered publicly yesterday (March 20) 150,000 shares of United States Borax & Chemical Corp. common stock (par $1), at $45 per share. The stock is presently outstanding and is being sold for the account of certain investors who will remain substantial stockholders in the company after the sale. No part of the proceeds will be received by the company.

United States Borax & Chemical Corp., whose best known consumer product is "20 Mule Team" borax, is the world's largest producer of boron products, principally borate concentrates, borax and boric acid, and owns at Boron, Calif., the world's largest known deposit of sodium borate ore. It is also the second largest domestic producer of potash products and holds, principally under lease, substantial deposits of potash ore in the vicinity of Carlsbad, N. Mex. During the fiscal year ended Sept. 30, 1956, boron products accounted for 65.8% of net dollar sales, and potash products for 34.2%.

The company is undertaking a $20,000,000 expansion and development program scheduled for completion in July, 1957, which includes shifting from present underground mining to open pit mining, and the construction of a new concentration plant and refinery at Boron. In addition to operating economies expected to result from this program, there will be a substantial reduction in transportation costs.

The company, which acquired its borax business from an English-owned company on May 31, 1956, merged with United States Potash Company on July 2, 1956. On a pro-forma combined basis for the fiscal year ended Sept. 30, 1956, net sales amounted to $50,493,901 and net income to $6,777,489. This compares with the previous fiscal year's net sales of $45,026,853 and net income of $5,988,580, which is before a special charge for extraordinary obsolescence loss due to planned plant and mining charges.

As of March 1, 1957, capitalization of the company consisted of $19,100,000 in long-term debt; 144,895 shares of 4½% preferred stock, par $100; and 4,175,009 shares of common stock, par $1.

Phila.-Balt. Exch. Holds Meeting

PHILADELPHIA, Pa. — The Board of Governors of the Philadelphia-Baltimore Stock Exchange held its organization meeting for 1957 on March 20, 1957. J. Raymond Leek of Bioren & Company succeeded Frank L. Newburger, Jr., Newburger & Co., as President of the Philadelphia-Baltimore Stock Exchange. Mr. Newburger will again become a member of the Board of Governors.

The following members of the Board of Governors have been reelected to three-year terms: H. T. Greenwood of H. T. Greenwood & Company; R. Y. Guarniery of R. Y. Guarniery & Company; Henry R. Hallowell of Hallowell, Sulzberger & Company; S. K. Phillips of S. K. Phillips & Company; George E. Snyder of George E. Snyder & Company; Edward Starr III of Drexel & Company. Norbert W. Markus of Smith, Barney & Company became a new governor of the exchange.

Forms Jonathan & Co.

LOS ANGELES, Calif. — Herman B. Rothbard is conducting a securities business from offices at 6399 Wilshire Boulevard under the firm name of Jonathan & Co. Mr. Rothbard was previously with Daniel D. Weston & Co., Inc.

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As We See It

General Motors, Ford, Standard Oil, and du Pont de Nemours are now active in every one of these countries.

"It is obvious that American monopolies and corporations are using the common market in their own interests and to the deteriment of the national industries of France, Italy and the other member countries. No one can dispute the undeniable fact that advantages and profits in the capitalist world are distributed according to the strength of the competitors which is determined by the extent of the capital, and this strength is on the side of large American and West German monopolies first and foremost."

Another in a Series

This is another in the long series of diatribes offered from time to time by the Kremlin masters in the hope of getting behind the governments of friendly nations to the rank and file, persuading them to take action which the Russian dictators desire. This practice of the Kremlin and the nature of its outgivings make it distressingly clear that modern means of communication and the world organizations of the day are converting world politics into something that closely resembles massive ward politics. Of course the idea is not exactly new. Woodrow Wilson in World War I made great efforts to reach the people of Germany over the heads or under the feet of their government, and in World War II we even coined the term "psychological warfare" to characterize such efforts as these. But those were war times, and never before has any government devoted more energy to such tactics as these in either peace or war than does the Kremlin today; and certainly this practice of vitriolic attack upon a country with which the attacker is at peace is hardly a common historical practice even in world politics.

But we are finding to our discomfort that there are other and even more troublesome penalties of an active role in international affairs such as we have now assayed and are playing with vigor if not always with success. Take for example the challenge issued by a spokesman for Israel the other day. He is quoted in the daily press as follows:

"President Eisenhower promised to insure that after (the Israeli) withdrawal (from Gaza and Aqaba) there would be greater tranquility than before. The opposite is now the case. How do the President and the Administration propose to redeem their undertaking?

"The President has stated that the United States assures that after the Israeli withdrawal, there will be no blockade restrictions against Israeli in the Suez Canal and the Gulf of Aqaba; and that if these restrictions occur, there will be firm action by the society of nations. What action does the United States contemplate?

"The Secretary of State, in persuading Israel to withdraw from Gaza, indorsed the March 1 assumptions on Gaza outlined by Mrs. Meir and carefully checked their formulation. The chief assumption was U. N. control, both civilian and military. How does the United States propose to promote this objective"?

Now, naturally, we have no way of knowing the precise accuracy of these assertions, and hence the exact degree of warrant of the questions raised. It is clear, though, that as a result of our strenuous efforts to promote peace in the Middle East we are now being called upon to take steps which must, it would seem, involve us further in the squabbles of this troubled portion of the world. It may be taken for granted, moreover, that if we are not prepared to take steps of this sort, our influence there and elsewhere in the world will be limited—just at a time when we have taken upon ourselves a role in international affairs far beyond any historical precedent.

Many Difficulties Ahead

And we may as well expect to continue with little interruption to face difficulties which are both troublesome and baffling. It is often said that we are now undertaking (or at the very least should undertake) the role played historically by Britain in the international sphere. But, of course, the fact is that we have no such long background of experience in these matters as had Britain, and what is fully as important there is no role of the sort left to play in international affairs. Britain was an enlightened colonial power as such things go, but Britain was always looking after the interests of Britain. Her real contribution to world affairs arose out of the fact that she had the foresight to understand the drift of world opinion and of what is often termed the "times" and shaped her course accordingly. We have no "interests" to serve in the sense that the colonial powers had—even enlightened Britain. Our interest is a sort of *pro bono publico* affair—which the world finds difficult to accept or to understand.

Our problems are the more difficult also by reason of the fact that so-called backward peoples—usually parts of older empires—have learned to play one great power off against another in a way and in a degree that was quite unknown even a half century ago. Competitive empire builders were always present aplenty, of course, and they often clashed in one degree or another. These rival interests at times worked definitely to the advantage (if it was an advantage) of coveted peoples and their resources, but such opportunity and such skill to make the most of these situations as exist today were not available.

We have assayed a large role in world affairs, though, and we can only hope that we may find the wisdom and have the good fortune to be really helpful.

Sands Co. Formed

EAST ROCKAWAY, N. Y. — Ira Sands is engaging in a securities business from offices at 15 Call Drive under the firm name of The Sands Company.

R. R. Weith Opens

Richard R. Weith is engaging in a securities business from offices at 68 Fifth Avenue, New York City.

Two With Boren

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Charles R. Bloch and William M. Horstman have joined the staff of Boren & Co., 9640 Santa Monica Boulevard.

Lloyd Arnold Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John M. Treanor has been added to the staff of Lloyd Arnold & Company 404 North Camden Drive.

Albert H. Weck

Albert H. Weck, partner in Weck & Carey, New York City, passed away March 16th at the age of 64 following a brief illness.

Joins T. R. Peirsol

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Robert E. Lehnherr has become affiliated with T. R. Peirsol & Co., 9645 Santa Monica Boulevard.

With W. G. Nielson

(Special to THE FINANCIAL CHRONICLE)

BURBANK, Calif. — Lawrence T. Montmeny is now with W. G. Nielsen & Co., 912 North Hollywood Way.

Three With Creger

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, Calif. — Willis B. Lindsey, Alvin E. Onstad and Clark C. Peterson have become affiliated with J. D. Creger & Co., 6435 Sunset Boulevard.

Joins First Calif.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Frederick F. Gregory is with First California Company, Incorporated, 647 South Spring Street, members of the Pacific Coast Stock Exchange.

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Railroads: Their Future

tion but their over-all costs. And, under present conditions, if they can't get service they need from public carriers, rail, motor or water, the larger shippers are able to provide it for themselves. To sum up, reducing rates without improving service does not begin to solve any problem now facing transportation.

Misconception No. 4 is that the law and the Commission hold an umbrella over rates of modes of transportation which compete with the railroads to the detriment of the public.

This misconception requires some preliminary discussion. One of the major legislative recommendations of the Cabinet Committee Report on Transportation is that the present provisions of the Interstate Commerce Act be amended so that carriers could further reduce selected rates without restraint as long as they cover out-of-pocket costs. There has been much talk that the Commission did not favor this phase of the Cabinet Committee proposal because it would "clip" it of some of its powers. The position of the Commission with reference to this change is based on entirely different reasons than those motivating motor carriers, water carriers or railroads.

Carriers are primarily concerned with advocating what they think will benefit them. There is nothing reprehensible in that. It is natural that they should. The Commission's position, however, is governed by its concept of the over-all public interest. To make this proposal for greater freedom in competitive rate making eupeptic, the generality is advanced that it would "benefit the public;" or, as "Fortune" magazine improvidently put it, that the present system "forces the nation to pay billions more than it needs to for transportation." Let us test the validity of such notions.

We have been living in an inflationary period. No individual, no industry, is immune from inflation. The increased costs of labor, material and supplies affects us all, including carriers. However, labor costs constitute at least as large a proportionate item with trucks as with rails. If it were true that the present law is permitting expensive truck transportation to supplant rail transportation by holding an umbrella over truck rates, why do rails enhance the trucks' competitive advantages by raising the general level of existing rail rates? If in fact, the level of rates were the only facet to this problem, the best ally the trucks have when costs go up are the rails. The rails ask for the increases first, the trucks are then secure in asking for theirs.

If such were, in fact, the real answer, the economics of inflation would succeed in doing for the railroads what they claim they are now prevented from doing—obtain even greater price advantage over high cost motor carriers. Furthermore, if the railroads were so anxious to "benefit the public" through reduced rates, and the subject were that simple, why do they oppose other railroads' efforts to reduce specific rates? The answer is, it just isn't that simple.

The question arises, whose rates would be reduced by this proposed rate making freedom? Disregarding whether they would be those of powerful shippers or little shippers, we must remember that the Interstate Commerce Act was originally passed to prevent special treatment for the select few. At any rate, since the rate reductions could not apply to all shippers, some shippers, some industries would have to bear the burden of keeping overall rail revenue at an adequate level.

Of even greater importance is the fact that drastic rate reductions to "meet" competition would necessarily produce rate disparities between competing shippers who have, and those who don't have, the service of other carriers. From the very beginning of public transportation, shippers' chief concern has been with rate **relationships** which would assure them access to competitive markets. This has been far more important to them and the national economy than the level of rates. Every shipper and traffic man knows that. And every time railroads protest another railroad's proposed reduction, even though compensatory, their principal argument is that, in order to maintain market relationships, the reduction will inevitably spread thereby unnecessarily dissipating needed rail revenue. It should be obvious that the proposed amendment would recreate conditions which existed in 1887 when the original act to regulate commerce was passed, besides setting in motion a deterioration of transportation services.

Any fair-minded, disinterested person, and there are many rail people who acknowledge it, knows that the solution offered by the Cabinet Committee legislation is impractical and fraught with danger. Its effect on carriers and the public would be disastrous. The Commission is trying to meet responsibility to the public, to prevent it from getting slugged in this potential "toe to toe" donnybrook which the writers of recent magazine articles and others would recklessly incite. Such an experiment would not only **not** benefit the public but in the long run would seriously undermine railroads and public transportation in general.

Misconception No. 5 is that rails are now shackled by administrative limitations on their ability to compete.

This one is variously stated: that "outmoded, archaic regulations established when rails were a monopoly," prevent "dynamic competition;" that the Commission by its administration of the law divides traffic among various forms of transportation on some "fair share" theory; or again, that the "dead hand" of regulation stifles managerial discretion, and so on.

Now that is a rather severe indictment of the present system of transportation regulation. But what are the facts? I have said many times before that there is plenty of freedom to compete; that the I. C. C. does not initiate rates; the carriers make their own rates; that all the I. C. C. does is to prevent rate wars, break-neck competition and disturbance of rate relationships. Now let's see how often and to what degree the I. C. C. interferes with the managerial discretion of railroads in making rate changes.

Railroads alone file with the I. C. C. an average of over 3,000 rate changes every working day of the year. During the year 1956, how many rates out of the million or more rate changes filed by railroads were adjudged to be unlawful by the Commission after protest by competing forms of transportation? Ten thousand? Two thousand? One thousand? One hundred? No. Just exactly twelve. Now how much traffic was involved in these twelve cases? In other words, how badly hurt were the railroads by our finding that these rate changes were unlawful? If they had been able to obtain every single pound of the traffic involved, from competing forms of transportation, which of course is hardly likely, they could have added only $1,228,879 to their gross revenue; $1,109,359 of this amount from water carriers and a mere $119,520 from motor competitors. This represents only **eleven thousandths of one percent** of the total revenue of railroads for the year 1956.

The actual loss of net railway operating revenue, making the violent assumption that the rates were compensatory and as profitable as the average of all freight, and again assuming that the shippers gave them every pound of freight involved, would amount to $299,846. Now these are all liberal, maximum computations. Now, I ask you, is this strangulation? Is this gross interference with managerial discretion? Does this constitute arbitrary allocation of traffic? Is this holding a "wide and benign umbrella" over other carriers? Is this what "Fortune" magazine can describe as "a heavily regulated industry," "a kind of state-run cartel"?

However, there is an even more telling figure. It is a computation of the difference in the rates in dispute and the going rates. In other words, the amount the public—the shippers—could have saved through these proposed rate reductions. How much do you think that amounted to ? Exactly $378,170. To say that $378,170 is "costing the American public billions of dollars" is fantastic and egregious exaggeration, to put it mildly. It may be that those who inspire such articles have not consulted too closely with railroad commerce counsel before they turned public relations experts loose.

An unprejudiced examination of our decisions will show that the Commission has been very liberal in permitting competition to have the freest and fullest play so that the public will have available to it the cheapest rate by the carrier of its own choice, without permitting a disruption of sound transportation. There is dynamic competition in fact, but what the proponents of this legislation don't realize is that it would give competitors the opportunity to **dynamite** competition to the disadvantage of the public.

As I said at the outset, much more could be said about the misconceptions which I have enumerated and others I could mention. Within the limits of this discussion I have tried to weigh the foregoing few on more accurate scales.

Present Attributes

Before proceeding to give you my views on the prospects of railroads, I should like to describe some of their present attributes. Within the past several years, the railroads have accomplished more by way of innovation, modernization and improvement than they have in the preceding three decades. Their accomplishments in this respect have been formidable. Even though these advances have not yet been universally applied by all railroads, the advantages to those progressive railroads which have pioneered, and to the public, are impressive and rewarding. Even more dramatic improvements are imminent since the railroads are now engaging in research to continue this forward progress. To give a comprehensive list of what they have done in this respect and to describe the effect on their operations would be worth a speech in itself. I shall recite only a few, as examples of how far-reaching these improvements are.

The diesel has not only provided greater tractive power but, because of its flexibility, has eliminated the need for investment in separate standby locomotives for each class of service, as was the case with the steam locomotive. More powerful gas-turbine locomotives are now a reality. The diesel has greater wheel life, reduced brake shoe wear and, with its better control of slack action, has reduced damage to lading and equipment. Welded rail not only reduced track maintenance but increases track life, improves riding quality and permits greater speed. Centralized traffic control, automation in classification yards, automatic electronic train identification, train radio communication systems, use of closed circuit television, automatic ticket selling, improved billing procedure and maintenance of car record accounts, automatic hot box detectors, roller bearings, ingenious machines for replacing track ties and laying track, Adapto and other types of equipment for all purpose loading; all of these innovations make for greater efficiency at less cost. The introduction of modern light weight passenger equipment, also dome cars, slumber coaches, double deck cars and Budd self-propelled cars have vastly improved the quality and attractiveness of passenger service.

The mere enumeration of these advances attest to a great record of achievement in a comparatively short time, which indicates that railroads are conscious of competition and are trying to meet it not by only pricing methods but by giving better service. All this has helped them and will continue to do so. This progressiveness has paid off. The railroads' profit position, as a result, has improved greatly. Some of them have enjoyed the best years of their history. Those poorly situated or not well managed have not done as well. But even in the flourishing steel business, there is a Follansbee.

Predicts Bright Future

The future of the railroads is bright — I was going to use the word "brilliant;" it would still fit. It can be circumscribed, in my opinion, only to the extent to which their thinking remains patterned after that of the canal operators of the nineteenth century —to wit: blind, unyielding opposition to any new developments in transportation.

In the light of changes in transportation conditions, the railroads can no longer look upon their service as separate and exclusive. Unfortunately for them and the nation, for too long a time, the railroads' attitude suggested the peculiar reiteration of the poetry of Gertrude Stein. Instead of "a rose, is a rose, is a rose," just substitute, if you will, "a railroad, is a railroad, is a railroad." Some old timers regarded the identity of a railroad as sacred and singular, to be preserved as a separate and distinct form of transport at any cost and not to be sullied by dealings with other forms of transportation. And this characteristic still prevails not only among some railroaders but among members of other forms of transportation. However, we are here discussing the part railroads can serve in the cause of improving their future. In my opinion, because they are the predominant agency of transport, they should properly take the leadership in making transportation truly a functional and efficacious system rather than a collection of individual carriers of various types.

Railroads own collectively almost 21 million acres of land. This is more land than there is in the whole State of Maine. About 4 million acres of this land is connected up in a private right of way which links every center of population from coast to coast and border to border. This constitutes a tremendous physical asset for themselves and the nation. To make the fullest use of it, railroads should recognize that our economic geography is not the same as it was a quarter of a century or more ago.

While some of them are still cautiously temporizing, they are now on the right track, and I may add that the I. C. C. has encouraged coordinated service each step of the way. They have begun to associate with other media of transportation either in combination or through coordination. Instead of thinking in terms of orthodox and conventional railroading, they are broadening their outlook and beginning to give vitality to transportation service. This is the real key to their future.

Steps of Improvement

Only by such steps can they help produce the best and cheapest service to the public at a greater and more secure future for themselves and all of public transportation. These steps are various and progressive. Substituted service by motor which is auxiliary and supplemental to rail service has already produced substantial benefits. It has permitted railroads to eliminate many way freight trains by placing express, less-than-carload freight and mail on trucks; has helped them to do away with unprofitable passenger trains; has helped to speed up remaining passenger schedules and thereby to reduce or eliminate losses on passenger runs. This is one step.

To the extent that some of them have engaged in the use of railroad owned trailers or containers on flat cars, they have made another distinct gain. It has given them an opportunity to give better and faster service with less damage and handling to shippers who need and want the advantage of trailer-on-flat-car service. Some of them have taken a further step to provide trailer-on-flat-car service in combination with motor common carriers. By so doing, they are able to add new traffic whereas rail owned trailers-on-flat-cars service is essentially limited to traffic already within their control. Until these steps are fully perfected and become equally applicable to connecting lines, the full benefits are lost.

The fourth step is to work out a complete combination of services with every existing form of transportation. Up until now the railroads have been squeamish about entering into through routes and joint rates with independent motor carriers. There is only one railroad in the entire country which has done so. Yet common sense dictates that this is the one way that public transportation can make substantial and impressive advances. It would permit a fluid, flexible service from any point to any point in the country. But of even greater value, it would develop new sources of traffic at hundreds of points off line and open dozens of new gateways for rails. This may change the present pattern of traffic with its attendant problems but the ultimate pattern would be efficient, economical and logical.

Furthermore, it would make unnecessary the issuance of some motor carrier certificates. In May of 1953, I made the following observation:

"Shippers often endorse applications for movement of certain types of commodities long distances merely because delivery is to be made at locations off the rail heads. Why couldn't the rails find ways of providing through service to these points by joint service with existing motor carriers, thereby retaining the long haul, maintaining the identity of each form of transportation and eliminating the need of another competitor? They resist the shippers' needs right down to the last ditch. A motor carrier grant in such cases is sometimes uneconomic and inappropriate but the railroads' attitude leaves no alternative for the shipper. It becomes more imperative, therefore, for transportation leaders to study every means of coordinating diverse services by developing equipment, facilities, units, containers, and other devices to permit efficient and easy interchange between them.'

Since that statement was made almost four years ago, rails have opposed hundreds of applications for motor service. Yet, in not one instance did they try to work out for shippers the service they actually needed. This is where the rails must take some of the responsibility for losing out to motor carriers on a portion of the long-haul traffic, in other words, the 5.42% of trips over 100 miles made by trucks to which I referred previously. They have resisted the grant of certificates but have never offered shippers a solution which would have answered their purposes.

Isn't it senseless to keep saying ruefully, "We're going to get this traffic back on the rails where it belongs"? Traffic belongs to shippers, not to any form of transportation. To assume that they can be forced to give it to one or another form of transportation is foolish. The shippers' choice will depend on what meets their needs. Give them what they want and they will use it. Shippers want solicitude as well as solicitation for their freight. There is overwhelming evidence of the demand for a flexible, integrated, coordinated service. Regardless of which form of transportation gets the immediate advantage the ultimate benefits to all of them and to the public are undeniable and should be paramount.

Other Forms of Transportation

Railroads should not stop here. They should encourage rather than resist developments in existing forms of transport and newer ones such as "slurry" and liquid pipelines, "rubber" railroads or conveyor belts, etc., or any others that may be invented at any time in the future. They should help perfect such new devices and bring them to the rails, rather than let them develop independently and pass them by until they become independent competitors. Their attitude should be, we can do it either singly or in combination better and cheaper.

They cannot excuse themselves on the theory that regulation holds them back either for existing forms of transportation or those yet to be devised. Such excuses are psychosomatic, not real. There is nothing in the act now and there never has been any restriction against the use of joint services by all types of transportation. The present limitations are only on ownership, and those are limited.

Transportation leaders of all forms of transportation are giving too much energy and attention to day-to-day competitive incidents —looking at the trees rather than the forest. Actually we are living in a new society. The commercial realities of the present require a flexible, adaptable service in which each form contributes to economical and efficient transportation within the fullest measure of its capabilities. What is most needed at this stage is bold new outlook and planning, and an objective, conciliatory and cooperative approach by all transportation people and a realization that transport techniques will not remain stationary. All the other conditions are present. You cannot compound a successful transportation system out of antagonisms.

Perhaps the rails have the ambition to integrate all these services under their ownership, without first integrating the services now permissable. Such hope is premature until a competitive scheme of combined services is established. It also revives the suspicion, that once under their control, railroads would sacrifice developments and improvements of other types of transport to the detriment of the public. This theory is reinforced by the present insistence, in some quarters, on the power to make destructive rates. In this sense, the Cabinet Committee report has been a disservice to railroads since it has engendered a renewal of these fears by those who must rely on motor or water service exclusively. On the other hand, if the public became accustomed to efficient joint transportation services, this resistance would evaporate. Regardless of the ultimate outcome, it would seem futile to try to resist or delay the inevitable since, in one way or another, joint services of all forms of transportation will eventuate if the public is to be served.

In closing, I cannot refrain from twitting my favorite monthly publication "Fortune" magazine. In the January issue, it contends in an article beginning on page 102 that the economy of the country is being harmed by present transportation policies. On the other hand, the best thinking of the editors on page one of the same issue boasts that, "The year 1957 will be the best year ever. This makes the third consecutive 'best year ever' that 'Fortune' has predicted."

He who proves too much, proves nothing. With only 6% of the world population, we have attained the highest productive capacity on the face of the earth and the highest standard of living the world has ever known. Does anyone believe that this could have been accomplished with a transportation system that has gone "haywire." The magazine's economics must be badly coordinated if it thinks that our economy could have developed to such heights without a transportation service to match it.

Transportation is such a vital and essential service, that every existing avenue of improvement should be carefully explored before more drastic steps are undertaken. Changes should be progressive and evolutionary, not revolutionary, if we are to retain the blessings which the finest transportation system in the world under private ownership has brought to us.

FIC Banks Place Debs.

The Federal Intermediate Banks on March 19 offered a new issue of approximately $106,000,000 of 3.80%, 9 months debentures dated April 1, 1957 and maturing Jan. 2, 1958. The debentures are offered at par. At the same time it was announced that a special issue of $2,000,000 of debentures maturing June 3, 1957, has been placed privately.

The new issue is being offered through John T. Knox, fiscal agent, and a nationwide syndicate of underwriters.

Proceeds from the financing will be used to refund $49,000,000 of 3.40% debentures maturing on April 1, 1957, and for lending operations.

Bernard, Winkler Admits

On March 28 Christopher P. Wuest will become a member of the New York Stock Exchange and will be admitted to membership in Bernard, Winkler & Co., 11 Wall Street, New York City, members of the New York Stock Exchange.

Richard S. Barnes will retire from partnership on April 1.

To Be Sade & Co.

WASHINGTON, D. C.—Adrian Ralph Kristeller on March 31 will retire from partnership in Sade, Kristeller & Co., Investment Building, members of the New York Stock Exchange, and the firm name will be changed to Sade & Co.

Leo Sade on March 28 will acquire a membership in the Exchange.

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The Security I Like Best

well for future developments. Research expenditures are currently in excess of $3 million per annum. During the past 10 years, the company has spent an average of seven cents of each sales dollar on research, which places it near or at the head of the list of the research-conscious ethical drug industry. The recently completed biological science research center, to be followed soon by greatly enlarged biochemistry facilities, provide an ideal setting for scientists. The company has currently more products under investigation in its laboratories than at any time in its history. The recent entry of the company into the fields of anesthetics, tranquilizers, and veterinary medicine indicates that the research effort is bearing fruit.

Using 1947-49 as a base period, by 1956 Schering's sales had increased about five times and its profits had improved about eightfold. This record is unequaled by any other ethical drug company. Excluding the performance of the foreign subsidiaries, sales during 1956 totaled $56.8 million; net income after taxes $10.6 million. Earnings per share amounted to $6.04; the profits of the foreign subsidiaries would add approximately $1 per share to the parent's net income. The 1956 pretax profit margin was 40% of sales, while the net (after tax) return on capital exceeded 40%. The dividend is currently at a quarterly rate of 25 cents regular plus 25 cents extra. Prior to the sharp upturn in earnings in 1955, the company's dividend pay-out had been around 50% of net income, a rate which is likely to be re-established in the future. The company's financial position is very strong. On Dec. 31, 1956 current assets totaled $35.6 million, of which $19.1 million were cash items; the latter alone comfortably exceeded all current liabilities of $16.8 million. In the postwar period, the company has financed all capital expenditures from internal sources, a condition which will continue to hold true. No funded debt or preferred stock precedes the 1,760,000 shares of common stock outstanding.

The performance of the company indicates that the management team is very able. The fact that Schering's president, Mr. Francis C. Brown, has been elected to head the American Pharmaceutical Manufacturers Association and that other officers have held high posts in drug industry organizations provides evidence that the management is regarded with esteem by others in the field. Labor relations have been most satisfactory; there has never been a strike.

In view of this record, the low market appraisal of Schering's stock requires explanation. The most frequently cited reason concerns the supposed uncertainty of earnings because of heavy dependence on the "Meti" drugs. On the basis of the available evidence, it seems that these earnings are probably more secure than is generally acknowledged. The company's leading trade position, intensive research effort, and development of specialized applications constitute important bulwarks against competitive inroads. In fact, the promising potential of Trilifon, the recently introduced tranquilizer, and the probable emergence of other new products from the laboratories make a moderate improvement in earnings during the current year a distinct possibility. Finally, it should be noted that dependence on a small number of products for a major portion of sales and income is a common feature of the specialty drug field, and is not generally appraised unfavorably by investors.

In the writer's opinion, the real reason for the low price-earnings ratio of Schering lies in the nature of the stock ownership. Whereas a large portion of the stock of such comparable companies as Smith, Kline & French and G. D. Searle is closely held, Schering's shares are very widely distributed among 15,000 stockholders. Only about 100,000 shares of the 1,760,000 outstanding are in institutional portfolios. No individual or institution holds more than 2% of the stock and ownership by officers and directors of the company is nominal. The large turnover, almost 1.4 million shares in 1956, indicates that Schering has been treated more as a trading vehicle than as a long-term investment There is evidence that this situation may be changing, for institutional buying of the stock has been forthcoming recently. Schering's substantial merits and attractive price are likely to induce an increasing number of astute investors to add the stock to their holdings for capital appreciation. The issue is listed on the New York Stock Exchange.

Tucker, Anthony Admits

On April 1 Graham B. Blaine will become a partner in Tucker, Anthony & R. L. Day, 120 Broadway, New York City, members of the New York and Boston Stock Exchanges.

LETTER TO THE EDITOR:

Reader Blames Wage Pressure For Price Inflationary Spiral

Kansas financial advisor blames price inflation on organized segment of the labor force. Reader Kopke would like to see "more courageous politicians" not care whether they are or are not popular.

Editor, Commercial and Financial Chronicle:

Secretary Humphrey and Ex-President Hoover would have served our country better if instead of wisecracking about future or past depressions that will or have curled our hair would say in a few words that the wages and salaries of pressure groups representing about 25% of the total civilian working force cannot be increased 5 or 10% each time the cost of living moves up 1 or 2% without endangering our whole system of private enterprise and work a real hardship on the unorganized 75% of our working force plus millions of self-employed and small businessmen.

I doubt that the cost of our National Defense can be reduced soon and thus government expenses may or may not be reduced for years to come.

Wages and Prices

The average weekly earnings of industrial workers have increased from $43.82 in 1946 to $67.97 in 1952 to $82.39 in the last quarter of 1956 while the average retail prices since 1952 have increased a little less than 5%. Wages and salaries can be increased only as the result of increased worker efficiency, or new responsibilities, or where in the past they have not been increased to match the cost of living. They cannot be increased as a result of monopoly power by organized pressure groups.

Public employees should also be reminded that they enjoy a job security unknown to other workers whether working in private enterprises or self-employed. Higher interest rates will increase production and distribution costs and in the end will reduce industrial and business activities.

What is needed in Washington and elsewhere is more courageous politicians whether or not that would be popular.

March 13, 1957.

FRED F. KOPKE
Business and Investment Research
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Effective Compensation Program For Professional Executives

both rare and valuable to the enterprise and thus command a high price in the market, and;

Second—The fact that it is illogical to pay a man handsomely and receive less than his whole efforts, and that, therefore, the compensation for senior executives must be both adequate in amount and tailored in form and timing to make it unnecessary for them to devote undue time and energy to their personal affairs.

In other words, companies pay executives not because they love them but because they need them.

Corporate management has had great success in winning the good opinion of its employees and the public by emphasizing the altruistic (the "love them") aspect of compensation in explanation of the retirement and insurance plans and other fringe benefits granted to hourly and clerical employees. However, the very success that has attended this public relations effort has tended to obscure the basic corporate self-interest (the "need them") aspect of all corporate compensation. The result has been that unwarranted criticism has been directed at management when corresponding compensation programs are proposed for executives, even though executive compensation programs involve far less in total cost to the corporation and offer far more in potential profits to the share owners than does the compensation of other employees. In many large corporations the total amount of the executive payroll is less than 5% of the total corporate payroll.

Within limits of this presentation it is not possible to discuss in detail the many forms of compensation currently in use. It is appropriate, however, to comment briefly on how we think they fit into a compensation program in terms of recruiting, holding and motivating executives.

Salary

Straight salary is the foundation of all compensation programs. It represents a man's "market value" and is a symbol of his status, both within the corporation and in the outside business world. Its amount is of great psychological value to most men. Salary is the basis for retirement pay and is commonly a factor in the determination of the amounts of bonus and incentive payments, insurance coverage, and the perquisities of office.

From the executive's point of view, salary is certain and predictable. For the prudent man, it is the foundation of his standard of living and his personal plans.

It follows that salary arrangements should be simple, definite, and certain, and the use of other forms of compensation, however generous and varied, should never be allowed to interfere with the establishment of adequate, reasonable, internally consistent, and externally competitive salary levels throughout the company.

Straight salary has, however, certain obvious limitations:

It is a blunt and inflexible tool for motivating executives and for relating executive compensation to the consequences of executive action.

For the executive, straight salary, because of the progressive federal income tax, is a relatively ineffective tool for building an estate, providing for retirement, or taking care of his dependents in the event of his disability or death.

For the corporation, the salary budget is a relatively inflexible charge against earnings that cannot readily be reduced when profits decline.

Many of the deficiencies of straight salary as a form of compensation can be compensated for by introducing flexibility and special provisions into the salary program, but this is done at the expense of complicating salary administration and detracting from the characteristics of simplicity, definiteness and certainty which are the chief virtues of salary as a form of compensation.

We have, therefore, thought it best to attempt to cure the limitations of straight salary as a tool for recruiting, holding and motivating executives by making use of additional forms of compensation. In so doing we have found it useful to analyze such additional compensation tools in terms of supplemental compensation, protective compensation, and perquisites.

Supplemental Compensation

Supplemental compensation includes bonus, profit sharing, incentive, stock option, stock purchase and stock gift plans. All have in common the objective of increasing profits by:

Treating the executive as if he were a partner in the enterprise.

Relating executive compensation to profits and to individual executive performance more closely than is possible in straight salary programs.

Introducing a measure of flexibility into the compensation program so that expenses can be reduced more readily and more promptly when earnings decline.

Providing a maximum net return after taxes for the executive at a minimum cost to the company.

Each form of supplemental compensation has a different emphasis among these purposes and different degrees of effectiveness in serving each purpose. In addition, each may serve other purposes peculiar to itself.

All forms of supplemental compensation have in common the characteristic that the compensation to the executive varies with the company's earnings or the market price of its stock.

Intelligent analysis of the many forms of supplemental compensation has been greatly complicated by indiscriminate use of the terms "bonus," "profit sharing" and "incentive compensation."

Bonus and Profit Sharing Plans

In our analysis, bonus plans are identified with profit sharing plans as forms of supplemental compensation whereby all or substantially all executives are paid, in addition to salary, special current or deferred sums based upon the prosperity of the business as a whole.

Bonus and profit sharing plans (like stock option, stock purchase and stock gift plans) serve the psychological objectives that can be attained by treating executives as partners in the enterprise. Thus they tend to stimulate an ownership viewpoint and to improve morale and team-spirit within the organization, at least when earnings and stock prices are not declining.

They are relatively simple to administer, the basis for the distribution of the bonus fund quite often bearing a proportional relationship to salaries.

However, being based primarily on the general prosperity of the company, bonus and profit sharing plans are of relatively limited value in providing effective individual incentive to other than those very senior executives who are in a position to influence profits directly and significantly.

Incentive Compensation

In contrast to bonus and profit sharing plans, we define incentive compensation as those forms of supplemental executive compensation whereby selected executives are paid, in addition to salary, special current or deferred sums, based on individual contributions to profits to the extent that such contributions are ascertainable and measurable.

Incentive plans are perhaps the most difficult of all forms of executive compensation to administer. Yet, when soundly conceived and executed, they are the most effective in stimulating executives to their best efforts, and in increasing company profits. The major problem peculiar to such plans is, of course, how to measure performance and relate it to profits, particularly in the case of individuals, such as corporate staff executives, whose contributions to profits are difficult to identify.

But this is not a problem created by incentive compensation. In any well run organization, one of management's basic responsibilities is to develop standards of measurement for the performance of each executive function, and to appraise executive performance in terms of such standards. Incentive compensation introduces a dynamic element into this evaluation process and transforms it from a semi-sterile historical review into a positive motivating force for executive action. We are convinced that it is worthwhile to strive for the plus values of incentive compensation as compared with bonus or profit sharing plans.

Restricted Stock Options

One form of supplemental compensation in current use which is the subject of much discussion is the restricted stock option whereby selected key executives are given the opportunity to purchase their company's stock at a future date at a price approximating the fair market price of the shares at the time the option is granted. Any profit from the ultimate sale of the stock purchased is taxed to the executive as a capital gain when realized at a rate which, for the higher salaried executives, is substantially less than the progressive income tax rates.

Stock options are more a privilege granted to the executive than a direct form of compensation since the individual must invest his own money in the company's stock in order to benefit from the option. The value of the privilege depends upon future events, and will accrue to the executive only if the company prospers, the price of the stock rises, and the executive has the financial means to exercise his option. The only costs to the company are the dividends paid on the stock purchased and a modest dilution of the stock outstanding.

For the executive, unless the price of the stock rises substantially, the stock option can be a rather frustrating form of compensation. But in the case of a company which is operating in industrial fields with a tremendous growth potential, the stock option is virtually indispensable as an inexpensive and constructive form of incentive to the top-flight, high income executives who are necessary for the conduct of large enterprises.

Protective Compensation

Protective compensation comprises all those forms of compensation whose primary purpose is to protect the employee and his dependents against the problems incident to retirement, unemployment, disability and death. It includes pension and retirement plans, insurance, and certain kinds of deferred compensation.

The essential and distinctive characteristics of protective compensation are deferment as to timing, certainty as to payment, and predictability as to amount.

From the company viewpoint, the primary justification for protective compensation is that it is to the advantage of the share owners to facilitate the removal from the payroll of individuals who have passed their peak of effectiveness by compensating them in part with protective compensation, thus making room for the advancement of capable younger executives.

Protective compensation arrangements tend also to relieve the executive of personal financial worries, thereby permitting him to concentrate his attention on the company's business and enabling the company more nearly to "buy the whole man." In addition, a retirement plan, to the extent that the amounts paid into it do not vest in the executive, serves as an inducement for him to remain with the company.

In principle, the executive by personal savings and investments or by the purchase of suitable insurance or annuities should make his own provision for his old age and for his family in the event of his disability or death. Experience has demonstrated, however, that too often the executive does not do so or cannot because of the effects of the progressive income tax. The result is that out of humanitarian and morale considerations and in order to make possible the promotion of younger executives the company finds it expedient either to keep him on the payroll after he has reached retirement age or to provide retirement allowances or disability benefits on an individual basis. When all the hidden and indirect costs are taken into account, is is less costly to deal with the problem of the overage executive by systematic, funded retirement plans, quite aside from the competitive pressures that make such programs mandatory today if competent executives are to be recruited and retained.

Deferred Compensation

Deferred compensation, which has received much attention in compensation literature in recent years, is not a distinct form of compensation at all, but rather a characteristic which can be incorporated into most forms of compensation with the effect of leveling out the earnings curve of the executive's life. Instead of confining the executive's compensation to his working years, it spreads his lifetime compensation over his whole adult life. All retirement plans are forms of deferred compensation, but the expression is usually employed in reference to individual executive employment contracts which incorporate, in effect, tailor-made retirement plans by providing for continuation of payments to the executive or his estate for a period of time after termination of his active association with the company.

Although deferred compensation includes all forms of protective compensation, the converse is not true. Thus, stock option plans which make it possible for executives to accumulate an estate at capital gains tax rates, and bonus and incentive plans with deferred payment and stock payment features have important protective consequences but they do not possess the essential protective characteristics of certainty and predictability. They should not, therefore, be relied on to take the place of an adequate pension plan in light of competitive pressures, the company's interests and the needs of executives.

Deferment of income tends to produce a reduction in the executive's life-time income tax liability, an aspect of deferred compensation which is extremely attractive to very senior and, therefore, very high income executives. However, from the company's standpoint, care must be exercised not to add deferment features to the various forms of supplemental compensation in such fashion as to detract from their primary functions of identifying the interests of executives with those of the share owners, and providing inducement to effective action by relating compensation to performance.

Perquisites

The fourth classification of forms of compensation, in addition to salary, supplemental compensation, and protective compensation, is "perquisities." In our analysis perquisities are those symbols of status that are associated with the individual's position in the executive hierarchy, such as long vacations (if and when the executive can find the time to take them), generous expense accounts, club memberships, executive medical programs, larger and more elaborately appointed offices — with windows, and the key to the executive wash room.

Although more difficult to evaluate than other forms of compensation, perquisites exert a profound influence on the morale, and hence the motivation, of executives. Perquisites are manifestly no substitute for a sound salary structure, and an attempt so to use them will tend to attract the unstable type of executive who is willing to accept the appearance for the reality of status. But failure to give due regard to perquisites may well result in nullifying in good part the morale benefits of the remainder of a compensation program.

Applications

I have outlined thus far the results of our efforts to state in useful form the fundamental objectives of executive compensation—to recruit, hold and appropriately motivate executives—and to analyze the various forms of compensation in terms of their place in a compensation program designed to achieve those objectives.

In conclusion it is appropriate to comment briefly on the application of the principles that have evolved from this analysis to the development of a specific compensation program.

There are four basic steps, as we see it, in the development of any orderly and systematic executive compensation program:

First—To identify and describe the jobs and functions to be performed within the company, and to establish the hierarchy of positions for their performance.

Second—To price each position by assigning to it a dollar value range in terms of its importance to the company and the market price of the executive talent required, the range between maximum and minimum figures being wide enough to allow for the range of competence that can be accepted for the position, and variations in the market price for the needed talents.

Third—To determine for each executive the amount of his compensation within the range for his job, and the form or forms that his compensation shall take in light of the types of motivation required for the job, and the personal needs and preference of the executive.

The first step is an organization planning function which, at General Dynamics, is included among the responsibilities of the Vice-President — Administrative Research. In developing our individual executive position descriptions we have endeavored to include the basic terms of reference for pricing each position by stating not only the functions of the position but also the objectives to be achieved by the performance of the functions.

The second and third steps, setting a compensation range for each position and determining the individual executive's place in the range, are far too complex in their administrative aspects for discussion at this time. However, it is obvious that the end result of any method of pricing executive positions must be the establishment of competitive value ranges if the company is to recruit and retain its executives with any success. In setting up such workable value ranges, valuable guidance will be found in the reports published by the American Management Association's Executive Compensation Service which analyze and summarize the compensation rates actually paid for typical jobs according to the major classifications of industry.

As to determining the forms of compensation for each executive position, our analysis suggests that a company would be well advised to avail itself of a variety of compensation tools appropriate to the motivations required for each major category of positions and adaptable to the varying needs of its executives.

Flexible Selection of Compensation

The logic of the foregoing analysis suggests, also, that the maximum potential effect in attracting, holding and motivating executives will be achieved by allowing the executive to select, within limits, the forms of compensation which are most attractive to him in light of his character, age, and financial and family situation. The limits on the individual executive's selection are imposed by:

The amount of the total compensation package established by the company for the individual in his job,

The type or types of motivation determined by the company to be appropriate for each executive position, and

Practical considerations in administering the compensation program.

Thus, as a matter of company compensation policy, the sales vice president might be required to take at least a specified minimum percentage of his total compensation in the form of incentive compensation, and all executives might be encouraged to participate in a uniform, company-wide retirement plan, but within such limits the individual executive could be given the option to vary the proportions of his compensation package in such fashion as to recognize, for example, that salary is particularly important in the early years of his career when his total income is at a minimum, insurance is particularly attractive in the middle years when his family obligations are at a maximum level, and in later high-income years the emphasis may shift to retirement programs and capital gains.

Stated in such broad terms this sounds like a pretty tall job, and it is. How far it is possible to go in a practical sense in implementing such a program for rationalizing the use of the various forms of compensation and providing a tailor-made compensation package for at least key executives is a question of administration that can be answered only in the attempt to put it into practice. But we do feel that the manner in which we have formulated the problem and the terms in which we have analyzed it have highlighted, in terms useful to top management, the essential elements of reasoning behind the systematic use of compensation as a tool for recruiting, holding and motivating executives.

And executive compensation is a primary concern of top management. In an era when we are experiencing an intellectual, moral and psychological revolt against compulsion in the relations among men, and when the shortage of executive talent in itself creates a competitive situation that reinforces the trend to persuasion as the instrument for inducing executive action, it behooves top management to utilize the full potential of perhaps the most powerful persuasive tool that it has left, compensation and its appeal to the executive's pride and self interest.

We believe that as a result of our researches and analysis we have a better insight into how to achieve the full potential of executive compensation. We hope that this exposition of what we have been doing may be similarly helpful to others.

Can We Make Foundations Solid?

"At Bermuda, I hope the President will undertake to bring Britain back into full partnership for our mutual benefit and security. I cannot subscribe to the contention of some of our experts and self-designated prophets that Britain and France are in decline and no longer can be depended upon as major powers. These experts would have us abandon historic friendships on the ground that we must now seek out new and rising nations with which we could build more firmly for the future. If I remember my history correctly, the Duke of Wellington and Lord Russell foretold the end of Britain in the Eighteen-Forties.

Harry S. Truman

"This was sheer nonsense in the Eighteen-Forties. It is sheer nonsense now. The greatness of Britain and France call for no defense from me or anyone else. Their contributions to democracy, industry and science, apart from their culture, are so enormous as to assure their continuance as important factors in civilization for centuries to come. They have come through two terrible wars at enormous sacrifices with their democratic institutions and their cultures standing firm. We should and will do everything in our power to give them encouragement and support, as much for our own sake as for theirs."—Harry S. Truman.

Unfortunately, the feasibility and the fruitfulness of any working compact between the United States on the one hand and Britain and France on the other depend less upon their history and their culture than upon certain other factors—their ability and their willingness to contribute to the military potentials of the western powers and the degree in which they and we see eye to eye on major issues that arise around the world.

Public Utility Securities

By OWEN ELY

Utah Power & Light Company

Utah Power & Light and its subsidiary, Western Colorado Power, supply electricity to a population of about 750,000 in northern and central Utah, southeastern Idaho, and southwestern Colorado and Wyoming. Salt Lake City and Ogden are the principal cities served. The area is noted for its varied mining resources—copper, silver, lead, phosphates and coal. With the advantages of water, fuel, low-cost power, cheap fuels and a stable labor force, industry and commerce have also been developing rapidly. In addition to smelting, processing and fabricating of metals, local industries include cement plants, packing houses, sugar mills, flour mills, oil refineries and irrigation systems. About 30% of the company's revenues are industrial, if interruptible service to Monsanto Chemical is included.

Southeastern Idaho contains large reserves of high-grade phosphate rock and Monsanto Chemical Company now operates at Soda Springs the two largest phosphate furnaces in the world. A 35,000 kw furnace for production of elemental phosphorous is being built near Georgetown. Oil reserves in Wyoming and northwestern Colorado have brought about the installation of refinery capacity in the Salt Lake area of about 95,000 barrels per day. Recent exploration in southeastern Utah has revealed an oil pool of great magnitude known as the Aneth field. Exploration in the Utah section of the Colorado plateau indicates substantial uranium reserves; revenues from electric service to uranium mines and mills will yield about $600,000 per year.

The Salt Lake-Ogden area has become a center for Army, Navy and Air Corps installations, employing some 19,000 people. Also, because of dispersion of defense equipment factories from the West Coast and other areas, important plants are under construction in the area. Farmers have found that by drilling wells ample irrigation water can be obtained. Many of these wells supply irrigation systems of the new sprinkler type, which better utilize water and eliminate the necessity of land leveling. In the past five years Utah P. & L. has added over 400 new irrigation customers, with a total electric demand of some 18,000 kw.

All these developments explain the rapid growth of the area — population has gained one-half in the postwar period, increasing twice as fast as the U. S. Forecasts indicate that the mountain region should gain some 46% more population by 1975 as compared to 36% for the nation as a whole.

The capacity of U. S. Steel's Geneva Works has doubled in the postwar period, and another subsidiary — consolidated Western — hase built a large pipe manufacture plant near Geneva. In the past decade Utah P. & L.'s revenues have increased from $15 million to $41 million and net income has almost tripled. Installed generating capacity increased from 250,000 kw to 615,000 kw, with another 100,000 kw going into service next August.

The company is now less dependent on hydro which contributes about one-quarter of generating capability compared with nearly three-quarters in 1946. The company also benefits by competing fuels—coal, pitch and natural gas. Coal is used at the Carbon Plant under a 10-year contract, with the price per million Btu about 21c. Coal and interruptible gas are used at the Hale Plant, costing 26.8c and 24.1c respectively. Coal, refinery pitch and interruptible gas are used at the Gadsby Plant with costs at 28.7c, 24.6c, and 24.6c respectively. With a favorable new contract, pitch in 1957 will supply about half the fuel requirements for the big Gadsby Plant. Mountain Fuel Supply supplies 32 million cf a day of interruptible gas for use at Gadsby and Hale.

Due to hydro power and reasonably priced fuels the company's residential kwh rate is only 2.15 cents compared with the U. S. average of 2.64 cents. Annual residential usage of 3,900 kwh is 31% above the national average. Low rates have been aided by increases in efficiency — for example line losses have been reduced from 18% to 10% of input through better location of plants, installation of heavier lines, shorter distribution circuits, etc. Expenses are being further reduced through bi-monthly billing, greater use of mechanized equipment, standardization of sub-stations, etc.

The company expects to spend about $46 million in new construction during the three years 1957-59, of which $22 million would be spent this year. Fifteen million dollar bonds and about 400,000 shares of common stock will probably be sold next fall to pay off bank loans and carry construction into next year. Further requirements through 1959, in excess of internal cash, will be met by bank loans. The company expects to maintain the equity ratio somewhere around the current level of 42%.

The company has an original cost rate base in Utah with an allowable return of 6%, which was the approximate rate of earnings in 1956. Earnings will probably remain around this level in 1957.

Share earnings increased steadily during 1946-48, were irregular in 1949-51, and in later years have again shown a steady increase. Last year $1.70 was earned vs. $1.55 in the previous year, and despite the offering of additional shares next October, President Naughton expects 1957 share earnings to improve. There is no present indication of an increase in the $1.20 dividend which reflects a payout of about 70%. At the recent price around 26 the stock yields 4.6% and sells at 15.3 times earnings. Range in the past year has been 28½-23⅝, after adjustment for last year's two-for-one split.

With L. F. Rothschild

Robert L. Loeb has become affiliated with L. F. Rothschild & Co., 120 Broadway, New York City, members of the New York Stock Exchange, as registered representative.

With Ingalls & Synder

Henry P. Finlay has become associated as registered representative with Ingalls & Snyder, 100 Broadway, New York City, members of the New York Stock Exchange.

Joins Harris, Upham

Harris, Upham & Co., members of the New York Stock Exchange, have announced that Kenneth J. Walton is now associated with them as Co-Manager of their 99 Park Avenue office in New York City.

Continued from first page

Problems of Prosperity

people and a sound dollar, in the words of this legislator, somewhere something has gone badly wrong in America. If history tells us anything—and history has been said to have more imagination than men—it is that a sound economy, a sound nation, a sound people travel the same road as a sound money—not different roads.

Sees No Contradiction

The more I reflect upon the alleged contradiction between a sound people and a sound dollar, the more aptly it seems to illustrate the confusion growing out of the somewhat novel set of problems facing our country today as revealed by the Congressional Committee's inquiry into certain of the problems of prosperity.

These problems seem all the more strange because for more than a generation we were preoccupied with another set of problems—the problems of depression and deflation. The Great Depression, that began in the early thirties, took a terrible toll in terms of human misery, of the destruction of economic values and of blasted hopes. The years 1932-1936 saw unemployment average over 11 million. In the best year of the period unemployment was 17% of the civilian labor force; in the worst year, 25%. As year after year dragged on, pessimism grew. Doubts spread as to the ability of our kind of economy to operate in a self-regenerative manner at high levels of employment, production and income. In Britain, a famous economist developed a theory leading to the conclusion that an economy like ours tends to settle out at less than full employment—a condition, he argued, that could be altered only by massive government investment. In 1939, when World War II broke in Europe, there were 9,480,000 Americans out of work. Clearly, economic policy during the Decade of Depression was pretty much a failure. In that period the economy did get up off its face onto its knees, but it could never get to its feet.

Then came massive government orders for war. Production and incomes rose and unemployment virtually vanished. The economy hummed. But upon the end of the war the fears for the future returned as the huge military expenditures fell away sharply Contrary to many expectations, the readjustment went rather well. But these favorable developments were often attributed to special and non-recurring circumstances —rapid reconversion of productive facilities, pent up consumer requirements, large public holdings of liquid assets, war-and-depression-deferred construction, large emergency overseas demands, and a policy of monetary ease. Greater stability of employment than expected was achieved, though prices rose sharply.

Before a return to normal conditions prevailed, the outbreak of hostilities in Korea in mid-1950 brought an increase in military expenditures and an accompanying increase in consumer and inventory buying. The end of the Korean fighting in 1953 was followed by a rapid reduction in military expenditures. This was seen in the drop of Federal Government purchases of goods and services from an annual rate of $61 billion in the second quarter of 1953 to an annual rate of about $48 billion in the third quarter of 1954. This, in turn, touched off a liquidation of inventories in 1953 which lasted into 1954. Again rising private expenditures stepped in, aided by a well-timed shift to monetary ease and by the tax reductions effective in 1954. The result was a renewed surge of activity in the economy, which began in the fourth quarter to that year, strengthened during 1955 and led into essentially boom conditions in 1956 and early 1957.

Contrasts Economic Conditions

I have recounted briefly this bit of recent history in order to document a contrast. Unlike most of those years, the economy now is operating without the artificial stimulus and control apparatus of war or the backlog of civilian demands deferred from war. I do not mean to imply that military demands on the economy are negligible at present—far from it. The level of military expenditures is now running at about 10% of gross national product, with an impact on some segments of the economy far greater than that. This military requirement represents a forced draft element in the economy with significant implications for the budget, for the allocation of manpower and resources, and even for education and training. In fact, one of our major economic problems is the full incorporation into our economy of these national security demands that may be necessary for the long haul. However, having said all that, it is still true that our high prosperity is substantially a prosperity of the private economy, fueled by private spending for private purposes, under conditions of balanced Federal budgets and a Federal Reserve policy of credit-restraint. It is this kind of economy, in contrast to those dominated by depression and war over the past quarter century, that I have in mind when I speak of the problems of prosperity today.

In one sense the policy decisions required in a depression economy or a war economy are less difficult than those required in our peacetime prosperity. The ends are simpler, though the means to the ends are likely to prove equally difficult. In depression the objective is greater employment, production and income; there is little problem of choice as to where it should be encouraged, there is little problem of scarce resources, and there is not likely to be concern over price changes. The big problem is to ignite the fires of expectation and confidence in the future. Indeed, it was the failure to accomplish this that left us with massive unemployment as late as 1939.

In a wartime economy, expanding the volume of production is also a problem, but a greater one is priority use of resources for military requirements. To that end the economy is subjected to a large degree of emergency central direction and control, both to achieve priorities and to cope with price inflation. Such direction and control have proved possible only because the people were willing to alter our system radically for the duration of a war emergency. Not only is this direct control approach impractical in a peacetime prosperity but wholly undesirable and contrary to the basic principles of our competitive market system.

Cannot Have Uninterrupted Prosperity

Today ours are the different problems of prosperity. It is a fact that more Americans are at work, producing more, earning more, spending more, investing more and building more than ever before in our history. We are thankful for that—for the rock it forms on which to build our defenses and for the good things of life that it makes possible for us all. Needless to say, we want to keep this prosperity as the vehicle to a better life for all our people.

When I say we want to keep this prosperity, I want to make it clear that I have no illusions about transforming this economy of ours into something akin to a conveyor belt moving uninterruptedly to new peaks of production and employment.

Currently, for example, we are witnessing some relaxation of the intense pressure that showed up in the economy late last year. As long as economic decision-making is decentralized in millions of farms and businesses as it is in our society, we will experience some ups and downs. No free economy can abolish the business cycle. We can, however, properly seek by wise private and public policies to keep our prosperity moving along a growth curve within a range of fluctuation marked by the general experience of 1948-49 and 1953-54. There is reason to believe that a better understanding exists today of the underlying changes in the economy, that policy possibilities available to us are better and more widely understood and that confidence in the future—so indispensable to economic growth—has been restored.

The best chance we have to keep our prosperity in this sense, it seems to me, is to keep it healthy. To keep it healthy we must seek solutions to the problems prosperity brings in its train:

(1) The threat of burning itself out through inflation and thereby sowing the dragon's teeth of a later serious reversal.

(2) The temptation to tamper with the market system in the name of improving the good times.

(3) The need to encourage savings to help sustain a healthy expansion.

Problem of Price Stability

The first of these problems is what the President referred to in his last two Economic Reports as achieving prosperity with price stability. The threat implicit in this problem has been posed in recent times. We have seen that when they try to crowd three pints of prosperity into a quart container something is apt to happen. After four years of remarkable stability, wholesale prices in the last year have risen 4%, while consumer prices on the average have gone up 3%. Interest rates—the price of money—have also risen. A tight labor market has led to a rise in money wages perhaps twice the gain in over-all productivity in recent years.

Over the past quarter century our experience with this problem of seeking prosperity with price stability under more or less normal conditions has been, as we have seen, very limited, indeed. That fact may contribute to apprehension in many quarters that in seeking this goal we will cause deflation, stunt economic growth, generate unemployment and impede the satisfaction of essential wants. It is clear that the deep psychological trauma of the depression years has not been fully healed by the economic success of the war and postwar period. Fears persist among some that the stimulus of extraordinary public and private spending in these years has yet to spend itself. To them prosperity is still viewed as a temporary and abnormal state of affairs that is pleasant but fragile, and that even modest attempts to moderate it run the risk of plunging us back into depression.

Obviously no one can know what is around the economic corner. Fighting inflation after the inflation tide has begun to ebb is an error, just as failure to fight it for fear of inducing a depression is an error. We should not be doctrinaire either way. We should be as interested and prepared to cope with deflationary chills as with inflationary fevers. For public policy this involves searching questions of judgment and timing.

Creeping Inflation

I doubt that there is today any respectable support for a deliberate policy of creeping inflation as such. It is no longer argued, as it was some years ago, that the economy has to run a temperature to keep healthy. Rather the attitude on the part of some is that creeping inflation is a tolerable price to pay for avoiding unemployment and the other potential difficulties I mentioned a moment ago.

I am aware of the fact that there are powerful economic groups in America which apparently think they can beat the rap of creeping inflation by advancing their selling prices, whether for goods or services, faster than the rise of their costs. I admit that a dollar in today's pay envelope seems more real than the loss from inflation in the value of savings tomorrow. I know that expansionary policies to raise prices appear attractive to many farmers, even though one of the greatest sufferers from cost inflation today is agriculture and even though any inflation in times of heavy supplies is certain to raise farmers' costs more than their selling prices. I know, too, that many businessmen are disposed to believe that a higher net can be managed out of the cost-price advance.

But I believe also that all these groups, along with other Americans, would prefer prosperity with price stability. Working men and women understand that cost-of-living wage increases are treadmill increases, not real increases. Farmers have seen in recent years the heavy impact on their net income of rising price for the things they buy. Businessmen are talking more of "profitless prosperity" and the inadequacy of depreciation reserves in the face of today's prices—which is a way of saying they are losing out in the cost-price race. I believe the evils of inflation are something that most Americans want to avoid if they can do so without having to pay the price of depression for it.

Within our conception of prosperity, our task, it seems to me, is to widen the narrow path between inflation and deflation. We ought not to define so narrowly our goal of prosperity as to exclude temporary periods of adjustment. If we define any condition which is not inflationary as being deflationary, if we assume that all areas of the economy must persistently operate at full capacity, and if we require sellers' markets as the invariable objective, we shall have to resign ourselves to inflation as a national way of life. We must adjust our thinking to the realization that optimum prosperity and growth in the long run are not the same thing as maximum prosperity and growth in the short run. Having so adjusted our thinking, confidence in the future is made more durable, and thereby it can become a more dependable and vigorous force for good times and for growth.

Prosperity and Price Stability

The first step is, I think, this matter of attitude. We must reject the negative idea that our goal of prosperity with price stability is unattainable. Of course, we do not know for certain how perfectly attainable the goal is, but equally we know of no basis in fact that it is not attainable. We should adopt as a basis for public and private policy the view that we can have prosperity and price stability.

A corollary to this viewpoint is that we regard the economy as a sturdy, though sensitive, mechanism capable of undergoing prudent restraint, when necessary, without being thrown into a tailspin. If we retain our depression phychosis about the tendency of the economy to run down, we become resigned to a more or less perpetual pumping up of our prosperity—hardly the way to keep it healthy.

Decade Ahead

If, as it seems to me, the decade ahead promises to be a time when we shall be trying to overuse rather than underuse the economy, a decade marked by a shortage rather than a surplus of labor, then the objective of prosperity with price stability requires developing and applying prudent restraints from time to time when an overloading of the economy threatens widespread price rises. Such restraints, within our basic system, should be of the most general sort, permitting a maximum of freedom to individuals. This is another way of saying they should operate through the market mechanism. These are the general monetary controls that affect the cost and supply of money, and the fiscal controls that operate through government expenditure, taxation and debt management policies.

The problem of accepting these restraints on the demand-pull aspect of inflation has been illustrated by criticisms of so-called "tight" money in the recent past. When I hear certain versions of this criticism of the Federal Reserve credit-restraint policy I wonder whether some of those critics want to abrogate the Treasury-Reserve accord of March 1951 and return to the wartime system of pegged interest rates, supported by indefinite increases in the supply of money. Under such a situation, changes in the money supply would no longer bear any relation to the changes in the availability of men and materials. That system added many billions of dollars to our money supply in the immediate postwar years when the money supply was already too large, thus helping to propel the level of the consumer price index up from 77 in 1945 to 111 in 1951.

Small Business, Agriculture, And Housing

I am quite aware that a credit restraint policy creates a problem —there isn't enough to go around, mainly for the reason that there aren't enough resources to go around. The method by which credit is rationed in the market is not going to be perfect. Some basically desirable needs are going to fail to qualify—for many reasons. There are going to be some uneven impacts, as there are in every aspect of our economic activity. And provided we do not tamper basically with the rationing of the market and act in such a way as to vitiate a general policy of restraint, I think it proper to have programs, such as now exist, to recognize established national policy with respect to areas such as small business, agriculture and housing. I believe, too, that we must always seek ways to improve the arrangements by which monetary policy is carried out in the interest of enhancing its effectiveness. To that end the President's proposed National Monetary Commission could serve a vital purpose.

With regard to fiscal policy, it is clear that at such times of pressure on the economy as registered by the price thermometers, public spending and demand for resources should be strictly limited to what the needs of the country imperatively require, revenues should be in excess of expenditures and public debt management should not contribute to the shortage of savings to meet investment demand.

A major objective of this Administration, when it assumed governmental responsibility four years ago, was to regain control of the Federal budget. The budget was brought into balance in the last fiscal year. It will be balanced in this fiscal year. Another balanced budget has been proposed for 1958. Moreover, the Administration is actively seeking ways by which the fiscal burden can be reduced in order that people may keep more of their income to spend or save as they see fit.

While these general monetary and fiscal controls can create a climate in the economy favorable to our goal of prosperity with price stability, I think it is fair to say that they need some help. As we noted before, this help should not be sought in the direction of direct controls over wages, prices and materials. To seek help there would be to confess failure of our system to achieve the goal we desire. Rather help should come from the direction the President marked out in his January messages.

Not a Naive Appeal

You will recall that he sought to enlist the aid of labor and management to help contain the cost-push to inflation. He asked that these leaders of our industrial economy consider the consequences for us all of their wage bargaining, of the impulse their decisions could give to the cost-price ratchet. He urged that their long-run as against their short-run self-interest be their guide.

The President's appeal has had something less than enthusiastic response. It has been called naive, impractical and visionary. Maybe it was. I doubt it. A healthy public discussion has been stirred up. A good deal of research into productivity and its relation to wages and costs and prices is being stimulated. The general public that pays the price at the end of the production line may well be a little better represented as a silent partner at future major wage negotiations. And, finally, I believe the President has caused many an American to reflect a little more on his responsibility, long with that of government, for keeping this economy on an even keel. It will take such a realization—that the whole problem of economic stabilization cannot be summarily dumped in the lap of government—if we are to succeed in our objective.

Opposes Building Competition Shelters

A second problem of prosperity that we must cope with is the tendency to use government means to tamper with the market mechanism to improve the good times for the benefit of one group or another. Competition is one of the great forces on which we must rely to keep our prosperity healthy. These efforts to limit the operation of competition are fraught with peril for the economy as a whole. Such tendencies are understandable, of course, since under highly prosperous conditions generally the failure of an industry or firm to prosper proportionately may be regarded by that industry or firm as a crisis condition, and by others as a weak spot in our prosperity. I am impressed, where I sit, by the great number of proposals forthcoming in this time of high prosperity for the economy as a whole for reducing particular taxes, easing credit by direct advances or guarantees by the government, abridging competition, purchasing of goods by government at prices above the market, or otherwise artificially favoring the lagging members. Some of these proposals seem to be based on the idea that every structural maladjustment in the economy should be dealt with by an injection of easy credit. This sort of attitude, of course, represents a fundamental questioning of the effectiveness of free markets and should bear a heavy burden of proof. So, too, must the attitude that every economic undertaking, whatever its nature or circumstance, has a right to succeed.

A free dynamic economy must possess the resiliency to adjust to the ups and downs of its various segments. It is capable of what has come to be called "rolling adjustment," where it takes in its stride the varying impacts of changes in demand and changes in technology. If government ceases to create conditions that foster healthy change and adjustment and instead goes heavily into the business of designing and building competition-shelters, it will be badly serving our hopes for a sound economic growth now and in the future.

The year 1955 showed an increase over 1954 of $27 billion in Gross National Product measured in constant dollars. Though all major elements except government purchases contributed to this rise, expenditures for durable consumer goods and for new construction showed the greatest percentage increases. In 1956, however, expenditures for durable consumer goods and new construction fell, led by automobiles and housing. Despite these declines expenditures for producers' equipment more than doubled their percentage increase of the year before, and Gross National Product in real terms increased a further 2.5%. Here is a demonstration of real resiliency in the economy, compensating in some areas for declines in others and maintaining over - all growing prosperity at a high level.

Over against this is the example of agriculture, which has twice during the last decade-and-a-half been called upon to meet emergency war-time demands for food and raw materials. Readjustment of agriculture to peacetime markets has been a painful process. However, it will never be successfully accomplished if it is to be insulated by unrealistic, rigid price-support legislation from the market place where consumers express their preferences. We need to use market forces, not try to abolish them, in working our way out of the pressing agricultural situation.

Savings and Taxation

A third problem of prosperity is to encourage savings to finance a healthy rate of economic growth. This requires a reorientation of some depression - born thinking, that the difficulty with our economy is oversaving and underconsumption. Despite a record current volume, we are short of savings today in this country compared to investment demand for savings, as evidenced by rising interest rates and the unsatisfied needs of sound borrowers. Nor do we want to bridge the gap between savings and investment by the creation of new bank credit.

To cope with this need we must recognize the obsolete nature of some of our tax laws which were designed in the '30s to encourage consumption and discourage saving. When we next can enact some tax legislation, we should realize that the era of economic bulb-snatching is over, that we require a tax system that will foster the savings needed to promote faster growth. Those who emphasize the part of savings in our national growth are correct, for they stress a strategic factor in the gain in our material resources. It would be good for Americans to recall a motto of the savings movement in England, "Don't spend in a week all you earn in a week."

This emphasis requires, too, a return of common sense to discussions of interest rates. These, of all prices in our economic system, still seem to be regarded by some as evil. Despite the fact that much of today's saving is corporate and much of the rest is of a contractual nature not quickly responsive to changes in the interest rate, yet it is still true that higher rewards for saving will likely evoke more response. Those who are preoccupied with the fact that interest is a cost, would do well to remember that it also is the wage for saving. Unless we get better undertsanding of this key fact we can impose a serious hobble on our own healthy economic growth.

Our generation has before it a challenging opportunity. It is a chance to take another giant stride up the road of economic success for all our people. We have an unrivalled system of production and distribution, a system that has the support of the whole American people. We are trustees of this economic system whose prosperity we now enjoy. We must keep it healthy so that it may continue to serve our needs and those of generations who come after us. We must conserve the fundamental market apparatus and incentives on which it is built, and resist the tinkerers and tamperers whose well-intentioned efforts can reduce it to mediocrity. That task will require both a mind to improve our system by remedying its faults and a sense of the limit to the load we may place upon it. Demanding as this task will be, the rewards will in like measure be great.

Detroit Bond Club Holds Annual Dinner

DETROIT, Mich.—The Bond Club of Detroit held its 41st annual dinner March 20, 1957, at The Detroit Boat Club. It was attended by approximately 150 leaders of the financial and banking industries in the Detroit area.

Herbert Schollenberger, of Campbell McCarty & Co., President of The Bond Club, presided. The principal address to the gathering was given by Harold L. Cheadle, Senior Economist, Federal Reserve Bank of Chicago.

With Gill-Harkness

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif. — Irving Gold and John T. Parks have become affiliated with Gill-Harkness & Co., Security Building.

Joins J. Logan & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Morris Becker is now with J. Logan & Co., 2115 Beverly Boulevard.

Two Join J. Logan & Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Cooper P. Matthews and F. Allan Winchester have been added to the staff of J. Logan & Co., 721 East Union Street.

Allen Inv. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Joseph A. King, Jr., William R. Nichols, Gilbert T. Mullins, Charles L. Page, Ray O. Parks, and Edward W. Stolte are now affiilated with Allen Investment Co., Mile High Center.

With Copley & Co.

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo. — Theodore B. Gazarian and Edward L. Noonan have become connected with Copley and Company, First National Bank Building.

Botzum Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William M. Krausse has been added to the staff of C. A. Botzum Co., 210 West Seventh Street.

Leonard Herzig

Leonard S. Herzig, partner in Sartorius & Co., passed away March 13th at the age of 58 following a long illness.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Treasury, hard pressed for cash, borrowed $3 billion of new money through a repeat performance for the 3⅜s due Feb. 14, 1958, and the 3½s due May 15, 1960. These same two issues were used in the very recent refunding operation of the Government, and at that time the reception given them was just about so-so. This time they went much better because there was the added advantage of the tax and loan account of commerical banks, which was used in the payment of these new money securities. It is expected that it will be on the average between 25 or 30 days before these funds will be taken out of the banks by the Treasury. This contributes to the attractiveness of the new money issues as far as the deposit institutions are concerned, and particularly the shorter maturity, the 3⅜% due Feb. 14, 1958. The offering of the 3½% due May 15, 1960, for new funds enabled the Government to continue its policy of having some element of surprise in its operation, even though it was only a very mild one this time.

Proposed Long Bond for "F" and "G" Bonds

The announcement that "careful consideration" was being given to a new long-term marketable bond in exchange for the $1.5 billion of "F" & "G" saving bonds which mature this year was not entirely unexpected. Treasury officials promised a decision on this matter "within a few weeks." The big question now is what will the Government have to pay for long-term money. Competition appears to indicate a range from 3⅝% to 4% for a 25-year obligation. Some are talking about a 3¾% rate being about in line for such an issue.

The decision by the Government to give up, for the time being, its additional weekly offering of Treasury bills did not come exactly as a surprise to the financial district. Over the past seven weeks, the Treasury has raised a total of $1.1 billion of new money by increasing its weekly bill offerings. One of the reasons given for the stopping of the Treasury bill, new cash raising operation, was because the Government will get enough funds in its current new money venture to tide it over for a period of time. Also, the expectation that corporate tax receipts of March 15 will bolster Treasury cash in a sizable way was another reason given for the elimination of the larger weekly borrowings by the Treasury. The retroactive raising of the rate on Government Saving bonds should slow down the turn-ins of these securities, which has been a drain on the cash resources of the Treasury.

Rate of Business Spending on Wane

The Department of Commerce and the Securities and Exchange Commission estimate that capital expenditures, for 1957, will be 6½% higher than those of last year. With annual expenditures now put at $38 billion, the total is still pointed upward, but the rate of increase shows signs of leveling off. Last year the increase was 22% and the strong impetus which this spending gave to the economy was one of the very important forces that kept the boom going. The latest estimates of spending for plant and equipment seem to indicate some slowing down in the record pace which was witnessed in 1956 and the first of this year.

Nonetheless, annual spending at the $38 billion rate compares with an actual figure of just over $35 billion for 1956 and this does not seem to forecast unfavorable economic conditions. However, the taking of the bloom off the boom will lessen the inflationary pressures, and this should not be an adverse development as far as the money market is concerned.

Movements in Government Bond Market

The long government market is still on the thin side, which means that bids and offers are not yet appearing in size. Quotations are being moved readily in both directions without too many securities changing hands. In spite of this professional tone to the market, there is a continuing movement of selected issues into the hands of investors. It is evident from the information which is available that certain public and private pension funds and some foundations continue to be buyers of the most distant government bonds. The ones in which the principal interest appears to be at this time, according to reports, are the 3s and the 3½s. These purchases have not been too large, but they have been coming into the market with a considerable degree of consistency, so that they have given a sort of balance or cushion to prices when they show a tendency to weaken.

On the other side of the equation, offerings of these bonds are not sizable and at times they are not large enough to be appealing to those that are buyers of them. Therefore, while the market for long governments is very limited, and is subject to wide price gyrations at times, it should be borne in mind that only a minor lifting of the pressure could bring about a very sharp and quick upward movement in quotations of these obligations.

Savings Institutions Stick to Corporate Bonds

The savings banks and various public and private pension funds are among the important buyers of the new offerings of corporate bonds. The saving institutions have been coming into this new issue market with larger purchases than was true not so long ago. It seems as though money which was going into mortgages is now being invested in new corporate bond issues. The unfavorable competitive position, however, of long governments means no interest by the aforementioned buyers in Treasury obligations.

Form Central States Inv.

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio—Central States Investment Co. has been formed with offices at 271 Poplar to engage in a securities business. Robert M. Wildermuth is President and M. E. Wildermuth, Secretary.

With Fin. Investors

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Robert W. Deming has become associated with Financial Investors Incorporated, 1716 Broadway. He was formerly with Francis I. du Pont & Co.

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Federal Reserve Board Measures Disarmament Impact

sorbed by industrial demands. In the event of a one-half curtailment in defense expenditures, the quantities of these supplies the Federal Government would be obligated to acquire under the terms of these contracts would depend on the strength of civilian demands.

Another facet of the defense effort has been encouragement of increases in productive capacity of defense related industries through an accelerated amortization program. As in the case of stockpiling, the peak impact of this program has long since passed. Since 1950, certificates of necessity have been granted for the purpose of expanding productive facilities in 225 strategic industry groups to meet specified capacity goals. To date, projects constructed under this program have amounted to $37 billion, on which accelerated amortization has been applied to about $22 billion. The total outlay on these projects represents about one-fifth of all business expenditures for new plant and equipment during the seven-year period from 1950 through 1956. The degree to which the stimulus to investment has been concentrated on certain industry groups is indicated by the fact that public utility, rail and primary metal expansion accounted for half the value of all projects certified.

The accelerated amortization program probably had only slight influence on business capital expenditures in 1956. Measured by project costs, two-thirds of all outstanding certificates of necessity had been issued by the end of 1952, with the bulk of expenditures presumably taking place in the years immediately thereafter. The proposed outlay on projects covered by certificates of necessity issued during 1956 was less than $3 billion, little more than 8% of the current annual rate of corporate spending on plant and equipment. Even if the defense program were to be sustained at its present level, future increases in capacity will probably be geared primarily to the needs of the civilian economy.

Impact Today

Although defense expenditures are no longer providing much, if any, stimulus to economic expansion, they are absorbing large amounts of human, material and financial resources. Consequently, a 50% reduction in defense outlays would confront specific industries and geographical areas—and through these, the economy as a whole—with serious immediate problems. In the longer run, however, it would free manpower and industrial resources to meet a broad range of human needs both here and abroad. The defense program itself has generated several forces which may be expected to ease the transition.

Military outlays for scientific research and development in recent years have been large, totaling about $1½ billion last year. Many of the military research developments made or in process have major, but as yet unexploited, civilian applications. If these developments, and the scientific and technical skills concentrated in defense activities could be released for peacetime applications, significant progress in raising living standards might be achieved. Technological development would open new investment outlets and could stimulate demand, thereby providing a major impetus toward sustained economic expansion. An easing of market pressures would also permit more rapid progress in meeting the backlog of demand for schools, water and sanitary facilities, hospitals, and other community services by state and local governments. Reduced military requirements would likewise facilitate progress in meeting major goals for highway construction.

Effect Abroad

Just as a reduction in military outlays presents problems and challenges to our own economy, it would present similar problems and opportunities in many other countries. U. S. defense expenditures abroad, including also expenditures of the U. S. Armed Forces stationed in foreign countries, amounted to $3.2 billion in fiscal 1956. This sum was equal to about 14% of all foreign payments made by the United States. For some countries, however, receipts of U. S. defense expenditures represented a relatively more important source of dollars. Less highly industrialized countries mainly in the Near East and Far East, who received about one-seventh of our defense expenditures abroad in fiscal 1956, would probably be most seriously affected by a reduction in U. S. outlays. On the other hand, there are a number of countries — such as Belgium, Germany, the Netherlands, and Canada—whose balance of payments situation is so strong that they may be expected to weather a reduction of one-half in U. S. defense expenditures without serious drain on their gold and dollar reserves. These countries receive about one-fifth of our total defense outlays abroad.

The bulk of our foreign defense spending went to countries whose gold and dollar reserves might be seriously affected, but who should be able to adjust successfully if the reduction in spending was not made too rapidly. This group includes countries such as France, Denmark, Italy, Norway, the United Kingdom, and Japan.

Although these countries might face complex problems of adjustment, it should be noted that a cut in our defense expenditures abroad would not automatically mean a corresponding decrease in their dollar receipts. In contrast to outright financial aid, our defense expenditures abroad are not free gifts: the recipient countries are required to use the equivalent of these funds for purchasing or producing goods and services for their own defense, for our mutual Allies, and for our Armed Forces. The recipient countries therefore must utilize productive resources for defense purposes, resources which would be set free to the extent that our defense expenditures would be curtailed. Given enough time to effect the necessary readjustments, it should generally be possible to re-employ the productive resources of those countries in such a way as to make good the loss of dollar revenue: say, by increasing the production of goods and services for export. Some problems, particularly in retraining labor and securing capital for expanding production of export goods, and in finding export markets, may have to be solved in the period of transition.

A major contribution to the solution of the problem which may be faced by foreign countries would be the maintenance of a strong domestic economy in the United States. Toward this end, governmental policies would need to be directed to the easing of the impact of disarmament on specific industries or areas and to the preservation of confidence in over-all economic prospects. Existing government programs that would promote a smooth transition, such as veteran benefits and unemployment compensation, might be re-examined in order to insure their maximum contribution. Reductions in Federal taxation made possible through savings affected by disarmament would permit and encourage expansion of private spending now limited by the defense program's drain on financial and physical resources. Industry would be encouraged to exploit more promptly the technological developments of recent years. Well-timed reductions in personal income taxes would help to make effective underlying consumer demands for goods and services, which in turn would promote further expansion of productive capacity.

If a smooth transition could be provided between a cold war economy and a peacetime economy, there would be little doubt that potential civilian demands exist here and abroad which would be ample to utilize and even to strain our productive facilities and expanding labor force. During the transition itself, however, uncertainty throughout the economy could lead to cumulative repercussions beyond the industries directly affected by military cutbacks. If broader dislocations and a significant rise in unemployment are to be avoided, public confidence in over-all economic prospects must be preserved. It is of the utmost importance that the government be prepared to act quickly to meet any developments and that this determination be generally understood.

Comments on the Economic significance of a 50% Cut in National Security Expenditures[2]

National security expenditures have increased to a rate of about $44 billion since last summer, following a two-year period of stability at a rate of about $41 billion. The current level represents 10% of the market value of our total annual production—the same as in 1956. It is the lowest percentage absorbed by defense requirements since early in the period of expansion in security outlays stimulated by the outbreak of hostilities in Korea. Over $9 billion is for pay to the Armed Forces. Roughly $25 billion of security expenditures is for purchases of goods (including construction) which compares with private business expenditures for producers' durable equipment of about $32 billion, total new business and residential construction of $33 billion, and consumers' expenditures on durable goods of $35 billion. While defense spending has been large, it has not contributed directly to the expansion in economic activity since early 1954. In this period, Gross National Product has increased one-fifth, while national security expenditures have changed relatively little.

The impact of a 50% cut in defense spending, which would amount to about $22 billion at current expenditure rates, is difficult to assess since defense outlays have had pervasive effects throughout the economy. The nature and extent of adjustments which undoubtedly would be necessitated in a period of transition would depend largely on the economic climate of the time, the length of the period during which the reduction is effected, the specific expenditures affected by the cut, the relative importance of the defense program at that time, and the types or direct subsidy; any or all of these might be classified as military expenditures by an international authority. In a socialist economy, on the other hand, provision for all types of economic expansion may be made through the government's budget and, where alternative civilian applications exist, could hardly be questioned.

Aside from technical questions of classification and measurement —which despite their complexity might, in theory, be determined equitably by international experts —it seems unlikely that deliberate falsification could be detected from a study confined to the official budgets themselves. It would, accordingly, probably be necessary to police a system of control over budgetary appropriations by the same physical inspection of productive and stockpiling activity that would be required by a system based directly on such controls.

[2] Prepared by the Division of Research and Statistics, Board of Governors, Federal Reserve System.

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Government's Continued Role in Financing of Housing Industry

active innovation, with an ever-present lure of attractive rewards for initiative and commitment.

The fact should be frankly recognized that periods of slack demand and falling prices, while increasing the real incomes of annuitants of insurance beneficiaries, bond holders, mortgage owners and recipients of relatively fixed incomes also pinch-back profits, discourage business initiative and generate cut-backs of employment and investment. On the other hand, booming demand, a seller's market, gently rising prices and increasing profits bring encouraging rewards to enterprises, farmers, equity holders and recipients of flexible incomes. Above all, they give maximum stimulus to economic growth.

It is not mere chance that periods of economic growth, both here and abroad, have almost invariably been periods of gently rising prices, if not mild inflation. One of the few exceptions in economic history was the boom in the United States in the late twenties and that was followed by the most disastrous depressions in business annals.

Such periods of mild inflation on rare occasion may erupt into hyper-inflation, but then only because of disastrous political events such as a military defeat. Usually, such mild inflation has been followed by mild readjustment and a resumption in growth countries of the slowly rising trend in wages and prices.

But only on two conditions: these were spelled out by President Eisenhower in his State of the Union message as follows:

(a) "Business leaders must, in the national interest, studiously avoid those price rises that are possible only because of vital or unusual needs of the whole nation. . . . Business in its pricing policies should avoid unnecessary price increases especially at a time like the present when demand in so many areas presses hard on short supplies."

(b) "If our economy is to remain healthy, increases in wages and other labor benefits, must be reasonably related to improvements in productivity. Such increases are beneficial, for they provide wage earners with greater purchasing power. Except where necessary to correct obvious injustices, wage increases that outrun productivity, are an inflationary factor."

"Freedom has been defined as the opportunity for self-discipline. This definition has a special application to the areas of wage and price policy in a free economy. Should we persistently fail to discipline ourselves, eventually there will be increasing pressure on government to redress the failure."

Pertinent Questions

With respect to the housing and the construction industry generally which, together with plant and equipment, physically produce substantially all capital goods, whether financed by business or government, these observations of President Eisenhower raise several pertinent questions. In a competitive economy, "when demand presses hard on short supplies" what else can one expect businessmen to do except raise prices? How else than by price rises can a free enterprise system ration and allocate scarce supplies among users? Similarly, when wages elsewhere are rising, is it reasonable to expect trade union leaders in the housing and construction industry to be successful in keeping "wages and other labor benefits reasonably related to improvements in productivity," especially if productivity in construction lags behind that in the economy generally? Is there then not likely to be "pressure for Government to redress the failure," at least in the investment-goods industries?

What is likely to happen is illustrated rather clearly in another section of the President's budget message in which he states that he proposes no funds for Government construction of large-scale commercial atomic power plants, but said he would do so if a number of new proposals from non-Federal interest for such construction do not materialize "within a reasonable time." To facilitate private industry's investment in atomic plants, he again urged legislation to authorize the Government to supplement commercially available insurance against liability arising from possible nuclear accidents.

In short, in view of the fact that healthy economic growth depends on sustained activity in the investment-goods industries, and in view of the additional fact that the most acceptable Government method, so far as builders are concerned, of stimulating investment is providing more financial carrot, does not a policy of sustained economic growth almost necessarily imply that Government will continue to participate in the financing and stimulation of investment, including housing? And is it not merely desirable but mandatory that the American economy demonstrate continued growth and strength if it is to come out a winner in the intensified competitive coexistence between democracy and totalitarianism? These are questions that well deserve careful objective thought.

Implications of "Full Employment"

(2) Government responsibility for fostering, within the framework of free competitive enterprise, so far as practicable, a reasonable maximum of employment opportunities, has gained almost universal acceptance. As a result, we have the Council of Economic Advisors to the President, the Joint Economic Committee of the Congress, annual *Economic Reports*, and publication monthly of *Economic Indicators* together with a continuing flow of authoritative studies and hearings on such topics as taxation, automation, low-income groups, economic stabilization, and monetary policy.

Though a substantial body of business opinion such as that given expression by Secretary of the Treasury Humphrey, has well-grounded reservations, the Federal Government and both political parties are pretty firmly committed toward policies that keep jobs in most areas somewhat plentiful and opportunities to find them relatively abundant for labor ready, willing and able to work. The commitment here is to keep a seller's market for labor, not only in general but in specific areas.

The implication for housing is obvious. If work opportunities are to be encouraged in localities of relative labor surplus, what types of projects are most easily carried on wherever people live? And in addition are universally regarded as highly meritorious? Obviously, housing, schools, roads, hospitals, together with cultural and recreational facilities. And what is the type of governmental stimulus that is least resisted by builders, labor unions, chambers of commerce and other civic groups? Obviously, financial aids of one kind or other.

Nor does the need for such aid vanish when the local relative surplus of labor has been alleviated. Come prosperity and higher interest rates (a matter which I shall deal with a bit later) the restrictive affect on specific types of marginal investment generates local pressure of such magnitude that even President Eisenhower in a year of peak prosperity and inflationary pressure such as is 1957 justifies steeply increased governmental commitments (new obligational authority) for financing schools, highways, hospitals and homes. His argument is the necessity "to advance the everyday well-being of our people by helping to improve their economic opportunities, helping to provide safeguards against economic and physical hazards, and helping to build needed public assets."

Implications of Counter-cyclical Policies

(3) None would disagree with the proposition that at this point in world history the United States cannot afford another major depression. The economies and allegiances of our Allies, if not of the Free World, would certainly be thrust toward the orbit of Soviet influence, if not dominance.

But there is still a spate of argument how. There are a few who still prescribe complete *laissez-faire*, namely, that Government do nothing at all except to preserve peace and order, maintaining a fair competitive field for all, both big and little, without fear or favor. Equally few are those who advocate detailed economic planning, industry by industry, of production, prices, wages and investment—the NRA philosophy.

By far the largest body of opinion among economists and businessmen alike is that now dominating the Federal Government—namely, that efforts to even out cyclical fluctuations should concentrate on Government expenditure, fiscal and monetary policies. First of all, a number of automatic snubbers have been put into operation such as graduated individual and corporate income taxes, social security and farm price support programs together with other props to economic stability such as minimum wage legislation, mortgages amortized over 20- to 30-year periods, insured bank deposits and savings and loan accounts, guaranteed loans, fixing of the absolute amount which prices may drop during one day in certain commodity markets, varying the margins on security purchases—and the like.

In the second place, Government expenditure programs including public housing authorizations, public works, flood control, reclamation, highway programs and the like are rapidly expansible when unemployment hits more than 4 or 5% of the labor force. The theory is that they are likewise swiftly contractable during periods of labor and materials shortage. Similarly, taxes should be kept high or raised during a boom and lowered at the outset of a slump.

But most sensitive of all economic thermostats designed to adjust business buying and investment to levels promoting economic growth and stability are the monetary controls, that is, adjustment of interest rates on borrowed funds, implemented by open market operations, variance of reserve ratios, and programs of voluntary persuasion. Such controls still leave the businessmen free to buy and sell commodities and services in the open market. Such has been called strategic planning—that is, planning the weather, not the rain drops.

The implication of this type of countercyclical policy for housing finance need not be labored. In boom times the central monetary authorities have the duty of tapering off excessive borrowing and buying whether by consumers, by business, or by state and local governments. As soon as it seems likely that a depression will set in, the monetary authorities lower the interest rates, increase credit availability and encourage consumer borrowing for automobiles, homes and other purposes, business borrowing for capital investment and governmental borrowing for public investment.

In short, monetary policy operates continuously, varying from active ease to active restraint and back. The Government, directly and indirectly, is thus continuously affecting the financing of housing.

II

Pressure at the Grass-roots

Government participation in the financing of housing has not been imposed from above. It has been invited, and in some instances, lobbied through by forces within the housing industry itself.

(1) The 20-year legislative record of FHA shows all along the line the evidences of eager cooperation by home builders and housing contractors. They will undoubtedly continue to support Government participation in the financing of housing, especially if the number of housing starts continues to decrease as fast as it has during the last six months.

(2) Needless to say, the VA is what it is to a substantial degree because of the activities of the American Legion and other veterans' organizations. There seems similarly to be no immediate prospect that they will seek to end Government participation in the financing of housing, however much they may work to alter the rules.

(3) Savings and loan associations have also been highly active in securing the passage of legislation promoting Government aid. Through the rapid growth of Federally chartered savings and loan associations, guaranteed savings, and the like, a third banking system has grown up during the last 20 years complete with its own central banks—the Federal Home Loan Banks. These, too, will probably abide.

(4) Even the commercial banks are not without responsibility for Government participation in the financing of housing. Historically, they more than welcomed the establishment of the Home Owners' Loan Corporation. They solicit billions of dollars worth of frozen assets consisting of marginal and in part, at least at the time, unsound housing mortgages, thereby dramatically improving their own liquidity. Nor can it be seriously doubted, should the chill of illiquidity again afflict their mortgage portfolios, that they will again be actively urging Government support in the financing of housing.

(5) Public housing advocates, social workers and others highly interested in slum clearance, urban renewal and community development will obviously work for Government action, Federal, State and local, as long as inadequate housing and slums exist and no matter where they exist, whether in congested metropolitan centers, in backward farm areas, or near military and defense installations. For some time to come, there will be public housing ventures, Federal, State and local, farm home-building assistance programs, financial aid for housing of military and defense personnel, and perhaps even special legislation so that low-income pensioners and elderly couples may with dignity face the sunset of life (to quote the British euphemism) in "eventide" homes.

Furthermore, the very multiplicity of institutions now participating in the financing of housing is setting the stage for continuing Government action to preserve market stability and order. In 1956, for example, life insurance companies through direct placement and in competition with commercial banks put more money into real estate mortgages than ever before—$6,800 million. The VA mortgages totalled $1,750 million, FHA $950 million, conventional mortgages $3,600 million, farm mortgages $500 million. The 6,000 savings and loan associations, State and Federally-chartered, lent $10,800 million on mortgages. The 500 savings banks increased their mortgage holdings by $2,300 million, commercial banks roughly $1,000 million. In addition, funds were being invested by large pension funds, tax-exempt, relatively free from any regulation, Federal or State. Large finance companies were providing consumer credit, and individual investors were active as never before at all levels in the mortgage field. All this took place, it should be noted, despite the tight money policy of the Federal Reserve Board, the major reason being that most lending activity takes place in areas outside the jurisdiction of the Federal Reserve Banks, since they control only the national banks.

Low Liquidity Ratios

The resulting pyramid of debt is disturbing no matter how one measures it. The levels of individual, corporate, and Government debt when compared with respective net assets are high. Interest and amortization payments are high when compared with net disposable or otherwise non-obligated income. Liquidity ratios are low. In that regard, the Securities and Exchange Commission last September published some interesting figures. So far as American corporations are concerned, the ratios of cash and Government to current liabilities had declined in 1956 to 46.2%, a level one-fifth lower than only two years earlier, a level odoriferous with familiar liquidity problems of the '30s. Many corporations have already begun to review their dividend and retained earnings policies, are seeking alternative methods of financing, especially seeking via price increases to finance investment internally, are channeling expansion to low loan-ratio banking areas and re-examining the adequacy of depreciation and capital consumption allowances. The liquid ratio, similarly computed, for commercial banks declined from 61.1% in 1954 down to 53.2% in 1956. Nor, were individuals any better off. The ratio of their consumer and mortgage debt to Government securities owned had gone down from 57.3% in 1954 to 45.5% in 1956.

Needless to say, even a relatively minor shock to investor confidence reacting cumulatively through the intricate, interrelated pattern of the present financial setup, could readily touch off a *sauve-qui-peut* scramble for liquidity that would inevitably increase Government participation in the financing of housing.

III

Profusion of Governmental Agencies Handling Housing Credit

So diverse and inconspicuously tucked away in the labyrinth of Government are the governmental financial activities affecting housing that no complete survey has yet appeared. But the National Bureau of Economic Research has announced the publication soon of a volume entitled *Federal Lending and Loan Insurance* by R. J. Saulnier (now Chairman of the Council of Economic Advisors); Neil H. Jacoby (formerly a member) and Harold G. Halcron. This volume will provide the first complete record how Government extension of credit and guarantee of loans by private financial agencies developed, the services they offer, the records of their experience, and their impact on private finance and on the economy generally.

An indication of the number of different ways in which Federal housing monies are being utilized appears clearly in Table I compiled from the President's 1957 Budget. Note not only the actual expenditures but those proposed, including a total of recommended new obligational authority of over $1.1 billion. Note also the variety of agencies and programs involved.

Budget Figures Understate Government Influence

(1) But these quantitative estimates by no means tell the whole story. Take the first item showing dollar figures under $50,000,000. Compare, however, with what is said about urban renewal programs on p. M41 of the text of the message:

"An estimated 41 slum clearance projects will be completed by the end of 1958 but more important, by that time 285 projects will be in process of actual clearance and development, and plans will be underway for 246 more—many of these in smaller cities. In addition to the extensive private investment in redeveloped areas, these 572 projects will ultimately involve total costs of more than $2.5 billion, of which Federal capital grants will provide an estimated $1.2 billion."

(2) Similarly on p. M43 of the Budget message, the dollar figures listed in the table with respect to the Federal National Mortgage Association, are commented upon as follows:

"To enable the Association to continue making available a reasonable minimum of mortgage funds, new obligational authority in two forms should be provided by legislation early in the present session of the Congress. First, the Government should be authorized to buy an additional $100 million of preferred stock of the Association. This will allow the Association to obtain up to an additional $1 billion privately, through the sale of non-guaranteed debentures to private investors. Second, the Association should be authorized to borrow an additional $700 million from the Treasury. Budget expenditures for such temporary Treasury loans are estimated at $203 million in 1958.

"In other operations of the Association, substantial commitments are anticipated both in 1957 and 1958 to purchase mortgages insured under the urban renewal, military family, elderly family, and other specially designated housing programs. Additional legislation to authorize new purchases amounting to $250 million, including $50 million for cooperative housing is recommended for the fiscal year 1958."

(3) A third example, no less interesting, possibly coming under the heading of "other" in the table, is defense housing. Only 4% of the total value of the housing involved appears in the budget. The defense department designs the housing, selects the site, and then arranges for a dummy Delaware corporation to become the so-called entrepreneur. It borrows the money from an insurance company or pension fund, and builds the house. Under a lease-purchase program, the defense department withholds the regular quarters allowances paid to military personnel, pays the annual instalments of principal and interest, and the house becomes the property of the Government in 40 years.

Since the Secretary of Defense cannot insure the loan, the FHA does. Then FNMA with Treasury funds buys the mortgage of which in reality it is already twice guarantor through Defense Department commitment and FHA.

The item that appears in the budget is, of course, only the 4% interest paid plus the 40-year amortization payment.

Similar arrangements take place under lease-purchase plans whereby the Farmers Home Loan Agency aids farmers to secure housing on a 3½% 40-year basis or make 20-year, water facility, soil-conservation, afforestation and pasture improvement loans. *Mutatis mutandis*, that is the plan which the General Services Administration is using to finance postoffices and other Federal buildings. It is also the way new ships are being built with guaranteed ship loan mortgages so attractive at 5½% that the Bowery Savings Bank is reported to have

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TABLE I

Federal Participation in Financing of Housing, 1956-1958*

(Fiscal Years — In Millions)

Program or Agency—	Gross Budget Expnds. 1956 Actual	Gross Budget Expnds. 1957 Est.	Gross Budget Expnds. 1958 Est.	Net Budget Expnds. 1956 Actual	Net Budget Expnds. 1957 Est.	Net Budget Expnds. 1958 Est.	Recommended New Obligational Authority for 1958
Community development & facilities:							
Urban Renewal Admin.	35	86	118	17	49	47	2
Proposed legislation	--	--	--	--	--	--	250
Other	15	17	33	—13	14	29	12
Public housing programs	347	590	474	31	71	54	112
Federal Housing Admin.	165	145	131	—25	—43	—83	36
Federal Nat'l Mtge. Assn.:							
Present Program	452	1,052	968	—20	437	140	
Proposed legislation	--	100	--	--	100	--	600
College Housing:							
Present program	37	91	157	32	85	147	
Proposed legislation	--	--	--	--	--	--	175
Veterans Administration	103	127	152	54	73	91	--
Department Agriculture	1	28	43	1	28	43	
Other	11	13	17	—22	—29	—30	10
Federal National Market Assn. (secondary market operations):							
Treasury loans and pfd. stock purchases, net	94	705	203				
Sales of common stock	7	14	10				
Net operating income and other	4	14	13				
Net purchases of mortgages (—)	—217	—1,005	—726				
Net trust expends. (—)	—112	—272	—500				

*SOURCE OF DATA: p. M39—Budget of the United States Government for the fiscal year ending June 30, 1958.

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Government's Continued Role in Financing of Housing Industry

bought $10,000,000 worth in one gulp.

In each instance, the dollar figure that appears in the budget is not the whole amount but merely the interest, taxes, and instalment payments. The yearly quantitative figures in the Budget, therefore, understate actual economic and financial impact by a great deal.

Financial Institutions Act of 1957

So great became the overlap, confusion, and competition among various financial agencies that Senator Robertson, Acting Chairman of the Senate Banking and Currency Committee, introduced a 253-page bill to rewrite and modernize existing banking laws. His committee made a detailed six-month study, secured 175 recommendations from bank supervisory agencies, and a 50-page report from a 27-man advisory committee of practical banking experts. Further hearings were begun yesterday.

Senator Robertson's bill, if enacted, would make far-reaching changes too numerous to mention here. Among those of major interest to mortgage bankers are the recommendations approving authority to national banks to make loans to finance construction of 18 months' maturity; to make loans on leaseholds having at least 10 years to run beyond the maturity of the loan; to make loans on Federal lease-purchase contracts for public buildings; and to make mortgage loans on industrial property for working capital purposes.

National Monetary Commission

Not since the famous Aldrich Commission of 1907 made comprehensive investigations that resulted a few years later in the creation of the Federal Reserve System has a survey been made of the entire financial structure. Widely advocated in banking, academic, and governmental circles, it received the backing of President Eisenhower in his State of the Union message as follows:

"I believe the time has come to conduct a broad national inquiry into the nature, performance and adequacy of our financial system, both in terms of its direct service to the whole economy and in terms of its functions as the mechanism through which monetary and credit policy takes effect. I believe the Congress should authorize a commission of able and qualified citizens to undertake this vital inquiry. Out of their findings and recommendations the administration would develop and present to the Congress any legislative proposals that might be indicated for the purpose of improving our financial machinery."

There will undoubtedly be a good deal of debate whether a commission, a joint Banking and Currency Committee of the Congress, an executive-legislative body such as was the temporary National Economic Committee, or other body should conduct the inquiry. There will be debate over its constitution, powers, appropriations, duration, scope, and representation. The numerous bills that have been thrown into the hopper thus far indicate the widespread interest and divergence of opinion concerning the President's proposal. But the implications for housing are plain. The Government's interest and participation in the financing of housing show no signs of diminution.

IV

The Clamor for Selective Remedies

It is a truism that the application of a general rule usually inflicts individual hardships. It is a reasonable probability that such individuals will doubt the wisdom of the general rule. It is a certainty that if they belong to a class or area they will put pressure on the administrators or lawmakers needing or seeking their support. It is an inevitability that they will advocate selective interpretations, exemptions, or dispensations. If there are many groups each too small to secure special consideration, they will log-roll the way industries and areas do in tariff making and negotiate "package deals." The upshot as Plato observed thousands of years ago is the government, like a sick person meddling with nostrums, becomes a harried busy-body going hither and yon enacting, revising, repealing, re-enacting, adjusting, readjusting its administrative and legislative programs of assistance and participation.

The Higher Interest Rate

Current discussion of the present "tight money" policy provides a case in point. Two main schools of opposition exist. First, those skeptical about any counter-cyclical monetary policy as an effective stabilizer. Second, those who on balance favor such a policy (or find other types of counter-cyclical policy even more repugnant) but dislike its differential (or discriminatory) impact.

(A) The first group point out how limited is the area which the Federal Reserve Board controls. They tend to advocate that the Federal Home Loan Bank System and Fannie May be placed under the wing of the Federal Reserve to give it broader scope and more potent market power.

Or, they may express doubts that the supply or cost of credit is a major or important factor. They will frequently use statistics to show that total spending has risen much faster than the supply of money. Total spending in 1956 was 4½ times that in 1939, while the supply of money was but 3.4 times as high. Between November of 1955 and November of 1956, the money supply (that is bank deposits plus coin and currency outside banks) increased only 2%, but bank debits increased 7%.

They tend to regard the current inflation as due not to the supply of money, but rather to aggregate demand implemented by a higher velocity of circulation of money. In the New York area, for example, total money turned over 18 times a year in 1940, and in November, last, at the rate of 29 times a year. In 1929, the rate was 124 times a year. Total money supply may have as minor a relation to the aggregate of business, government and consumer demand as does the supply of freight cars to the total agricultural harvest and mineral and manufacturing output in any one year.

Moreover, those who are skeptical about the remedial powers of higher interest rates point out that the policy of trying to restrain credit in that manner is fraught with serious inflationary dangers because $67 billion of the Government debt is held by individuals of which amount $57.3 billion is redeemable at the option of the individual holder. How could government raise $25-$30 billion from other than public investors without resorting to the most direct and violent inflationary measures. Because of the change in interest rates, we may see a repetition of what happened in the 1920's when investors liquidated 50% of their government bonds. The problem of what to do about savings bonds may be the largest of all.

Such skeptics would prescribe, instead, such measures as get at overactive demand directly, say by rigorous limitations of public works, by higher taxation, especially on individuals and their consumption, by vigorous antitrust action wherever prices are being pushed up through continued scarcity programs whether publicly or privately policed, by capital rationing or other limitation of government and business capital investment programs. Government participation in the financing of housing—they would almost eliminate.

What the Majority Prefers

(B) Adherents of views such as those just mentioned are few in number. The great majority favor major reliance on monetary counter-cyclical policies administered by the Federal Reserve Board. They approve of its impact upon others. But they have grave reservations about its impact on themselves or their industry.

(1) Since consumers are a completely unorganized, politicially helpless group with no lobby to fight for them, there is universal finger-pointing at consumers on the ground that they are causing the inflation. There is also but small resistance to measures tightening the terms and raising the costs of consumer credit. Indeed, a few sometimes even mention the possibility of another Regulation W.

(2) But the impact of "tight money" on local government finance is another matter. As New York State Comptroller, Arthur Levitt, testified before the Joint Economic Committee:

"In June the average interest rate on school borrowing was 2.760. In November, the average rate had climbed to 4.078. Over the life of the bond issued, it cost school districts and taxpayers in New York State some $2,729,842 more for the $13.8 million they borrowed in November than it would have cost them in June."

"This," writes the eminent Walter Lippmann in his well-known column, "is a very serious thing. It is a brutal fact which interferes greatly with the ideal theory that the localities should meet public needs, like the need for schools, hospitals, low-cost housing, roads and public recreation." Indeed, so it may. At this time. But why, when construction costs are at an all-time high in the face of unparalleled shortages of materials and skilled labor must State and local governments do all these things at once now. Scarcely a bond issue fails to pass. It may be but a short wait until interest rates are lower, costs down, and job seekers more plentiful. Will governments have the wisdom then to build ahead? Needless to say, as of now, plans are being made for the Federal Government to pile Ossa on Pelion and grant increased aid to State and local governments for all these purposes, especially for schools.

(3) The impact of higher interest rates on veterans housing, on VA and FHA loans, has been well publicized. The number of proposals to "do something for veterans" are legion. One group advocates that Congress increase the VA rate to 5%. Some argue for a flexible interest rate on all Federally-insured or guaranteed mortgages.

In his Budget message, the President put the case thus:

"Increased demands for credit for other purposes last year made these insured and guaranteed mortgages unattractive to many private lenders at the maximum interest rates then permitted. To bring interest rates on insured mortgages into line with market rates of interest, the Federal Housing Administration has permitted adjustments in all rates which were not already at their statutory ceilings. Legislation is recommended to permit similar interest rates on loans guaranteed by the Veterans Administration, so that more veterans may obtain these loans. . . . Legislation is also proposed to adjust the interest rate on direct loans so as to keep it the same as on guaranteed loans, in conformity with past practice."

On the other hand, many influential members of the Congress are seeking other solutions. One group proposes a GI mortgage assistance bill under which "the Secretary of the Treasury would be authorized and directed to invest up to 25% of the National Service Life Insurance premium reserves in VA guaranteed GI mortgages at their par value. Since the NSLI fund at present totals more than $5.5 billion, this will provide more than $1 billion to support GI home financing at the present ceiling interest rate of 4½%. The proposals also provide for supplementary financing, if that should be needed. This includes earmarking $1 billion of FNMA special assistance funds to be used immediately for purchases and advance commitments to purchase GI mortgages at par, and authority for the President to activate an additional billion dollars for such special assistance purchases, if necessary. If passed these bills, it is stated, would mean "a saving to prospective veteran home purchasers of half a billion dollars in interest charges.

To put it very simply, they would save the average veteran who purchases a $14,000 GI home about $5 every month for 30 years because that is what it would cost the veteran in additional interest payments if he were required to pay 5% for his mortgage loan."

Rep. Ayres (R. Ohio) would consolidate the veterans home loan guarantee program on July 1, with FHA's mortgage insurance. This would indirectly result in increasing the interest rate on VA guaranteed mortgages to 5% from 4½%. But veterans would still be entitled to lower down payment rules than those prescribed for FHA-insured mortgages. Otherwise, GI home loan guaranty program will lapse or fade away.

One question seems to have escaped consideration. Unless someone somewhere spends less on some item or other, how can an inflationary demand be moderated or brought under control? Isn't this the time to let at least some types of government stimulation "lapse or fade away"?

(4) The impact of tight money or small business has been to reduce its lines of credit, make it resort to higher rate non-bank lenders, and modify its expansion of plant and equipment. As a result, not only are plans afoot to renew the life of the Small Business Administration next June 30, but to give it increased lending power with wider authority to make loans especially to the smaller concerns.

Thus it is that wherever general credit control pinches, movements arise for varying, moderating, and multiplying the activities of government influencing the financing of housing.

Conclusion

Will the Government continue to participate in the financing of housing? The answer seems to be yes, at least so long as it is committed to the goals of promoting economic growth, providing maximum opportunity for sustaining high levels of employment, and moderating the business cycle.

The answer comes out in the affirmative also when one notes the diversity of financial institutions, the new ones springing up and old ones branching out in competitive profusion, each looking to Government to maintain a semblance of order.

Similarly, generative of continued Government activity in home finance are the continuous readjustments likely to be made in the permitted scope and operations of the various counterpart financial agencies to such grass-roots groups as veterans, farmers, small business, elderly couples, "public housers," savings and loan associations, and commercial banks.

Finally, the clamor for selective controls seems likely to increase rather than abate. The outlook, therefore, is for continued debate, experimentation and readjustment of agencies, methods, operations, and administrations of Government participation in the financing of housing.

Business Man's Bookshelf

American Private Enterprise, Foreign Economic Development, and the Aid Programs—American Enterprise Association, Inc., 1012 14th Street, N. W., Washington 5, D. C.—(paper).

Ancient Mycenae: The Capital City of Agamemnon — George Mylonas—Princeton University Press, Princeton, N. J.—(cloth) $7.50.

Branch Store Supervisor—A New Training Field—T. D. Ellsworth and J. S. Hulquist—in current issue of "Journal of Retailing" — New York University, 100 Washington Square East, New York 3, N. Y.

Business Calligraphy—Parchment facsimiles of old calligraphy for framing—Subject matter dating back to 1736—Portfolio of six 10 inch by 14 inch facsimiles—Document House, Post Office Box 242, Greenwich, Conn.—$10.

Cattle Ranching & Farming in Southern Arizona—W. O. Fraesdorf—Canyon State Land Co., 2708 North Campbell Avenue, Tucson, Ariz.—(Paper).

Chemical Industry Facts Book—Third Edition — Manufacturing Chemists' Association, Inc., 1625 Eye Street, N. W., Washington 6, D. C.—$1.25.

Departmental Merchandising Results in Small Department Stores, 1954 and 1955—Edgar H. Gault—Bureau of Business Research, University of Michigan, Ann Arbor, Mich.—$2.00.

Developing Foreign Markets for U. S. Farm Products—A Summary of Promotional Activity—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.—paper—35c.

Dictionary of Paper — Defines terms used in paper industry—American Paper and Pulp Association, 122 East 42nd Street, New York 17, N. Y.

Economic Study of Savings Banking in New York State—Savings Banks Association of the State of New York, 110 East 42nd St., New York 17, N. Y.—paper.

Employee Appraisal: What the Supervisor Should Know and Do—Waldo E. Fisher — Industrial Relations Section, California Institute of Technology, Pasadena, Calif. (paper) $1.

Explosion at Bayside, Queens, July 2, 1956 — Final report of Council on the Use of Nuclear Materials—New York State Department of Commerce, Albany, New York.

Export Control, 38 Quarterly Report—by Department of Commerce — U. S. Government Printing Office, Washington 25, D. C.—20 cents.

Fertilizing Forest Lands — Dr. Takeo Shibamoto — Dr. E. D. Crittenden, Director of Research; Nitrogen Division, Allied Chemical & Dye Corp., 40 Rector St., New York 6, N. Y.—on request.

Foreign Economic Aid Background and Major Policy Considerations — United States Council of the International Chamber of Commerce, 103 Park Avenue, New York 17, N. Y.—(Paper)—30c.

French Economic and Technical Bulletin—Economic Section, French Embassy in the U. S. A., 610 Fifth Avenue, New York 20, N. Y.—(paper).

Industrial Relations—Outstanding Books in 1956—Selected References No. 74—Industrial Relations Section, Princeton University, Princeton, N. J. (paper), 20c.

Investment in Central America—Survey — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.—$1.50.

Investment Company Shares—An aid to Bankers and Trust Officers — National Association of Investment Companies, 61 Broadway, New York 6, N. Y. (paper), on request.

Local Businessmen's Interest and Activity in National Affairs — Survey—Opinion Research Corporation, 682 Ewing Street, Princeton, N. J. (paper).

National Health Insurance — Michael M. Davis—League for Industrial Democracy, 112 East 19th Street, New York 3, N. Y. (paper), 10 cents.

1956 Handbook on Women Workers—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.—35c.

1957 Guide to Intensive Courses and Seminars for Executives — American Management Association, 1515 Broadway, New York 36, N. Y.—75 cents.

Oil in Cuba—Background, prospects and investment appraisal — J. R. Williston & Co., 115 Broadway, New York 6, N. Y.—$1.00.

Operative Remodeling: The New Profit Frontier for Builders — United States Gypsum Company, 300 West Adams Street, Chicago 6, Ill.—(Cloth).

Organizing the Research Function for Profit — American Management Association, Inc., 1515 Broadway, New York 36, N. Y.—$1.75.

Population of Kalamazoo County, Mich.: Estimates as of July 1, 1956 and Forecasts to 1975—Harold C. Taylor—W. E. Upjohn Institute for Community Research, 709 South Westnedge Avenue, Kalamazoo, Mich.

Product of Private Enterprise — Illustrated survey of Sweden—Swedish Chamber of Commerce of the U. S. A., 8 East 69th Street, New York 21, N. Y.—$1.25.

Public Relations Ideas in Action: 500 Tested Public Relations Programs and Techniques — Edited and compiled by Allen H. Center, Director of Public Relations, Motorola Inc. — McGraw-Hill, 327 West 41st St., New York 36, N. Y., $5.

Supplemental Unemployment Benefit Plans: Their Economic and Industrial Relations Implications—Michael T. Wermel and Geraldine M. Beideman—Industrial Relations Section, California Institute of Technology, Pasadena, Calif. (paper), $1.00.

Transport Development and Locomotive Technology in the Soviet Union—James H. Blackman—University of South Carolina, Bureau of Business and Economic Research, Columbia, S. C. (paper).

Wages and Related Benefits in 17 Labor Markets, 1955-56 — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue New York 1, N. Y.—50c.

Continued from page 4

The State of Trade and Industry

have been idled and at Chevrolet where 250 were laid off at the Willow Run plant on March 8. Ford truck volume also is being hurt.

Passenger car output, meanwhile, showed a slight gain the past week, the scheduled 141,324 volume comparing with the year's high of 147,163 recorded in the week of Feb. 4-9, according to "Ward's."

Chrysler Corp. garnered 20.8% of last week's auto assembly and according to early-March market studies is holding that position in industry new car sales.

On a cumulative basis, "Ward's" said, United States and Canada combined car and truck production is running slightly ahead of comparable 1956 levels and will reach the 2,000,000-unit mark this week.

Steel Production Set This Week at 93.5% of Capacity

Mills produced steel at 92% of capacity last week, a 3-point decline from the preceding week, "Steel" magazine reported on Monday last.

The metalworking weekly said that a further orderly decline is coming. It will result in an ingot rate closer to expected annual output. The rate is expected to drop below the 90s in April. It pointed out that this slowing down of steelmaking was anticipated.

Steelmakers look for a record 120,000,000 ton year which could be achieved by operating at an average of 90% of capacity. January and February averaged 97.3% of capacity, so operations during some of this year are expected to go below 90%.

There are assorted reasons for the drop this week, the third consecutive one of decline. Reduced demand for steel contributes to some of it. Labor troubles in a Buffalo mill and an eastern Ohio mill pulled steel production rates down there. Continuation of a strike at plants producing oxygen for steel mills also is hampering steel production, this trade weekly observed.

The publication said there is still a lot of surge in the economy. Metalworking industries in the second quarter plan capital spending totaling $1,600,000,000, 23% above the $1,300,000,000 spent in second quarter, 1956.

Five of the six metalworking industries expect capital spending to total more in the second quarter this year than it did in the second quarter of 1956. Primary iron and steelmakers estimate second quarter spending at $394,000,000, a 28% increase over the $306,000,000 of the second quarter, 1956. Nonferrous industries will spend $203,000,000 in the second quarter, a whopping 130% gain over 1956's second quarter figure of $88,000,000. Machinery builders (except electrical) expect to spend $353,000,000 in the second quarter, a 39% gain over the $254,000,000 of second quarter, 1956. Producers of electrical machinery and equipment will spend $169,000,000 in the second quarter, a 19% gain over 1956's second quarter figure, $142,000,000. Transportation equipment builders (excluding motor vehicles) estimate second quarter spending at $157,000,000, a 52% gain over the $103,000,000 spent in the second quarter, 1956.

The only downward estimate is in motor vehicles and equipment. Estimates at $355,000,000 are down 18% from the $431,000,000 of the second quarter of 1956.

The publication declared that steel prices continue to inch upward, and scrap prices are still declining.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry will be an average of 93.5% of capacity for the week beginning March 18, 1957, equivalent to 2,392,000 tons of ingot and steel for castings, as compared with 93.8% of capacity, and 2,401,000 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 97.8% and production 2,504,000 tons. A year ago the actual weekly production was placed at 2,449,000 tons or 99.5%. 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 Registered a Lower Trend Last Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, March 16, 1957, was estimated at 11,650,000,000 kwh., according to the Edison Electric Institute. This was a decline below that of the week before.

The past week's output dropped 217,000,000 kwh. under that of the previous week; it increased 448,000,000 kwh. or 4.0% above the comparable 1956 week and 1,836,000,000 kwh. over the week ended March 19, 1955.

Car Loadings Dip 4.5% Below Preceding Week

Loadings of revenue freight for the week ended March 9, 1957, declined by 31,598 cars or 4.5% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended March 9, 1957, totaled 672,386 cars, a decrease of 25,215 cars or 3.6% below the corresponding 1956 week, but an increase of 10,103 cars, or 1.5% above the corresponding week in 1955.

U. S. Automotive Output Marked By Gain of 2.9%

Automotive output for the latest week ended March 15, 1957, according to "Ward's Automotive Reports," in keeping with the strong tempo of the industry, lifted its car and truck production schedule by 2.9%.

Last week the industry assembled an estimated 141,324 cars, compared with 140,161 in the previous week. The past week's production total of cars and trucks amounted to 163,585 units, or an increase of 4,589 units above that of the preceding week's output, states "Ward's."

Last week's car output rose above that of the previous week by 1,163 cars, while truck output moved ahead by 3,426 vehicles during the week. In the corresponding week last year 131,207 cars and 23,739 trucks were assembled.

Last week the agency reported there were 22,261 trucks made in the United States. This compared with 18,835 in the previous week and 23,739 a year ago.

Canadian output last week was placed at 8,960 cars and 1,341 trucks. In the previous week Dominion plants built 8,749 cars and 1,309 trucks, and for the comparable 1956 week, 9,755 cars and 2,313 trucks.

Business Failures Eased in Latest Week

Commercial and industrial failures declined to 301 in the week ended March 14, from the postwar high of 327 in the preceding week, Dun & Bradstreet, Inc. reported. This toll was about even with the 300 a year ago but exceeded the 226 in 1955. Failures continued above the prewar level of 298 in the comparable week in 1939.

Wholesale Food Price Index Rose Moderately Above Prior Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., rose moderately to reach $6.12 on March 12 from $6.09 in the preceding week. It was 2.7% higher than the $5.96 of the similar period a year ago.

Higher in wholesale cost the past week were flour, corn, hams, bellies, cheese, sugar, cocoa, eggs, potatoes, steers, hogs and lambs. Commodities quoted lower were wheat, rye, oats, lard, milk, cottonseed oil, dried peas and raisins

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 Dips Below Level Of Preceding Week

Following an early upward movement, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., slipped slightly at the end of the week. It fell to 290.33 on March 8. On March 11 the index stood at 290.40, compared with 290.66 a week previous and with 282.44 a year ago.

Grain prices were irregular and held generally within narrow limits. Wheat prices rose fractionally and exports to Brazil totalled more than 9,000,000 bushels last week. There was a rise in exports of corn to Europe and prices climbed slightly.

Moderate price declines encouraged the buying of rye, as buyers anticipate a small crop again this year.

After subsiding early last week, world sugar trading rallied at the end of the period. The domestic market was quiet, and prices were close to those of the preceding week.

Following early gains, cocoa trading decreased at the end of the week. Prices slipped fractionally. Warehouse stocks of cocoa rose slightly to 285,595 bags from 284,862 bags a week earlier, but were below the 331,912 bags of a year ago. Lard futures declined moderately last week, despite some small lot buying. The market was sensitive to changes in vegetable oils. While February stocks of lard rose above those of January, they were noticeably less than those of February, 1956.

There was little change in hog prices last week. Western hog receipts were appreciably below those of last year. Steer prices rose substantially, with a continued great demand for choice and prime grades.

Domestic cotton prices fell moderately last week, reflecting an improvement in moisture conditions in growing areas and reports of additional soil bank cancellations.

According to the New York Cotton Exchange, export of cotton last week totaled about 206,000 bales, compared with 295,000 bales in the prior week and only 62,000 bales in the comparable week last year.

For the season through March 5, total cotton exports were estimated at 4,908,000 bales, compared with 900,000 bales in the similar period a year ago.

Trade Volume Showed Some Expansion Last Week But Was Moderately Under 1956 Level

Although consumer buying expanded somewhat the past week, total retail trade fell moderately below that of a year ago. There were year-to-year decreases in purchases of major appliances, apparel and linens, but sales of furniture slightly exceeded the comparable 1956 levels.

While volume in used passenger cars slipped below that of the preceding week, interest in new models climbed somewhat.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 5% to 1% below a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England, South Atlantic and Mountain —5 to —1; Middle Atlantic —7 to —3; East North Central and West South Central —6 to —2; West North Central —3 to +1; East South Central and Pacific Coast —4 to 0.

Purchases of men's and women's apparel were noticeably less than a year ago when Easter shopping was at a high level. However, Easter occurs on April 21 this year as compared with April 1, in 1956.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended March 9, 1957, decreased 10% from the like period last year. In the preceding week, March 2, 1957, a decrease of 5% (revised) was reported. For the four weeks ended March 9, 1957, a decrease of 1% was recorded. For the period Jan. 1, 1957 to March 9, 1957 a gain of 1% was registered above that of 1956.

Retail sales volume in New York City the past week declined 2% below the like week a year ago, due in part to the fact that Easter occurred on April 1 last year, and the current year it will fall on April 21, trade observers, report.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended March 9, 1957 declined 16% from the like period of last year. In the preceding week, March 2, 1957, no change was reported. For the four weeks ending March 9, 1957 an increase of 1% was registered. For the period of Jan. 1, 1957 to March 9, 1957 the index recorded a rise of 3% above that of the corresponding period in 1956.

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.

★ **Agricultural Equipment Corp.**
March 1 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To reduce obligation, purchase tools and for working capital. **Address**—P. O. Box 322, La Junta, Colo. **Underwriter**—Mountain States Securities Corp., Denver, Colo.

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 Art Metals Co.
March 1 (letter of notification) 30,000 shares of class A common stock (par $1). **Price**—$10 per share. **Proceeds**—For working capital. **Office**—433 Highland Ave., N. E., Atlanta, Ga. **Underwriter**—Johnson, Lane, Space & Co., Inc., Savannah, Ga.; and J. H. Hilsman & Co., Inc., Atlanta, Ga.

● **American Electronics, Inc. (3/22)**
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.**
Feb. 27 filed 109,208 shares of common stock (par $20) being 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 on April 3, 1957. **Price** — $25 per share. **Proceeds** — For working capital and general corporate purposes. **Underwriter**—Goldman, Sachs & Co., New York.

● **American Photocopy Equipment Co. (3/26)**
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**—Scheduled to be received up to 11:15 a.m. (EST) on March 26 at Room 2315, 195 Broadway, New York, N. Y.

★ **Applied Physics Corp.**
March 8 (letter of notification) 32,000 shares of common stock (par $1). **Price**—$9.25 per share. **Proceeds**—To retire demand notes payable and for working capital. **Office**—362 W. Colorado Street, Pasadena, Calif. **Underwriter**—Schwabacher & Co., San Francisco, Calif.

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.

★ **Babcock & Wilcox Co. (4/8)**
March 15 filed 535,148 shares of capital stock (par $9) to be offered for subscription by stockholders of record April 5, 1957, on the basis of one new share for each 10 shares held; rights will expire on April 22. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures and to finance increased inventories and accounts receivable. **Underwriter**—Morgan Stanley & Co., New York.

● **Baltimore Gas & Electric Co.**
Feb. 28 filed 577,883 shares of common stock (no par) being 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 April 3, 1957. **Price**—$31 per share. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—The First Boston Corp., New York.

Beautilite Co.
Dec. 28 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For partial payment for plant site; partial payment of obligation to Memorial Inc. and for working capital. **Office**—4718 W. 18th St., Houston, Tex. **Underwriter**—Benjamin & Co., Houston, Tex.

● **Bell & Howell Co., Chicago, Ill. (4/3)**
March 13 filed 100,000 shares of common stock (par $10). **Price**—To be related to current market price on the New York Stock Exchange immediately prior to offering. **Proceeds**—Together with proceeds from private sale of $4,000,000 25-year 4¾% subordinated convertible notes, for general corporate purposes. **Underwriters**—Harriman Ripley & Co. Inc. and Lazard Freres & Co., both of New York.

★ **Berkshire Gas Co. (4/8)**
March 8 (letter of notification) 20,000 shares of common stock (par $10) to be offered to common stockholders around April 8, 1957 on the basis of one new share for five shares held (with an oversubscription privilege); rights to expire on April 29, 1957. **Proceeds**—To retire an outstanding debt. **Office**—20 Elm St., Pittsfield, Mass. **Underwriter**—None.

● **Black Hills Power & Light Co. (3/26)**
March 7 filed 34,377 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 22, 1957 on the basis of one new share for each eight shares held (with an oversubscription privilege); rights to expire on April 9, 1957. **Price**—To be supplied by amendment. **Proceeds** — Together with funds from private sale of $750,000 5% first mortgage bonds, Series H, due May 15, 1987, for property additions and improvements and to repay bank loans. **Underwriter**—Dillon, Read & Co. Inc., New York.

Bluefield Supply Co., Bluefield, W. Va.
March 12 filed 149,925 shares of common stock (par $4) to be offered for subscription by common stockholders on the basis of three new shares for each ten shares held. **Price**—$17 per share. **Proceeds**—For advances to wholly-owned subsidiaries and for general corporate purposes. **Underwriter**—None.

Brunswig Drug Co., Vernon, Calif. (4/1)
March 11 filed 60,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To construct warehouse at Anaheim, Calif., to purchase inventories and for working capital. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

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 up to 9 a.m. (PST) on April 2 at Room 900, 433 So. Spring St., Las Angeles 13, Calif.

California Electric Power Co. (4/9)
March 11 filed $6,000,000 of first mortgage bonds due 1987. **Proceeds**—Together with proceeds from proposed sale of 300,000 shares of common stock, for property additions and improvements and 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 up to 8 a.m. (PST) on April 9 at Room 900, 433 So. Spring St., Los Angeles 13, Calif.

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.**
Feb. 15 filed 58,310 shares of common stock being 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.

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.

Colorado Central Power Co.
Feb. 27 filed 74,175 shares of common stock (par $5) being 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**—$22.50 per share. **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 Gas System, Inc. (4/3)**
March 8 filed 1,675,415 shares of common stock (no par) to be offered for subscription by common stockholders of record April 3, 1957, on the basis of one new share for each 13 shares held (with an oversubscription privilege); rights to expire on April 22. **Price**—To be fixed on April 2. **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 up to 11 a.m. (EST) April 3.

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 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.

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).

★ **Conticca International Corp., Chicago, Ill.**
March 13 filed 558,100 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds** — To discharge current notes payable, including bank loans, and long term debt in the total sum of approximately $1,030,000; for new equipment; and for working capital. **Underwriters**—Allen Shaw & Co., New York; and Shaw & Co., Can Marino, Calif.

★ **Cougar Mine Development Corp.**
March 15 (letter of notification) 560,000 shares of common stock (par one cent). **Price** — 50 cents per share. **Proceeds** — For diamond drilling on company's lands, prospecting expenses, working capital and other corporate purposes. **Office**—83 Campfield St., Irvington, N. J. **Underwriter**—Roth & Co., Maplewood, N. J.

★ **Crusader Life Insurance Co., Inc.**
March 7 (letter of notification) 1,820 shares of common stock (par $50). **Price**—$100 per share. **Proceeds**—For working capital. **Address**—P. O. Box 993, Kansas City, Kan. **Underwriter**—None.

Delaware Income Fund, Inc.
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.

● **Duval Sulphur & Potash Co.**
Feb. 21 filed 300,000 shares of capital stock (no par) being offered for subscription by stockholders of the basis of three new shares for each 10 shares held as of

March 14, 1957; rights to expire on April 8, 1957. **Price**—$25 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

● Eastern Utilities Associates
Feb. 18 filed 89,322 shares of common stock (par $10) being 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**—$30.50 per share. **Proceeds**—To purchase common and capital stocks of Blackstone Valley Gas & Electric Co., Brockton Edison Co. and Fall River Electric Light Co. **Underwriter**—Kidder, Peabody & Co.

● El Paso Natural Gas Co.
Feb. 26 filed 300,000 shares of $5 convertible second preferred stock, series of 1957 (no par), being offered for subscription by common and common B stockholders of record March 18, 1957, at a rate of one new preferred share for each 56 shares held; rights to expire on April 2. **Price**—$100 per share. **Proceeds** — To reduce bank loans and for new construction. **Underwriter** — White, Weld & Co., New York.

★ Epsco, Inc.
March 8 (letter of notification) 1,000 shares of common stock. **Price**—At market (estimated at $18 per share, as of Feb. 19, 1957). **Proceeds** — To go to Albert J. McLaughlin. **Office**—588 Commonwealth Avenue, Boston, Mass. **Underwriter**—None.

★ Equity Fund, Inc., Seattle, Wash.
March 18 filed 300,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

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.

● Falcon Seaboard Drilling Co. (3/28)
March 8 filed 300,000 shares of common stock (par $1.50). **Price**—To be supplied by amendment. **Proceeds**—To repay outstanding indebtedness, to acquire stock of D & D Drilling & Construction Co., S.A., and for general corporate purposes. **Office**—Tulsa, Okla. **Underwriter**—Dillon, Read & Co. Inc., New York.

Fischer & Porter Co., Hatboro, Pa.
Feb. 28 filed $3,200,000 of convertible subordinated sinking fund debentures due 1977. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including capital improvements and working capital. **Underwriter**—Hallowell, Sulzberger & Co., Philadelphia, Pa. **Offering**—Expected today (March 21).

★ Fisher Governor Co., Marshalltown, Iowa (4/3)
March 14 filed 369,600 shares of common stock (par $1), of which 184,800 shares are to be sold for the account of the company and 184,800 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Business**—Manufactures automatic control equipment. **Underwriter**—Glore, Forgan & Co., New York.

Flintkote Co. (4/3)
March 8 filed $10,000,000 of sinking fund debentures due April 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Lehman Brothers, New York.

Florida-Southern Land Co.
March 11 filed 600,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For construction of a 50-unit hotel-motel and various other related buildings and improvements; furniture and equipment; and working capital and other corporate purposes. **Office**—Tom's Harbor, Monroe County, Fla. **Underwriter**—Keystone Securities Co., Inc., Philadelphia, Pa.

Florida Telephone Corp.
Feb. 21 filed 128,918 shares of common stock (par $10) being 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** — $16.50 per share. **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.
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

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NEW ISSUE CALENDAR

March 21 (Thursday)

Southern Ry. ____ **Equip. Trust Ctfs.**
(Bids noon EST) $5,540,000

March 22 (Friday)

American Electronics, Inc. ____ **Common**
(Van Alstyne, Noel & Co. and Crowell, Weedon & Co.) 190,000 shares

Loyal American Life Insurance Co. ____ **Common**
(Offering to stockholders—underwritten by J. H. Goddard & Co., Inc. and Thornton, Mohr & Farish) 230,000 shares

March 25 (Monday)

Development Corp. of America ____ **Common**
(Sutro Bros. & Co. and Allen & Co.) $2,200,000

Metro, Inc. ____ **Debentures**
(Auchincloss, Parker & Redpath), $600,000

Mono RR. ____ **Equip. Trust Ctfs.**
(Bids noon CST) $1,050,000

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 Photocopy Equipment Co. ____ **Common**
(Lehman Brothers) 200,000 shares

American Telephone & Telegraph Co. ____ **Bonds**
(Bids 11:15 a.m. EST) $250,000,000

Black Hills Power & Light Co. ____ **Common**
(Offering to stockholders—underwritten by Dillon, Read & Co. Inc.) 34,377 shares

Houston Lighting & Power Co. ____ **Common**
(Offering to stockholders—no underwriting) 612,260 shares

Stouffer Corp. ____ **Common**
(Glore, Forgan & Co. and Fulton Reid & Co., Inc.) 245,270 shares

March 27 (Wednesday)

Denver & Rio Grande Western RR. **Equip. Trust Ctfs.**
(Bids noon MST) $4,800,000

Nyvatex Oil Corp. ____ **Common**
(Milton D. Blauner & Co., Inc.) $225,000

March 28 (Thursday)

Falcon Seaboard Drilling Co. ____ **Common**
(Dillon, Read & Co. Inc.) 300,000 shares

New Orleans Public Service Inc. ____ **Bonds**
(Bids 11:30 a.m. EST) $6,000,000

April 1 (Monday)

Brunswig Drug Co. ____ **Common**
(William R. Staats & Co.) 60,000 shares

Herold Radio & Electronics Corp. ____ **Preferred**
(Amos Treat & Co., Inc.) $800,000

April 2 (Tuesday)

California Electric Power Co. ____ **Common**
(Bids 9 a.m. PST) 300,000 shares

I-T-E Circuit Breaker Co. ____ **Debentures**
(Smith, Barney & Co. and C. C. Collings & Co., Inc.) $10,000,000

Revlon, Inc. ____ **Common**
(Reynolds & Co.) 241,020 shares

Reynolds Metals Co. ____ **Common**
(Offering to stockholders—underwritten by Dillon, Read & Co. Inc. and Reynolds & Co., Inc.) 914,078 shares

United States Foil Co. ____ **Class A common**
(Offering to stockholders—underwritten by Dillon, Read & Co. Inc. and Reynolds & Co. Inc.) 746,270 shares

Vitro Corp. of America ____ **Common**
(Offering to stockholders—underwritten by Blyth & Co. Inc.) 178,646 shares

Western Massachusetts Electric Co. ____ **Bonds**
(Bids 11 a.m. EST) $12,000,000

April 3 (Wednesday)

Bell & Howell Co. ____ **Common**
(Harriman Ripley & Co. Inc. and Lazard Freres & Co.) 100,000 shares

Columbia Gas System, Inc. ____ **Common**
(Offering to stockholders—Bids 11 a.m. EST) 1,675,415 shares

Fisher Governor Co. ____ **Common**
(Glore, Forgan & Co.) 369,600 shares

Flintkote Co. ____ **Debentures**
(Lehman Brothers) $10,000,000

National Lithium Corp. ____ **Common**
(Gearhart & Otis, Inc.) $3,900,000

Pittsburgh Rys. Co. ____ **Common**
(Offering to stockholders of Standard Gas & Electric Co. —without underwriting) 547,678 shares

Southeastern Public Service Co. ____ **Common**
(Offering to stockholders—underwritten by Bioren & Co.) 92,500 shares

Wrigley Properties, Inc. ____ **Common**
(Offering to security holders of ACF-Wrigley Stores, Inc. —underwritten by Allen & Co.) 2,069,150 shares

April 4 (Thursday)

Virginian Ry. ____ **Equip. Trust Ctfs.**
(Bids to be invited) $1,200,000

April 8 (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

Kaiser Industries Corp. ____ **Common**
(The First Boston Corp.; Dean Witter & Co.; and Carl M. Loeb, Rhoades & Co.) 750,000 shares

Katz Drug Co. ____ **Common**
(A. G. Becker & Co. Inc.) 50,000 shares

Lake Lauzon Mines, Ltd. ____ **Common**
(Steven Randall & Co., Inc.) $300,000

Overnite Transportation Co. ____ **Common**
(Scott, Horner & Mason, Inc.) 126,000 shares

April 9 (Tuesday)

California Electric Power Co. ____ **Bonds**
(Bids 8 a.m. PST) $6,000,000

High Authority of the European Coal and Steel Community ____ **Bonds and Notes**
(Kuhn, Loeb & Co., The First Boston Corp. and Lazard Freres & Co.) $35,000,000

April 10 (Wednesday)

Norfolk & Western Ry. ____ **Equip. Trust Ctfs.**
(Bids to be invited) $5,600,000

April 11 (Thursday)

Iowa Electric Light & Power Co. ____ **Common**
(The First Boston Corp. and G. H. Walker & Co.) 220,000 shares

Mississippi Power Co. ____ **Bonds**
(Bids 11 a.m. EST) $6,000,000

April 15 (Monday)

Aluminum Co. of Canada, Ltd. ____ **Debentures**
(The First Boston Corp. and Morgan Stanley & Co.) $125,000,000

Baltimore & Ohio RR. ____ **Equip. Trust Ctfs.**
(Bids to be invited) $3,585,000

United Artists Corp. ____ **Debentures & Common**
(F. Eberstadt & Co.) 350,000 shares of common stock —amount of debentures unannounced

April 16 (Tuesday)

Roxbury Carpet Co. ____ **Common**
(Paine, Webber, Jackson & Curtis) 175,000 to 200,000 shares

April 17 (Wednesday)

Standard Pressed Steel Co. ____ **Common**
(Kidder, Peabody & Co.) 190,000 shares

April 22 (Monday)

Houston Oil Field Material Co., Inc. ____ **Common**
(Shearson, Hammill & Co. and Underwood, Neuhaus & Co.) 200,000 shares

April 23 (Tuesday)

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

April 29 (Monday)

Associated Truck Lines, Inc. ____ **Class A common**
(Cruttenden, Podesta & Co.) 125,000 shares

May 1 (Wednesday)

Chicago, Milwaukee, St. Paul & Pacific RR. **Equip. Trust Ctfs.**
(Bids to be invited) $6,000,000

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

Monday (May 13)

General Aniline & Film Corp. ____ **Common**
(Bids 3:45 p.m. EDT) 426,988 A shares and 1,537,500 B shares

May 14 (Tuesday)

Chicago, Rock Island & Pacific Ry. **Equip. Trust Ctfs.**
(Bids to be invited) $3,000,000

May 15 (Wednesday)

El Paso Electric Co. ____ **Bonds**
(Bids to be invited) about $6,500,000

May 20 (Monday)

Public Service Co. of Colorado ____ **Bonds**
(Bids noon EDT) $30,000,000

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

New York Telephone Co. ____ **Bonds**
(Bids to be invited) $70,000,000

May 22 (Wednesday)

Washington Gas Light Co. ____ **Bonds**
(Bids to be invited) about $8,000,000

May 23 (Thursday)

Reading Co. ____ **Equip. Trust Ctfs.**
(Bids to be invited) $2,475,000

May 28 (Tuesday)

National Fuel Gas Co. ____ **Debentures**
(Bids 11:30 a.m. EST) $15,000,000

June 3 (Monday)

Government Employees Corp. ____ **Debentures**
(Johnston, Lemon & Co.) about $500,000

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 11 (Tuesday)

Consolidated Natural Gas Co. ____ **Debentures**
(Bids 11:30 a.m. EDT) $25,000,000

June 18 (Tuesday)

Southern Bell Telephone & Telegraph Co. ____ **Debs.**
(Bids to be invited) $70,000,000

October 1 (Tuesday)

Utah Power & Light Co. ____ **Bonds**
(Bids to be invited) $15,000,000

Utah Power & Light Co. ____ **Common**
(Bids to be invited) 400,000 shares

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working capital. **Office** — 1115 South Washington St., Marion, Ind. **Underwriter**—Sterling Securities Co., Los Angeles, Calif.

General Aniline & Film Corp., New York (5/13)
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 (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C.

General Credit, Inc., Washington, D. C.
Aug. 17 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working captal. **Underwriter** — None named. Offering to be made through selected dealers.

General Public Utilities Corp.
Feb. 6 filed 646,850 shares of common stock (par $5) being 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.] **Price**—$32 per share. **Proceeds**—To repay bank loans and for further investments in domestic subsidiaries. **Underwriter** — None. Merrill Lynch, Pierce, Fenner & Beane, New York, will act as clearing agent.

Gob Shops of America, Inc.
Jan. 21 (letter of notification) 240,000 shares of common stock (par 30 cents) of which 86,610 shares are being sold pursuant to outstanding warrants. **Price**—$1.25 per share. **Proceeds** — For additional discount department store operation; to increase the number of stores; and for working capital. **Office**—41 Stukely St., Providence, R. I. **Underwriter**—Bruns, Nordeman & Co., New York, N. Y.

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.

Herold Radio & Electronics Corp. (4/1-11)
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. **Offering**—Expected first or second week of April.

★ **High Authority of the European Coal and Steel Community (4/9)**
March 18 filed $25,000,000 of secured bonds (seventh series) due 1975 and $10,000,000 of serial secured notes (eighth series) due 1960-1962. **Price**—To be supplied by amendment. **Proceeds** — To make loans to firms in the Community for expansion of coal mines, coking plants, power plants and iron ore mines. **Underwriters**—Kuhn, Loeb & Co., The First Boston Corp. and Lazard Freres & Co., all of 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 being 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 April 6, 1957. Any unsubscribed shares plus the remaining 6,060 shares to be offered to employees, and the balance, if any, to the general public. **Price**—To stockholders, $24 per share; to employees, $28 per share; and to general public, at prevailing market price. **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 (with an oversubscription privilege); rights to expire on April 15. The remaining 53,500 shares are to be offered for subscription by employees. **Price** — $43 per share. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—None.

★ **Houston Oil Field Material Co., Inc. (4/22-26)**
March 15 filed 305,000 shares of common stock (par $1), of which 200,000 shares are to be offered publicly and 105,000 shares pursuant to company's restricted stock option plan for certain offices and key employees. **Price**—To be supplied by amendment. **Proceeds** — To retire $1,400,000 short-term bank loans, for capital requirements and working capital. **Office** — Houston, Tex. **Underwriters**—Shearson, Hammill & Co., New York; and Underwood, Neuhaus & Co., Houston, Texas.

Hub Oil Co., Denver, Colo.
Dec. 18 (letter of notification) 290,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To buy leases; for exploration and drilling. **Office**—413 First National Bank Bldg., Denver, Colo. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

International Bank of Washington, D. C.
Sept. 28 filed $1,000,000 of time certificates, series B, C and D. **Price**—At 100% of principal amount. **Proceeds**—For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

International Capital Corp., Des Moines, Iowa
Nov. 29 filed 370,000 shares of common stock (par 10 cents), of which 185,000 shares are to be offered by The Equity Corp. on a share-for-share basis in exchange for Equity Corp. common stock, and the remaining 185,000 shares by Financial General Corp. on a basis of 1⅔ shares of International common stock in exchange for one share of Financial common stock. Equity and Financial are to receive the 185,000 shares each of International common stock in exchange for all the outstanding shares of common stock of Investors Financial Corp. and Group Equities, Inc. International has been informed that 142,000 shares of Equity common owned by Fremont Corp. will be tendered in acceptance of the Equity exchange offer. **Underwriter**—None.

International Duplex Corp., San Francisco, Calif.
Dec. 21 filed 500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To equip and establish five super launderettes and for working capital. **Underwriters**—Names to be supplied by amendment.

★ **Iowa Electric Light & Power Co. (4/11)**
March 19 filed 220,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriters**—The First Boston Corp., New York; and G. H. Walker & Co., St. Louis, Mo.

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.

I-T-E Circuit Breaker Co. (4/2)
March 11 filed $10,000,000 of convertible subordinated debentures due April 1, 1982. **Price**—To be supplied by amendment. **Proceeds** — To reduce short-term bank loans. **Underwriters**—Smith, Barney & Co., New York, and C. C. Collings & Co., Inc., Philadelphia, Pa.

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.

★ **Katz Drug Co., Kansas City, Mo. (4/8-12)**
March 19 filed 50,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — For working capital. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

● **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 19, or for each share subject to purchase under such warrants. The subscription offer will expire four months from effective date of offering. **Price** — To stockholders, $3.25 per share; and to public, $4 per share. **Proceeds**—To equip and stock a warehouse and any new stores that may be acquired. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

★ **King's Crown Development Co.**
March 6 (letter of notification) 265,130 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For fees, advertising, promotion, construction of a motel and working capital. **Office**—705 Judge Building, Salt Lake City, Utah. **Underwriter**—None.

★ **Lake Lauzon Mines Ltd., Toronto, Can. (4/8-12)**
March 18 filed 750,000 shares of common stock (par $1). **Price**—40 cents per share. **Proceeds**—For drilling expenses, equipment, working capital and other corporate purposes. **Underwriter**—Steven Randall & Co., Inc., New York.

★ **Laure Exploration Co., Inc.**
Feb. 28 (letter of notification) 23,000 shares of common stock. **Price** — At par ($10 per share). **Proceeds** — For mining expenses. **Address**—P. O. Box 63, Arnett, Okla. **Underwriter**—None.

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.

Logren Aircraft Co., Inc., Torrance, Calif.
Marrh 5 (letter of notification) 194,180 shares of common stock (par $1). **Price**—$1.37½ per share. **Proceeds**—For working capital. **Office** — 2475A So. Crensnaw Blvd., Torrance, Calif. **Underwriter**—Daniel Reeves & Co., Beverly Hills, Calif.

● **Loyal American Life Insur. Co. (Inc. (3/22-25)**
Sept. 28 filed 230,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 18, 1957 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.

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.

McRae Tungsten Corp., Boise, Idaho
Nov. 30 (letter of notification) 100,000 shares of common stock (par one cent) and 100,000 stock purchase warrants (each two warrants to entitle holder thereof to purchase one share of Idaho Rare Minerals Corp. 6% cumulative convertible sinking fund preferred stock, par $10, and one share of Idaho Rare common stock, par one cent at $11 per unit). **Price**—$3 per unit, consisting of one McRae share and one warrant. **Proceeds** — For mining expenses. **Office**—c/o Robert J. McRae, 1704 Gourley St., Boise, Ida. **Underwriter**—Von Gemmingen & Co., Inc., 320 North Fourth St., St. Louis, Mo.

Mercantile Acceptance Corp. of Calif.
Feb. 27 (letter of notification) $11,400 of 12-year 5½% subordinate capital debentures. **Price**—100% of principal amount. **Proceeds** — For working capital. **Office** — 333 Montgomery St., San Francisco, Calif. **Underwriter**—Guardian Securities Corp., San Francisco, Calif.

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.
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.

★ **Mississippi Power Co. (4/11)**
March 15 filed $6,000,000 of first mortgage bonds due April 1, 1987. **Proceeds**—For construction program. **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**—To be received up to 11 a.m. (EST) on April 11, at office of Southern Services, Inc., Room 1600, 250 Park Avenue, New York 17, N. Y.

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.

★ **National Bankers Life Insurance Co.**
Feb. 28 (letter of notification) 156,560 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For reimbursement of treasury for monies paid out in connection with a recapitalization. **Office**—4703 Ross Avenue, Dallas 4, Texas. **Underwriter**—None.

National Fidelity Insurance Co.
Nov. 30 (letter of notification) 33,000 shares of common stock (par $1.25) to be offered to stockholders on the basis of one share for each seven shares held. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—314 Pine St., Spartanburg, N. C. **Underwriter**—None.

● **National Lithium Corp., New York (4/3)**
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.**
Feb. 25 (letter of notification) 9,778 shares of common stock (par $10) being offered for subscription by common stockholders of record March 7, 1957, on the basis of one new share for each 20 shares held (with an oversubscription privilege); rights to expire on April 1, 1957. **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
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.

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.

★ **November Corp., Lindenhurst, N. Y.**
March 15 (letter of notification) 100,000 shares of class B stock. **Price**—At par ($1 per share). **Proceeds**—For investments, working capital, etc. **Office** — 568 West Hoffman Ave., Lindenhurst, N. Y. **Underwriter**—None.

● **Nyvatex Oil Corp. (3/27)**
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.

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.

★ **Overnite Transportation Co., Richmond, Va. (4/8-12)**
March 19 filed 126,000 shares of common stock (par 50 cents). **Price** — $13.30 per share. **Proceeds** — To selling stockholders. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

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.

● **Pittsburgh Rys. Co., Pittsburgh, Pa. (4/3)**
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 as of April 2, 1957. The subscription period will expire on April 24. **Price**—$6 per share. **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.

★ **Prudential Investors, Inc.**
March 1 (letter of notification) $250,000 of three-year 8% series A debentures. **Price** — At face amount (in units of $500 and multiples thereof). **Proceeds** — For general corporate purposes. **Office**—1012 14th Street, N. W., Washington, D. C. **Underwriter**—None.

Pyramid Productions, Inc., New York
Sept. 27 filed 220,000 shares of common stock (par $1), of which 200,000 shares are to be offered to public and 20,000 shares issued to underwriter. **Price**—$5 per share. **Proceeds**—To retire $125,000 of outstanding 15% debentures as well as a $173,180 debt to Trans-Union Productions, Inc.; and for working capital. **Business**—Television releases. **Underwriter**—E. L. Aaron & Co., New York.

★ **Quebec Natural Gas Corp.**
March 15 filed $25,000,000 of first mortgage bonds due 1980. **Price**—To be supplied by amendment. **Proceeds**—To acquire gas distribution and other related facilities in Montreal, Canada, from Quebec Hydro-Electric Commission. **Underwriters** — Lehman Brothers and Allen & Co. in the United States; and Nesbitt Thomson & Co., Ltd.; Wood, Gundy & Co., Ltd. and Osler, Hammond & Nanton, Ltd. in Canada. **Offering**—Expected some time in April.

★ **Quebec Natural Gas Corp.**
March 15 filed $15,000,000 of subordinated debentures due 1985 and 750,000 shares of common stock (par $1) to be offered in units of $500 of debentures and 25 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—To acquire properties from Quebec Hydro-Electric Commission. **Underwriters**—Lehman Brothers and Allen & Co., in the United States; and Nesbitt Thomson & Co., Ltd.; Wood, Gundy & Co., Ltd. and Osler, Hammond & Nanton, Ltd. in Canada. **Offering**—Expected some time in April.

● **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. **Offering**—Postponed indefinitely.

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.

Revlon, Inc., New York City (4/2)
March 11 filed 241,020 shares of common stock (par $1), into which a like number of presently outstanding shares of class B common stock will be converted. **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Underwriter**—Reynolds & Co., New York.

Reynolds Metals Co. (4/2)
March 12 filed 914,078 shares of common stock (par $1) to be offered for subscription by common stockholders of record April 2, 1957 on the basis of one new share for each 11 shares held; rights to expire on or about April 16, 1957. **Price**—To be supplied by amendment. **Proceeds** — For expansion program. **Underwriters** — Dillon, Read & Co. Inc. and Reynolds & Co., Inc., both of New York.

Roberts Co., Sanford, N. C.
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. **Offering**—Expected this week.

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.

● **Savannah Electric & Power Co.**
Feb. 21 filed 163,334 shares of common stock (par $5), being 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. **Price**—$18 per share. **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.

★ **Southeastern Public Service Co. (4/3)**
March 15 filed 92,500 shares of common stock (par 10 cents), to be offered for subscription by common stockholders of record April 3, 1957, on the basis of one new share for each 10 shares held; rights to expire on April 23. **Price**—To be supplied by amendment. **Proceeds**—For investments in subsidiaries and other corporate purposes. **Underwriter** — Bioren & Co., New York and Philadelphia, Pa.

Southern Co.
Feb. 15 filed 1,507,304 shares of common stock (par $5) being 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. Subscription warrants to be mailed on March 15. **Price**—$20 per share. **Underwriter**—The First Boston Corp. was awarded the issue on March 13, on its bid for a compensation of 8.956 cents per share.

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.

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.**
Feb. 18 filed 135,315 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of one new share for each three shares held as of March 19, 1957 (with an oversubscription privilege); rights to expire on April 2. **Price** — $7.50 per share. **Proceeds** — Together with bank loans, for construction program. **Underwriter**—White, Weld & Co., New York.

● **Stouffer Corp., Cleveland, Ohio (3/26)**
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**—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.

Stuart Hall Co., Inc.
March 5 (letter of notification) 40,000 shares of common stock (par $1). **Price**—$6.75 per share. **Proceeds**—For working capital. **Office**—121 W. 20th St., Kansas City, Mo. **Underwriter**—White & Co., St. Louis, Mo.

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.

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Thermoray Corp.
June 29 (letter of notification) 330,000 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.

★ **Toensneier Adjustment Service Co.**
March 6 (letter of notification) 1,000 shares of non-voting preference common stock. **Price**—At par ($25 per share). **Underwriter**—None.

Transition Metals & Chemicals, Inc.
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.

Tripac Engineering Corp.
Feb. 27 (letter of notification) 100,000 shares of class A common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital; machine tools; equipment and proprietary development. **Office** — 4932 St. Elmo Ave., Bethesda 14, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Tri-State Rock Material Corp., Leesburg, Va.
Nov. 28 filed 500,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($1.50 per share). **Proceeds** — For asphalt plant, equipment, working capital and other corporate purposes. **Underwriter**—None.

Turf Paradise, Inc., Phoenix, Ariz.
Jan. 11 filed 50,000 shares of common stock (par $10) to be first offered for subscription by common and preferred stockholders. **Price**—$15 per share. **Proceeds**—To retire issued and outstanding preferred stock. **Underwriter**—None.

United 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 Foil Co. (4/2)
March 12 filed 746,270 shares of class A common stock (par $1) to be offered for subscription by class A and class B common stockholders of record on or about April 2, 1957 on the basis of one class A share for each seven class A and/or class B shares held; rights to expire on April 16, 1957. **Price**—To be supplied by amendment. **Proceeds**—For retirement of 7% cumulative preferred stock and for subscription to proposed new stock offering to be made by Reynolds Metals Co., in which latter company United States Foil Co. and Reynolds Corp. owns a 50.7% stock interest. **Underwriters**—Dillon, Read & Co. Inc. and Reynolds & Co., Inc., both of New York.

Vanderbilt Mutual Fund, Inc., Los Angeles, Calif.
Dec. 31 filed 50,000 shares of common stock (par $1). **Price**—At market. **Proceeds** — For investment. **Underwriter**—Vanderbilt Mutual Fund Management Corp., 458 So. Spring St., Los Angeles 13, Calif.

Venezuela Diamond Mines, Inc., Miami, Fla.
Aug. 31 filed 1,500,000 shares of common stock. **Price**—At par (20 cents per share). **Proceeds**—For exploration and mining operations in Venezuela. **Underwriter**—Columbia Securities Co., Inc., of Florida (name changed to Alfred D. Laurence & Co.), Miami, Fla.

Venezuelan Sulphur Corp. of America (N. Y.)
Jan. 29 filed 150,000 shares of common stock (par 50 cents). **Price**—At market, but not less than $3 per share. **Proceeds**—For mining operations. **Underwriter**—None.

● **Vitro Corp. of America (4/2)**
March 13 filed 178,646 shares of common stock (par 50 cents) to be offered for subscription by common stockholders at the rate of one new share for each five shares held as of April 2; rights to expire on April 16. **Price**—To be supplied by amendment. **Proceeds**—To be used initially to reduce bank borrowings. **Underwriter**—Blyth & Co., Inc., New York.

West Penn Power Co.
Feb. 19 filed an unspecified number of shares of common stock (no par) to be offered for subscription by common stockholders (other than the parent, West Penn Electric Co.) of record on or about March 21, 1957; rights to expire on or about April 16. The number of shares will be not more than 251,606 (on a 1-for-14 basis) nor less than 234,832 (on a 1-for-15 basis). **Price**—It is estimated that the offering price will be not less than $48 nor more than $53 per share. **Proceeds**—About $12,000,000—to be used for construction program. **Underwriter**—None. West Penn Electric Co., the parent, owner of 3,346,367 shares, or approximately 95%, of the outstanding West Penn Power Co. common stock, has agreed to purchase all of the shares not subscribed for by public stockholders.

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. (4/2)
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). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on April 2 at Room 918, 201 Devonshire St., Boston, Mass.

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., Bache & Co., New York, N. Y.; and Grimm & Co., Orlando, Fla.

Worcester County Electric Co.
March 1 (letter of notification) 597 shares of common stock (par $25) to be offered to 89 stockholders on the basis of one new share for each six shares held. **Price**—$55 per share. **Proceeds**—To repay note payable and for working capital. **Underwriter**—None.

● **Wrigley Properties, Inc., Detroit, Mich. (4/3)**
March 6 filed 2,069,159 shares of common stock (par $1) to be offered for subscription by security holders of ACF-Wrigley Stores, Inc. on the following basis: 1,816,909 shares on the basis of one share for each two shares of ACF-Wrigley common stock held; 120,000 shares on the basis of 30 shares for each $1,000 of debentures held; 57,250 shares to be offered holders of options to purchase ACF-Wrigley common stock; and 75,000 shares to holders of common stock subscription warrants of ACF-Wrigley. **Price**—$2 per share. **Proceeds**—To acquire, develop and operate warehouses, shopping centers and store locations. **Underwriter**—Allen & Co., New York.

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 April.

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.

Aluminum Co. of Canada, Ltd. (4/15-19)
March 12 it was announced company plans to file a registration statement with the SEC later this month covering a proposed issue of $125,000,000 debentures (payable in U. S. dollars). **Proceeds**—To repay bank borrowings and for plant expansion. **Underwriters**—The First Boston Corp. and Morgan Stanley & Co., both of New York.

American Fletcher National Bank & Trust Co.
March 11 it was announced bank plans to offer to its stockholders the right to subscribe for 100,000 additional shares of capital stock (par $10) at rate of one new share for each four shares held March 20; rights to expire on April 8. Stockholders on March 21 will vote on increasing the authorized capital stock to 500,000 shares. **Proceeds**—To increase capital and surplus accounts. **Underwriters**—The First Boston Corp., New York; and City Securities Corp., Indianapolis Bond & Share Corp. and Collett & Co., all of Indianapolis, Ind.

● **American Trust Co., New York**
March 8 it was announced bank will offer to its stockholders the right to subscribe for 50,000 additional shares of capital stock on the basis of one new share for each five shares held as of Jan. 21; rights expire on April 30. **Price**—At par ($10 per share). **Proceeds**—For expansion program. **Underwriter**—None. Harvey L. Schwamm and his associates, who acquired control in 1950, will purchase any unsubscribed shares.

● **Associated Truck Lines, Inc. (4/29-5/3)**
March 13 it was announced sale of 125,000 shares of class A common stock (par $3) is planned the latter part of April or early in May. Of the total 50,000 shares will be sold by company and 75,000 shares by selling stockholders. **Price** — $10 per share. **Proceeds** — For general corporate purposes. **Business**—A short haul motor common carrier operating over 3,000 miles or routes in Illinois, Indiana, Michigan and Ohio. **Office**—Grand Rapids, Mich. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

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.

★ **Boston Edison Co.**
March 19 it was announced that company may issue and sell $25,000,000 of first mortgage bonds. Stockholders to vote April 30 on approving proposed new financing. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Harriman Ripley & Co. Inc.; White, Weld & Co.

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.

★ **Carolina Pipe Line Co.**
March 11 it was reported company plans to construct a pipe line in South Carolina at an estimated cost of about $3,700,000. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

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, Milwaukee, St. Paul & Pacific RR. (5/1)
Bids are expected to be received by this company on May 1 for the purchase from it of $6,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago, Rock Island & Pacific Ry. (5/14)
Bids are expected to be received by this company on May 14 for the purchase from it of $3,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Cincinnati Gas & Electric Co. (5/7)**
March 18 it was reported company plans to issue and sell $25,000,000 to $30,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co., and White, Weld & Co. (jointly); Blyth & Co., Inc., and The First Boston Corp. (jointly); Morgan Stanley & Co. and W. E. Hutton & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly). **Bids**—Tentative scheduled for May 7.

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.**
March 6 it was reported the company plans to offer publicly $7,800,000 of interim notes and 678,900 shares of $1 par stock in units. (Common stock not sold in units would be purchased by Delhi-Taylor Oil Corp., or its stockholders at an average price of $10 per share.) **Proceeds**—Together with funds from private sale of $40,000,000, for construction program. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

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 1,675,415 shares of common stock to stockholders (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. (6/11)
Feb. 11 it was announced company plans to issue and sell a total amount if $50,000,000 25-year debentures this year, viz.: $25,000,000 in June and $25,000,000 in the Fall. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson and Curtis (jointly); Morgan, Stanley & Co. and the First Boston Corp. (jointly). **Bids**—To be received up to 11:30 a.m. (EDT) on June 11.

Denver & Rio Grande Western RR. (3/27)
Bids will be received by this company up to noon (MST) on March 27 for the purchase from it of $4,800,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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). **Bids**—Expected to be received on May 15.

★ **Empire District Electric Co.**
March 14, D. C. McKee, President, announced company plans to issue and sell some additional bonds this year. **Proceeds**—To retire bank loans ($2,200,000 at Dec. 31, 1956) and for construction program. **Underwriters**—Previous bond financing was done privately.

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 & 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.

★ **Government Employees Corp. (6/3)**
March 12 it was announced company plans to offer to common stockholders about June 3 the right to subscribe for approximately $500,000 of convertible capital debentures due 1967. **Underwriters**—Johnston, Lemon & Co., Washington, D. C.

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.

★ **Hilo Electric Light Co., Ltd. (Hawaii)**
March 9 it was announced company plans to issue and sell $2,000,000 of first mortgage bonds, series F, at an interest rate not to exceed 6%. Previous bond financing was done privately.

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.**
March 6 it was reported that company plans to offer publicly $22,405,556 of 5½% interim notes (convertible into preferred stock) and $18,241,944 of common stock in units. Part of common stock will be offered to present stockholders at $10 per share. **Proceeds**—For construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

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-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.

★ **Iowa Power & Light Co.**
March 8 it was announced stockholders will vote April 10 on approving the creation of a new issue of 50,000 shares of preferred stock (par $100). **Underwriter** — Smith, Barney & Co., New York.

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 Corp.
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.

● **Kaiser Industries Corp. (4/8-12)**
March 13 it was reported registration is expected in near future of 750,000 shares of common stock (par $4). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriters** — The First Boston Corp., New York; Dean Witter & Co., San Francisco, Calif.; and Carl M. Loeb, Rhoades & Co., 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.

Louisville & Nashville RR.
Bids are expected to be received by the company some time in the Fall for the purchase from it of $14,400,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

Monon RR. (3/25)
Bids will be received by the company at Room 1400, 608 So. Dearborn Street, Chicago 5, Ill., up to noon (CST) on March 25 for the purchase from it of $1,050,000 equipment trust certificates to be dated Nov. 15, 1956 and to mature in 15 equal annual instalments from Nov. 15, 1957 to and including Nov. 15, 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Blair & Co. Incorporated; Salomon Bros. & Hutzler.

★ **Montana-Dakota Utilities Co.**
March 14 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds or convertible debentures before June 30, 1957. **Underwriter**—To be

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determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Blair & Co., Incorporated.

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**—May be 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 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).

★ New York Telephone Co. (5/21)
March 18 it was announced company plans to issue and sell $70,000,000 of refunding mortgage bonds. **Proceeds**—To retire short-term borrowings. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Scheduled to be received on May 21.

Norfolk & Western Ry. (4/10)
Bids are expected to be received by this company on April 10 for the purchase from it of $6,600,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• Northern Natural Gas Co.
March 6 it was announced company plans to issue some debentures and preferred stock this year. **Proceeds**—To repay bank loans ($18,750,000 at Dec. 31, 1956). **Underwriter** — Blyth & Co., Inc., New York and San Francisco.

Northern Ontario Natural Gas Co., Ltd.
March 1 it was reported company plans to issue and sell some notes and common stock in units. **Proceeds**—About $10,500,000, together with private financing, to be used for new construction. **Underwriters** — Hemphill, Noyes & Co. and Bear, Stearns & Co., both of New York, to head group in United States. **Offering**—Expected in April.

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.

Peninsular Telephone Co.
March 6 it was announced company plans to offer to its common stockholders not over 189,844 additional shares of common stock. **Proceeds**—Together with funds from proposed bond sale, to finance new construction. **Underwriters**—Morgan Stanley & Co. and Coggeshall & Hicks, both of New York City.

Pennsylvania Electric Co.
Sept. 12 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.

Philadelphia Electric Co.
Feb. 14 it was announced company plans to offer about 600,000 shares of common stock to its stockholders about the middle of the year on a basis of one new share for each 20 shares held. **Proceeds** — For construction program. **Dealer-Managers** — Drexel & Co., Philadelphia, Pa., and Morgan Stanley & Co., New York, N. Y.

Philadelphia Electric Co.
Feb. 14 it was also announced company plans to issue and sell in the second half of 1957 additional first mortgage bonds. **Proceeds**—For expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Morgan Stanley & Co. and Drexel & Co. (jointly).

Portland Gas & Coke Co.
Feb. 1 was reported company plans offering, probably first to common stockholders, of additional common stock later this year. **Underwriting**—May be on a negotiated basis.

★ Portland General Electric Co.
March 13 it was announced company plans to issue and sell 300,000 shares of common stock in April or May. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

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 (5/20)
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 up to noon (EDT) on May 20.

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.

Reading Co. (5/23)
Bids are expected to be received by this company on May 23 for the purchase from it of $2,475,000 equipment trust certificates, due semi-annually, from July 1, 1957, to Jan. 1, 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Roxbury Carpet Co. (4/16-17)
March 18 it was reported company expects to register about March 27 or March 28 a total of 175,000 to 200,000 shares of common stock, of which 50,000 shares will be sold for company's account and balance for selling stockholders. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

South Carolina Electric & Gas Co.
Jan. 14 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. **Bids**—Not expected to be received until next Fall.

Southern 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 Ry. (3/21)
Bids will be received by the company up to noon (EST) on March 21 for the purchase from it of $3,540,000 equipment trust certificates, series WW, due semi-annually to Jan. 15, 1967. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Standard Pressed Steel Co. (4/17)
March 15 it was reported company plans to issue and sell 190,000 shares of common stock. **Proceeds**—For expansion. **Underwriter** — Kidder, Peabody & Co., New York.

Sundstrand Machine Tool Co.
March 11 it was reported company may do some equity financing in April (first to stockholders). **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co.

★ Tampa Electric Co.
March 18 it was reported company plans to issue and sell about $18,000,000 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.; Goldman, Sachs & Co.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received some time in July.

★ Tampa Electric Co.
March 18 it was reported company plans to issue and sell about 217,000 additional shares of common stock in 1957 (probably first to common stockholders). **Dealer-Manager**—Goldman, Sachs & Co., New York.

Texas Electric Service Co.
Jan. 2 it was announced company expects to sell new securities during 1957 to obtain capital for its continuing plant expansion. **Underwriter** — For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); The First Boston Corp.; Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Lehman Brothers (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly).

Thorp Finance Corp.
Jan. 30 it was reported company plans to issue and sell locally 10,000 additional shares of 5% preferred stock and to sell generally some additional common stock during 1957. **Price**—Of preferred, $102 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Emch & Co. and The Marshall Co., both of Milwaukee, Wis.

TMT Trailer Ferry, Inc.
Jan. 21 it was reported corporation is considering public financing, but details have not as yet been determined. **Financial Adviser**—Salomon Bros. & Hutzler, New York.

Transcontinental Gas Pipe Line Corp.
Jan. 8 it was reported that company plans to sell some additional preferred stock and bonds in order to raise part of the cost of its $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. (4/15-19)
March 20 it was announced company plans to offer publicly some 6% convertible debentures due 1969 and 350,000 shares of common stock, of which 100,000 shares are to be marketed for account of the management group. **Proceeds**—To retire certain debt and to increase working capital to finance expanding independent film production. **Underwriter**—F. Eberstadt & Co., New York.

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.

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.

★ Utah Power & Light Co. (10/1)
March 12 it was announced company plans to issue and sell about $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.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. **Bids** — Tentatively scheduled to be received on Oct. 1.

★ Utah Power & Light Co. (10/1)
March 12 it was also announced company plans to offer to the public 400,000 shares of common stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. **Bids**—Tentatively scheduled to be received on Oct. 1.

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.

Virginia Electric & Power Co.
March 8 it was announced company, in addition to proposal to raise late this Spring $22,000,000 through the sale of additional common stock, plans also to sell in the Fall $20,000,000 of debt securities. Probable bidders for bonds may include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; White, Weld & Co.

★ Virginian Ry. (4/4)
Bids will be received by this company on Apirl 4 for the purchase from it of $1,200,000 equipment trust certificates dated April 15, 1957 and due annually from 1958 to 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Baxter & Co.; R. W. Pressprich & Co.

Washington Gas Light Co. (5/22)
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. **Bids**—Expected to be received on May 22.

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.

White (S. S.) Dental Manufacturing Co.
March 11 it was reported company is considering some long-term financing. **Underwriter**—Drexel & Co., Philadelphia, Pa.

Our Reporter's Report

Whether or not it is a mere temporary adjustment, evidence of slight easing in parts of the money market is welcomed in the new issue market. Few regard the current markdown in cost, notably on bankers' bills and Treasury short-terms as a harbinger of any general cutback in interest rates.

But the development is regarded as probably indicating a tendency to level off somewhere in this area. Meantime, reports on recent offering show these have been moving out decidedly well to investors.

And this holds true in the case of debt issues carrying conversion privileges such as Consolidated Edison Co. of N. Y.'s recent offering of $54,827,500 of debentures.

Shareholders of the company, who had first call on this offering, took down more than 96% of the total on subscriptions, leaving only about $1.7 million not taken on "rights."

It was calculated that the loss to holders who failed to take up their subscriptions ran to something around $150,000.

While several substantial debt offerings reached market during the week, the outpouring of equities, as a means of raising new capital, continued to dominate the corporate field. Among the largest of the latter was a secondary 150,000 shares of common of United States Borax & Chemical Corp sold for stockholders.

Bidding Is Close

When Appalachian Electric Power Co. got around to opening bids on its $29 million of first mortgage, 30-year bonds this week, it found bankers thinking pretty much in similar terms as regarded their tenders for the issue.

The successful group paid the company a price of 100.58 for the bonds specifying a 4⅝% coupon. The reoffering price was fixed at 101.22 for an indicated yield of 4.55%. And at this level the issue appeared to be attracting good buyer interest.

The situation was helped of course by the closeness of banking bids. The second group fixing the same coupon rate, sought the bonds on a bid that was only 10 cents per $100 or $1 per $1,000 below the winner. Even the lowest of four bids was only $2.30 per $1,000 under the best.

Big ATT Issue Due

Next week's run of new offerings will be dominated, of course, by American Telephone & Telegraph Co.'s impending offering of $250 million of 28-year debentures, largest undertaking to reach the market this year.

It will put the big communications company in funds to meet requirements of its affiliated operating companies and to take up stock being issued by such units.

As usual it appears that bidding for this business will divide the investment banking fraternity into two distinct aggregations, because of the underwriting capital required to handle it.

New Peg's in Demand

Reports from dealer circles indicated that the new Public Service Electric & Gas Corp. bond issue had aroused good preliminary inquiry on the part of institutional investors.

The successful bidders paid the company a price of 100.6199 for a 4½% coupon and planned to reoffer publicly at 101.372 for an indicated yield of 4.52%.

The winning bid was only about 40 cents per $1,000 above that of the runners-up. Demand centered principally among savings banks, pension funds and smaller insurance companies.

European Coal and Steel Community Registers $35,000,000 Bonds and Notes With SEC

First public offering of Community's securities in this country to be underwritten by Kuhn, Loeb & Co., First Boston Corp., Lazard Freres & Co. group.

Rene Mayer, President of the High Authority of the European Coal and Steel Community, has announced that the High Authority has filed with the Securities and Exchange Commission a registration statement covering a proposed public offering of $25,000,000 of Secured Bonds due 1975, and $10,000,000 of Serial Secured Notes due 1960-1962. The offering will be the first public financing by the Community in the United States and is scheduled to be made on April 9. It will be underwritten by a group of investment banking firms headed by Kuhn, Loeb & Co., The First Boston Corporation and Lazard Freres & Co. The High Authority may, in lieu of selling all or any part of the Serial Notes, borrow a like amount from banks on comparable terms.

The European Coal and Steel Community was established in 1952 by a Treaty entered into by Belgium, France, the Federal Republic of Germany, Italy, Luxembourg and the Netherlands. By the Treaty, the member countries ceded to the Community certain sovereign powers in the coal and steel sectors of their economies, including the power to impose a levy on the coal and steel production in the Community, the first example of a European rather than a national tax.

The Community is separate from both the member countries and from the coal and steel enterprises. Its responsibility is to create and maintain within the six member countries a single, common market for coal and steel free from national customs duties and other interference with free competitive conditions within that market. The Community as such does not deal in coal or iron or steel products. The common market is already a reality and there are no longer within the Community any national customs frontiers, currency frontiers or railroad frontiers for coal, coke, iron, ore, scrap or steel.

The Community is one of the world's major coal and steel producing areas and last year the enterprises in the Community produced 57,000,000 metric tons of crude steel and 249,000,000 metric tons of coal, which compared with production of 104,300,000 metric tons and 483,500,000 metric tons, respectively, in the United States. The High Authority, consisting of nine members, is the executive branch of the Community and is charged with carrying out the purposes of the Community.

The High Authority is responsible for facilitating the financing of capital investment programs of coal and steel enterprises designed to improve productivity and increase production. It also is empowered to borrow funds and make loans to the enterprises for such purposes.

The High Authority's outstanding obligations amount to the equivalent of approximately $129,000,000. These comprise $100,000,000 borrowed in 1954 from the United States Government through the Export-Import Bank on 3⅞% secured notes due 1979; and the equivalent of about $12,000,000 on 4¼% secured notes offered for public subscription in Switzerland in July 1956 and $17,000,000 borrowed on secured notes from banks in Belgium, Germany, Luxembourg and the Saar. All of the High Authority's borrowings are made pursuant to and equally secured by an Act of Pledge entered into by the High Authority with the Bank for International Settlements in Basle, Switzerland, which holds, as depositary, the loans made by the High Authority to the enterprises.

Securities Salesman's Corner

By JOHN DUTTON

"People Are Funny That Way!"

Some random thoughts picked up from here and there during a long time selling securities to lots of different people—and talking with other salesmen! Maybe a few of these philosophic gems will be of help to you neophytes and old sour-doughs.

* * *

Many years ago a friend of mine who was selling an investment advisory service was called into the main office in New York and, with the rest of the salesmen, was introduced to a most elaborate series of charts that could be placed on an easel and used to sell this service. The producers of this masterpiece put much time, effort, and expense into it. It was so valuable (they thought) they asked each salesman for a $100 deposit when they took it out into the territory to show to prospects.

My friend tried it for two weeks and didn't make a sale. He discovered that since the charts showed people how they could make a profit if they followed the advice of the service that PEOPLE IMMEDIATELY THOUGHT OF LOSS WHEN THEY WERE EXPOSED TO THE IDEA OF PROFIT. He turned the thing back, got his hundred and began to talk benefits, such as safety, and the protection of capital (not profits) and he did business. Talk profit, and people think of loss. Sometimes elaborate sales ammunition can be a handicap rather than a help.

* * *

Many people will not appreciate an investment unless you make them do so. We take the things people do for us for granted. We take our wives for granted, also the things they do for us. Wives and children also take the "old man" for granted. If you want radiation from customers who have made a good investment you must call it to their attention. Most people take everything for granted that comes to them—they have to be shown the value of good things even after they have acquired them.

* * *

Brain washing goes on all the time. Money depreciates in buying power and people think prices have gone up, but their money has lost its value.

* * *

An investment that pays 6% per annum can depreciate over 30% in ten years and still be as good as one that pays 3% and does not increase or decrease in value. Even with a stable dollar this is true. (Who said stable dollar?)

People who are retired invest primarily because they seek safety of their capital—hence the billions in low paying savings accounts and bonds. If you can convince the majority of people that they can increase their income without fear of loss of their capital you have a powerful selling argument for securities and the Funds. Market fluctuations are of little interest to the people who have money in savings accounts and government bonds. The less you say about UP AND DOWN in the investment business the more business you will do with retired people.

* * *

Go where the business is. Spend more time hunting prospects that are qualified.

* * *

The man who becomes over-elated over a big sale today and worried when business becomes slow is in an emotional state that needs correction.

* * *

Most people have a strong, acquisitive nature. They buy investments to satisfy this need, and to try and obtain a feeling of security. Fear is a strong motivator—so is greed.

* * *

Don't let your customers sell stocks and go into cash. Many of them don't have the stamina to stay in cash even when prudence indicates such a policy. Put them into short-term bonds if you have to do so—but beware a cash position—some "sure thing" salesman is likely to come along, and you are liable to lose a customer, and the customers may lose the benefits your temporary cash position would have gained for them. Greed causes most amateur speculators to buy when stocks are high—fear causes them to sell when the markets are falling.

* * *

Never brag about your victories—you'll have plenty of time to regret it when your mistakes catch up with you.

* * *

Intelligent effort directed into constructive sales interviews brings business—not hard work. *Head work and hard work* are both indispensable to success.

Joins La Montagne

(Special to THE FINANCIAL CHRONICLE)

PALO ALTO, Calif. — Peter P. S. Baird is now with La Montagne & Co., 71 Stanford Shopping Center.

Fund Cash-ins Decline in Feb.

Redemptions of shares by investors in the 136 open-end investment company (mutual fund) members of the National Association of Investment Companies declined in February to $33,280,000 from the January figure of $37,261,000, it was reported. Redemptions in February a year ago totaled $39,337,000.

Assets at the end of February stood at $8,838,303,000, down from the January total of $9,060,437,000, reflecting the over-all decline in security prices for the month. The figure compares with the February 1956 total of $8,059,297,000.

Purchases of shares by investors during February totaled $105,773,000, exceeding the $100 million mark for the 15th consecutive month. This compares with January 1957 purchases of $149,911,000 and $117,756,000 for February, 1956.

Investors opened 17,109 accumulation plans during the month for the continuing purchase of mutual funds at regular intervals. This figure was below the January record-high of 18,862 plans opened and higher than the February, 1956, total of 12,648. The association estimates that over 480,000 accumulation plans are now in force.

Holdings of cash, U. S. Government securities and short-term obligations stood at $512,176,000 at the end of February compared with $516,921,000 for the month previous and $491,895,000 at the end of February a year ago. These holdings represented 5.8% of total assets at the end of February, compared with 5.7% for January, 1957, and 6.1% for February, 1956.

The National Association of Investment Companies represents 136 open-end investment companies (mutual funds) and 25 closed-end investment companies with combined assets of approximately $10 billion.

Mutual Funds

By ROBERT R. RICH

Economist Forecasts Slowdown in Business Activity

High business activity is probable "over a considerable period of months," in the opinion of a well-known Wall Street economist. The rate of advance of the economy will be slowed, however, he cautioned, by unfavorable factors now present, and these factors may already be having this effect.

"Business may remain active, so far as present evidence goes, possibly for a good part of 1957," Dr. Joseph B. Hubbard, Economist, Union Service Corporation, reported to Tri-Continental Corporation, the nation's largest diversified closed-end investment company, and three associated mutual funds, Broad Street Investing Corporation; National Investors Corporation and Whitehall Fund.

"In sum," Dr. Hubbard noted, "the national economy remains one of high income, high expenditures and large production. The almost unbroken rise in incomes and consumption has strengthened the economic position of the individual and increased his confidence so that consumer consumption, although shifting its objectives, may continue high and support a high level of activity in 1957, in combination with the promised scale of capital investment and increase in government expenditures.

"There has been no evidence, on the other hand, of further strengthening of the situation since the turn of the year, although the return flow of funds after the relaxation of seasonal pressures has been unusually large. There have been various weak spots developing in the commodity price situation, some delayed impacts from the softness in residential building are beginning to appear, and certain industries are encountering difficulty in maintaining production and employment volumes. There is also a growing tendency to question early estimates of investment in productive capacity, although they promise to remain large in 1957."

"There is growing evidence," the economist said, "that, in the relationships of costs—prices—profits, the tensions long recognized as playing a part in the business cycle are developing."

There is potential instability in the economic situation, Dr. Hubbard added, and "it is now more necessary than for a number of years to appraise signs of weakness which may become significant during the period of active business now ahead."

New Booklet

A new 20-page booklet for bankers that gives facts about investment companies and their common interest with banks and trust companies is now off the press. It is titled "Investment Company Shares — An Aid to Bankers and Trust Officers."

Prepared in consultation with leading bank officers, the booklet explains how investment company shares may be used by the banker in his role as investment adviser and in small trust accounts and as loan collateral.

Distribution will be made to bankers and trust officers by brokers, securities dealers and investment company representatives. Copies may be obtained free of charge by bankers directly from the National Association of Investment Companies, 61 Broadway, New York 6, N. Y.

Canadian Economy to Triple In Next Twenty-Five

A bright future for Canada's economic development over the next 25 years is presented in the March issue of "Perspective," just published by Calvin Bullock, Ltd., managers of mutual funds with assets totaling more than $4[illegible],000,000. The current issue cites the findings of the Royal Commission on Canada's Economic Prospects (Gordon Commission).

From an investment point of view, the publication points out, the most important forecast in the Commission's report is that of Gross National Product which is expected to reach $76.1 billion by 1980, or roughly three times that of the $26.8 billion figure for 1955, the base year of the 25-year forecast. It also mentions that the Paley Report, prepared in 1952 for the President of the United States, estimated that the U. S. economy (GNP) in 1975 would be about double that of 1950. Canadian GNP rose rapidly in 1956, being at an annual rate of $30 billion at the end of the year.

In any discussion of the probable future trend of Canada's gross national product, "Perspective" says, one must not lose sight of the important role that foreign trade plays in the overall Canadian economy and the increasing importance of the United States in Canada's foreign trade picture. In 1938, for instance, the United States took about 32% of Canada's merchandise exports, whereas in 1955 it took about 60%. Meanwhile, the percentage of Canada's imports coming from the United States rose from 63% to 73%.

Canada's forest and mining industries are very important segments of the Canadian economy, particularly in the export market, the publication points out. The most important forest product is newsprint; more than 90% of production is exported and over [illegible] of such exports are to the United States. Canada also exports about 50% of her total production of lumber. It is thought that there will be some relative decline in the dependence of the U. S. on Canadian supplies of newsprint, but it is expected that lumber exports will gain a somewhat larger share of the U. S. market.

The greater part of the production of the Canadian mining industry is also exported to other countries, "Perspective" says, "Canada's mining future looks bright—world demand should be strong, particularly from the United States, and Canada should be a major supplier. It is estimated, the publication says, "that the total value of the industry's production by 1980 may be about 3½ times present levels, compared with an increase in GNP of about three times. Exports may be four times as large as the 1955 figure."

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Delaware I... Fund Now Launched

[illegible]

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Large-scale expansion of the petroleum and natural gas industries is anticipated, the publication points out, and in both of these commodities Canada will on balance be more than self-sufficient in 1980. Total investment in this industry during 1955 was about $450 million, and if the anticipated level of output for this industry were to be realized by 1980, the investment required during the intervening 25-year period might be of the order of $25 billion, the publication says.

"It is very difficult," "Perspective" says, "to be precise about the extent of foreign capital investment in Canada because of its many ramifications. For example, such a calculation would include undistributed profits of companies controlled by nonresidents and security purchases as well as direct investments. However, it is estimated that the total amount of foreign capital invested in Canada increased by about 90% between 1945 and 1955, and at the end of the latter year amounted to about $13.5 billion. If Canada is to enjoy its anticipated long term growth, it is generally agreed that it will be dependent to a noticeable degree on foreign capital investment," the publication added.

This review in respect to the next 25 years seems particulary appropriate at this time, "Perspective" states, "since it was 25 years ago that Calvin Bullock established an office in Montreal and formed its first Canadian investment company."

Delaware Income Fund Now Launched

The first public offering of its shares this week marks the launching of the new Delaware Income Fund.

This latest addition to the growing list of open-end mutual investment companies is being nationally distributed by Delaware Distributors, Inc., who also sponsor the $47 million Delaware Fund.

The new fund's assets are slightly in excess of $120,000 and shares, being initially offered for $9.75, will be priced and quoted daily as investing begins.

W. Linton Nelson, President, said Delaware Income Fund's policy is to invest in quality securities which it feels will provide highest possible current income. "However," he pointed out, "the element of growth will not be ignored. We expect to find, through thorough analysis," he continued, "many securities with a respectable promise of growth as well as an attractive current yield."

Mr. Nelson went on to describe Delaware Income Fund's policy as "well-defined, yet flexible." The new fund can invest in common stocks, preferreds and bonds in whatever proportion the management feels is advisable under existing market and economic conditions. "Emphasis, though," he stated, "will be on quality common stocks which, in our opinion, have better income and appreciation potentials than fixed-income securities."

The investment counseling firm of Barringer & Nelson, which has acted as investment adviser to Delaware Fund since its inception in 1937, will also furnish Delaware Income Fund with investment advice and management services, subject to the Board of Directors' supervision.

Officers and directors of the new fund include: D. Moreau Barringer, Chairman; W. Linton Nelson, President; Alexander Biddle, J. Ebert Butterworth, W. Howard Dilks, Jr., George S. Piper, Theodore Roosevelt, III, directors; Lewis J. Ross, Financial Vice-President and Treasurer; James P. Schellenger, Corporate Vice-President and Secretary; Frank T. Betz, Jr., Sales Vice-President; Warren A. Casey, Investment Vice-President; Edward A. Steele, Jr., Administrative Vice-President; Charles H. Dudichum, Assistant Secretary-Assistant Treasurer and Investment Officer; Donald R. Blot, Assistant Treasurer; and Donald M. Allen, Assistant Secretary. These men also hold identical positions with Delaware Fund.

Delaware Income Fund's present policy calls for quarterly dividends payable in February, May, August and November. Any realized security profits will be distributed at year-end.

Periodic purchases of shares can be made through the Dividend Reinvestment Plan and the Monthly Investment Plan, both of which may be terminated without penalty. Delaware Income Fund shares are free from Pennsylvania Personal Property Taxes.

Neuclonics Fund

The net asset value of Nucleonics, Chemistry & Electronics Shares increased 6.7% in its third fiscal quarter ended Feb. 28, 1957, despite a decline in common stock prices generally in this period, John M. Templeton, President, reported recently. The mutual fund closed the quarter, according to the report, with a net asset value of $9.21 a share as compared with $8.63 a share at the close of the preceding quarter. Mr. Templeton told the shareholders that as a result of this appreciation and the investments of new shareholders, the fund closed the fiscal period with total net assets of $1,598,315 —highest point since its organization last summer.

Managed Fund Assets Reach $48 Million

Despite generally unfavorable market conditions, total shares outstanding of Managed Funds, Inc.'s 11 mutual fund classes increased by 850,000 during the first quarter of its 1957 fiscal year, Hilton Slayton, President of the fund, announced here.

"Most fund sponsors have been claiming for years that an unsteady market seldom weakens confidence among mutual fund shareholders and has no appreciable effect on the upward trend of fund sales," Slayton commented. "Our experience since last Nov. 30 gives added substance to this conviction."

According to Slayton, Managed Funds shares outstanding totaled 13,654,000 on that date, compared with 14,504,000 on Feb. 28. The total on Feb. 29 of last year amounted to 11,699,000.

Total net assets of the fund on Feb. 28 came to $48,257,000, compared with $47,298,000 at the beginning of the quarter. (The Feb. 28 total does not include the $1,075,000 in capital gains distributions during the three-month period.) Net assets on Feb. 29, 1956 totaled $42,515,000.

"During almost every market decline of the past decade, mutual fund sales increased and liquidations were negligible," Slayton said. "This is the sort of confidence which strengthens my belief that the funds are destined to become the nation's most widely accepted method of investing."

King Merritt Sales Conference

King Merritt & Company, Inc. recently held a Regional Sales Managers conference at the Hotel Statler. Shown above are the following members of the King Merrit & Company staff. Seated at the table from left to right are Henry Grady, Secretary, Channing Corp. and in charge of our advertising program; H. L. Jamieson, President of H. L. Jamieson & Co., specialist in Mutual Funds—H. L. Jamieson & Co. is owned by Channing Corp. and Mr. Jamieson is in charge of sales in California; King Merritt, President; Karl Sharpe, Southeastern Regional Sales Manager; Chris Tornoe, New England States.

Back row: R. H. McIntosh, Vice-President and Regional Sales Manager of the Southwest; James E. McConnell, Vice-President main office; S. R. Campbell, Jr., Vice-President main office; Ted Fearing, Vice-President and Regional Sales Manager of the Mid-West, and Kenneth Beiersdorf, Regional Sales Manager of the Northwest.

The conference was devoted to the development of plans for the ensuing year.

King Merritt also announced today that the firm's main office would be moved to 85 Broad Street, New York 4, from Englewood, N. J., effective April 1 where it will occupy the entire 6th floor. The firm's new telephone number will be WHitehall 4-2220.

IDS Funds Assets Reach $1.36 Billion

Total net assets of four mutual funds managed by Investors Diversified Services, Inc., increased $247,231,070 during 1956, Joseph M. Fitzsimmons, President of IDS, announced.

As of Dec. 31, 1956, combined total net assets of the four funds, Investors Mutual, Inc., Investors Stock Fund, Inc., Investors Selective Fund, Inc., and Investors Group Canadian Fund Ltd., were $1,361,874,082 as against $1,114,643,012 at the close of 1955, a gain of 22.18%.

Shareholders in the four funds at the close of 1956 totaled 354,150, an increase of 67,050 compared with 287,100 at the end of 1955.

The following table shows the comparison between total net assets of each fund at the 1956 and 1955 year ends.

	Dec. 31, 1956	Dec. 31, 1955
Investors Mutual, Inc.	$1,005,234,873	$890,167,902
Investors Stock Fund, Inc.	227,828,889	151,095,867
Investors Selective Fund, Inc.	21,133,239	21,739,440
Investors Group Canadian Fund Ltd.	*107,677,081	*51,639,803
Totals	$1,361,874,082	$1,114,643,012

*Expressed in Canadian dollars.

Gains made by each fund in the total number of shareholders are shown in the following table of comparison between the years 1955 and 1956:

	Dec. 31, 1956	Dec. 31, 1955
Investors Mutual, Inc.	235,000	212,000
Investors Stock Fund, Inc.	68,000	38,000
Investors Selective Fund, Inc.	7,150	7,100
Investors Group Canadian Fund Ltd.	44,000	30,000
Totals	354,150	287,100

Dividends totaling $62,870,194, of which $42,107,811 was derived from investment income and $20,762,383 from capital gains, were paid to shareholders in the four funds during 1956.

Shareholders in the three United States funds reinvested their 1956 dividends in the amount of $42,691,788, equivalent to 67.9%, as against the 1955 dividend reinvestment figure of $35,584,339, equivalent to 67.4%. No dividends are paid to shareholders in Investors Group Canadian Fund Ltd., in accordance with its stated policy. Instead, such ordinary income and capital gains which may be realized are reinvested, thereby increasing the assets of the Fund to a corresponding extent.

NASD Enters Variable Annuities Case

WASHINGTON, D. C.—The National Association of Securities Dealers, Inc., has lined up in opposition to the sale of annuities based on common stocks unless such contracts are subject to Federal securities laws. The big securities dealers organization moved to intervene in a "variable annuities" Federal court test initiated by the SEC. The court has taken the motion to intervene under advisement. The defendants in the case are The Variable Annuity Life Insurance Co. of America, Inc., and Equity Annuity Life Insurance Co. Sponsors of variable annuities are seeking to avoid having to register these securities under the securities acts and related statutes.

In its motions and arguments the NASD contended that VALIC, sponsor of a variable annuity contract, is selling such contract in violation of the securities acts and the investment company act. Such action, the NASD stated, "denies to the investor and the public the protection of their interest which Congress found necessary and prescribed" in the securities laws. The Association pointed out that it "is required by law to cooperate with the SEC in regulating the activities and transactions of its members" and that as dealers its members "are subject to and made to comply with, all legal requirements" of Federal laws and rules the NASD "found necessary in the protection of the public interest."

Wallace H. Fulton, Executive Director of NASD, in commenting on the court step taken by the Association said the organization has consistently taken the position that variable annuities are a type of security and that as such they should be subject to the same regulatory control as other securities. "If the public interest is to be safeguarded," Mr. Fulton said, "it is absolutely necessary that variable annuities be defined as securities and made to comply with the laws controlling the sale of all other securities such as investment company shares which are the nearest comparable type of investment to a variable annuity."

California First Among Mutual Fund Buyers

Residents of New York invested more than $197 million in shares of open-end investment companies (mutual funds) in 1956, placing second in the nation in dollar sales, according to a special survey of regional sales released by the National Association of Investment Companies.

The figure represents an increase of more than 18% over the 1955 total of close to $166 million.

The survey is based on regional sales figures provided by 95 open-end companies, representing 94.6% of national sales by the industry. Total industry sales for 1956 were $1,346,738,000, representing an increase of 11.5% over 1955, according to the National Association of Investment Companies.

California, at the top in dollar volume ($240,258,000), accounted for 17.8% of all sales, followed by New York with 14.6%, Pennsylvania with 6.2%, Illinois with 4.8% and Masschusetts with 4.5%. Only Massachusetts and Illinois changed positions in the 1956 top-five ranking as compared with 1955.

Idaho led the nation in percent increase with a rise of 63.3% for the year. The next four were Utah with 59.9%, Maryland with 37%, Arkansas with 35.8% and Vermont with 34.6%.

Although all regions of the nation, except New England, registered increases, the highest were in the Middle Atlantic, West North Central and Pacific areas. While the rise in the Middle Atlantic area — New York, New Jersey and Pennsylvania — was general for all three states, the rise in the Pacific area was due mainly to California's 12.6% increase.

In the seven-state West North Central area, the increases were general, ranging from 11.1% for Kansas to 24.5% for North Dakota.

When compared with 1955, the survey shows a continuing increase in popularity of mutual fund shares throughout the country, with 41 of the 48 states registering dollar increases in purchases in 1956.

In most of the seven states where sales of open-end investment company shares were lower, relatively minor declines were reported. South Carolina declined 12.3%, Massachusetts 10.5%, Washington 9.9% while the rates of New Hampshire, Rhode Island, Wisconsin and Tennessee ranged from .35% to 6.19%.

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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. 24	§93.5	*93.8	97.8	99.5
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 24	§2,392,000	*2,401,000	2,504,000	2,449,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Mar. 8	7,812,850	7,518,500	7,461,100	7,162,250
Crude runs to stills—daily average (bbls.)	Mar. 8	¶8,076,000	8,076,000	8,119,000	7,982,000
Gasoline output (bbls.)	Mar. 8	26,667,000	26,723,000	27,386,000	26,628,000
Kerosene output (bbls.)	Mar. 8	2,431,000	2,506,000	2,613,000	2,591,000
Distillate fuel oil output (bbls.)	Mar. 8	13,328,000	14,175,000	14,086,000	13,573,000
Residual fuel oil output (bbls.)	Mar. 8	8,578,000	8,572,000	8,894,000	8,365,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 8	205,762,000	*203,774,000	199,895,000	195,669,000
Kerosene (bbls.) at	Mar. 8	20,711,000	21,469,000	23,614,000	18,269,000
Distillate fuel oil (bbls.) at	Mar. 8	83,331,000	85,698,000	93,516,000	69,739,000
Residual fuel oil (bbls.) at	Mar. 8	36,383,000	37,064,000	37,042,000	34,865,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 9	672,386	703,984	665,251	697,601
Revenue freight received from connections (no. of cars)	Mar. 9	644,115	645,420	637,694	684,486
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 14	$412,284,000	$320,433,000	$311,646,000	$648,944,000
Private construction	Mar. 14	189,302,000	157,930,000	183,177,000	473,115,000
Public construction	Mar. 14	222,982,000	162,503,000	128,469,000	175,829,000
State and municipal	Mar. 14	149,950,000	147,716,000	107,382,000	125,526,000
Federal	Mar. 14	73,032,000	14,787,000	21,087,000	50,303,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 9	9,700,000	*9,660,000	9,725,000	9,554,000
Pennsylvania anthracite (tons)	Mar. 9	428,000	418,000	553,000	408,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Mar. 9	98	*99	101	109
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 16	11,650,000	11,867,000	11,946,000	11,202,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Mar. 14	301	327	317	300
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 12	5.670c	5.670c	5.650c	5.174c
Pig iron (per gross ton)	Mar. 12	$64.68	$64.00	$62.90	$59.09
Scrap steel (per gross ton)	Mar. 12	$49.50	$50.50	$53.33	$48.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 13	31.600c	31.575c	33.425c	47.800c
Export refinery at	Mar. 13	29.775c	30.300c	30.625c	48.325c
Lead (New York) at	Mar. 13	16.000c	16.000c	16.000c	16.000c
Lead (St. Louis) at	Mar. 13	15.800c	15.800c	15.800c	15.800c
‡Zinc (delivered) at	Mar. 13	14.000c	14.000c	14.000c	14.000c
Zinc (East St. Louis) at	Mar. 13	13.500c	13.500c	13.500c	13.500c
Aluminum (primary pig. 99%) at	Mar. 13	25.000c	25.000c	25.000c	22.500c
Straits tin (New York) at	Mar. 13	98.875c	98.875c	100.625c	101.875c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 19	90.88	91.02	91.11	94.48
Average corporate	Mar. 19	96.54	96.54	96.38	107.62
Aaa	Mar. 19	101.31	101.47	101.47	111.07
Aa	Mar. 19	99.20	99.20	99.04	109.79
A	Mar. 19	96.69	96.54	96.23	107.62
Baa	Mar. 19	89.78	89.78	89.37	102.46
Railroad Group	Mar. 19	95.47	95.47	95.16	106.21
Public Utilities Group	Mar. 19	96.69	97.00	96.69	108.16
Industrials Group	Mar. 19	97.62	97.52	97.16	108.34
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 19	3.27	3.24	3.23	2.92
Average corporate	Mar. 19	3.97	3.97	3.98	3.30
Aaa	Mar. 19	3.67	3.66	3.66	3.11
Aa	Mar. 19	3.80	3.80	3.81	3.18
A	Mar. 19	3.96	3.97	3.99	3.30
Baa	Mar. 19	4.43	4.43	4.46	3.60
Railroad Group	Mar. 19	4.04	4.04	4.06	3.38
Public Utilities Group	Mar. 19	3.96	3.94	3.96	3.27
Industrials Group	Mar. 19	3.90	3.90	3.93	3.26
MOODY'S COMMODITY INDEX	Mar. 19	410.7	413.1	413.9	409.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 9	302,893	350,780	265,863	285,879
Production (tons)	Mar. 9	280,314	266,246	95	100
Percentage of activity	Mar. 9	95	92	282,539	285,170
Unfilled orders (tons) at end of period	Mar. 9	478,942	454,345	450,170	588,027
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Mar. 15	110.77	110.97	111.05	107.33
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Feb. 23	960,260	1,662,160	1,476,610	1,274,210
Short sales	Feb. 23	197,360	280,160	261,270	233,500
Other sales	Feb. 23	829,220	1,430,910	1,170,390	1,091,930
Total sales	Feb. 23	1,026,580	1,711,070	1,431,660	1,325,430
Other transactions initiated on the floor—					
Total purchases	Feb. 23	163,000	279,170	316,120	256,770
Short sales	Feb. 23	46,400	35,900	39,700	21,400
Other sales	Feb. 23	213,930	307,230	292,450	243,160
Total sales	Feb. 23	260,330	343,130	332,150	264,560
Other transactions initiated off the floor—					
Total purchases	Feb. 23	297,654	550,985	492,204	618,999
Short sales	Feb. 23	84,550	131,050	110,650	65,900
Other sales	Feb. 23	376,445	651,112	521,422	595,295
Total sales	Feb. 23	460,995	782,162	632,072	661,195
Total round-lot transactions for account of members—					
Total purchases	Feb. 23	1,420,914	2,492,315	2,284,934	2,149,979
Short sales	Feb. 23	328,310	447,110	411,620	320,800
Other sales	Feb. 23	1,419,595	2,389,252	1,984,262	1,930,385
Total sales	Feb. 23	1,747,905	2,836,362	2,395,882	2,251,185
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. 23	933,017	1,543,897	1,391,505	1,119,508
Dollar value	Feb. 23	$42,531,243	$70,071,092	$66,902,133	$57,805,470
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 23	676,863	1,184,517	986,035	958,728
Customers' short sales	Feb. 23	6,769	18,465	10,714	4,573
Customers' other sales	Feb. 23	670,094	1,166,052	975,321	954,155
Dollar value	Feb. 23	$31,762,434	$55,941,254	$47,370,141	$49,085,252
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 23	153,910	275,810	203,650	263,920
Short sales	Feb. 23	------	------	------	------
Other sales	Feb. 23	153,910	275,810	203,650	263,920
Round-lot purchases by dealers—					
Number of shares	Feb. 23	384,130	652,840	620,170	384,600
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Feb. 23	436,750	737,920	626,500	402,300
Other sales	Feb. 23	7,057,470	13,481,900	10,553,430	10,657,520
Total sales	Feb. 23	7,494,220	14,219,820	11,179,930	11,059,820
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Mar. 12	116.9	116.8	117.0	112.5
Farm products	Mar. 12	88.9	88.5	88.8	86.6
Processed foods	Mar. 12	103.9	*103.5	104.0	99.2
Meats	Mar. 12	82.2	80.6	81.9	70.4
All commodities other than farm and foods	Mar. 12	125.3	*125.3	125.5	120.6

*Revised figure. ¶Includes 830,000 barrels of foreign crude runs. §Based on new annual capacity of 133,459,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of December (millions of dollars):			
Manufacturing	$51,400	$51,300	$45,900
Wholesale	13,300	13,200	12,300
Retail	23,800	23,500	23,000
Total	$88,500	*$88,000	$82,100
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of January:			
All manufacturing (production workers)	13,207,000	*13,266,000	13,356,000
Durable goods	7,720,000	*7,759,000	7,770,000
Nondurable goods	5,487,000	*5,507,000	5,586,000
Employment indexes (1947-49 Avge.=100)—			
All manufacturing	106.0	*107.7	107.2
Payroll indexes (1947-49 Average=100)—All manufacturing	165.1	*170.9	159.1
Estimated number of employees in manufacturing industries—			
All manufacturing	17,033,000	*17,079,000	16,944,000
Durable goods	9,960,000	*9,593,000	9,833,000
Nondurable goods	7,073,000	*7,086,000	7,111,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of January:			
Weekly Earnings—			
All manufacturing	$82.41	$84.05	$78.55
Durable goods	89.38	91.34	84.87
Nondurable goods	77.54	74.03	69.83
Hours—			
All manufacturing	40.2	*41.0	40.7
Durable goods	41.0	41.9	41.2
Nondurable goods	39.0	39.8	39.9
Hourly Earnings—			
All manufacturing	2.05	2.05	1.93
Durable goods	2.18	2.18	2.06
Nondurable goods	1.86	1.86	1.75
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of December:			
Death benefits	$209,000,000	$197,500,000	$209,200,000
Matured endowments	63,700,000	56,300,000	56,900,000
Disability payments	8,900,000	9,100,000	9,400,000
Annuity payments	38,100,000	44,100,000	38,300,000
Surrender values	94,900,000	86,000,000	78,700,000
Policy dividends	176,300,000	80,100,000	163,000,000
Total	$590,900,000	$473,100,000	$555,500,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of December (000,000 omitted):			
Ordinary	$3,800	$3,367	$3,079
Industrial	536	512	489
Group	2,726	863	2,265
Total	$7,062	$4,742	$5,833
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of December (in billions):			
Total personal income	$333.5	*$333.5	$317.5
Wage and salary receipts, total	232.5	*231.0	218.2
Commodity producing industries	102.1	*101.1	94.5
Distributing industries	60.9	*60.6	57.6
Service industries	31.2	31.1	29.4
Government	38.3	*38.2	36.7
Less employees' contribution for special insurance	6.0	6.0	5.4
Other labor income	7.4	7.4	7.3
Proprietors and rental income	51.2	*51.7	49.2
Personal interest income and dividends	29.2	*30.3	30.2
Total transfer payments	19.2	19.1	18.0
Total nonagricultural income	318.3	*317.9	302.8
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1911=100—As of Jan. 15:			
All farm products	238	237	226
Crops	239	240	231
Commercial vegetables, fresh	249	277	248
Cotton	256	262	259
Feed, grains and hay	187	185	171
Food grains	236	234	220
Fruit	227	216	225
Oil-bearing crops	266	264	236
Potatoes	162	158	161
Tobacco	457	461	452
Livestock	237	234	221
Dairy products	269	275	261
Meat animals	254	239	207
Poultry and eggs	155	165	205
Wool	262	256	220
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of December:			
Passenger Tires (Number of)—			
Shipments	6,587,164	6,496,017	6,467,310
Production	7,425,137	6,580,333	7,222,924
Inventory	16,493,563	15,595,534	15,963,038
Truck and Bus Tires (Number of)—			
Shipments	960,678	1,021,934	1,047,297
Production	1,130,382	1,060,430	1,255,363
Inventory	3,377,991	3,207,090	2,815,258
Tractor-Implement Tires (Number of)—			
Shipments	214,134	171,876	248,071
Production	246,236	191,749	290,950
Inventory	772,072	731,229	822,668
Passenger, Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	2,837,451	2,791,631	2,685,778
Production	2,669,575	2,584,650	2,718,843
Inventory	6,109,425	6,250,298	6,833,279
Tread Rubber (Camelback)—			
Shipments (pounds)	37,641,000	37,025,000	32,393,000
Production (pounds)	37,656,000	35,586,000	34,401,000
Inventory (pounds)	26,524,000	26,124,000	26,038,000
U. S. GOVT. STATUTORY DEBT LIMITATION—As of Feb. 28 (000's omitted):			
Total face amount that may be outstanding at any time	$278,000,000	$278,000,000	$281,000,000
Outstanding—			
Total gross public debt	276,269,160	276,228,743	280,108,465
Guaranteed obligations not owned by the Treasury	108,794	106,720	58,084
Total gross public debt and guaranteed obligations	$276,377,955	$276,335,463	$280,166,549
Deduct—other outstanding public debt obligations not subject to debt limitation	451,958	453,250	470,287
Grand total outstanding	$275,925,997	$275,882,213	$279,696,262
Balance face amount of obligations, issuable under above authority	2,074,002	2,117,786	1,303,737

Railroad Securities

By GERALD D. McKEEVER

Pre-Tax Profit Margins

As in the case of the Transportation Ratios surveyed in last week's column, the 1956 pre-tax operating profit margins of a selected group of roads are now reviewed in comparison with those of the previous year and, for better perspective and trend indications, in comparison with the corresponding 1951 figures. The pre-tax margin is the percentage of gross revenues represented by the remaining gross after deduction of all operating costs and taxes except the Federal income tax.

The 49 roads included in this, which together with the Class I average make a total of 50 "names," are listed in the order of their 1956 pre-tax profit margins as a percentage of gross revenues. Since the greater part of operating expenses consists of Transportation Expense and Maintenance Expense, the pattern and ranking in the following tabulation will be somewhat similar to that of the Transportation Ratio survey of last week. Where substantial differences do occur, as in the case of Chesapeake & Ohio, Pittsburgh & Lake Erie, Delaware & Hudson, Reading, Northern Pacific, Atlantic Coast Line and St. Paul, to name a few, the difference will usually be due to variation in the respective Maintenance Expense ratios. The Chesapeake & Ohio, Delaware & Hudson, Delawere, Lackawanna & Western and Reading Company, for instance, have a higher standing in the Pre-Tax Margin array due largely to the lower rate at which maintenance was charged in 1956. On the other hand, The Coast Line and the Western Pacific, which have a lower ranking as to Pre-Tax Margins than as to Transportation Ratios, increased their maintenance rates in 1956. In other cases, however, the case is admittedly not so clear.

	—Pre-Tax Margins—			——Ranking——		
	1956	1955	1951	1956	1955	1951
Virginia Railway	50.8%	45.5%	36.2%	1	1	1
Pittsburgh & Lake Erie	43.7	47.5	30.3	2	2	3
Western Maryland	30.3	32.3	30.0	3	5	4
Kansas City Southern	29.9	32.3	30.0	4	3	6
Denver & Rio Grande West.	29.9	30.3	26.2	5	6	7
Norfolk & Western	29.5	32.7	30.6	6	4	2
Chesapeake & Ohio	27.8	27.4	23.7	7	7	8
Delaware & Hudson	27.3	24.2	17.0	8	10	19
Bangor & Aroostook	23.8	24.7	13.7	9	9	32
Southern Railway	23.5	26.1	18.5	10	8	16
Pittsburgh & West Virginia	23.1	22.6	20.6	11	13	13
New York, Chicago & St. L.	20.6	23.4	23.7	12	12	9
Louisville & Nashville	20.1	21.8	19.8	13	14	14
Chicago Great Western	18.9	23.6	12.3	14	11	36
Seaboard Air Line	18.3	20.0	18.7	15	16	15
Atchn., Topeka & Santa Fe	16.8	21.6	21.5	16	15	10
Union Pacific	16.0	16.5	17.0	17	22	18
Reading Company	16.0	15.9	16.2	18	23	22
Great Northern	15.9	17.9	16.6	19	19	21
Illinois Central	15.2	17.7	15.5	20	20	23
Western Pacific	14.5	18.8	28.3	21	17	5
Missouri Pacific	14.3	13.2	13.3	22	30	34
St. Louis-San Francisco	14.2	16.8	16.8	23	21	20
Texas & Pacific	13.9	18.4	20.8	24	18	12
Minneapolis & St. Louis	13.9	15.0	15.4	25	26	24
Class I Average	13.9	15.3	14.5	26	24	29
Northern Pacific	12.1	15.0	15.2	27	27	26
Gulf, Mobile & Ohio	12.0	15.2	17.6	28	25	17
Chicago, Rock Island & Pac.	12.0	13.5	13.1	29	28	35
Minneap., St. P. & S. S. M.	11.4	13.3	7.6	30	29	42
Central of Georgia	11.3	11.7	5.1	31	33	48
Norfolk & Southern	11.1	11.9	14.2	32	32	31
Chicago & Eastern Illinois	11.0	9.2	14.3	33	41	30
Baltimore & Ohio	10.4	9.8	8.1	34	38	41
Wisconsin Central	10.3	11.4	5.0	35	34	49
Colorado & Southern Syst.	9.8	10.9	21.0	36	35	11
Lehigh Valley	9.2	9.3	15.4	37	40	25
Erie RR.	9.1	8.4	15.1	38	43	27
Monon RR.	8.8	13.1	11.9	39	31	39
Central RR. of New Jersey	8.3	8.2	6.7	40	44	44
Southern Pacific	8.1	10.0	13.4	41	37	33
New York Central	7.6	10.0	5.4	42	36	47
Delaware Lack. & Western	7.6	3.8	12.0	43	49	37
Pennsylvania RR.	7.5	7.5	6.6	44	46	45
Missouri-Kansas-Texas	7.1	8.2	14.8	45	45	28
Chicago, Milw., St. P. & P.	6.8	7.0	8.5	46	47	40
Atlantic Coast Line	6.2	8.4	11.9	47	42	38
Boston & Maine	4.9	9.4	7.6	48	39	43
N. Y., New Haven & Hartfd.	1.7	3.5	6.5	49	50	46
Chicago & North Western	0.5	3.9	3.9	50	48	50

Notable achievement in improving the trends of their Pre-Tax Margins in the past five years has been shown by the Virginian, Chesapeake & Ohio, Delaware & Hudson, Bangor & Aroostook, Central of Georgia and Wisconsin Central. The reverse has been true for the Western Pacific, Texas & Pacific, Colorado & Southern, Lehigh Valley and Southern Pacific, notably among others.

Massachusetts Issue Of $20,160,000 Bonds Offered to Investors

A group headed jointly by Bankers Trust Company, First National City Bank of New York and The First Boston Corporation on March 19 publicly offered $20,160,000 of Commonwealth of Massachusetts various purpose bonds at prices to yield from 2% for bonds due April 1, 1958, to 3.05% for those maturing in 1975-77. The group was awarded the issue on a bid of 100.71 for a 3.10% coupon, a net interest cost of 3.029897%.

Rated Aa by Moody's and A-1 plus by Standard & Poor's, the bonds are general obligations of Massachusetts for the payment of which the full faith and credit of the Commonwealth are pledged.

The Massachusetts General Fund closed 1955-56 with a surplus of $5,686,130, up $4,545,156 from that at the close of 1954-55. The surplus at June 30, 1956 is after provision of $9,292,736 to cover deficits in other funds ($6,282,440 Port of Boston Fund, $2,049,454 Veterans' Services Fund, and $6,614,841 Old Age Assistance Fund). A factor in the improved year-end position was general fund revenue some $3,000,000 in excess of estimates. Tax collections in 1955-56 were 12.8% above those of 1954-55 and 6.5% above the estimated collections for 1955-56.

With Neary Purcell

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Sanford L. Goldshine is now associated with Neary, Purcell & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange. He was formerly with Gross, Rogers & Co.

Form Christopher Corp.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Christopher Corporation has been formed with offices in the Alfred I. du Pont Building to engage in a securities business. Officers are E. W. Stewart, President; A. A. Brown and C. Fondren, Vice-Presidents; and P. A. Langley, Secretary-Treasurer.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — It may be deduced that the competent economic brains of the Federal Reserve Board sees little need to bull up the expansion of consumer instalment credit into another full-blown crisis which can be solved only by expert government economic planning or economy-enervating Federal regulation.

This perhaps may be read fairly into the Board's staff report on "Consumer Instalment Credit." Among other things, this is an enormous collection of facts about consumer instalment credit, a sort of "first encyclopedia" on the subject, as it were. It also contains some comprehensive analyses of these facts. And it includes some professors' opinions, sound and otherwise, on the subject.

If this conclusion is justified, it would further support the widely-held appraisal of the Board's motivation under the leadership of Chairman William McChesney Martin, Jr. He is the most prominent guy extant hereabouts who consistently and thoroughly believes in the market place and the free price system as the most efficient mechanism for dispensing social and economic justice.

As a matter of fact, if Martin were President he would believe that some one with income could spend it himself better than the government can spend it for him. It is possible to imagine that Martin is a fellow who would let the citizen spend his money on an attractive education for his kids or an unattractive mistress; for sound securities or fancy sport cars. This is no quote or attribution.

It is likely that Martin would personally back the institution of consumer or other specific credit controls only in time of war, and then primarily as a necessary evil to curb the sale of consumer-scarce items.

Deprecates Influence On Economic Stability

In its first and main volume, the Federal Reserve Board staff seems to deprecate the influence of consumer instalment credit upon economic stability.

In general, the report seems to put at no great value, the influence of consumer credit in aggravating an expansion under circumstances such as have prevailed in recent months.

"Consumer instalment credit has often been a factor in changes in the level of business activity, but it has not been the principal cause of such changes. Although consumer credit has been associated with economic fluctuations, other factors have been of greater importance," the report said at one point.

"The major influence of instalment credit has been to add fuel to booms; it has less often been an aggravating factor during recessions," it was observed at another point.

Future Growth

One of the supporting observations of the study was that the staff of the Board sees "no overriding case for assuming that the growth rate for autos and other durable goods over the next decade will differ greatly from that of consumer income."

On the other hand, it was predicted that in all likelihood there will be a more rapid growth in consumer credit because there will be "new frontiers" to which instalment credit will apply, where it has not been used before. Witness the recent growth of the instalment loan to finance travel.

Monetary Policy

In only one respect did the staff study even seem to hint aid and comfort for the controllers. After a review of sources of consumer instalment loans, the report questioned whether monetary policy affected the total supply.

"Unavoidably an important question must remain unanswered," it was stated. That question is whether the response of the consumer instalment credit area as a whole to changes in credit conditions, and in particular to general monetary restraint, is sufficient in either degree or in timing to facilitate a national economic policy directed toward sustained high and rising levels of activity without inflation."

Economy in the Raw

This big sentiment Congress is reflecting for economy in the abstract got a capsule test of how it goes when it is translated into the concrete — and failed.

Since 1910 the Post Office Department has been operating the postal savings system. Allegedly this was needed for two reasons. First, any number of people, especially immigrants, were alleged to distrust banks but would trust government. Since then the government through the Federal Deposit Insurance Corp., has come to insure the overwhelming mass of savings accounts in banks for amounts up to $10,000 per account, or the same for investments in shares of building and loan associations.

So from the standpoint of protection, postal savings has been obsolete for years.

The second original reason for postal savings was that many persons in rural areas could not reach banks. Since then the automobile has brought almost every one within fairly easy reach of a bank, and few of the smallest or fourth class post offices have any postal savings accounts left.

For several years the Comptroller General has been trying fruitlessly to encourage the liquidation of this obsolete postal savings system.

Finally, a few weeks ago, the House Post Office committee held hearings on a bill which 30 days after its enactment would stop the Post Office Department from taking new deposits and begin a liquidation of such deposits, to be completed for the most part by 1960.

The Post Office Department backed the bill, saying it was losing money on the operation. The Treasury favored the bill. And the Comptrollelr General again renewed vigorously his recommendation for liquidation.

Well, the committee voted to report out a liquidation bill. Liquidation will not begin until postal savings deposits fall to $1 billion or the Post Office Department says it is losing money. The AF of L-CIO alone opposed the more rapid liquidation.

Hamilton Papers

There is now a Congressionally-sponsored commission in existence which is dedicated to reviving the lore of Alex Hamilton who, if he were to have a Second Coming, probably would be given the choice between being made Secretary of Health, Education, and Welfare, or of being crucified, albeit by the nice public relations route.

One of the lucky by-products of that enterprise is that the Liberal Arts Press, 153 West 72nd Street, New York, has published a collection of Hamilton's essays on "Commerce and Finance" for $1.25 in paper edition or $3.50 for the clothbound edition.

Taft On Dulles

This story comes from a former intimate of the late Bob Taft. Back in 1948, before the issue was settled between Taft and Dewey, the then New York Governor asked Taft "to meet my foreign policy man, Foster Dulles."

In due course Mr. Dulles was ushered into the Senator's office. After 15 minutes of talking by Mr. Dulles about collective security and world responsibilities, Mr. Taft, as was his wont when he was thoroughly bored, began reading papers on his desk and answering in monosyllables. In due course the discomfited Mr. Dulles took his departure.

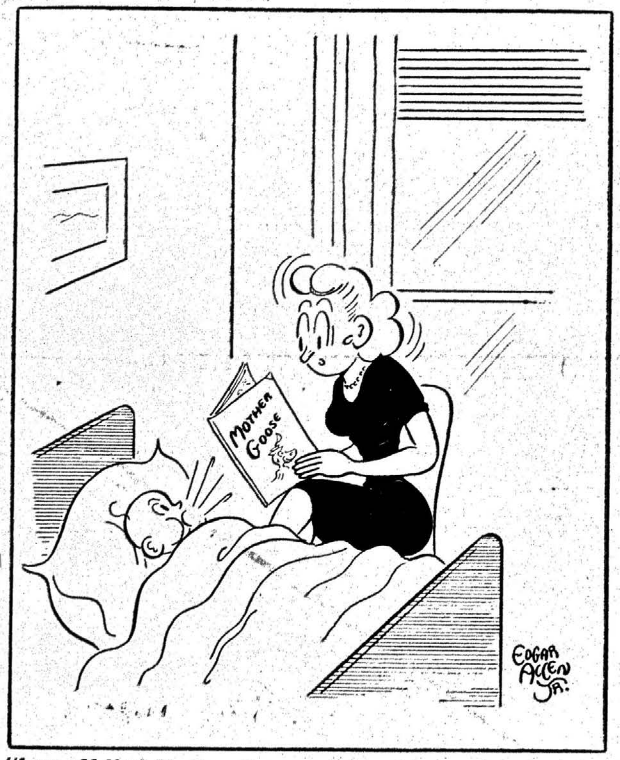
"What do you think of Mr. Dulles?" asked the Taft intimate.

"'There goes a silly, senile, old man'," the intimate quoted the Senator as saying.

For the sake of poor Jack Martin, former aide to the Senator and now a member in good standing of the White House politbureau, the aide who related this story definitely was NOT Jack Martin.

[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



"Lay off that Mother Goose stuff—Let's hear what the current issue of 'Commercial and Financial Chronicle' has to say!"

Vance, Sanders to Present Seminar

BOSTON, Mass.—Vance, Sanders & Company, principal underwriters for shares of Massachusetts Investors Trust, Boston Fund and other mutual investment companies will present the second of its 1957 series of seminar programs on sound ways to sell mutual funds at the Roosevelt Hotel, Jacksonville, next Tuesday and Wednesday, March 26 and 27.

Guest speaker at the opening session on Tuesday morning will be Laurence F. Lee, Sr., President of the Peninsular Life Insurance Co., and of the Occidental Life Insurance Co. (Raleigh, N. C.) and former president of the United States Chamber of Commerce.

Chairman of the meetings is Richard Platt, of Boston, a partner of Vance, Sanders & Company. Other partners and representatives of the firm who will participate are Kimball Valentine, of Washington; Henry Parkman, III, of Nashville; and Thomas A. Baxter and Arthur H. Haussermann, of Boston.

The funds for which Vance, Sanders & Company are principal underwriters, which also include Massachusetts Investors Growth Stock Fund, Canada General Fund, Century Shares Trust and The Bond Fund of Boston, had total assets of approximately $1,423,000,000 at the close of last month.

With Walston & Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Harold Riff is now connected with Walston & Co., Inc., 332 North Camden Drive.

With Hannaford & Talbot

STOCKTON, Calif. — John P. Doherty has been added to the staff of Hannaford & Talbot, 2221 North Orange Street.