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Volume 185 Number 5626 | New York 7, N. Y., Thursday, April 4, 1957 | Price 40 Cents a Copy

EDITORIAL

As We See It

Certain of the reactions to the remarkable disclosures and serious allegations now swirling about the heads of a number of the top officials of the mighty Teamsters Union are strange, to say the least. One is tempted to say that in some instances what is being said about this malodorous mess is about as disheartening as the situation that is being revealed from day to day in Washington and elsewhere. There are those, and some of them ought to know whereof they speak, who doubt very much whether the teamsters themselves are likely to do very much to correct the situation, and who are far from convinced that the AFL-CIO will succeed in really righting it any more than these big-wigs of the "labor movement" have succeeded in bringing the longshoremen's racketeers to book.

Others lugubriously say—and this may reveal one of the reasons why there is not a great deal of optimism about the prospect of cleaning the mess up—that efforts on the part of the unions themselves to oust corrupt officials and put their houses in order generally would be likely to split the "labor movement" and destroy the "unity" it now enjoys. Again, they mourn that the revelations so dramatically being laid before the public are likely to discredit labor unions and stimulate legislation to correct abuses now so evidently widespread—as if it were the revelations rather than the state of affairs revealed which are to be so greatly deplored. At times one almost feels that these "liberals" would not trouble themselves very much about it at all were it not for

Continued on page 40

Utility Common Stock Financing

By FREDERICK W. PAGE*
Vice-President, Tri-Continental Corporation

Investment company executive advises utilities to avoid, if possible, offering new issues of common stock via stock rights, and to pursue, instead, a steady upward trend in earnings and dividends to achieve low cost financing. Mr. Page's 24 years in utility stocks leads him to conclude that: (1) steady gains (in per share earnings) even though small, causes investor confidence to grow; (2) improved investments standing of common stock reduces over-all cost and simplifies preferred and bond financing; (3) most important of other investor-influencing-factors is management; and (4) five factors —which the author describes—can be used to accomplish a steady upward per share earnings-trend.

Although the title sounds narrow, whatever I have to discuss about common stock financing will often apply to bond and preferred stock financing as well. Moreover, common stock money entailing the greatest risk, is your most expensive capital and has the greatest effect on your over-all cost of money. If you can improve the investment standing of your common stock, you will reduce your over-all cost, and you will find that the financing of your bonds and preferred stocks will be greatly simplified. Any bond buyer will put great weight on the investment standing of your common. Having spent the entire 24 years of my business life studying the utility industry and purchasing large amounts of utility common stocks, I feel that I know what investors are looking for and expect when they buy your common

Frederick W. Page

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*An address by Mr. Page before the Oklahoma Utilities Association, Tulsa, Oklahoma, March 28, 1957. Mr. Page is also Vice-President of Broad Street Investing Corp., National Investors Corp., and Whitehall Fund, Inc.

Capital Markets Outlook

By JAMES J. O'LEARY*
Director of Investment Research
Life Insurance Association of America

Identifying himself with a minority of optimists, Dr. O'Leary doubts any important business downturn is underway, or that any significant easing is ahead of us in the capital markets. Before arriving at this conclusion, the Life Insurance Economist notes, for example, heavy forward investment commitments; reviews various signs pointing to capital market easing, and then spells out reasons casting doubt on pessimistic signs. Perceives interest rate stability around present levels during rest of 1957, with the possible exception of fairly substantial swings on government securities and Aaa corporate bonds. Rules out likelihood of Federal Reserve credit ease switch in the absence of clearcut business downturn evidence.

This is the time of year when economists break out in a rash of guesswork on the outlook for the capital markets. This is always a hazardous undertaking, but it is particularly so at this time when our national economy is poised on a record-high plateau and it is so difficult to tell whether it is getting ready to push on to new heights, or whether it may recede a little. We are in the midst of a perplexing period in which we hear a great deal of public discussion about the pressing need to combat inflation, but at the same time more and more economists forecast a downturn of business and a relaxation of inflationary forces.

James J. O'Leary

Since early January there has been much speculation about easing in the capital markets. This view is supported to some extent by the fact that the average yield on fully taxable long-term government bonds declined

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*An address by Dr. O'Leary before the National Industrial Conference Board Meeting, San Francisco, Calif., March 28, 1957.

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(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

Eastern Gas & Fuel Association—Dr. K. Beltchev, A. W. Benkert & Co., Inc., New York City. (Page 2)

Arvin Industries—Alexander Carroll, Thomson & McKinnon, Indianapolis, Ind. (Page 2)

DR. K. BELTCHEV

A. W. Benkert & Co., Inc.
New York City

Eastern Gas & Fuel Association

Eastern Gas & Fuel represents one of the outstanding values on the market today. The Association is both an operating and a holding company within an industry which may now definitely be classed as a growth industry.

Dr. K. Beltchev

The Association is the nation's fourth largest commercial producer of bituminous coal. Economists forecast a very bright future for this industry based on the following estimates:

(a) The steel industry plans expansions to increase steel production 15 million tons during the next three years.

(b) The aluminum industry plans to increase capacity by 42% by the end of 1958.

(c) The atomic energy plants which are large consumers of coal have a remarkable growth potential.

(d) Demand for electric energy is expected to triple in the next 25 years.

(e) The export market has become a very steady and important factor in the bituminous coal industry since 1954. Overseas demand approached 50 million tons in 1956, over three times the tonnage in 1954.

In each of these several markets in the years ahead we foresee major growth opportunities for the consumption of bituminous coal and the position of Eastern Gas & Fuel in satisfying the future demand is most favorable. The company's operations are concentrated in large, highly mechanized mines, tending toward lower production costs per ton. Nine of the 16 mines each have an annual capacity of over 500,000 tons and only one has a capacity of less than 300,000 tons. The table below shows the Association's production and sales for the last three years:

—Millions of Net Tons—

	1956	1955	1954
Produced	10.5	9.3	8.1
Purchased for resale			
Sold	13.8	11.8	9.5
Used in the company's own operations	2.1	1.9	1.6

In the near future the company expects to reach a daily potential of 56,000 tons compared with 42,000 tons in late 1954, a 33% increase. Thas has been accomplished primarily by putting into operation four additional mines. The recoverable coal reserves total more than 800 million tons, and are estimated to be adequate for about 64 years, at present production rates.

In addition to the mining and selling of coal, Eastern Gas & Fuel conducts such related commercial activities as marine, coke plant and blast furnace operation.

The Association operates 12 modern bulk cargo vessels, each of which has a capacity of approximately 10,000 tons and is designed for the carrying of coal and other bulk commodities. Eight vessels are operated under American Flag registry and four by a wholly-owned Liberian subsidiary. The income derived from this division is substantial and has been increasing since 1954. The coke-oven operations are carried on at Everett, Mass., by the Everett Coke Plant Division and by two wholly owned subsidiaries at Philadelphia and New Haven. The coke produced is used principally by steel producers and by the Association's blast furnace. Earnings increased substantially in 1956.

Eastern Gas & Fuel operates a blast furnace at Everette, Mass., which is the only local source of pig iron for the New England metal working industries. This furnace has an annual capacity of 180,000 gross tons and is a consistent contributor to overall earnings.

Boston Gas Co., a wholly-owned subsidiary, represents an important segment of the operational activities of the Association. Boston Gas Co. is the largest gas utility company in New England, supplying service to over 300,000 customers in the Boston area, and 27 adjoining communities. Through an aggressive merchandising program, supported by new promotional gas rates which were placed in effect in December 1954, a gain of 24% was recorded in the number of space heating customers, between the 1953 and 1955 year-ends.

The impact on earnings of these sales increases has been impressive. In 1954 net income of Boston Gas Co. increased by 132% over the 1953 level. In 1955 net income declined 16% because of the promotional gas rates, but in 1956 gains were substantially above the 1955 earnings.

Investments

Eastern Gas & Fuel derives substantial profits from its investments in companies which are operating within the range of the Association's activities. The Association owns 97% of the capital stock of the Virginian Corporation, which holds as its principal asset about 58% of the common stock (representing about 31% of the voting stock) of the Virginian Railway Co. The Virginian Railway is primarily a bituminous coal carrier and its 611 miles of railroad extend from the coal fields of West Virginia eastward to its extensive Tidewater terminal facilities at Norfolk and Sewalls Point, Va., and northward to Deepwater Bridge, where connection with the New York Central affords an outlet to the Great Lakes.

The operating efficiency of the Virginian Railway, helped by a dieselization program, is outstanding. Its operating ratio in 1955 was 54.9%, compared with 75.7% for all class I railroads, and in 1956 its operating ratio improved to 47.3%.

The Virginian Railway company earned $10.08 per share of common stock in 1956 compared with $7.12 in 1955. The directors at their final dividend meeting of November 1956 increased the quarterly dividend from 75c per share to $1 per share. An extra dividend of $1.25 per share was paid making a total of $4.50 per share paid in 1956, compared with $3 paid in 1955.

The Patterson Oil Co. which is owned by the Virginian Corporation, is engaged in the fuel oil business in the Philadelphia area. Sales and revenues increased in 1956 but earnings so far have not

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ALEXANDER CARROLL

Thomson & McKinnon
Indianapolis, Ind.

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Arvin Industries

Arvin Industries, Inc. of Columbus, Ind. is, in my opinion, an overlooked growth stock selling at an historically low price to earnings ratio of about seven yielding above 6% on a well-protected dividend. It has the characteristics of many growth companies whose stocks are selling at 12 to 15 or more times earnings. Leaving the statistics to last, let's look at the management policies and results which prove Arvin's past growth and give every promise of future growth to continue.

Arvin intends to grow, not only because the market for its products should grow, but also because it is planning its future with great care. Having grown at a better than 12% per year rate both in sales and in earnings over the past 25 years, it now is shooting for a substantially higher sales mark in the next few years. It confidently plans to hit that mark from "within" by adding new products as well as increasing present lines. Historically, it has not been a merging company; although it might well consider purchasing other enterprises with a future. Characteristically, it has a very definite 10-point outline describing the kind of situation in which it would be interested.

Diversification is a basic policy at Arvin and a many-sided diversification at that. Historically, Arvin's sales have been in to al very close to a 50-50 balance between automotive and non-automotive items. In the last two years automotive has been higher (about two-thirds) because of Arvin's dropping its TV and cinette lines, at which time President Glen W. Thompson wrote his stockholders that "Arvin has found the rewards are insufficient for the time, energy and capital required. We are convinced that the company's resources can be employed to better advantage by expanding into electronic items which fit more logically into our type of manufacture." If history repeats itself Arvin can be expected to push hardest on the lower half and work back toward the traditional balance.

In the automotive field, Arvin has a purposeful diversification between original equipment and replacement parts, and among the manufacturers of cars and trucks. About 25% of Arvin's automotive business is in replacement parts. This percentage has doubled in the last 10 years.

The rest of the automotive business is divided into quite even portions between General Motors, Ford and Chrysler plus the independents. In total Arvin makes some 1,200 different parts for the car manufacturers. Among the more important are mufflers, exhaust pipes, tail pipe assemblies, mirrors and gas tank filler tubes.

Arvin likes the automotive business, believing it to be basic to our economy, and no wonder, for the industry has treated Arvin

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Some Significant Aspects Of the Automobile Market

By GEORGE ROMNEY*
Chairman of the Board and President
American Motors Corporation, Detroit

Auto industry's 1957 expectation of 6.2 to 6.5 million car sales and 100 million in 1975, reflecting increasing multiple-car-ownership, rising population and economic growth, are set forth by American Motors chief executive side by side with mitigating obstacles to automobile progress. In questioning Walter Reuther's projected program for "walloping" the automobile companies, Mr. Romney quotes Senator Douglas on the destructive nature of inflation. Recommends higher productivity be passed out in form of lower prices, in order not to jeopardize the potential multiple-car-market, and the reduction "of the nation's social and economic power, just as the nation's founders wisely recognized the necessity of dividing and distributing political and governmental power."

Not since I was cutting my eye-teeth in industry in Washington, D. C., back in 1933—the year of the Emergency Banking Act and the scuttling of the gold standard—has there been so much discussion, controversy, and confusion about fiscal and monetary problems as there is today. The temptation to deal broadly with these subjects today is great. I am deeply concerned about our economic drifting.

George Romney

President Eisenhower's proposed comprehensive inquiry into the nation's monetary system and various congressional inquiries will present opportunity for widespread public analysis of these problems. Consumer credit already has been under extensive study. The series of six reports to the Federal Reserve Board should offer further public enlightenment. Instead of dealing broadly about these subjects, I will confine my remarks largely to the automobile industry and deal primarily with some market aspects that I hope may be of particular interest.

It was 1939 that the Federal Reserve Board first began to compile and release statistics on the total holdings of automobile paper by commercial banks. Since that time, holdings have increased about 14 times, and now total $5,782,000,000. It's clear we'd all have a tough time knowing where we've been and where we're going unless we had a good many economic facts to work with. An acquaintance recently observed, "We seem to be governed today more by statistics than by statutes."

Factors in Growth of Market

Because of dynamic characteristics inherent in the industry, and in the general economy, the growth of automobile demand has consistently outdistanced the predictions of marketing experts. Among the long-term factors responsible for its growth and development were:

(1) Constant cost reduction through increased productivity.

(2) Expansion of the market through sharing lower costs, primarily with customers, and secondarily with employees and stockholders.

(3) Constant improvement in production.

(4) Increased mileage of good roads.

(5) Increasing length of car life.

(6) Increase in instalment buying.

(7) Increase in population.

(8) Improved standard of living.

Rather than try to cover all eight of these points in the available time, I'll touch briefly on several.

Between 1913 and 1936, the wholesale price index for passenger cars declined more than 43%. This figure, however, fails to reflect the year-by-year improvement in quality and mechanical features of automobiles. Nothing approaching the comfort and performance of the cheapest 1936 models was available at any price in 1913, or even in 1920. The 1936 prices of Nash and Hudson cars, for example, and most other popular makes, were about one-fourth of the 1920 prices; and the improvement in horsepower, braking capacity, window area, seat width, tire quality, and other features were as vast, relatively, as those between a 1920 crystal radio and today's color television set.

Through the 'Twenties and 'Thirties, a close correlation between automobile sales and income was observed. "The over-all effect of income on total new car sales, new owners as well as replacements, appears to be that a 1% change in income causes a 2.5% change in sales," the Institute of Applied Econometrics pointed out in 1938.

Rise in Income

The sharp rise in income has been accompanied, save in the war years, by a remarkable growth in the car market.

Stephen M. DuBrul, an automo-

Continued on page 40

*An address by Mr. Romney before the National Industrial Credit Conference, American Bankers Association, Chicago, March 19, 1957.

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25 Park Place, New York 7, N. Y.
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HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
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Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C. England, c/o Edwards & Smith.

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The Business Outlook

By IRA T. ELLIS*

Economist, E. I. du Pont de Nemours and Company

E. I. du Pont's top economist prognosticates a better business year in 1957 than the year before, buttressed by increased individual, business and government spending, and marked by intense competition, 3% production rise, and easier money market in last half of the year. These predictions are broken down by Mr. Ellis who also points out the shortcomings of forecasting and of the belief that Government can save us from our excessive follies. Looking ahead to the next decade, the author states unemployment will not be a serious problem and that our rapidly rising population is a favorable factor.

The business outlook is what businessmen think it is. There is no one right answer. In our competitive private enterprise economy business decisions are made by a great many individuals. We are all consumers and our decisions in that area are extremely important because consumers purchase two-thirds of all the goods and services produced in the country. Business activity is carried on for people. The state of business and personal confidence, therefore, is always a significant element in the business outlook. Fortunately, confidence has been high for the past two years, and it remains high.

Ira T. Ellis

Estimating the future level of business activity is not an exact science because people as consumers and as businessmen are continually making adjustments in their plans. Business decisions to invest in new plant and equipment, or in inventories, and individual decisions to buy or build homes, or to bid a certain price for a common stock on one of our organized exchanges, are frequently revised. The most reliable forecasts, therefore, cover short periods—usually the next six months, or the next year. Forecasts for periods beyond the next year or two are usually based on trends and other broad indicators of future business activity without attempting to estimate the business cycle in detail. Business expansion plans, in particular, are based on such long term trends. The steel industry, for example, can make a better estimate of the normal demand for steel in this country in 1965 than it can of the steel operating rate in 1958.

In making their short-run forecasts, economists are concerned with such factors as business investment plans, the trend of government spending, the current level of business inventories, the level and recent changes in employment, personal income, industrial production, etc. We lean heavily on where we are and in what direction we are moving in estimating where we shall be a year or two from now. Let us start, therefore, with where we are.

Reviews 1956 Forecasts

Let us combine our review of the year 1956 with our forecast made a year ago. The year 1956 was the best business year we have ever had in this country, as we forecast a year ago it would be. Business activity in the country in 1956 averaged about 3% above 1955, and the year 1955 was a year of record business activity. The growth rate of the country last year, in physical terms, was about normal—3%. Output increases over the year before were widely distributed—they occurred in the output of durable goods, nondurable goods, and minerals, as well as in wholesale and in retail trade.

Business activity rose steadily from mid-1954 through 1955, but it showed little change in the first half of 1956. It dipped during the steel strike last summer, but recovered rapidly in the fall. The year finished with a strong fourth quarter.

In terms of specific industries, significant production gains in 1956 over the year before occurred in machinery, railroad equipment, paper and products, chemicals, petroleum, food and beverages, and printing and publishing, together with construction of factories, office buildings, public utilities, highways, sewer and water systems, etc.

Significant decreases between 1955 and 1956 occurred in the production of automobiles, farm equipment, steel, textile mill products, and rubber products, together with residential construction. It was not a year of universal rise. Some industries were adjusting to lower market demand.

Government spending for goods and services increased last year at all levels, as was foreseen in our estimates of a year ago. Federal spending was up less than 1%. Spending by state and local governments rose 9%. Federal expenditures for goods and services provide principally for national defense. In addition to spending for goods and services, the Federal Government is also heavily involved in payments for Social Security and welfare programs, interest on the debt, and similar "transfer" payments. Spending by state and local governments provides our roads, schools, sewer and water systems, etc. Such spending is stimulated largely by population increases over the years, and by the movement of population. It will probably continue to rise, but such spending is largely under local control, and the benefits are widely distributed.

Personal income last year was up 6% from the year before, and as a result, consumer spending rose 4.6%, or $12 billion. Principal increases occurred in spending for nondurable goods (+5%) and services (+7%). Consumer spending for durable goods **declined** 5%. Incidentally, Federal and state personal income taxes rose 8% last year, to $38.5 billion. It seems almost unbelievable that these taxes took only $2.4 billion in 1939.

But there were some adverse developments in 1956. Debt continued to rise rapidly, particularly private debt, and that of state and local governments. The Federal debt continued a slow decline, based on rapidly rising revenues rather than on careful restraint of expenditures.

Business inventories also rose rapidly last year. At the year-end they were up almost 8% from the year before, compared with the rise of 3% in the physical volume of production. There were signs at the year end that inventory building was being restrained.

There was danger all during 1956 that demand for borrowed funds for business and residential investment would outrun the supply of savings. As a result, the Federal Reserve Board kept a tight rein on lending by commercial banks to restrain the use of commercial bank credit for **investment** purposes. Total loans and investments of commercial banks rose only 3% last year. **Loans rose** 10%, but investments declined 5%. Bond prices and stock prices declined last year, partly as a reflection of the increase in their supply from bank and insurance company portfolios, new issues, etc.

In short, the year 1956 was a year of high business activity, but it was a year of varied business experience, a year of change and fluctuation rather than a year of steady growth. Let us turn now to the outlook for 1957.

A Look Into 1957

Since defense spending and the international situation are important business factors, any estimate of the outlook must include an estimate of developments in these areas. I am assuming no serious war threat in the next year, but continuation of high defense spending and the cold war. There will be further incidents like Suez, perhaps in Europe, perhaps in Southeast Asia. Unfortunately, defense spending will probably take about 10% of the output of all the goods and service in the country over the next decade. Regardless of its level, however, we should keep defense and other Federal Government spending covered by tax receipts.

The year 1957 will be a better business year than we enjoyed in 1956, but it will be another year of moderate change. Production may rise 3% from 1956, as it did last year from the year before. In view of recent increases in plant capacity, the year 1957 will be another year of intense competition. Business spending for new plant and equipment may rise 5%, compared with the rise of 22% in 1956 from the year before. Expenditures for new construction may also rise about 3%, comparable with the rise last year, with a probable slight decline in private construction offset by a substantial increase in public construction. Inventory building probably will not be so important in 1957 as it was in 1956.

Automobile production may rise about 10% this year. The output of textile mills will show a moderate improvement over last year. The number of housing starts will fall to around one million, a decline of 10% from 1956—it has exceeded one million in each year since 1948. Residential construction is currently under some restraint because of the very high demand for loanable funds from business and from state and local governments—funds which might otherwise be used to finance residential mortgages.

Personal income will probably rise about 5% in 1957. It rose 6% last year over the year before. The rate last January was almost 6% above January, 1956. Nonagricultural employment may rise about one million, about one-half the rise from 1955 to 1956. (The productivity of labor may show a sharper rise in 1957 than it did last year.)

Prices may show little further gain from present levels, although they will average significantly above the year 1956. The expected stability of commodity prices in 1957 is one result of the Federal Reserve Board policy of restraint on commercial bank lending for investment purposes. It is highly unlikely that their restraint will force the demand for investment funds below the supply of savings available for such investment.

Principal Supports

The principal supports for a high rate of business activity in 1957 will be high and rising spending by individuals and by governments, together with a high rate of business investment. Personal income will rise because of increases in wage and salary rates and rising employment, together with increases in incomes of proprietors, divdends and interest, Social Security payments, etc.

Incidentally, employment in 1957 will rise by more than the increase in the number of new young workers because many wives will enter or reenter the labor market his year. This tendency has been persistent during the past 10 years and it will continue at least until the middle 1960's. You can easily imagine what the addition of income from an additional worker per family can do to the demand for automobiles, houses, college education for children, and other relatively large family expenditures.

Consumer spending will rise about equally in 1957 in all of the major categories—durable goods (heavily weighted by an expected rise of 8% in spending for automobiles), nondurable goods, and services. Spending for durable goods **declined** 5% last year from the year before, compared with a **rise** in spending for nondurable goods and for services.

Increased government expenditures in 1957 will occur at all levels—Federal, state and local. Principal increases in Federal expenditures this year over a year ago are expected in the areas of national security, foreign aid, welfare, commerce and housing and interest. There is a good deal of current discussion about the Federal budget for fiscal year 1958, and it may be reduced $2 or $3 billion below the figure announced in January, particularly if people who want the budget reduced will let their Congressmen know what services they do not "demand" from the Federal Government.

State and local spending will also rise this year, importantly for new construction, but also because of increased salaries for teachers and other government employees. Public construction is principally an activity of state and local governments. Federal construction consists principally of military facilities, conservation and development, etc. Public construction may rise 10% this year over 1956.

Can Government Protect Us?

Business plans must always be made on the assumption that the business activity rate will fluctuate. While business activity has grown at 3% per year on the average over the past 50 years, there is no assurance that it will increase at that rate in each year. Some years will show faster than average growth and some years will show declines. We have not yet eliminated the business cycle although we may have learned to moderate the swings. We must avoid the excesses of the boom if we are to avoid the subsequent decline. Credit and other restraints may be necessary at times if we are to enjoy reasonable business stability. Government is

Continued on page 39

*An address by Mr. Ellis before the Institute for Maine Industry, Colby College, Waterville, Maine, March 23, 1957.

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Observations . . .

By A. WILFRED MAY

REALISM ABOUT RIGHTS

With industry's enlarged capital demands, the bull stock market as a reservoir and the historically high interest rates' restriction on bond financing, the device of offering additional stock to existing shareholders via rights is being used at a new high rate of activity.

A. Wilfred May

Accordingly, attending aspects are engaging the public's interest. Comment has included mention of some of the draw-backs. But the first overall condemnation of the practice in principle by an authoritative source which has come to this writer's attention, has been made during the past week by Frederick W. Page, Vice-President of Tri-Continental Corporation.[1]

This officer of the nation's largest closed-end investment company not only cites the accompanying factor of *dilution*, but also spells out its implications. In his effort toward clarifying popular confusion, he points out that "some stockholders are in favor of rights under the false impression that it gives them a good investment opportunity or that it is a form of an extra dividend."
not subscribe; and goes on to say

And the public needs to be awakened to the crucial importance of dilution in lieu of concentrating attention on the concession from the *market price* — present and sometimes a past peak as well.

He maintains that from the long-term point of view they are better off without offerings through rights; that such an offering either dilutes the stockholder or forces him to increase his investment in the company; that those who subscribe may be better off than those who do not or cannot subscribe, and goes on to say that "actually it is the transfer agent, the printer, and the underwriter who get the most benefit from a rights offering."

While Mr. Page makes a much needed and highly constructive contribution to the public's disillusionment on this important financing process, his blanket indictment of dilution requires some qualification.

The Varying Effects of Offerings

As this column has pointed out on a previous occasion,[2] dilution depends on the relation between the market price of the outstanding shares to the equity value, and on whether the rights are exercised or sold; specifically as follows:

(1) Where the outstanding stock is selling at a discount, that is below its equity value, the stockholder not exercising his rights to subscribe to a new stock offering suffers a dilution of his equity.

(2) The rights-subscriber in discount situations comes out even.

(3) Where the outstanding stock is selling at a premium, that is above its equity value, the non-subscribing shareholder not only escapes dilution, but enjoys a net overall gain.

(4) The rights-subscriber in premium situations escapes dilution and comes out even.

Thus, in a "discount" situation, the stockholder must subscribe to protect himself — a form of "assessment" status. In a "premium" situation, he gains if he sells his rights; comes out even if he subscribes.

Abuse in His Back Yard

Quite ironic, it seems to this writer, is it that the most widely-attended complaint has been made by a leader in the closed-end investment company field. For it is in that very area that the implications to which he refers necessarily are particularly obvious and definable.

In the case of an industrial, utility or railroad company, the incurrence of dilution is not so easily measurable. The asset value, or equity value referred to above, is usually—at least as far as the fixed assets component is concerned — a bookkeeping, or at least to some extent an unrealizable figure. On the other hand, an investment company's assets consists of securities which have a market value. Hence, at all times, by simply listing the market prices of the securities in its portfolio, it is an extremely simple matter to compute its precise net asset value — which it does and publicizes on monetary inquiry. An investment company's assets consist of marketable securities; not of plants, machinery, patents, or other assets on which arbitrary and sometimes comparatively unrealistic values are necessarily placed.

Precise Determination of Investment Company Dilution

Hence, in this area of the investment company the occurrence and degree of dilution can be realistically and precisely determined. Consistent with our findings regarding the impact of industrial company rights financing, dilution is suffered in a closed-end investment company where the stock is already selling in the market at a discount from asset value, unless the rights are used for actual subscription to the new shares and not sold. The value, and sale, of the rights cover only the difference between the market price and the subscription price, and not the difference between a higher asset value and the market price. Dilution occurs only when the outstanding stock is selling at a discount—with the offsetting subscription to new shares via the rights in that case virtually constituting an *assessment*. On the other hand, when the outstanding stock is selling at a premium, a stockholder selling his rights is more than evenly compensated for dilution.

The Financing's Motivation

The motivation for the new financing constitutes another crucial reason why the practice of creating dilution is especially unjustified in the investment company field. An industrial company or utility usually needs its new funds for expansion in line with the national trend, for the purchase of needed capital equipment—in a framework of maintaining its competitive position or perhaps even self-preservation. On the other hand, an investment company, a holding company whose assets are securities, obviously has no such compelling need warranting the sufferance of dilution.

Thus we see that the effects of rights offering must be appraised in the light of the particular relevant circumstances of each individual case.

* * * * *

IMPACT OF STOCK OPTIONING

Dilution ensuing from another corporate device, the stock option, is cogently analyzed in an article "Financing Stock Purchases by Executives" by V. Henry Rothschild published in the current issue of the *Harvard Business Review*. Mr. Rothschild points out how the burden on the recipient paying for the optioned stock frequently entails arrangements causing disservice, including dilution of the outstanding shares, to both the management and the stockholders.

1 See cover page of this issue of the "Chronicle" for full text of Mr. Page's address before the Oklahoma Utilities Association.

2 "Rights Offering and the Shareholder", *Observations*, Aug. 2, 1956.

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John Richmond Joins Stern, Lauer & Co.

John C. Richmond has joined the municipal bond department of Stern, Lauer & Co., 120 Broadway, New York City, members of the New York Stock Exchange, it has been announced. He has been associated for the past four years with the municipal bond department of Chemical Corn Exchange Bank.

C. W. Faries Joins Dempsey-Tegeler Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Culbert W. Faries has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Faries was formerly Vice-President of Gross, Rogers & Co.

Henry J. Low With Gude, Winmill & Co.

Gude, Winmill & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, have opened an institutional research department under the management of Henry J. Low. Mr. Low was formerly with Bruns, Nordeman & Co.

J. A. Hogle Adds

LOS ANGELES, Calif.—Wallace J. Eagler has been added to the staff of J. A. Hogle & Co., 507 West Sixth Street.

The State of Trade and Industry

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

Increases of a fractional nature occurred in the output of the automotive, electric power, and coal industries during the period ended on Wednesday of last week, but these increases were offset to a degree by slight declines in the production of steel and some food products. However, for the nation as a whole, total industrial production showed a moderate gain above the similar week a year ago.

In the field of employment it was reported that unemployment claims fell 10% the past week, but were close to those of the comparable period in 1956. Layoffs, it was stated, declined in the construction and manufacturing industries. The most noticeable decreases occurred in California, Ohio and Pennsylvania.

The changing steel market is forcing some part-time steel brokers to run for cover and increased mill production of light plate is pulling the rug from under speculators who charge what the traffic will bear, states "The Iron Age," national metalworking weekly the current week.

Plate is still a market strong point. But heavy tonnages of light-gauge material have been rolling off sheet-strip mills. This is competing with premium-priced broker material and hard-pressed users are in a better position to dicker with the speculators.

There are signs also that the premium-price market in structurals is not so tough as it once was. Some brokers of structural shapes are becoming easier to deal with. Contributing to this slightly easier tone is the increasing structural output of a mill that normally emphasizes flat-rolled, declares this trade weekly.

Still, the structural market continues so tight that most users are limited to a monthly quota from the mills with orders booked months in advance.

Meanwhile, more Eastern-produced steel is finding its way to the West Coast. Western buyers are paying a premium for it because of the extra freight, but the windfall is easing the tight situation in that steel-hungry section of the country.

Many steelmakers are quietly looking for export tonnages to take up some of the slack this summer. Unfortunately most of the demand from abroad is for the same items which are short at home such as plate, structurals and pipe.

Supporting expectations that overall steel shipments this year wil be on a par with those of 1956 is the fact that order backlogs this week are little changed from a month ago. This despite the sharp drop in sheet and strip order volume.

Part of the decline in steel ingot output is due to the change in product mix. When a much larger percentage of finished steel falls in the light plate, structural, pipe and heavy plate categories, less steel is produced per hour of mill time. That draws less steel from the openhearths. To put it simply, it takes longer to make the heavier steel products, adds this trade journal.

Most sheet mills have not noticed any improvement in sheet sales for April shipment and there is some question on May. But these same mills have booked heavy tonnages of light plate and other sheet products. So that sheet mill order books are not too far behind in total flat-rolled tonnage booked, concludes "The Iron Age."

In the automotive industry average daily sales of new cars for the period March 11-20 over that of March 1-10, increased an impressive 7.4%, keeping alive industry plans to boost April-June auto production 10% above year-ago levels. Sales covering March 11-20 averaged 20,000 daily.

"Ward's Automotive Reports" said the mid-March sales increase was sparked by General Motors Corp. dealers and assures the industry of sales well exceeding a half million retail units this month for the first time since last June.

The auto industry closed out its monthly United States production last week with a March total of 579,200 cars and 90,200 trucks, or 97.5% or 93.1% of scheduled volume, respectively.

"Ward's" attributed most of the month's truck output deficit to the recently ended Eaton axle strike. It linked the moderate decline in car making to a month-end adjustment which pulled the past week's volume down to 131,090 units from 138,646 units

Continued on page 42

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Gold and Monetary Discipline

By ALLAN SPROUL*

Former President, Federal Reserve Bank of New York

Leading central banker reiterates his views on domestic gold irredeemability; opposes free gold market proposals; doubts the possibility of a gold run on the United States; believes U. S. S. R. attempt at gold dumping could be combated; and agrees there are valid questions about selective credit controls. With regard to need for fundamental, objective study of our whole financial machinery, Mr. Sproul believes it should be done. Terms monetary discipline "good medicine for the body economic," and desires its widespread acceptance and support even though it may never be popular.

The proper use of gold as a monetary metal is a question which is more or less constantly hammered on by those who believe that the only safe monetary standard for an economically civilized country is one based on gold convertibility at home and abroad. That is the kind of gold standard which this country maintained for many years prior to 1934. Paper money or dollar balances could be exchanged for gold coin or bullion, on demand and at a fixed price, by our own people and by the monetary authorities and nationals of other countries. Unless we return to that system, or that standard, the fundamentalists will not be satisfied nor will they be quiet. Our present standard which, in effect, obligates us to meet the dollar claims of foreigners in gold bullion, but which does not permit citizens of this country to convert their currency and bank deposits into gold coin, is almost worse than complete inconvertibility to these dedicated people.

Allan Sproul

There are others less dedicated, perhaps, and with a greater tinge of pecuniary interest, such as the gold miners, who do not boggle particularly at the form of gold standard we have adopted, but who do suggest that we should be a little more flexible in our ideas about market trading in gold and about the official price of gold. What they want, one way or another, is an increase in the dollar price of gold—that is a devaluation of the dollar.

I have expressed myself on these questions in the past, and I shall do no more than summarize my views now. I do like to refer to these views, however, because they provoked such a spirited response from those who held contrary opinions when I first voiced them seven years ago. A pamphlet was put out with the intriguing title "Sproul Ignores Common Honesty." And one of the statements made in rebuttal of my defense of monetary management was that "Monetary management is a high sounding euphemism. It means constant lying to support constant swindling." You can see how I like to go back and savor those exciting days.

Recommends No Change

Well here, briefly and without supporting argument, are the views which I held on this subject when I spoke at the annual convention of the American Bankers' Association in 1949, and the views which I hold today. First, with respect to domestic convertibility, I do not think that our currency, nor our bank deposits, because the two are interchangeable, need be convertible into gold in order that we may have an honest currency, which facilitates our domestic pursuits and our international commerce, while protecting the purchasing power of our money. Our present United States dollar has the supreme attribute of good money in that it is universally acceptable wherever such acceptance is of importance to us. There is no substantial fear of the soundness of our money except among the few who cling to gold coin convertibility as a theological doctrine. With our present system of "managed money," savings, investments, long term commitments, and the production and exchange of goods and services, both nationally and internationally, have gone forward for more than a decade in a rising trend, with only minor fluctuations. And once we were rid of the aftermath of war, our government and our monetary authorities have shown a decent respect for fiscal and monetary policies which will safeguard the integrity and the purchasing power of the dollar, insofar as this can be done by fiscal and monetary means which have a due regard for national economic and social policies.

I think that, fundamentally, the gold coin standard has passed into history and an international gold bullion standard has been accepted by the United States because experience had shown that domestic convertibility of our currency (and our bank deposits) was no longer exerting a stabilizing influence on the economy and, at times, was perverse in its effects. Discipline is necessary in monetary management, but it should be the discipline of competent and responsible men, not the supposed automatic discipline of a harsh and sometimes perverse mechanical device. Gold has a useful monetary role to play, chiefly as a means of balancing international accounts, and as a guide to, not as a dictator of, the necessary disciplines in trade and finance at home and abroad. It has no useful purpose to serve in the pockets or hoards of the people.

Opposes Free Gold Market

Perhaps I can deal with proposals for a free gold market in the United States, and for an increase in the price of gold, in even more summary fashion. The argument that gold miners should be free to sell their product on the market, at the best price they can get, and that others should be free to buy or sell gold dust or gold bullion, is an argument that gold should be treated as a speculative commodity, as well as a monetary metal and an international medium of exchange. So long as the miners have the protection of an assured market at a fixed price, because gold is the monetary metal of the country, I believe that they should not ask for a privateer's license to endanger the stability of the monetary standard by selling gold at fluctuating prices in a fringe free gold market. Nor do I believe that others should be granted speculator's rights to trade in gold, which may run counter to the public interest. Under present conditions, the only real price for gold in any amount is the price which the United States Treasury is prepared to pay for it. So long as that is the case, there is no sense in having a "make believe" free gold market in which possible temporary or short run deviations from the fixed price of the Treasury could have disturbing consequences.

The restricted and circumscribed privileges of the citizens of some foreign countries to buy, sell, trade in, or hoard gold are no guide for the United States. We have been and are maintaining a fixed point of monetary reference in a still disordered world, a responsibility we cannot abandon so long as it is our aim and objective to promote the greatest possible freedom of exchange of goods and services, and the convertibility of currencies, outside the "not so iron" curtain.

It would be instructive, however, to make one or two comparisons with countries which have these same objectives, but which differ in their treatment of gold dealings. In Canada, for instance, emergency assistance (a polite name for a subsidy) was extended to the gold mining industry beginning in 1948, and a free gold market was established early in 1956. The latter is one of the concessions which our gold miners have been seeking, and yet what have the miners of Canada done since they have had a choice? They have taken a government subsidy and sold their output to the government rather than sell their gold on the free market, in Canada or elsewhere, and forego the subsidy. The free market has held no attractions sufficient to get them out from under the sunshade held over them by the government.

An even more instructive example is the London gold market, which was reopened in March, 1954. It is by far the principal "free" gold market in the world, but it is not really free. While anyone can sell gold in the London market, residents of the United Kingdom and of the sterling area can only buy limited amounts of gold, under license, and others have to pay for the gold they buy with something which is convertible into United States dollars. You can't get very far away from the price paid for gold by the United States Treasury in the world of today, and the price paid for gold in the London market is a reflection of our Treasury price and the dollar-sterling exchange rate. It is possible to trade to advantage within a narrow range of permitted sterling-dollar fluctuations, because of the so-called mint or melting charge which our Treasury makes when buying or selling gold, but that is all.

So far as an arbitrary increase in the price paid for gold by our Treasury is concerned, I hold that it would be a haphazard grant in aid to foreign countries, based on a more or less accidental distribution of existing gold stocks and gold producing capacity. And I hold that its domestic results would be no less haphazard, providing the basis for a manifold expansion of credit which might be highly inflationary under some circumstances, and which would be unpredictable in its precise effects in all circumstances. An increase in the price of gold, which is devaluation of the dollar by another name, certainly has no place in our economic arsenal today.

Doubts Foreign Run on U. S. Gold

During what is, probably, a temporary lull in the agitation of these hardy perennial questions about gold, other queries have tried to keep some of the spotlight of public attention focussed on this beautiful metal. Two of these questions may hold some passing interest for us. The first relates to the possibility of a gold run on the United States and to our ability to meet it while preserving our required internal gold reserve requirements. The second relates to the possible adoption of a gold dumping program by the U. S. S. R., aimed at making favorable trade bargains with uncommitted nations and nations now friendly partners in the free world.

The first question is the one which has been raised most often during the past year or two. Stated baldly, it equates the gold holdings of the United States against the possible claims of foreign nations, and their nationals, on that gold and comes to the conclusion that, if all of the claims of these foreign holders of dollars were exercised, the gold holdings of the United States would fall substantially below the minimum now required as a gold (certificate) reserve against the deposit and note liabilities of the

Continued on page 38

*An address by Mr. Sproul before the Economic Club of Detroit, Feb. 18, 1957.

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Statement of Condition March 31, 1957

ASSETS	
Cash on hand and due from banks	$218,806,069
United States Government securities	160,594,742
State and municipal bonds and notes	44,983,442
Other bonds and securities	12,672,782
Loans and bills purchased	379,009,126
Accrued interest, accounts receivable, etc.	4,557,089
Stock of the Federal Reserve Bank	1,800,000
Investments in Morgan Grenfell & Co. Limited, Morgan & Cie. Incorporated, and 15 Broad Street Corporation	3,560,000
Banking house	3,000,000
Liability of customers on letters of credit and acceptances	21,268,839
	$850,252,089

LIABILITIES	
Deposits: U. S. Government	$ 40,702,628
All other	678,478,516
Official checks outstanding	22,820,496
	$742,001,640
Accounts payable, reserve for taxes, etc.	7,787,191
Acceptances outstanding and letters of credit issued	21,321,516
Capital—300,000 shares	30,000,000
Surplus	30,000,000
Undivided profits	19,141,742
	$850,252,089

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- Agriculture is extensive and widely diversified in the trade area.
- Industrial development has been exceptional to serve the growing West.
- Per capita income is above the high level reported for California as a whole.
- The Metropolitan Area now ranks third in the United States in major respects, behind New York and Chicago.
- Growth has been dynamic in both population and assessed valuation. The tax base is a conservative proportion of full value.
- Debt and tax burden continue moderate in relation to population, assessed and full value despite extensive bond sales necessary to keep up with the growth.
- Tax delinquencies have been relatively small over the years, and financial record has been excellent.

Issues, Amounts, Maturities and Yields

(Accrued interest to be added)

$10,000,000 Los Angeles City School District
$10,000,000 Los Angeles City High School District

City School District	High School District	Due	Price to Yield	City School District	High School District	Due	Price to Yield
$400,000	$400,000	1958	2.10%	400,000	400,000	1971	2.95%
400,000	400,000	1959	2.25	400,000	400,000	1972	3.00
400,000	400,000	1960	2.40	400,000	400,000	1973	3.00
400,000	400,000	1961	2.50	400,000	400,000	1974	3.05
400,000	400,000	1962	2.60	400,000	400,000	1975	3.05
400,000	400,000	1963	2.70	400,000	400,000	1976	3.10
400,000	400,000	1964	2.75	400,000	400,000	1977	3.10
400,000	400,000	1965	2.80	400,000	400,000	1978	3.15
400,000	400,000	1966	2.85	400,000	400,000	1979	3.15
400,000	400,000	1967	2.85	400,000	400,000	1980	3.20
400,000	400,000	1968	2.90	400,000	400,000	1981	3.20
400,000	400,000	1969	2.90	400,000	400,000	1982	3.20
400,000	400,000	1970	2.95				

Dated May 1, 1957 ***Due May 1, 1958-82, incl.***

Principal and semi-annual interest (May 1 and November 1) payable at the office of the Treasurer of Los Angeles County in Los Angeles, California, or at any of the fiscal agencies of Los Angeles County in New York, N. Y., or Chicago, Illinois, at the option of the holder. First coupon (annual) payable May 1st, 1958. Coupon bonds in denomination of $1,000 registerable only as to both principal and interest.

In the opinion of counsel, interest payable by the Districts upon their bonds is exempt from all present Federal and State of California personal income taxes under existing statutes, regulations and court decisions.

We believe these bonds are legal investments in New York for trust funds and savings banks and in California for savings banks, subject to the legal limitations upon the amount of the bank's investment, and are likewise legal investments in California for other funds which may be invested in bonds which are legal investments for savings banks, and are eligible as security for deposits of public moneys in California.

These bonds, issued under the provisions of Division 3, Chapter 17 of the California Education Code, for various school purposes, comprise separate issues of two distinct Districts. The bonds of each issue in the opinion of counsel constitute the legal and binding obligations of the issuing district and are payable, both principal and interest, from ad valorem taxes which may be levied without limitation as to rate or amount upon all of the taxable real property in the issuing District, and which, under the laws now in force, may be levied without limitation as to rate or amount upon all of the taxable personal property, except certain classes thereof, in the issuing District.

The above bonds are offered when, as and if issued and received by us and subject to approval of legality by Messrs. O'Melveny & Myers, Attorneys, Los Angeles, California.

J. Barth & Co. | Clark, Dodge & Co. | Laidlaw & Co.
Carl M. Loeb, Rhoades & Co. | John Nuveen & Co. (Incorporated) | Shearson, Hammill & Co.
Trust Company of Georgia | Andrews & Wells, Inc. | Bacon, Stevenson & Co.
Bacon, Whipple & Co. | William Blair & Company | Francis I. duPont & Co.
Gregory & Sons | Ira Haupt & Co. | E. F. Hutton & Company
Roosevelt & Cross Incorporated | Stroud & Company Incorporated | Robert W. Baird & Co., Incorporated
City National Bank & Trust Company of Chicago | A. G. Edwards & Sons
Ginther & Company | Kean, Taylor & Co. | National State Bank Newark
New York Hanseatic Corporation | H. E. Work & Co.
J. C. Bradford & Co. | Byrne and Phelps Incorporated | Julien Collins & Company
Kenower, MacArthur & Co. | Lawson, Levy & Williams
Irving Lundborg & Co. | McDonnell & Co.
Wm. J. Mericka & Co., Inc. | Provident Savings Bank & Trust Company
Shuman, Agnew & Co. | Stone & Youngberg | Third National Bank in Nashville
Thornton, Mohr & Farish | Van Alstyne, Noel & Co. | Robert Winthrop & Co.
Blunt Ellis & Simmons | Cruttenden, Podesta & Co. | The First National Bank of Memphis
Hooker & Fay | Kalman & Company, Inc. | Lyons & Shafto Incorporated
Northwestern National Bank of Minneapolis | Stern, Frank, Meyer & Fox
Stubbs, Smith & Lombardo, Inc. | Sutro Bros. & Co.
Townsend, Dabney and Tyson | Fred D. Blake & Co. | Dempsey-Tegeler & Co.
Fahey, Clark & Co. | The First Cleveland Corporation | The First National Bank of Saint Paul
Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc. | Hannahs, Ballin & Lee
Pierce, Carrison, Wulbern, Inc. | Rodman & Renshaw | Seasongood & Mayer
The Continental Bank and Trust Company Salt Lake City, Utah | Doll & Isphording, Inc.
Ellis & Co. | Elkins, Morris, Stokes & Co. | The First of Arizona Company
Glickenhaus & Lembo | Wagenseller & Durst, Inc.
The Weil, Roth & Irving Co. | Arthur L. Wright & Co., Inc. | C. N. White & Co.

A circular relating to these bonds may be obtained from any of the above underwriters.

April 3, 1957

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Dealer-Broker Investment Recommendations & Literature

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

Atomic Energy Review—Survey—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

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.

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

Canada and Canadian Provinces Funded Debts Outstanding—1957 Edition—Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

Canadian Convertible Securities—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Canada and Royal Bank Building, Toronto, Canada.

Dividend Calendar—Monthly calendar and memo-card—giving dividend record and capital gains payment for Incorporated Investors and Incorporated Income Fund—The Parker Corporation, 200 Berkeley Street, Boston 16, Mass.

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

Philadelphia Bank Stocks—Comparison of 11 largest Philadelphia Banks—Stroud & Company Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

* * *

AMP Inc.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Babcock & Wilcox—Circular—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Bethlehem Steel—Analysis—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Botany Mills, Inc.—Memorandum—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

Brewster Bartle Drilling Company Inc. — Report — Rowles, Winston & Co., Bank of the Southwest Building, Houston 2, Texas.

Burmah Oil Company Limited—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

J. P. Burroughs & Son, Inc.—Report—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Cities Service Company—Data in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are a list of "Quarter Century" payers and selected issues with only common shares outstanding.

Cromton & Knowles Corporation — Report — May & Gannon, Inc., 140 Federal Street, Boston 10, Mass.

Fanner Manufacturing Co.—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Williams-McWilliams Industries, Inc.**

Federated Department Stores—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are bulletins on **Maryland Shipbuilding & Drydock** and **Pure Oil.**

Great American Insurance Co.—Report—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Hertz Corp.—Annual report—Treasurer, Hertz Corporation, 218 South Wabash Avenue, Chicago 4, Ill.

Hevi Duty Electric Co.—Memorandum—Robert W. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 1, Wis.

Kimberly Clark—Data in current issue of "Monthly Investment Letter"—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also in the same issue are data on **Hertz Corp., Stainless Steels,** and **Mission Corp.**

Louis Allis Company—Analysis—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available is an analysis of **Central Louisiana Electric Company, Inc.**

Nebraska Municipal Subdivisions 1956-1957 statistical information — Wachob-Bender Corporation, 326 Farnam Street, Omaha 3, Neb.

North American Aviation—Bulletin—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

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

Pheoll Manufacturing Co.—Memorandum—Leason & Co., 39 South La Salle Street, Chicago 3, Ill.

Rimrock Tidelands, Inc. — Study — T. J. Feibleman & Co., Richards Building, New Orleans 12, La. Also available is an analysis of **Sterling Sugars, Inc.**

H. H. Robertson Co.—Study—Singer, Deane & Scribner, Union Trust Building, Pittsburgh 19, Pa.

Seaboard Finance Company—Review—First Boston Corporation, 100 Broadway, New York 5, N. Y.

TMT Trailer Ferry, Inc.—Study—General Investing Corp., 80 Wall Street, New York 5, N. Y.

Unilever—Memorandum—Model, Roland & Stone, 120 Broadway, New York 5, N. Y.

United American Life Insurance Company—Report—Ralph B. Leonard & Company, Inc., 25 Broad Street, New York 4, N. Y. Also available is a report on **Loyal Protective Life Insurance Company.**

Universal Products Company, Inc.—Analysis—Blair & Co., Incorporated, 20 Broad Street, New York 5, N. Y.

Yonkers Raceway Inc.—Circular—Security Adjustment Corporation, 16 Court Street, Brooklyn 1, N. Y.

NSTA Notes

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association will hold their 22nd Annual Spring Outing on May 17, 1957 at the Country Club of Maryland.

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The Security Traders Association of Los Angeles will hold its Annual Spring Party—May 17, 18, 19, at Palm Springs Biltmore, Palm Springs, Calif.

Arthur King Joins New York Hanseatic

(Special to The Financial Chronicle)

BOSTON, Mass. — Arthur V. King has become associated with New York Hanseatic Corporation, 84 State Street. He was formerly manager of the municipal department for Clayton Securities Corp. and prior thereto was with F. L. Putnam & Co. and du Pont, Homsey & Co.

Admits New Partner

CHICAGO, Ill.—Herbert S. Kipnis has been admitted to partnership with David Sherman in Capital Securities Company, 209 South La Salle Street.

Frantz, Hutchinson Co. Formed in Chicago

(Special to The Financial Chronicle)

CHICAGO, Ill.—Frantz, Hutchinson & Co. has been formed with offices at 141 West Jackson Boulevard to engage in a securities business. Officers are Frank Hutchinson, President; Gene Frantz, Vice-President and Treasurer; and E. Hutchinson, Secretary. Mr. Hutchinson was formerly associated with Weeden & Co. in the municipal department. Mr. Frantz was in the municipal department of William Blair & Company.

Prosecuting Stock Frauds

By PAUL W. WILLIAMS*
United States Attorney

As chief law enforcement officer of U. S. in the New York area, Mr. Williams announces creation of a special securities unit to expedite prosecution of stock frauds referred to him. Cites preliminary investigation into boiler room activities indicating daily victimization of bettors on worthless stocks—to the serious injury of the reputation of the financial market.

New York City is the commercial and financial capital of the country, with the most important Stock Exchanges in the World. Last year alone the dollar volume in the New York Stock Exchange was 38 billion — double what it was in 1953. There were $13,100,000,000 of new issues registered with the SEC in 1956.

Paul W. Williams

There are over 10 million people in the United States who own shares. I am vitally interested, as I know other members of the Federal Bar Association here are, in guarding these shareholders and the economy of our nation. I feel it my duty, and the duty of all of us, to be on a constant vigil for fraudulent financial transactions of any kind.

There is a tremendous demand for capital in this country. School building programs, highways, consumer requirements and defense requirements need this public support.

It is here in the heart of New

*A speech by Mr. Williams before the Federal Bar Association, New York City, March 28, 1957.

BANKS, BROKERS, DEALERS—

Lately added to our trading list

*American Photocopy Equipment Co.
*Falcon Seaboard Drilling Co.
*Fisher Governor Company

* Prospectus on Request

Inquiries invited

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York, in the heart of the commercial center of the world, that many varied financial enterprises such as commercial banks, investment banks, savings banks, insurance companies, brokers and dealers attempt to fulfill these capital requirements. The savings of many millions of people throughout our nation are made available to fulfill these requirements.

Exchanges Vital

The great function of stock exchanges and securities exchanges of all kinds is to provide a central market place where securities may be bought and sold. They are a vital and important part of our whole investment process.

In the 1930's, wide regulations of investment processes were ushered in to protect against frauds in the sale of securities and to protect the public from crooked promoters who were preying on gullible investors.

To protect the public, Congress enacted a series of Federal statutes which brought the securities markets and the field of investments under comprehensive government regulation. One of the purposes for which the Securities and Exchange Act of 1934 was passed is stated in the preamble to that Act—"to insure the maintenance of fair and honest markets." Pursuant to that Act, the Securities and Exchange Commission was created which has power over almost all securities exchanges, with power to protect against a wide variety of manipulative operations such as pools, wash sales, matched orders and boiler shops.

In the 1920's the unscrupulous promoters were selling phony oil and gold mine stocks. In the 1950's, the unscrupulous promoters have added phony uranium mines.

Teeth of 1934 Act

The Securities Act of 1934 has teeth. Criminal penalties of fines and imprisonment are specified for violation of the Act. The Commission may seek injunctions to restrain violators. The Act provides for damage suits by individuals, and the Commission may suspend or revoke the registration of a security or an exchange.

It is a criminal offense to violate the provisions of the Securities Acts or the rules of the Commission. As the chief law enforcement officer of the U. S. in this area, I am particularly interested in protecting the investor and enforcing the Securities Acts.

From 1934 to June 30, 1956, 2,283 defendants were indicted in connection with securities frauds in United States District Courts in 543 cases developed by the Commission. In 1956, 20 cases were referred by the Commission to the Department of Justice.

A Special Securities Unit

I would like to make an announcement at this time which I believe is of considerable importance. In order to work as closely as possible with Sinclair Armstrong, Chief of the SEC and his staff in New York headed by Paul Windels, Jr., I am creating a special Securities Unit in my office similar to the Narcotics Unit. This Securities Unit will enable us to process expeditiously violations of the Securities Acts.

At the present moment, I have in my possession the results of preliminary investigations, made by the Securities and Exchange Commission in New York, into alleged boiler room activities of various brokerage firms. There are indications that daily victims are persuaded to bet their money on worthless stocks because they believe they are acting on substantial and proper advice. The phonies who, over the telephone and through the mails, attempt to victimize, and do victimize, the investing public are again going a long way to ruin the reputation of the financial market.

The boiler room operators have their sucker lists. The "opener" telephones all the people on the list and then the "loader" or the "re-loader" follows up, and thus ingenuous investors are fleeced.

The Securities and Exchange Commission is quick to investigate stock swindles and with the new Securities Unit of the U. S. Attorney's Office, we shall be quick to prosecute. It is for this reason that I consider the creation of this Unit an important development.

H. B. Shaine & Co. Formed in Grand Rapids

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—H. B. Shaine & Co. has been formed with offices in the McKay Tower. Officers are Hyman B. Shaine, President; Maurice J. Amelar and Richard J. Boss, Vice-Presidents, and E. M. Silverstein, Secretary-Treasurer. All were formerly with Arthur M. Krensky & Co., Inc.

Also associated with the new firm are Earl A. Bedford, Richard D. McCormick, Jr., Della E. Wicks, and Ralph J. Zinn, all previously with Arthur M. Krensky & Co., Inc.

New Firm Name Will Be Annett & Company

TORONTO, Canada — Effective April 1 the firm name of Gardiner, Annett Limited was changed to Annett & Company. The firm will continue to be located at 335 Bay Street.

E. A. Henderson With Model, Roland, Stone

E. Allen Henderson has become associated with Model, Roland & Stone, 120 Broadway, New York City, members of the New York Stock Exchange.

Mason Brothers Add

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — George B. Calder is now with Mason Brothers, Central Bank Building.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

April 3, 1957

914,078 Shares

Reynolds Metals Company

Common Stock

Par Value $1 per Share

Reynolds Metals Company has issued to holders of its outstanding Common Stock transferable warrants evidencing rights, expiring April 16, 1957, to subscribe for these shares, at the price set forth below and at the rate of one share for each 11 shares held, all as more fully set forth in the prospectus. United States Foil Company and Reynolds Corporation, who as stockholders of Reynolds Metals Company will receive rights to subscribe for an aggregate of 463,212 shares of Common Stock, have advised the Company that it is their intention to exercise such rights. Such shares are not underwritten. Common Stock may be offered by the underwriters as set forth in the prospectus.

Subscription Price for Reynolds Metals Company Common Stock

$42 per share

746,270 Shares

United States Foil Company

Class B Common Stock

Non Voting—Par Value $1 per Share

United States Foil Company has issued to holders of its outstanding Class A and Class B Common Stock transferable warrants evidencing rights, expiring April 16, 1957, to subscribe for these shares at the price set forth below and at the rate of one share for each 7 shares held, all as more fully set forth in the prospectus. Reynolds Corporation, who as a stockholder of United States Foil Company will receive rights to subscribe for an aggregate of 45,196 shares of Class B Common Stock, has advised the Company that it is its intention to exercise such rights. Such shares are not underwritten. Common Stock may be offered by the underwriters as set forth in the prospectus.

Subscription Price for United States Foil Company Class B Common Stock

$28 per share

Copies of the applicable prospectus may be obtained from such of the undersigned (who are among the underwriters named in the prospectuses) as may legally offer these securities under applicable securities laws.

Dillon, Read & Co. Inc. — Reynolds & Co., Inc.

Blyth & Co., Inc. — Eastman Dillon, Union Securities & Co. — Goldman, Sachs & Co.

Harriman Ripley & Co. Incorporated — Kidder, Peabody & Co. — Lazard Frères & Co.

Lehman Brothers — Merrill Lynch, Pierce, Fenner & Beane — Smith, Barney & Co.

Stone & Webster Securities Corporation — White, Weld & Co.

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Moving on to Economic Health After Inflation 1957 Ceases

By HONORABLE WALLACE F. BENNETT*
United States Senator from Utah

Utah Senator depicts "inflation '57" as a lingering remnant of a 15-year infection which, unlike 1929, does not presage a collapse and, thus provides an opportunity for preventive practice involving spiritual and economic education. Like a narcotic, we are described as suffering from fears, which requires faith, self-restraint and spiritual courage, and from delusions, which consists of belief that governmental laws can remove risks and that our problems are economic ones. Every organized group or institution is held responsible for undertaking educational program outlined by Senator Bennett for "this may be our best chance to break the old habit of inflation . . . and restore our economy to a healthy balance in freedom."

Whenever men gather these days to discuss economic problems, inflation holds the spotlight. And so it is today, with an array of trained and competent speakers to present various important technical aspects of the subject. Since I am not a trained economist, my approach will be necessarily different, and my analysis of its cause and cure more philosophical than scientific.

Wallace F. Bennett

It helps me to understand inflation when I think of it as an economic disease, and in this light—looked at through the eyes of a layman—it seems to exhibit many such striking characteristics. When inflation sets in, our economy can truly be said to run a temperature. Its actions lack vigor and stability. Men who are caught in its web find their vision distorted, and are inclined to excesses and delusions, and easily become dependent on nostrums, many of which have narcotic effects. Once a serious case sets in, it often has to run its course and has the capacity to reinfect itself unless it is prevented.

From this point of view, inflation '57 is not hard to place. It is a lingering remnant of the infection which came with the beginning of World War II, and like so many other economic ills, was accepted as a necessary result of war. War's other problems were more immediate and compelling so we accepted the drugs of consumer controls, thinking they would cure inflation. All they did was to keep it dormant and when they were removed, the disease was violent and rampant and our economic values were wasted faster than we could build them up. Then came the war in Korea and controls were reimposed. By this time the disease had lost some of its strength and when this war ended, it looked like we had made a remarkable recovery, with a return to apparent normal healthy balance. Our temperature held nearly level and we thought we were out of the woods. We gave some credit for this recovery to a change of treatment adopted when in 1951, the Federal Reserve Board regained its independence and its power to use monetary controls.

A 1932 Omen?

But this period was short-lived, and for more than a year now the infection has flared up again. Our temperature has risen steadily and many of us are complaining that the treatment is worse than the disease and that the Federal Reserve Board has made our money far too tight. Looking back, we realize that while our general condition since 1952 has been fairly good, we have suffered from several more or less local difficulties, particularly in agriculture, and that these produced an apparent and temporary balance. By now, this balance has been overthrown and again in '56 and now in '57, we are suffering a relapse and facing the same old questions of what to do about it. Shall we continue the same treatment — monetary controls? It can be very painful in some parts of the body economic. Shall we change doctors and go back to consumer controls? They at least kill most of the pain and make us feel better for a while. Or, is the disease chronic and incurable? If it is, shall we just relax and forget it, hoping against hope that there will not be another year like 1932?

There are some authorities who point out that this earlier bout with the disease, which began with the first world war in 1917, was allowed to run unchecked and finally brought on a general collapse 15 years later, from which we had not fully recovered when the next one hit us. If we set Dec. 7, 1941, as the date this latest one began, it, too, has lasted 15 years; and while it has produced serious ravages, they have been spread out over a longer period, and we are not now facing a complete collapse. Instead, '57 may be the year of the last postwar inflationary adjustments and thus give us a chance for some preventive practices. While we must still keep alert to treat any symptoms of recurrence, we can begin to plan to educate ourselves for living as healthy economic beings, and it is of this kind of program that I want to speak today.

The problem of re-education for normal living is never an easy one. We have been suffering from this disease for 15 years. It has become a more-or-less accepted part of our life. During all that time we have come to depend more and more on outside agencies, government particularly, to protect and treat us. Our first task now, then, is to regain our faith in ourselves and in the very idea that we can have good health. We need to believe the fundamental truth that to be well can be normal.

Fears and Delusions

In many ways, we are in the position of one who has become dependent on a narcotic. When we think of going off of it, we suffer from very definite fears and delusions. The fears must be replaced by faith in ourselves and the delusions must be wiped out and replaced by truth and understanding.

Because inflation can counterfeit prosperity and then destroy it, we have almost come to fear prosperity. We have had a depression psychosis so long that we mistrust even our own achievements. We need to regain faith in the fundamental values of our American system whose long-time record is sound and almost unbelievably effective.

The same fears which lead us to minimize the vitality of our system lead us to exaggerate every little pause or setback in our healthy progress. Every sniffle seems the sure precursor of pneumonia. We tend to see a great depression booming up behind each little dip.

In a real sense, too many of us fear the future. We have accepted the narcotic addict's philosophy that we should live for the present only and be willing to pay any price for the shot that lifts us for now into a feeling of super strength and well being, even though we know it will not last. One mark of maturity is the faith to accept less than full satisfaction today in order to build more surely for a better tomorrow. We need to have that faith restored. Far too long we have been preoccupied with the present, and have been willing to sacrifice the heritage of the past and the hope of the future for a lift today. And in the field of economics, that's just what inflation does.

As I said earlier, there are also some delusions to be overcome and wiped out. Chief among these is that government, by passing laws, can take all the risks out of life, including economic life. This delusion takes some queer forms. One is that we now have built-in economic mechanisms that can prevent adjustments down without limiting adjustments up. This never can be true. Ours is a profit and loss economy. Losses are bound to come and when they do, they must be made up. No man-made law on earth can change this fundamental truth and in our economic pattern if we block off every other place where losses may come to rest, they will eventually come out of the general store of values—our money—and that is inflation. This, of course, is a sophisticated version of the old hope of getting something for nothing. Said in another way, we have the delusion that inflation and deflation are not necessarily related. Deflation is bad, we say, and always happens when inflation stops. This, then, assumes that inflation is good. Neither is true. Balance is good. Both inflation and deflation, per se, are bad if they reflect lack of balance, but may be healthy if they are mutually self-correcting. We need to correct our concept and assume a broader band of limited adjustment between the equally unhealthy areas of inflation and deflation, which can be considered normal and healthy. And we need further to realize that whenever either inflation or deflation exists, both evil, we should move to correct the effects of both by correcting the one at hand. If either is left to correct itself, it will act like a pendulum and swing into the other. Do you fear deflation? Then wipe out inflation if it threatens, as it does now.

Faith to Replace Our Fears

Another delusion is that this problem lies entirely in the field of economics and can be solved by laws, regulations, contracts, and astute manipulations. Nothing could be farther from the truth. Economic weakness is a form of spiritual weakness. It can arise out of fears of selfishness or excesses, all of which are generated within ourselves. And, therefore, before we can overcome these problems and restore economic health, we must first regain our spiritual vision and vigor and then, with a sound spiritual basis to build on, undertake a vigorous program of economic education or re-education, if you will.

The spiritual problems that we face are not new or different. They have always been with us and they always will. But to recognize their importance to economic health may seem new to some and may provide a new incentive for progress in these areas.

The first challenge is to find faith to replace our fears, faith in ourselves, strong enough to get us out from dependence on mechanistic and legalistic controls, and faith in sound principles which can guide our actions. In a very real sense, we need to recover or refresh our faith in freedom itself, which we have been all too ready to abandon at the first economic pressure. This means an over-increasing dependence on free markets, particularly for money.

Our next need is for increased capacity for self-restraint, to guard us from the excesses upon which inflation feeds, and a heightened sense of historical trusteeship which will protect our children from our selfishness and greed. When we weaken the value of our currency, we are no better than the ancients who clipped their coins.

And finally, we need the spiritual courage to look truth in the face and the wisdom to live by it. We must be prepared to admit that the law of supply and demand is inevitable and while we may postpone or deflect its consequences, we cannot extinguish them. We must recognize that flexibility and adjustment are indispensable to life, that balance is health but that rigidity is death to progress and to freedom. And, most of all, we need to be concerned about justice and equity. In so many of our attempts to control the economic distortions by law, we have distorted equity, set up shelters and special privileges for some and added extra burdens to others. But no matter how hard we try to avoid it, when we substitute inflation for production and prosperity, the ultimate burden always falls on those least able to assume it—the pensioner, the widows, and on the little people with fixed incomes. Or, as Christ said, "the least of these, my brethren." For their sakes, most of all, we need to keep our dollar sound.

If we can straighten out our spiritual approach, there are still many practical problems to be overcome and lessons to be taught. We have the bad economic habits and warped economic thinking of a whole generation to wipe out. And there are many practical compulsions to offset, chief among which is the felt need in both business and labor leadership to drive for ever-higher goals of sales and wages, regardless of the consequences. When we do this, inflation is bound to be one of these consequences.

Material Education

In the field of economic education, every American needs to learn such truths as these again:

(1) That interest paid on debt and interest earned on savings are the twin sides of the same coin.

(2) That new jobs cannot be created without new investment which in a free country can come only from savings. Inflation cannot fill this need.

(3) That increased wages can come only from increased productivity, and to relate them to any cost of living index is to insure one of two evils. If all do it, we will have inflation with no

Continued on page 39

*An address by Senator Bennett before the National Industrial Conference Board's 3rd California Meeting, San Francisco, March 28, 1957.

$4,800,000

Denver and Rio Grande Western Railroad Equipment Trust, Series V

3¾% Equipment Trust Certificates
(Philadelphia Plan)

To mature $160,000 semi-annually November 1, 1957 to May 1, 1972, inclusive

To be guaranteed unconditionally as to payment of par value and dividends by endorsement by The Denver and Rio Grande Western Railroad Company

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March 28, 1957

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Geronomics

By IRA U. COBLEIGH

Enterprise Economist

Some notes on a brand new social science — the economics of financial serenity in the Golden Years.

Something new has been added to the lexicon, as of now—geronomics. Don't bother to look this word up in a dictionary, because it isn't there yet. But it will be. For it is a logical combination of the Greek word "geron" meaning old man, and the now familiar word "economics." Remember you heard it here first, and it was coined by your correspondent to fill a vital semantic need. Essentially it relates to the financial problems and adjustments of persons 65 and older who presently number, in the U. S., over 14 million. Their number, thanks to advances in medical science, is on the increase, and, quite frankly, their position in our whole economic scheme has either been slighted, neglected, or ignored.

Ira U. Cobleigh

How shall we approach this new consideration of the leisure years? The most logical starting point is the age of retirement, which in many companies has become virtually obligatory, and in others in varying degrees optional, at 65. What, in a typical case, will happen at that target date?

When a man is put out to pasture by the company to which he has devoted a good part of his active years, what are the new financial requirements of his more advanced years? In retiring, he will usually be cut back to somewhere between 50% and 70% of the income he had been receiving, and this taking into account his pension, and social security payments and such income as he may have from bank interest, government bonds or other investments. Life insurance, converted into an annuity, may further augment retirement income.

The whole point to note, however, is that, at this time of life, the paramount need is for income —not a beady-eyed search for swift capital gain (with its attendant risks); and not latching on to growth stocks that may quadruple in a decade. Let's face it, in a decade our retired friend may pass on beyond. Thus the great yearning for a market killing, which enthralls so many of us in our early or middle years, is not for the oldster. First, he can't afford great risks since his big earning years are over, and he can't recoup losses; and second the greatest serenity he can attain will be based on confident knowledge that he has a dependable (and comfortable) income for all of his days.

Which brings us up to the first geronomic phase — an adequate dependable income. In many cases, pension and social security will supply but a meager subsistence, so that gracious and certainly luxurious retirement will require supplementary income. What should those investments be to create this income, and where will the fund come from to acquire them? Since income is the main goal, existing insurance may be converted, in whole or in part, into an annuity. Many ordinary life contracts have annuity provisions written into them. Further, many people, especially professional people, buy deferred annuities in earlier years, with income scheduled to commence at a stated retirement age. Remember too that, at 65, the need for thrift has virtually vanished. You don't need to save for your old age because you're already there! Thus, except for a sum in a bank at interest (anywhere between $2,000 and $10,000 depending on your scale of living) needful for illness, surgery, or other unusual expense, balances should be prudently invested to maximize income.

There's frequently another source of investible funds. In roughly one case out of three, a retiring couple will decide to sell their home, especially in more northerly sections of the country, and move to sunnier climes—Arizona, New Mexico, Florida or Southern California. This is quite logical on a number of grounds. First of all, absence of heating bills and need for heavy clothing can cut down annual living costs. For many oldsters, cold climates, and snow to be shoveled or waded through, are health hazards. Further, the family homestead may be on a steep hill, and have a lot of stairs to climb—a progressively tougher assignment for older people whose hearts may be getting a little tired.

Finally, however, there's a basic economic equation. Usually, the owned home has served well to bring up a family. With the children now all grown up and away, the old folks rattle around in a seven or eight room house; and their comfortable living needs are far better served by a smaller functional modern home, all on one floor. A seven room house in Ohio may be sold for $25,000 or so, depending on location, structure, condition, etc., and in its place, a nice four room concrete block-built home in Florida might be acquired for $8,000. This leaves a sizable investible surplus (assuming the old homestead to be free and clear) and somewhere around $15,000 after brokerage and taxes may be released to provide more exalted retirement income.

Now we've talked a lot about addition to income. What sort of securities should we use to assure it? Bonds, preferred, or common stock? My vote goes for the common stocks — the high yielding variety, the ones that pay rather than plow net income. So at the risk of some controversy, there are presented below some assorted equities selected on the basis of their generous return.

American Tobacco common at 76½, yielding 6.5% on a $5 dividend, is the sort of dependable payer that we should seek. People, despite a medical scare every so often, seem pretty likely to keep on smoking. They smoke in bad times as well as good and an increasing population should operate in favor of a major company like American.

Pullman, which seldom finds its way into "growth" lists, has been a solid earner and payer for decades, and it's better off today car building, rather than owning Pullman cars. A 6.5% yield on Pullman today is not to be sneezed at.

Bethlehem Steel today yields 5.7%, but it's got slick management and has shown splendid capacity to increase its earning power in the past. There's nothing wrong in buying a good dividend income today with some prospect of increasing it in two of three years, even when you're retired.

Then what about **Chesapeake and Ohio?** A fine rail paying $4 on a 1956 net of $8.28. Don't see anything very wrong in buying this stock on a 6½% yield?

In retail trade merchandising, **Allied Stores,** the biggest in the business, at 43 yields 6.9. Sound and well managed with sustained earnings power, Allied seems to meet our income specifications.

Link Belt is a fine progressive company moving ahead in many areas. Its common at 66 yields 5.8 and it is not unreasonable to look for larger dividends here in years to come.

Allis-Chalmers is a fine rounded manufacturing company with a quite secure $2 dividend. At 33⅛ the yield here is 6%. For a utility, **Public Service Electric and Gas** yields 5.7%.

Now the average return on these mature equities selected for dividend altitude and durability is 6.2%. On a $15,000 investment evenly spread among these issues, the retired person would receive $75 a month in supplementary income.

Obviously this is no absolute solution to the primary problem of geronomics—an assured and adequate income. Many other high yielding shares may suggest themselves. Other approaches might well be favored—bonds such as **N. Y. Central 4½s** or **Morris and Essex 3½s**; or mutual funds—the income variety. And we have, of course, touched upon just one phase of the economics of advanced years. Other phases —smaller home building or purchase, mortgage financing, further defenses against inflation, the making of a will and the setting up of trusts to save taxes and to smooth the transfer of property to heirs—all these may well be the topics of further readings — in geronomics.

King Merritt Main Office Now in N. Y.

In an effort to serve the needs of its clients more efficiently, King Merritt & Company, Inc. announces the removal of the firm's main office to 85 Broad Street, New York from Englewood, N. J.

The firm is an international organization specializing in mutual funds and has over 1,000 representatives serving in 46 states of the United States, the Territory of Hawaii and in 15 foreign countries. Prior to the firm's move to Englewood in June, 1954, it had maintained offices at 270 Park Avenue, N. Y.

$4,185,000

Western Maryland Railway Company

3¾% Equipment Trust Certificates, Series U

(Philadelphia Plan)

To mature $279,000 annually May 1, 1958 to 1972, inclusive

To be guaranteed unconditionally as to payment of principal and dividends by endorsement by Western Maryland Railway Company

MATURITIES AND YIELDS

(accrued dividends to be added)

1958	3.50%	1960	3.70%
1959	3.60	1961-72	3.80

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April 4, 1957.

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

$6,000,000

New Orleans Public Service Inc.

First Mortgage Bonds, 4½% Series due 1987

Dated April 1, 1957 Due April 1, 1987

Price 100.823% and accrued interest

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

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MULLANEY, WELLS & COMPANY THOMAS & COMPANY ARNOLD & CRANE

March 29, 1957.

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Role of Wage Fixing In Creating Inflation

By W. C. MULLENDORE*
Chairman, Southern California Edison Company, Los Angeles, California

Focusing attention on the source and cause rather than effects of inflation, well known Californian utility head recommends absolute curbing of the "power to add to the money supply." Mr. Mullendore decries the power of labor, and other pressure groups, but maintains "that the rise of wages is not inflation" unless inflation is defined as rising prices. Terms inflation as demand originating "in a credit transaction or with a government order or fiat. . . ."

First of all, I want to give my definition, or understanding of this monetary phenomena called inflation. I believe the use of these hyphenated words, "wage-inflation," "price-inflation," "cost-inflation," "credit-inflation," etc., are confusing. Inflation's source is not at the "bargaining table," (a more precise and accurate designation of which table would be the "pressure table"). That table where force is used to raise wages is merely one of the places where the mighty force set loose by inflation is manifested.

Wm. C. Mullendore

Defines Monetary Inflation

Inflation, in my book, is an increase in the supply of the media of exchange (money and bank deposits), which increase in supply is brought about through the perversion of the power of issue and through the misuse and abuse of credit. Inflation always results in reducing the objective exchange-value of the monetary unit, the most important of which in the world today is the dollar. Once the barriers against inflation are removed, the pressure forces which are thus set free mount and grow in strength, usually until they are out of control. It is the old story of Pandora's Box. Those who for one reason or another—to finance a war of defense, to save the world, to rescue a country from a depression, to maintain full employment—those who, I say, for these or other reasons set the forces of inflation loose, lose control of them and become their victims along with all others within the human situations affected thereby.

The pressure behind an inflation is human appetite and human desire to gain access to the market where the good things of life may be had in abundance, if only you have enough money. The undeniable fact that goods and services can be acquired in exchange for the medium of exchange leads to the popular and widespread delusion that the medium of exchange itself is wealth. This idea can be rationalized even by brilliant financial minds, as it was by one of the clever and brilliant minds of the 18th Century—old John Law who in 1705 first coined the phrase, "to create money is to create wealth."

Our economic system is an exchange system. Its basic and most fundamental law is that those who would receive and remove goods and services from the market must first bring goods and services of equal value to the market. Only thus can the dynamic balance of the market be safeguarded and maintained. And upon the maintenance of that dynamic balance depends the continued existence of the freedom of exchange —i.e., the free market or free enterprise system. And the most effective and quickest way to destroy the freedom of a people is to destroy their free market system. Lenin knew that and predicted that communism would destroy capitalism by forcing or inducing inflation.

The foregoing paragraph is pertinent to inflation because: inflation is a process wherein and whereby access to the free market, and the goods and services therein, is given, not by bringing goods and services of value to the market but by bringing only a government purchase-order—that is, money or a government check (or someone else's check) on a bank deposit which originated in an inflationary creation of credit. Production and sale of goods or services does not precede this demand upon the market, and, when demand does not arise out of production but originates in a credit transaction or with a government order, or fiat, **that is inflation.**

Production creates its own demand. That is why we cannot out-produce an inflation. To try to do so is as foolish as trying to outrun our shadow.

Discusses Wage Inflation

Now about **"wage-inflation."** We must all agree with those who point out that, with the aid of powers and with the aid of exemptions from laws which apply to all other citizens, the organizations called labor unions exert an all but irresistible pressure for increases of wages. It is also indisputable that wages are the principal cost of production, and hence, that the constant increase of the wage level must result in the constant, if not uniform, increase of the price level.

It is further true that the Fair Labor Standards Act, the Walsh-Healy Act, the Wagner and Taft-Hartley Acts and other Federal laws, as well as state laws, which fix the floor under wages and give monopoly power to labor unions, together with the Norris-LaGuardia Act and other laws and court decisions which exempt labor unions from the laws against conspiracy and restraint of trade and the laws against the use of violence and fraud, have built these institutions and organizations into positions where they exert mighty and irresistible power which threatens the dynamic balance of our society. I am one of those who agree most heartily that this is an evil and monstrous power which should never have been created and must be curbed or irreparable damage to our country and its free institutions will result. However, having said all that, I still maintain that the rise of wages is not inflation.

Labor unions are one of the pressure groups which soon discover that when the gold standard is abandoned, the increase of the money supply is in the hands of governmental agents and agencies. That immediately suggests that political pressure can be used in lieu of production of additional wealth as a means of increasing the money supply. Thereafter, there results such laws as the Employment Act of 1946, in which the Congress of the United States enacted a law which has been interpreted as ordering and requiring that the Government must use all of its powers, including its power to add to the money supply, whenever the use of these powers are deemed necessary to the maintenance of full employment and prosperity.

Describes Other Pressure Groups

Other pressure groups form: the farmers who demand parity; mining groups who demand stockpiling of their product in order to maintain prices; other business groups demand help for their particular branch, such as construction, housing and the like; groups representing the infirm, the aged, and those suffering all of the physical ills of mankind, tend to form into pressure groups and demand the use of these powers of Government to help them.

So the pressure groups are always active in a period of inflation in bringing pressure to bear upon those who have the power to inflate. But my point is that we are watching the wrong "rathole" in trying to stop inflation, when we are watching the effects rather than the source and the cause. The source and the cause are to be found at the seat of the power to add to the money supply, and it is that power which must be removed—not only curbed a little, but absolutely curbed if we are to stop inflation.

Agrees to Curbing Labor's Power

Now if the issue before us today were the question. "Should the labor unions have their power curbed?", certainly I would agree, yes, they should. But the issue before us is: Are wage raises the cause of the inflation, and can we stop inflation by attacking and trying to prevent further wage raises? To that my answer is no. Wage raises are one of the inevitable symptoms of inflation, and inflation as a cause of wage raises is an irresistible force. The way, therefore, to cure the disease of rising costs and the rising prices which result from inflation is to remove the cause of inflation and to take away the power to inflate.

Of course, if you define inflation as rising prices, you are inevitably led to the conclusion that the principal cause of rising prices are rising costs; and one of the principal costs of production and distribution of goods and services are the wages which are paid to the people in those areas. It is also demonstrably true that when labor unions have as much power as they have at the present time, they can force the increase in wages not only to keep up with, but also to keep ahead of the increase in prices. But that is a far different thing than the conclusion that the principal cause of inflation is the increase in wages.

*An address by Mr. Mullendore before the National Industrial Conference Board Meeting in San Francisco, March 28, 1957.

With Bennett-Gladstone

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Saul N. Yarmak is now with Bennett-Gladstone - Manning Company, 8417 Beverly Boulevard. He was previously with J. Logan & Co.

Fewel Adds to Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Harold D. Evans, Jr. is now connected with Fewel & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange.

With Jonathan & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Joseph P. Geraldine is now with Jonathan & Co., 6399 Wilshire Boulevard. He was formerly with Daniel D. Weston & Co., Inc.

Bad News in April—A False Alarm

By ELIOT JANEWAY

Mr. Janeway asserts April's bad news will turn out to be another false alarm; and 1957 will prove to be a banner year despite temporary business troubles. Maintains inventory situation is exceptionally healthy, with inventories at an unprecedented low relative to consumption. Predicts early stock market rise in anticipation of a May business upturn.

Looks like the current siege of inventory liquidation is heading up into a climax—by the middle of the second quarter. The siege started with the settlement of last summer's steel strike. The long-term impact of the strike settlement is clearly going to be inflationary; but short-term, it was the steel strike settlement which set off the inventory recession now approaching its climax. The stock market at first reacted to the steel strike settlement as if its only impact were long-term inflation. But, more recently, the market has been reacting to the other extreme —as if the settlement's only impact were its immediate recessionary aftermath.

Eliot Janeway

Perspective

A year ago, the major automotive and appliance users of sheet steel were carrying inventories equal to more than 60 working days. When spring sales and assemblies fell, the manufacturers didn't dare cancel their orders on the mills. On the contrary, the pressure to buy strike insurance forced inventories up to a point equal to almost 90 working days. The steel rate stayed up last spring—and, therefore, business sentiment stayed up, too. But the ratio of inventories to consumption shot up. This is always a short-term danger-signal, and our short-term bearishness last spring took it into account.

Then, last September, when the three-year steel labor contract was signed, the pressure to accumulate inventories was reversed. Meanwhile, money conditions were sharpening the pressure to cut inventories to the bone. In the last six months, accordingly, manufacturers of consumer durable goods have cut their inventories of basic materials from the level of 60-90 working days to less than 30 working days. As a matter of fact, the pacemakers in the automotive-appliance industries now have their inventories chopped to 20 working days. As if this were not lean enough, a 15-day inventory level is the target now; and April-May buying schedules are being cut to the bone to reach it.

Never have inventories been so low relative to consumption! Never, at such a low ratio of inventories to consumption, have inventories been cut still further. Any major change in the inventory-consumption ratio — up or down—is always instrumental in causing a sharp and fast reversal in the short term business trend. The inventory-consumption ratio in the automotive - appliance (sheet steel using) industries is low now; and it is about to fall sharply—just as consumption rises seasonally. This can't last more than a few months; and it won't. April's new drop in the inventory-consumption ratio forecasts a return by industry to aggressive materials buying well before the end of the second quarter.

Here's why. At today's level of mass income and mass spending—and of automatic, periodic wage increases—a 15-day working inventory float ceases to be a business judgment of money conditions or a calculated risk on consumption levels. Remember—nowadays nobody but the public has money. Business has run itself out of money; and so has government. But the public has and will have all the money needed to sustain the present high level of consumption. When mass spending on housing or automobiles temporarily slows down; mass spending switches over onto other items, such as travel and packaged goods; and the boom marches on.

Inventories Can't Be Kept Down

Given the public's ability and willingness to spend —whether on consumer investment goods or on "short use" items — inventories can't be kept down to the level of 15 working days by the industries which need mass production. At the moment, these industries need cash. But they always need volume at least as badly; and the public has the money to give it to them. But a 15-day inventory level simply doesn't supply enough materials to support volume production.

As a practical matter, however, today's 20-day working level of inventories is about to be cut through April and into May to a 15-day working level. Because the major sheet steel users speed up or slow down their buying of every other material with their buying of sheet steel, this new inventory cutback will put back a significant new supply of money into the banks.

Here's a second reason why April's planned retreat to a 15-day working level of inventories will make money still easier. (And, in some parts of the country, money has begun to ease visibly even before the new inventory cutbacks take effect.) In order to get inventories down, steel and related buying by the big consumer durable industries will be cut down to approximately half the normal expectation, based on present activity levels. In other words, the big materials consuming industries are trying to pass the inventory - carrying burden onto their suppliers.

This has gone about as far as it can. The mills have over-loaded the warehouses; and their own operations are probably ahead of even the present rate of sheet buying. The coming cut in April-May buying is therefore going to force a "flash" cut in the steel rate—at least to 85% of capacity and perhaps even to 80%. The irreducible level of demand for other steel mill products will cushion the steel rate against a more serious drop. But the effect of any 20% cut in steel operations, however brief, is to make money very much easier overnight—easier than even the present drastic cutback in inventories would by itself.

Conclusion

Early May will see inventory liquidation come to a climax and then turn into a buying scramble. The contrast with last spring that is building up now for this spring is self-evident. Then, sheet steel and other materials inventories were building up as money was being tightened, and as consumer durable sales were falling. But now, sheet steel and other materials inventories are being cut to the bone as money is easing, and as automotive sales were doing well. Sheet steel and other materials inventories will be cut still further as money eases still further, and as consumer durable

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sales get better. As the cutbacks in inventorying and in steel production put money back into the banks, cash will flow back to the speculative builders; and residential building will start up again by itself — just when political help from Washington is giving it an extra lift. Appliance and automotive sales depend on building starts for a significant portion of their stimulus; and they're about to get it again.

Add a final factor to this extremely bullish outlook for the end of the second quarter. As the monetary authorities see the steel rate drop 10 percentage points in a few weeks, they'll take fright—especially because they suffer from "seasonitis" and, therefore, expect the steel rate to go up or stay up in April instead of turning down sharply. As most people (including the press) are now aware, the monetary authorities are now more confused than customers' men in brokers' offices about whether it's inflation or deflation they're fighting. The news about to be made by the approaching climax of inventory liquidation is certain to panic the monetary authorities into making money still easier than it is about to be made automatically by the inventory liquidation itself.

Altogether, then, the business situation building up for late May and June is as bullish as any short term business situation nowadays can be—inventories over-liquidated, consumption sustained, wages rising, money made easier — and all this while tax collections fall and government expenditures rise. This last factor alone would be enough to cushion the siege of inventory liquidation and turn it into a gradual recovery. But add the sharp climatic inventory liquidation coming in April to this spring's falling tax collections; and it's apparent that the recovery in the making for the turn of the fiscal year will be a sharp one.

The Second Half in Perspective

To see the second half of 1957 in perspective, it's well to bear in mind the consideration that—each year since 1945 — summer wage increases have spurred spending in the second half by the public. This pattern will exert a particularly powerful pressure upon business buying later in the year because the ratio of inventories to consumption is falling to such a low point now. With every increase in consumption and in prices, the physical level of inventories will have to be raised another notch just to prevent the ratio of inventories to consumption from falling even further.

Ever since the boom began, the business atmosphere has been soured by the old saying about how everything that goes up must come down. The "flash" dip coming is about to demonstrate the reverse — in today's economy, everything that comes down must go up again.

Everyone in the business of giving advice to business is warned again and again to concentrate on being right about direction and not to speculate on timing, too. But the businessman must always speculate on timing. For better or worse, his advisors ought always to be willing to do the same. Hence this forecast of a climax on the business downside in April, and a dramatic upturn in May. If only because the outlook beyond May is so bullish for at least the rest of the year, I expect the stock market to anticipate the May upturn by strengthening—as it often does—in response to the bad business news immediately ahead.

White, Weld Branch

WINTER PARK, Fla. — White, Weld & Co. have opened a branch office in the New England Building under the management of John R. Kable.

British Credit Squeeze Relaxation

By PAUL EINZIG

Dr. Einzig comments on the checking and relaxing of the British credit squeeze; attributes increase in advances to higher wages and higher prices; and fears Transport Commission's 5% wage concession to railway employees might lead to an inflationary purchasing power expansion. Would like to see banks practicing self-denial in dealing with credit applications, since it is futile to maintain rates at a high level over a period of years.

LONDON, Eng. — The credit squeeze that has been operating in Britain now for something like two years has become distinctly relaxed during the past month. The mid - March statement of the London clearing banks showed, it is true, a seasonal fall in deposits for the month, but it amounted to £28.6 million only, compared with £77.8 million for the corresponding period last year. On the other hand, advances increased by £52.9 million. Allowing for the repayments of £17.7 million by the nationalized industries during the month, the expansion of borrowing by the privately-owned sector of the community from the banks was something like £70 million. Even though this increase is partly attributed to long-term export financing, it is impossible to escape the conclusion that the credit squeeze has become checked and even reversed. The expansion of advances has been proceeding now for the last four months.

Dr. Paul Einzig

The explanation put forward in some quarters, that the increase in advances since the turn of the year has been due to the necessity of paying high taxes on high past profits out of lower current profits, is not convincing. That factor would have manifested itself primarily in a sharp decline in deposits, whereas in fact the decline of deposits has been unusually moderate.

A much more acceptable explanation is that higher wages and higher prices have increased credit requirements. Moreover, in some industries, especially in the automobile industry, there has been a noteworthy recovery in the output. Much of this would only show its effect in the next monthly banking figures, as in several big motor works the full working week was only restored during the second half of March. On the other hand, by that time bank advances will have been affected by the strike in the engineering and shipbuilding industries, so that it is conceivable that, pending the settlement of these strikes, the rising trend in bank advances may become reversed. It would be a mistake, however, to be lulled into a feeling of security by any such temporary decline in bank advances.

Liquidity Ratios

As compared with the position of 12 months ago, the clearing banks have materially reduced their liquidity ratios—the proportion of liquid assets to current liabilities. In Britain there is no statutory cash ratio or liquidity ratio, but 30% is considered the traditional minimum liquidity ratio. All the leading banks are now in the close vicinity of that figure, and one of them is even a shade under it. In the past the banks often voiced their resentment against the government's exhortation that they should cut credit, on the ground that, so long as their liquidity ratics are well above the traditional minimum, it is difficult for them to refuse applications for new credits. And the government was sharply criticized on the ground that, because of the expansion of the Treasury bill issue, it was responsible for the high liquidity ratios of the banks. The Treasury was thus blamed for the inadequate progress of the credit squeeze. But now it is evident that, even though liquidity ratios are low, bank advances are expanded.

As far as the automobile industry is concerned, the government is directly responsible for the expansion of its activity, through its recent relaxation of the official restrictions on instalment selling. This factor has more than outweighed the continued adverse effect of petrol rationing and of the higher tax on petrol on the demand for new and second-hand motor vehicles. The re-allocation of labor from the over-expanded motor industry to other industries in bad need of manpower has thus become reversed. And pressure forcing the automobile industry to concentrate on exports instead of relying on the domestic market has weakened.

The government's decision to reverse the disinflationary measures was probably based on the belief that these measures, together with the economic consequences of the Suez crisis, might generate a deflationary depression. In itself the reduction of the Bank rate by a mere ½% could not have contributed much to the resumption of the expansionary trend. Indeed, if only the banks could be persuaded to play the game according to its new rules by practicing self-denial in dealing with applications for credit, the government would be able to lower the Bank rate to well below its present excessively high level of 5%. By now all but the most extreme orthodox quarters have come to realize the futility of maintaining interest rates at such a high level over a period of years. Disinflation would be practicable with the Bank rate at 3% or even below. And even a 6% Bank rate would be of no use if the wages spiral continues to rise.

Wage Increase Precedent

From this point of view recent developments have been far from promising. The ease with which the Transport Commission has just conceded a 5% increase of pay to employees of British Railways has encouraged the engineering and shipbuilding unions and other unions to hold out for a higher increase. Hence, the rejection of the 5% offered by the employers in the engineering and shipbuilding industries. The workers feel that if static industries, such as the railways undoubtedly are, can afford to give 5%, dynamic industries should be able to afford to give more. In fact, there has been no increase in the productivity in the engineering industry during 1956, and the cost of living has increased by less than the 5% increase offered. And profits are distinctly lower.

Even an all-round increase by 5% — for which the Transport Commission has set the fashion—would mean an inflationary expansion of purchasing power. In face of such an increase it would be necessary to apply an overdose of disinflationary devices, both conventional and unconventional, in order to prevent a further progress of the inflationary spiral. In the absence of an expansion of bank credit industrial firms may feel impelled to keep down their costs as the only means for maintaining their profits. If, however, the banks take the line of least resistance, the expansion of advances and of deposits will consolidate and accentuate the effect of expanded consumers' purchasing power.

Jenove, Liebl V.-P.s Of Albert Frank

Robert M. Jenove and Howard Liebl have been elected Vice-Presidents of Albert Frank-Guenther Law, Inc., 131 Cedar Street, New York City, advertising and public relations, it was announced by Howard W. Calkins, Chairman.

Mr. Jenove has been media director of the agency since he joined it in 1949 and prior thereto was a space buyer at Donahue & Co. Inc. Mr. Liebl has been an account executive since joining the agency in 1948; previous to which he was with Anderson, Davis & Platt.

With Marache Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Fred W. Collins is now with Marache, Dofflemyre & Co., 634 South Spring Street. He was formerly with Samuel B. Franklin & Co. and Kostman, Inc.

Morton Globus Joins Sutro Bros. & Co.

Morton Globus has joined Sutro Bros. & Co. as manager of the new business department in its

Morton Globus

Madison Avenue Investment Center. Mr. Globus will specialize in the development of mergers and acquisitions. He is a director of the Seagrave Corporation, the Starrett Corporation and the BSF Company.

Jacob Bloom Joins Wm. E. Pollock Co.

Jacob Bloom, formerly Vice-President of the Public National Bank of New York, has become associated with Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, in their Bank Service Department.

With Keller & Co.

BOSTON, Mass.—S. Grace Dilanian has joined the staff of Keller & Co., 31 State Street.

This is not an offering of these shares for sale, or an offer to buy, or a solicitation of an offer to buy any of such Shares. The offering is made only by the prospectus.

178,646 Shares

Vitro Corporation of America

Common Stock

(Par Value $.50 Per Share)

Rights, evidenced by Subscription Warrants, to subscribe for these shares at $16 per share have been issued by the Company to holders of its Common Stock of record April 2, 1957, which rights expire April 16, 1957, as more fully set forth in the Prospectus.

The several Underwriters have agreed, subject to certain conditions, to purchase any unsubscribed shares and, during and after the subscription period, may offer shares of Common Stock as set forth in the Prospectus.

Copies of the prospectus may be obtained from any of the several underwriters only in states in which such underwriters are qualified to act as dealers in securities and in which the prospectus may legally be distributed.

Blyth & Co., Inc.

Eastman Dillon, Union Securities & Co. Kidder, Peabody & Co.

Smith, Barney & Co. White, Weld & Co. W. E. Hutton & Co.

Francis I. duPont & Co. Hemphill, Noyes & Co. J. A. Hogle & Co.

F. S. Moseley & Co. Paine, Webber, Jackson & Curtis

Reynolds & Co., Inc. Schwabacher & Co. Tucker, Anthony & R. L. Day

Bache & Co. Baker, Weeks & Co. Blunt Ellis & Simmons

Bosworth, Sullivan & Company, Inc. Goodbody & Co.

Hill Richards & Co. Lester, Ryons & Co. William R. Staats & Co.

Sutro & Co. Auchincloss, Parker & Redpath Boettcher and Company

Singer, Deane & Scribner Stephenson, Leydecker & Co.

Butcher & Sherrerd Kay, Richards & Co. Moore, Leonard & Lynch

Arthur L. Wright & Co., Inc.

April 3, 1957.

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Aluminum Industry Trends

By R. L. SHENEMAN*
Manager of Business Analysis and Market Planning Dept.
Kaiser Aluminum & Chemical Sales, Inc.

The aluminum industry's outlook and the gamut of aluminum's usefulness to industries in general are recounted by Mr. Sheneman. The aluminum analyst expects shipments during 1957 to rise 5% to 10%, after increasing 3% in 1956 over 1955; refers to estimates indicating the industry will supply 6.9 billion pounds in 1960, with demand ranging from 6 to 6.6 billion pounds, and 8.4 billion pounds by 1965; and anticipates a 50% increase in capacity in the Free World over the 1956 level by 1960. Though the industry is increasingly aware of operating in a permanent buyers' market, the author foresees its production will be favored increasingly in the future

The aluminum industry in 1956 completed another record year of production and shipments, but it was also a year in which some conflicting trends developed. Upon close analysis, the trends continue to confirm the industry's optimism about the future. During the year domestic primary producers added about 333 million pounds of annual capacity to their facilities and produced 7% more primary metal than in 1955. With the exception of strike-induced losses in the third quarter, facilities were operated at near capacity levels throughout the year. In contrast to rising supplies, however, shipments to consumers, after a record first quarter, traced a declining trend in each succeeding quarter of the year. As a result, the available supply of metal for commercial use was steadily increased and further enhanced by the government's decision to issue no stockpile calls during the year.

R. L. Sheneman

Despite the declining trend in aluminum shipments during the last three calendar quarters of 1956, the total for the year was nevertheless 3% above 1955. This growth rate is considerably short of the historical average rate of roughly 10% per year. But it must be remembered that aluminum shipments in 1955 had increased 33% over the previous year. The reasons for the lower rate of increase from 1955 to 1956 are not hard to find. Although total construction activity in the country was rising last year, the trend in the residential sector, which is the leading market for aluminum, was steadily downward. Similarly, in the important area of consumer durable goods, sales also turned downward; first in the automobile industry and later in other categories. Thus, a 3% gain in the face of these unfavorable trends reflects an underlying growth of new applications which more than offset declines in some of aluminum's principal markets. We feel that this underlying strength in demand supports the forecast that the aluminum industry will continue to grow.

The effect on marketing activity of the increasingly favorable supply situation was to improve the industry's service to its customers. As the year progressed, the customers' procurement time required for aluminum mill shapes declined appreciably. Orders for practically all types of alumium products can now be placed in production within a few weeks after they are received.

Confidence in the growth of the industry has further stimulated the entrance of new firms in increasing numbers and has spurred the expansion on the part of established firms fabricating aluminum as each has attempted to participate in new and growing markets to the fullest extent. The natural result has been an emphasis on service to the customer which increasingly will tend to mark the industry's sales policies. The aluminum industry is giving evidence each day of its increasing awareness of operating, for all practical purposes, in a permanent buyers' market.

Domestic and International Forecast

Concerning the immediate future, we expect aluminum shipments to rise by 5 to 10% during 1957.

It has been estimated that as much as $6 billion per year is being spent for industrial research and development. The stream of new products and processes that result from this research provide new opportunities for investment in aluminum, as research and development activity in our industry is vigorous. New applications for aluminum are coming into being from previous research, while large scale increasing research activity going on today will make a greater volume of new applications feasible in the future.

In assessing the future prospects for the demand and supply of aluminum, it is necessary to distinguish between the market in the United States and the free world market. Statements of existing and planned capacity in the free world outside of the United States indicate an expansion by 1960 sufficient to raise annual consumption to a point about 50% above the level in 1955. A possible insufficiency of supply is pointed up in these plans by the fact that consumption of primary aluminum doubled in the free world outside our country from 1950 to 1955. In the period from 1950 to 1955, when the consumption of aluminum in the United States was rising about 65% in mill shapes and castings, consumption in free Europe was more than doubling; and in Asia, Australia and South America the rate of growth was even more rapid. Whether or not such growth rates will continue abroad is, of course, difficult to say; but the maintenance of anything like the high rates of increase in the consumption of aluminum in these free world countries would of course lead to a change in the current supply-demand situation abroad. The chances of vigorous growth in the usage of aluminum in the free world appear quite good, and it must be remembered that the historical growth which took place there in the last five years was occurring in many countries whose economies were relatively less stimulated by the Korean War than was the case with our own country.

Many of the free world countries with the exception of Canada, of course, consume more aluminum than they produce even today. The possibility of demands for aluminum in the free world pressing against the available supply from time to time is to be contrasted with the best estimates of supply and demand through the next several years in the United States. The total supply of aluminum in this country has been estimated by the aluminum and magnesium Division of the Department of Commerce to attain a level of 6.9 billion pounds by 1960. This is to be compared with a range of industry market forecasts ranging from 6 billion to 6.6 billion pounds during that year.

Of course, there is another side to this story — a much brighter side, we think. It is entirely normal and, in fact, desirable that aluminum should be in adequate supply at all times. The purpose of all long-range aluminum forecasts is to estimate future demand in order that plants may be built and aluminum supplied to meet these demands. We in Kaiser Aluminum consider that we have a continuing responsibility to our customers to improve and revise our forecasts to keep abreast of aluminum consumption in order that we may, in turn, revise our expansion planning and keep aluminum in ample supply.

Increasing Preference for Aluminum

The fact that over the next few years the supply of our metal in this country will be relatively ample is giving aluminum users engaged in product research additional impetus to design their products to utilize greater quantities of aluminum. It is true that technology sets the limits within which one metal or material can replace another, and it is equally true that all metals in general share in the advance of technology. However, we believe aluminum will be favored increasingly in the future.

The same reasons of lasting beauty, low cost and freedom from maintenance which have caused many to prefer aluminum windows, storm windows and other glass framing will continue the usage of aluminum to an even greater extent in these same applications. Aluminum windows today perhaps make up no more than 25 to 30% of the total material consumer in this market.

The same qualities of pleasing appearance, low cost and resistance to corrosion which are now making aluminum more popular in automobile trim applications will continue to encourage its use in all fields where lustrous metallic finish is desired. The basic property of aluminum which permits its permanent coloring of gold and other hues gives it additional usefulness to product planners and designers—a usefulness which has not yet been fully exploited.

Aluminum's properties of higher electrical conductivity per dollar invested have only begun to be exploited in many parts of the electrical industry, an industry which historically doubles is sales every 10 years and which many feel will grow more rapidly in future years.

These same properties of lightness in weight and high strength which have made it popular in the transportation field promise to make it popular in the transportation container field. As you know, these transportation containers facilitate the movement of goods over freight breaking points without the necessity of unloading and reloading.

The property of aluminum which permits it to be cast in intricate form with little or no machining required is making the metal increasingly popular in the automotive field.

Aluminum's non-sparking characteristics, as well as its light weight and high strength, are making it increasingly popular in the highway petroleum transport field.

1965 Forecast

In an attempt to quantify or measure rates of growth of aluminum based upon customers' exploitation of these basic properties of aluminum in their product planning and product design, the Market Research group of Kaiser Aluminum undertook an extensive survey recently. On the basis of this survey we expect the demand for aluminum will more than double over a period of the next decade to a level of about 8.4 billion pounds by 1965. It is interesting to note that a forecaster has an impossible task in the area of new products and processes which have not yet been conceived, but which will be important factors in the market by that time. Accordingly, all long-range forecasts tend to be understated, and it is our plan to have our Market Research group continue their forecasting work periodically. It is our belief that these long-range forecasts will be revised upward several times in a 10-year period.

As one might expect, there will be some shifting in the relative importance of our various markets. We expect the building industry to continue to be the leading market for aluminum. Direct defense applications for the metal will steadily decline in relative importance in the years that lie ahead, assuming that wars are averted. The transportation industry, on the other hand, is expected to grow very rapidly and possibly rival even the building industry as aluminum's most important market. Electrical applications may increase the most rapidly of all of our growth markets, but it is not expected that electrical applications will become more important than either building or transportation during the next 10 years.

Among the various aluminum mill shapes we expect the demand for extruded products to continue to grow very rapidly as aluminum extrusions become a more and more universal product in the building industry. As mentioned earlier, potentials in this field as yet unconverted from other materials are very large.

Die castings in the transportation field are expected to show a very rapid rate of increase. The American Die Casting Institute has predicted that the amount of aluminum used in their industry will double in the five-year period between 1955 and 1960—a considerably faster rate of growth than that being experienced by the aluminum industry as a whole.

Growth of Producers

It is expected that the more economical process of producing aluminum tubing by the continuous welding method will result in new markets for this product. Sprinkler irrigation systems manufacturers and furniture manufacturers have already made sizable conversions to this product. It is also felt that food processors will continue to exploit the characteristics of foil, both as an ideal low-cost container and a spectacular package design medium to promote their new food products in the years ahead.

Wire and cable products for electrical applications will, of course, make very important gains as the electrical industry continues to convert to aluminum.

As you know, the number of firms producing basic aluminum mill shapes has grown dramatically in recent years. These firms are, of course, the customers of the primary producer. Their ability to compete successfully with the integrated producer has been due in large part to their unique adaptability in meeting the needs of customers within a regional area. From these regional markets in which aluminum users and fabricators cooperate have come developments of new products and techniques of marketing that have stimulated the growth of the entire aluminum industry. On the other hand, the research and development programs of companies organized on a national scale have provided new opportunities in all markets. The growth among producers of aluminum extrusions has, of course, been the most spectacular growth story in our industry in recent years. There are probably in excess of 125 such companies in the United States today, compared with only four prior to World War II.

There are those among us who speak of the aluminum industry coming to maturity in this decade. We are not sure that this is true. If maturity is meant to imply a leveling off in the growth curve, we do not agree; if maturity is meant to imply that the industry is now firmly established in the economic fabric of the country, we do agree; and if maturity is meant to imply that markets and supply can now move forward together without the historical dislocations characteristic of our industry, then we would wholeheartedly agree.

*An address by Mr. Sheneman before the New Castle, Pennsylvania, chapter, National Purchasing Agents' Association, March 20, 1957.

Pendergrast Partner In Courts & Co.

ATLANTA, Ga. — Thomas J. Pendergrast was admitted as a general partner in Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange, on April 1. He will be in charge of the municipal bond department.

Thos. J. Pendergrast

COMING EVENTS

In Investment Field

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 17, 1957 (Baltimore, Md.)
Baltimore Security Traders Association 22nd annual spring outing at the Country Club of Maryland.

May 17-19, 1957 (Los Angeles, Calif.)
Security Traders Association of Los Angeles annual spring party at the Palm Springs Biltmore, Palm Springs, Calif.

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.

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The Textile Industry in 1957

By HARRY L. DALTON*

Vice Chairman of the Board, American Viscose Corporation

Factors favorably influencing the textile industry in 1957, are recounted by American Viscose Vice Chairman who sees more stable prices ahead than in 1956, and avers that the industry "is and will remain one of America's major industries." Though the current situation in Washington makes it difficult to forecast future sales, Mr. Dalton declares the general price structure is reasonably sound, looks to budget-reduction as the better way to reduce inflationary pressures, and describes our various defenses against depressions, including the "optimism of John Q. Public."

The current Washington situation makes it difficult for us to plan a forecast of sales for the future. The succession of contradictions in the past fortnight defies our recollection of a parallel. The President repeatedly warns of inflation while submitting a budget that could be the largest contributing factor; while Secretary of the Treasury Humphrey and Ex-President Hoover warn of hair-curling depressions. The President warns of wage and price controls, while Commerce Secretary Weeks declares that there is not the remotest sign of an impending "bust" and no possibility of such controls under presently foreseeable circumstances. Businessmen might be excused for feeling just a bit confused as to whether to agree with the President or with his cabinet.

Harry L. Dalton

Federal Budget Inflation Threat

I am of the opinion that the best place to begin reducing inflationary pressures would be the $72 billion budget submitted by the President, which is the chief obstacle to long-awaited tax cuts. Expenditures from tax revenue do not reduce private spending by a full dollar, since some tax payments merely replace consumer savings. Heavy government expenditures, therefore, are likely to increase, rather than relieve inflationary pressures. All of us must share the responsibility if Federal spending is to be stemmed, budgets balanced, taxes reduced, and if Uncle Sam is to be discouraged from reaching his hand progressively into our pockets and into the area of state and local obligations.

If the country had been fully convinced by the President's warnings that inflation is imminent, the natural result would have been abnormally heavy buying to hedge as far as possible against rising prices. Instead, the opposite has been true. The uncertainties created have caused hesitance, which we believe will be temporary, but which for the time being, somewhat obscures the outlook for 1957.

Price Increases Moderate

We should, of course, all watch the danger signals of inflation, which eventually lead to deflation, but on the other hand, we should not get panicky without looking at the facts. Actually we find no immediate evidence of dangerous inflation in either wholesale or retail price trends, which are the final test. The **consumer price index** shows retail prices are currently 3% above a year ago. That increase in one year is modest indeed, compared with the average **yearly** gain of 7% for the period 1945-52. The rise in 1956 was noticeable mainly because from 1953 through 1955 we enjoyed the most prolonged and pronounced period of consumer price stability that our country has experienced in the entire period for which data are available, beginning in 1913 and including the years of war-time price controls!

The **wholesale price index**, which reflects the price of commodities sold by producers in wholesale quantities, rose 4% over the past year on nonfarm products, and 7% on farm products. Textiles, I believe, were only ½ of 1%. The index for all products is still below the high points established in 1950-1951 and again the rate of advance of 4½% in 1956 is modest, compared with the average **yearly** gain of 9% during the period 1945-52. In view of the deliberate attempt to improve farm price levels, the larger gain in that area is neither surprising nor alarming.

Supply Satisfies Demand

The Business and Defense Service Administration confirm our own view and Commerce Secretary Weeks' statement that "the economy is healthy, business is good, and the outlook also is good." We conclude that not only is the price structure reasonably sound, but there appears to be ample productive capacity to assure continued price stability. BDSA represents the Commodity Organization of the U. S. Department of Commerce, and is, therefore, able to observe at first hand the supply-demand relationship in all major industries and trades. For virtually all consumer goods, capacity amply covers likely nearby demand. With respect to steel supply, which has been debated publicly, any shortages are said to be in specific forms rather than general supply.

There are some who feel that the President's warning was, as much as anything, a warning to labor not to press its wage demands farther than warranted by productivity gains. Productivity advances seemed to lag somewhat in 1956 but there appears to be no more grave cause for concern at this time on that score than is evidenced in prices.

Defenses Against Depression

There is no absolute guarantee against depression, but the United States has "built in" since 1929 a number of defenses against the "hair curling" type of collapse Messrs. Hoover and Humphrey recall. These include the Fair Labor Standards Act and the Social Security Act, which undertake to assure a high rate of earning power for our country's active labor force or provide modest income for unemployed or retired consumers. Other assurances relate to marketing of commodities and securities and protection of investments, as the Agricultural Adjustment Act, the Securities Exchange Commission, and Federal Deposit Insurance. There are also indirect stabilizing influences such as the fact that all government expenditures today are about $1 in $5 of total national spending against a ratio of less than $1 in $10 in 1929. Government spending is less likely to be curtailed drastically under economic stress than is private spending, but that in no way justifies undue growth.

Beyond these assurances, the most valuable underwriting of our economy is the optimism of John Q. Public, which carried us safely through important "rolling adjustments" of the past few years, as in auto and textile production and home building. That remains our strongest hope for 1957. We believe the economy is essentially sound and that once the flurry of uncertainty caused in Washington has subsided, the normal expectations for 1957 will proceed with little delay. Employment not only continues at a high level, but a Department of Labor survey shows job gains are anticipated in the early spring in most sections of the country. These are expected in a range of industries as chemicals, which includes rayon, acetate and cellophane, also in apparel, construction, aircraft, and machinery. Consumer income and willingness to buy are tops.

Apparel Demand Begins Well

Department store sales continue to record week-by-week improvements over last year and sales of apparel, which provides the major market for rayon and acetate, again have moved out in front. January sales of retail apparel stores were 12% above 1956, whereas all retailing averaged 7% higher. The apparel promotion programs of the American Institute of Men's and Boys' Wear and the National Retail Drygoods Association and our own Avisco Integrity Program are evidence that cutters and retailers have accepted the challenge for better promotion and merchandising to meet the competition from consumer durable goods. General retailers are forecasting that **soft goods sales** in 1957 will do better proportionately than **consumer durable goods.**

Other favorable influences for the textile industry in 1957 include the auto trade's expectation of a substantial increase in passenger car output which will pick up the entire range of textile usage in that market. The steadily increasing registration of motor vehicles (now over 65 million) means a heavy demand for replacement tires, constituting roughly 60% of the total market for passenger tires. In this replacement market, the consumer is price conscious and likely to favor continued use of rayon which has given entirely satisfactory performance.

Federal Housing Administration estimates of residential construction in 1957 call for at least one million units, underwriting continued strong demand for household textiles. Here, too, the backlog of 48 million existing household units provides a tremendous replacement market.

Textile Industry a Giant

Some seem inclined to discount the whole future of the textile industry in slack periods, but it is and will remain one of America's major industries. Together with apparel, it employs one in every seven of all employees engaged by manufacturing in the United States. Its tremendous size and scope underwrite a vast and constant market for materials and a steady flow of merchandise through America's retail stores to satisfy basic needs of 170 million people for apparel and household textiles.

For yarns and fibers alone the textile industry provided a 6½ billion pound market in 1956. Cotton continues as the major supplier, but man-made fibers show long range advances both in volume and ratio of the total. Prospects for 1957 are improved by the likelihood of more stable prices than in 1956.

Cellophane Market Expanding

There has been a tremendous demand for transparent packaging films to provide commodity visibility and protection against deterioration or soiling. These features are essential to self-service which is largely responsible for the astounding growth of supermarkets, also to variety and chain stores. Its production has more than doubled in the past eight years, and demand will increase further in 1957 and years beyond. The packaging industry as a whole has grown into a $12 billion business.

About 75% of domestic cellophane is used for food packaging, baked goods being the largest use followed by meats, candy and chewing gum, potato chips and popcorn, and fresh fruits and vegetables. The remaining 25% finds markets in the packaging of tobacco, textiles, toys and hardware, and drugs, pharmaceuticals and cosmetics. Cellophane is also finding nonpackaging applications as in the manufacture of glass fiber plastic laminates, mounting corners, fancy place mats, and many kinds of decorations.

*An address by Mr. Dalton before a group of railroad executives, Springfield, Pennsylvania, March 5, 1957.

Edmond L. Brown With Carothers & Company

Edmond L. Brown

DALLAS, Texas — Carothers & Co., Inc., Mercantile Bank Building, have announced that Edmond L. Brown has been elected a Vice-President of their firm, specializing in natural resource securities. Mr. Brown was formerly an officer of Garrett and Company.

John J. Carroll With John R. Boland Co.

John J. Carroll has become associated with John R. Boland & Co., Inc., 30 Broad Street, New York City.

Kaiser Opens Office

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Leland M. Kaiser is conducting a securities business from offices in the Russ Building. He was formerly a partner in Kaiser & Co.

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

New Issue

100,000 Shares

Bell & Howell Company

Common Stock

(Par Value $10 per Share)

Price $40 per share

Copies of the Prospectus are obtainable from the undersigned and such other dealers as may lawfully offer these securities in the respective States.

Harriman Ripley & Co. Incorporated

Lazard Frères & Co.

April 3, 1957.

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THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks showed a better tone this week with the industrials breaking out of their two-month trading range on the upside to end a rather long stalemate.

* * *

The leaders were assorted metals, including Lukens Steel, which was the issue that led all the rest in its 1956 performance, a gain of a shade more than 300%. It was a repeater on the list of new highs and in the process worked to a price more than 50% above the low recorded earlier this year.

* * *

Coppers, which turned in some excellent earnings reports for last year, were also in the van as prices of the metal showed firming tendencies in the domestic market.

* * *

The turnabout after the market had lain in the doldrums for a rather protracted period heartened a bleak Street. The fact that all the recent uncertainties had failed to spur more selling was taken as hope that the base for a good spring upturn had been formed.

Motors Still Undistinguished

Auto shares are still well up the ladder of major groups that have been undistinguished and show no signs yet of changing their ways. The disappointment was that there wasn't any sudden pick-up in sales as is traditional when spring arrives. Even Chrysler, which admittedly is going to show excellent results for at least the first quarter, has had a rather mundane market life although it has been hovering close to its year's high while the others have been more prominent in the vicinity of their 1957 lows.

* * *

Chrysler is more or less guaranteed to do better in the first quarter this year than it did in all of 1956 when earnings came to $2.26 mostly because the new models won good customer acceptance in the final months. Some estimates put first quarter results in the neighborhood of $4 a share. The stock could be much more volatile than those of the other large automakers since there are less than nine million shares outstanding against nearly 12 million for Ford and a whopping 280 million for General Motors.

New Growth Situations

Considerable hunting was being done for the companies where earnings have been growing steadily and where there is a better-than-even chance that 1957 results will continue the trend. Columbia Broadcasting issues were prominent at new highs in large part due to the fact that the good earnings gain of last year is being projected nearly a dollar higher to 1957 results of around $3. The company recently shed its receiver manufacturing activity, eliminating this drain on earnings. It is among the issues that are considered likely candidates for some dividend improvement.

* * *

Some of the store stocks were building up a good following, at least among market students, in the light of continued heavy consumer buying. In some cases the deflation from their 1956-57 peaks has been close to drastic and the stocks have retreated to "bargain" levels. Food Fair Stores which sold around $62 at last year's peak has been hovering around $40 lately. Put another way the stock that sold at 25-times-earnings is now back down to around 15-times earnings. Its profit will probably hold steady despite the added expenses of opening two score new stores.

Interesting Oil Issue

In the oils where the Middle East unrest was still not entirely cleared up, Pure Oil is one that has had a sizable correction from last year's peak. In fact, some estimates of its oil and gas reserves at conservative pricing come to double the present market price of the issue. The company's earnings have been in a steady uptrend in recent years which is expected to continue this year. The stock lately has been selling at less than 10-times last year's earnings. Any further improvement this year without market reflection would point up even more this conservative appraisal.

* * *

Allis-Chalmers is a case where last year's earnings were somewhat depressed and a rebound is officially expected this year. The company has a large backlog of heavy electrical power equipment and, in fact, is an important factor in this business outranked only by General Electric and Westinghouse. Avco similarly ran into rough sailing last year and wound up in the red ink column. The company not only expects to be solidly in the black this year but hopes to resume dividends as well.

Stimulating Annual Reports

The flood of annual reports reached something of a crest and the optimism on the part of management generally was in sharp contrast to the pessimism rampant in Wall Street. Even in the steel industry where lower operations later this year are pretty much taken as a definite expectation, there is a general air of satisfaction over the 1957 outlook. For one thing, some of the heavy accelerated amortization charges are to start disappearing this year with a rebound in earnings assured.

* * *

Bethlehem Steel, which has been hampered a bit in recent years by the overhead of its shipbuilding division, now finds its ship division thriving. And a high level of operations is certain not only for this year but for about the next three.

* * *

Eastern Stainless Steel in its annual report makes a pertinent point about the stainless metal. No single industry is a major consumer in this field. The many and varied uses for the stainless form and the fact that no upset in a single large consumer has to be feared, make for stability of a high order, particularly in an industry once so noted for its "feast or famine" nature.

Another industry once noted for its boom-bust aspect, which has been making strides to overcome this cyclical defect, is that of supplying auto parts. Houdaille Industries once was pretty completely dependent on the auto trade. Today the firm's auto bumper work is supplemented by its activity in supplying construction materials and in subcontracting parts for aircraft. The Federal highway program will benefit Houdaille's business of furnishing crushed stone, gravel and concrete. In fact, this portion of its business holds the most allure for followers of the company.

Rubbers Join Diversifiers

Even Firestone Tire which is tied importantly to new car production is in position to broaden its field considerably if the air spring development becomes standard in new cars. The system of using a cushion of air, rather than leaf or coil metal springs, has already been introduced and expectations are that it will be adopted widely in next year's models. The rubber companies, like other auto suppliers, have turned to chemicals, aircraft and electronic lines to lessen their dependence on the new car business. Their replacement market, too, is about in position to achieve new importance since the heavy auto output since 1955 is now due to need replacement tires.

[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.]

Goldman, Sachs, Installs Telephone Trading Turrets

Gustave L. Levy (left), partner in charge of the trading and arbitrage departments of Goldman, Sachs & Co., supervises a test-run of the new telephone-turret trading desk which is one of the unusual facilities in the new offices at 20 Broad Street, New York, to which the firm moved over the week-end. The new trading desk, first of its kind and size installed anywhere, consists of 16 turrets each handling 120 direct circuits independent of the firm's main switchboard, or a total of 1,920 private lines. Unlike the flat keyboards of conventional trading desks which take up most of the surface area, the vertical turrets provide a sizable working space for each trader. In addition, a trader can now dial into any circuit on another trader's turret to take part in the transaction. The same procedure is possible for Mr. Levy in an adjoining office, permitting greater speed and flexibility in the trading of securities.

Yes, That and More!

"We cannot buy international friendship any more than personal friendship can be purchased. Nor should we attempt to remake the world in our economic or political image.

"It is neither in their interests nor ours for nations abroad to be permanently dependent upon American financial grants. It is time for them to start living within their means and for us to do likewise.

"The strength of our country depends on far more than armed forces alone. It rests upon a sound national economy and a solvent Federal Government!" — Senator William F. Knowland.

Sen. W. F. Knowland

It is certainly time we—all of us including governments—started living within our means. There are a number of foreign peoples who easily could and would do well to begin at once to enlarge the means within which they should and ultimately must live.

Bell & Howell Stock Offered at $40 a share

Public offering of 100,000 shares of Bell & Howell Co. common stock at a price of $40 per share was made yesterday April 3) by an underwriting syndicate jointly managed by Harriman Ripley & Co., Inc., and Lazard Freres & Co.

Net proceeds from the sale of the common shares, together with funds received from a private sale of $4,000,000 of 25-year 4¾% subordinated notes, convertible into common stock, will be added to the cash funds of the company and will be available for general corporate purposes. Part of the proceeds from the financings will be used to repay short-term bank loans.

Bell & Howell Co., with its executive offices and principal plant in Chicago, Ill., pioneered in the development of motion picture equipment and currently is believed to be the largest manufacturer of such equipment in the world. The company manufactures an extensive line of high quality, precision-made motion picture cameras, projector equipment and sound and picture reproduction equipment. It also manufactures a line of microfilm equipment, produces microfilm and other types of film, and photograph and precision optical equipment for the government.

For the year 1956, Bell & Howell Co. and its subsidiaries had consolidated net sales of $45,579,000 and consolidated net income of $2,191,000, equal to $3.84 per common share.

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Business Welfare Concepts For the Benefit of All Men

By HENRY FORD II*

President, Ford Motor Company

Recipient of the Ninth Annual Rerum Novarum Award, Henry Ford II comments on the social implications of major business decisions and warns labor and capital against seeking disproportionate shares of national income. The prominent auto producer asserts that the "primitive and relatively unstable capitalism of the past has given way to a consumer-dominated, self-regulating system that broadly serves the interests of the great mass of our people," and notes that social welfare burden must not be too great for the economy to support.

Apart from the overriding obligation to serve God and to look to his eternal destiny, the primary responsibility of the businessman is, of course, to keep his business solvent. But today it would take a brash and morally bankrupt businessman indeed to ignore or attempt to evade the social implications of his major decisions.

Henry Ford, II

In accepting the Rerum Novarum Award, I should like to comment briefly on what I believe to be the modern-day significance of those powerful injunctions issued more than two generations ago. The times and the circumstances have changed. But the principles of Rerum Novarum are still valid and pertinent today as we grapple with a whole new set of problems that are political as well as economic and social.

Progress Since 1890

We would all agree, I'm sure, that a substantial number of the evils that Pope Leo and Pope Pius attacked in their encyclicals are well behind us—at least in this country. By almost any standard of comparison, our social progress in America has more than exhausted the dreams of 1890. And we have achieved this progress under the system called capitalism, a system that I prefer to call the incentive-for-everybody system. The primitive and relatively unstable capitalism of the past has given way to a consumer-dominated, self-regulating system that broadly serves the interests of the great mass of our people.

We have only to look at other systems and other methods to realize that there can be no real social progress unless it can be paid for. In those countries where social gain has been placed ahead of individual incentive and the right of private property, they have discovered that it is extremely difficult to get their economies moving. Other systems—and I have seen a number of them in Europe—have failed because, while incentive has been kept alive to a large degree, the burden of social welfare has been too great for the economy to support.

Fortunately, the balance we have struck in this country is proving to be a happy one. The fruits of our system already have reached more Americans and given them more security, wealth and freedom than that possessed by any other people in history. The purchasing power of our average hour's wage is unequaled elsewhere in the world. We have adopted widespread measures for the security of our people—hospitalization plans, pensions, Social Security and Old-Age assistance and unemployment compensation. The costs of both State and private unemployment compensation, I might add, are paid entirely by American industry.

By and large, these measures have bolstered our economy and helped to spread our prosperity. Thus far, although we sometimes have taken on the cost of such measures at a faster pace than our increased productivity can absorb them, they do not seem to have undermined our free enterprise system. They are definitely here to stay.

Karl Marx's Predictions

This is a far cry from the predictions of Karl Marx, who was unable to visualize the vast social change that mass production was to bring. He and many of his contemporaries saw in it only a tool of enslavement, drawing men from agriculture and skilled trades to a squalid existence of industrial monotony in disease-ridden city slums. While these men were long and loud in their condemnations of the machine and its use, they were short in technological vision. What they failed to see, of course, was the great potential of the machine for relieving men of drudgery and for putting within his reach many things that were formerly too expensive or completely unavailable.

Significantly, our social progress has not come at the expense of wages.

Over the past decade, labor has been earning an increasingly large share of the rewards of industry. For example, of the $106.6-billion national income originating in manufacturing in 1956, $83.2 billion (or 78%) was distributed in compensation to employees. This figure represents an increase of $5.4 billion in employee compensation over 1955 and a rise of some $38.7 billion in compensation over 1947. In percentage figures, the 1956 average hourly earnings of production workers in manufacturing represents an increase of nearly 50% over 1947.

During that same period, corporate profits after taxes (which nearly doubled between 1947 and 1956, incidentally) showed almost no gain over the 1947 level. If you take into account the billions of dollars plowed back into new plant and equipment, the rate of return on investment actually declined during the 10-year period.

Fair Shares

The competition between employees, owners and customers for what they regard as a fair share of the national income is not in itself a bad thing. In general, these conflicting pressures act as a spur to the economy, inducing us to produce more and to produce more efficiently so that we can have a greater total income to share.

But where one group claims a disproportionate share of this income, there is danger of slowing down the economy and halting further expansion. An attempt by either labor or capital to grab the total increase in productivity, or more, can lead only to price inflation and/or shrinkage of the total market. This we cannot and will not let happen.

I think we would all agree, too, that we have come a long way in labor-management relations. Labor peace is not, in and of itself, a sign of health. If it is simply the result of pitting overpowering strength against weakness, it is the symptom of a most dangerous condition. But I believe that to a very considerable extent the improvement has come about because of the increased understanding of the proper function and responsibilities of the bargaining process, of increased skill and sophistication, if you will, on both sides of the table.

We still have strikes to be sure, but, for the present at least, they are far less numerous, and much of the bitterness of past years seems to have gone out of them. The evidence points to a growing sense of labor-management responsibility toward mutual problems. Labor and management still face each other, but each is facing itself first.

In these and other allied areas, the influence of Rerum Novarum has undoubtedly had a significant bearing. We should continue to heed the words of Pope Leo and Pope Pius as we move forward into the newer and more complex problems of man in our industrial economy. We shall have need of all the wisdom and understanding we can muster.

Short- vs. Long-Range View

In my opinion, the real issue today is between those who hold that business should be geared to immediate, short-range social problems and those who believe that the great long-term social gains will come from letting industry respond freely to the natural interplay of economic drives—subject, of course, to the principles of social justice and Christian charity.

One view seeks to shape the world, to manipulate history. The other prefers to harness aggressive human drives to broadly constructive purposes, and does not presume to play God with the lives and destinies of men.

If we look at the record of the past 50 years, there can be no doubt that, for the most part, private initiative and private enterprise have served us well. It follows, then, that we should not today allow "label-thinking" to scare us away from examining fairly and fearlessly all means which, consistent with social morality, will enhance our future prosperity and security, as individuals and as a nation. One of the hallmarks of our system is experimentation and innovation, a never-ending search for a better way of doing things.

Finally, we are concerned today — and very properly so, I think — not only with our own social and economic progress in this country, but with the increased well-being of millions of underprivileged people in other lands who are also the inheritors of this earth. All over the world, people are restlessly, grimly searching for a better way of life, for more of the good things of life. Like us, they want more security, more independence, more leisure, more freedom from drudgery, more and better homes and schools and communities. There is no limit to the needs and wants of mankind.

For the first time in history, technological progress, unleashed by the dynamic incentive system, makes it possible for us in America to have more and at the same time share our wealth with others. We must not let that progress be halted, but as a matter of Christian charity, must use our new knowledge for the benefit of all men.

This is the modern-day message I read in Rerum Novarum.

*An address by Mr. Ford, read by Mr. John F. Connors, Jr., Chairman of the firm's Community Relations Committee. The occassion was the presentation to Mr. Ford, of the Ninth Annual Rerum Novarum Award for distinguished service by a Catholic layman in the field of labor-management relations. The award was given by St. Peter's College, Jersey City, March 24, 1957.

Hegeman Adds

(Special to THE FINANCIAL CHRONICLE)

STAMFORD, Conn. — Nicholas Lupinacci is now affiliated with Hegeman & Company, 300 Main Street.

Joins Sheffield Staff

(Special to THE FINANCIAL CHRONICLE)

NEW LONDON, Conn. — Anthony J. Magro is now connected with Sheffield & Company, 325 State Street.

Roy B. Sundell Joins Reynolds & Co.

CHICAGO, Ill.—Roy B. Sundell has joined the Chicago office of Reynolds & Co., 39 South La Salle Street, it was announced by John G. White, resident partner at Chicago.

Roy B. Sundell

Mr. Sundell has been in the investment business on La Salle Street for 30 years. For the past five years he has been associated with Julien Collins & Company.

G. B. Blaine Partner In Tucker, Anthony

Graham B. Blaine, who retired March 31 as Vice-Chairman of The Chase Manhattan Bank, has been admitted as a general partner, as of April 1, in the firm of Tucker, Anthony & R. L. Day, 120 Broadway, New York City, members of the New York Stock Exchange.

Mr. Blaine, who will continue his association with Chase Manhattan as a member of the bank's trust advisory board, is a Director of Burlington Industries, Inc. and a trustee of the Dollar Savings Bank of the City of New York.

White, Weld Adds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn. — Robert G. Lee is now with White, Weld & Co., 74 Elm Street.

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

April 2, 1957

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Bringing "Operation America" Up to Date Requires Action

By HOWARD PYLE*
Deputy Administrator to the President

Mindful that the advancement of freedom, or "Operation America," requires deeds and not lip-service, President's administrator claims the Constitution puts Congress "in a paramount position and rightly so," wherein rests the appropriating authority in contradiction to the President's position of rendering information and recommendation to Congress. In view of this Mr. Pyle defends non-military foreign aid budgetary items, and opposes irresponsible, across-the-board budgetary slashes, while reviewing the Executive's responsibility in submitting a national budget. Prefers seeing our money abroad than bringing it home with the chance of having American blood spilled abroad; and other spending measures to implement "Operation America."

Human beings have been around for a long time — in fact, ever since God through Adam decreed that he should have dominion over all the earth — and over every creeping thing that creepeth upon the earth — including himself. It was a tough assignment right from the start as Adam soon found out. Thousands of years of history have been written about it—civilizations have come and gone —empires have dominated the world scene for a time and then crumpled away — tyranny, conquest, militarism, lawlessness, mobmindedness, riot, persecution, oppression and rebellion characterized the rise and fall of people after people until OPERATION AMERICA began to be. Here was to be established for the first time anywhere on earth a government that was to give its people religious freedom, civil liberty, freedom of speech, freedom of the press, security of individual rights, popular education and universal franchise.

Howard Pyle

It was in 1787 that a group of REAL STATESMEN of great physical vigor, mental acumen, thorough knowledge, practical wisdom, far-sighted vision and enormous moral courage assembled in Philadelphia for months of discussion and deliberation that at last produced the Constitution of the republic of the United States. It was the beginning of the first great era of progress governmentally that the world had ever known—OPERATION AMERICA —a beachhead for freedom.

Taken for Granted

From then until now it must be admitted that our system of government has been complicated administratively almost beyond describing, in many respects almost hopelessly. No matter, in the hands of our ablest and most dedicated leadership and with the support of the most enlightened people on earth — OPERATION AMERICA can and must continue to be THE beachhead for the advancement of freedom among men. This cannot be taken for granted, however, any more than peace can be taken for granted. Certainly the experiences of the last half century, and even more particularly the last few years, prove beyond a shadow of a doubt the wisdom of Secretary of State John Foster Dulles' reminder "that war is not prevented merely by hating war and loving peace. Since the beginning, the peoples of the world have hated war and longed for peace — but it has not gained them peace."

Neither will merely wanting our domestic economy to remain sound make it so. It must be backed up with a will to make it so — an active will energized by the most sensible realism of simple economics that we can put to work. Secretary of the Treasury George Humphrey's forthright statement that . . . "WE'RE SPENDING TOO MUCH MONEY" illustrates the point exactly.

If you haven't read the Secretary's unvarnished answers to questions on this critical subject as they appear in the Feb. 8 issue of "United States News and World Report" please do so at your earliest opportunity. His candor is refreshing. The suggestion that the Congress assume its full Constitutional responsibility in relation to the budget is as it should be.

Opposes Across-the-Board Slashing

Now this does not mean that the Executive Department has no responsibility for such an urgently important item of business as the Federal budget. As a matter of fact, the President and his staff have spent months of the hardest kind of work evaluating the merits of every single item that has gone into it. In the course of these months up to 13 billions of dollars have been cut from the sum total of all the requests that might otherwise have been included.

Comes now the necessity for your personal representatives in the Congress to weigh all that is involved. It's a responsible task! It must be done department by department, item by item, lest an irresponsible, across-the-board slash, so cripple strategic services as to err on the side of seriously hurtful omissions.

Congress Is Paramount

Right here a word needs to be said about our attitude toward the Congress of the United States. The feeling grows in informed circles that there is a lack of interest and understanding on the part of millions of our citizens of the importance of the Congress as a body in our system of government. It is possible that somewhere along the line the American public has lost the identification of our Congressmen with national policy? If so, there is a job to be done among us—a vital job if OPERATION AMERICA is to proceed as planned.

A quick look at the text of the Constitution of the United States reveals that the Congress is given more detailed emphasis than any other branch of the national government. In addition to being Article I of the seven basic articles its total text in words is at least half of the total text of the entire document. The authors of the Constitution put the Congress of the United States in a paramount position and rightly so, because this is the people's body. In a Republic it is indispensable if the local will of the people is to be adequately represented in the national government.

It's alarming to note that a certain state — one of those that should have been the last to fail the intent of the Constitution—cast nearly a million more votes for the President in 1956 than for the Congress in 1954, just two years before. The total votes cast for the Presidential candidates in 1956 exceeded the 1954 Congressional totals by 19½ million.

This will not build a Congress —this will not encourage devotion to Congressional service at the head of our government by our best qualified citizens.

President Eisenhower's attitude toward the Congress is Constitutional in every respect. This should be every citizen's attitude. Here rests the legislative power and the appropriating authority of OPERATION AMERICA. Under no circumstances should it be taken lightly either at the polls or elsewhere.

President's Function

What then is the position of the President? The Constitution says, "He shall from time to time give to the Congress information of the State of the Union, and recommend to their consideration such measures as he shall judge necessary and expedient." In complying with this obligation for the next fiscal year, the President prefaced his budget message with —"I have been guided by the following national objectives . . .

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

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

"A healthy and growing economy with prosperity widely shared;

"Enhancement of individual opportunity and the well being of all our people;

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

"Fiscal integrity;

"A well balanced choice of programs at home and abroad; and

"Increasing international trade and investment essential to the growth of the economies of the United States and the rest of the Free World."

Now, before we go on, let's have a little closer look at this idea of increased international trade and investment to the extent that it is believed necessary to the growth of the economies of the United States and the Free World. There are those who are quite honestly disturbed by certain of the overtones here. For example, the issue of "economic aid" is especially worrisome to some who feel so strongly about it as to write in this manner—and this is an actual quote from a letter we received the other day —"Economic aid will not stop communism; military aid may."

I wonder . . .

Non-Military Foreign Aid

This is to say that the Marshall Plan had nothing whatsoever to do with the economic recovery of Europe and its present status as a bulwark against the advance of communism. This is to say that the communist takeover in China was in no way aided and abetted by the impoverished status of the economy of that country at the time of its surrender to Communism.

Today—there is a very decided choice between what has happened at these two points of the compass. Europe is growing in strength as a part of the Free World. China has been lost to the Free World.

Today — with Europe well on way to economic sufficiency, it's now extremely vital to the further welfare of the Free World that some 30 other nations be given the same opportunity to grow in strength and sufficiency.

This is not a question of conservatism or liberalism any more than such was the case when one of our most widely advertised conservatives, in the traditional sense, made the following statement in his last speech as President of the United States.

What McKinley Said

"The period of exclusiveness is past. The expansion of our trade and commerce is the pressing problem. . . . A policy of good will and friendly trade relations will prevent reprisals. Reciprocity treaties are in harmony with the spirit of the times; measures of retaliation are not.

"Isolation is no longer possible or desirable."

Who was he?

President William McKinley!

In surveying the international situation of the moment, it is President Eisenhower's judgment —and who among us would be better equipped to say—that 45 billions of dollars, or 63% of our 1958 assignment of funds should go for protection, including collective security.

On the side of today's costs on National Defense it's well to remember such Atomic Age items as this—the B-29 costs around $680,000—the B-36 about $4 million—the B-52, $8 million.

Similarly, the budget provides for $2.3 billion of expenditures by the Atomic Energy Commission in the next fiscal year; this amount is 20% greater than the estimate for 1957. The Commission will use these funds both for increasing the numbers and kinds of nuclear weapons available to our military forces and for developing the peaceful uses of atomic energy in this country and abroad.

Now, just a word here about what we mean by collective security . . .

Today, it is estimated that the United States is maintaining some 19 combat-ready divisions. By way of collective security, the funds assigned to this role for the current year of 1957 are maintaining some 180 Free World divisions.

Money versus American Blood

In the words of our Soldier-President — "No single country, even one so powerful as ours, can alone defend the liberty of all nations threatened by Communist aggression from without or subversion from within."

Here my personal memory goes back to the closing days of the War in the Pacific. Then, the altogether understandable desire of our people was to bring our citizen soldiers home as quickly as transportation could be provided. In no time at all our peripheral strength in the Far East was but a token force. We were not ready for Korea and it struck us with devastating losses. It might never have happened at all if our Forces out there had been strong enough to be a real threat to an enemy.

Today, the theme of our murmuring has a familiar ring. This time, it's bring our money home. I, for one, would rather see our money abroad, waging the peace of these times, than to bring it home prematurely and increase the hazard of having to return the flower of our manhood to the battlefields of the world.

In recommending the measures he has judged necessary and expedient, the President reminds us that the Government will be serving 172 million persons by next year.

Federal Spending in 1953

Therefore, at home, it is proposed that we meet the 24% cost of civil benefits, and here the budget is up four hundred million plus—a 10% item to cover interest on the national debt, up one hundred million—and the 3% that is necessary for the administration of our civil operations, and this item is down three hundred million.

Totaled—it brings the estimated spending for 1958 to 71 billion, 800 million dollars.

Our best estimate on receipts for 1958 places the total at 73 billion, 600 million dollars.

The budget the present Administration took over in 1954 was for an estimated 77 billion, 900 million.

We have moved from a budget deficit of 9.4 billion dollars in fiscal 1953 to balanced budgets in 1956, 1957, and 1958 with reductions in the national debt, as well as substantial reductions in taxes.

Remember, this is OPERATION AMERICA.

The challenge to our economy is the greatest in our peace time history.

Our people are doing more sober minded thinking on the subject than ever before.

It's a most encouraging sign and much good can come of it. It's possible that in recent years what has appeared to be the public will in many instances has been too largely expressed by relatively small groups whose incessant clamor for more of everything has added up to an unbelievable strain on our ability to pay taxes in support of it. If this be true, then it could be that today's commendable concern can be so reported to the nation's leadership as to help us to so alter our course as to provide the extra safety factor directed by a more widespread public judgment.

Certainly as members of this public we have a very tangible stake in the matter. Approximately 51% of the estimated budget receipts in 1958 will come from individual income taxes. Our other sources of revenue, likewise supported by our people, include 29% from Corporation Income Taxes, 12% from Excise Taxes, and 8% from miscellaneous sources.

Defends Federal School Aid

Among other things along these lines, I have never been an advocate of Federal aid for our public schools. At the same time, this does not mean that we can risk being blind to the fact that even now 31 million, 500 thousand of our children are crowding our public schools to the extent of 2¼ million pupils more than the normal capacity of the available facilities. Furthermore, enrollments continue to increase by well over a million students a year.

Responding to his Constitutional obligation to recommend such measures as he shall judge necessary and expedient, the President has proposed a four-year emergency program designed to relieve the classroom crisis. The estimated cost for 1958 is 451 million dollars. The total four-year cost is expected to be a billion, 300 million.

What shall we do about it?

This is typical of the questions we must answer as we remember that this is OPERATION AMERICA — a beachhead for freedom that must continue to be an inspiration to the freedom loving peoples of the world and proof positive that Communism is no match for it.

With all our dreams of progress however, we must not destroy our economy. This need not happen if we will exercise the intelligent patriotism of which we are so capable.

President's Appeal

I do not agree with those who are inclined to say "It won't work" when the President urges the nation's leaders in business and labor to voluntarily exercise

*An address by Mr. Pyle before the Mortgage and Insurance Conference of Group V Savings Banks Association, New York City.

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the precautions that the inflationary tendencies of these times so plainly recommend.

If such be true and we must resort to the force of government controls then this is not OPERATION AMERICA.

If this be true then we as a people have no reason to expect President Eisenhower, John Foster Dulles, and others like them, to succeed in maintaining the peace in the midst of all the conflicts that are so stridently a part of the international situations that surround us today.

Certainly our domestic problems, as numerous as they are, are no more difficult than the tangle of turmoil in which our top leaders have thus far so successfully avoided a truly cataclysmic clash of arms.

We expect them to continue to succeed.

They must!

They cannot fail!

Neither can we if OPERATION AMERICA is to continue to be the beachhead for freedom that became our privileged and happy destiny when Columbus—and here we paraphrase the poet's lines—gained this new world and gave the whole world its grandest lesson—

"On! Sail on!"

Philadelphia Invest-in-America Committee

PHILADELPHIA, Pa. — Walter L. Morgan, President of Wellington Fund, and Chairman of the Philadelphia invest-in-America Committee, announced the appointment of a 62 man general committee to effectuate the program. Invest-in-America Week will be observed throughout the country during the week of April 28 through May 4, 1957.

Members of the general committee appointed by Mr. Morgan are leaders in the fields of publishing, banking, finance, merchandising, insurance, industry, transportation, public utilities, radio and television.

The general committee consists of: Walter H. Annenberg, Philadelphia "Inquirer"; Richard W. Slocum, "Evening Bulletin"; Frank E. Baker, Baker, Weeks & Co.; Miss A. M. Barnes, Investment Women's Club of Philadelhpia; D. Moreau Barringer, Delaware Fund; Charles R. Bird, General Outdoor Advertising; W. W. Bodine, Penn Mutual Life Insurance Co.; Richard C. Bond, John Wanamaker; Thomas A. Bradshaw, Provident Mutual Life Insurance Co.; John F. Bunn, Jr., Bioren & Co.; George E. Burens, General Electric; Roger W. Clipp, WFIL-TV; Stanley W. Cousley, Murphy Oil Co.; Mrs. Walter A. Craig, Miss Margaret Crozier, Philadelphia Restaurant Association; William L. Day, First Pennsylvania Banking and Trust Co.;

Also: W. W. Delamater, Tradesmen's Bank & Trust Co.; Robert G. Dunlop, Sun Oil Co.; Joseph A. Fisher, Reading Co.; Walter D. Fuller, Curtis Publishing Co.; Alfred D. Gillen, Bell Telephone Co.; Albert M. Greenfield, Bankers Securities Corp.; Lee S. Harris, Jr., Frank G. Binswanger & Co.; Stanley H. Heist, Saving Fund Society of Germantown; Edward Hopkinson, Jr., Drexel & Co.; Louis P. Hoyer, retired Superintendent of Schools; Charles L. Huston, Lukens Steel Co.; Ralph Heaton, Transportation Displays, Inc.;

Also: Harleston R. Wood, Alan Wood Steel Co.; Robert M. Joline, Benjamin Franklin Federal Savings & Loan Assn.; Charles F. Kindt, Jr., John C. Winston Co.; Woodson Knight, American Association of Industrial Editors; C. A. Kulp, Wharton School of Finance; P. Blair Lee, Western Saving Fund Society; Percy C. Madeira, Tradesmens Bank & Trust Co.; James P. Marvin, Savings Bond Division, U. S. Treasury; Walter P. Miller, Jr., Chamber of Commerce; John A. Murphy, Reynolds & Co.; William B. Murphy, Campbell Soup Co.; Paul J. McNamara, The Warwick Hotel; George E. Nehrbas, Parrish & Co.; Frank L. Newburger, Jr., Newburger & Co.; Leon J. Obermayer, Board of Education; Howard C. Petersen, Fidelity-Philadelphia Trust Co.; Frederic A. Potts, Philadelphia National Bank; R. Stewart Rauch, Jr., Philadelphia Saving Fund Society; Alfred P. Rexford, Poor Richard Club; R. G. Rincliffe, Philadelphia Electric Co.; Ellsworth A. Roberts, Fidelity Mutual Life Insurance Co.; Mrs. Mary G. Roebling, Trenton Trust Co.;

Also: Walter A. Schmidt, Schmidt, Poole, Roberts & Parke; Edgar Scott, Montgomery, Scott & Co.; C. A. Sienkiewicz, Central-Penn National Bank; Edward B. Smith, Jr., Smith, Barney & Co.; Goeffrey S. Smith, Girard Trust Corn Exchange Bank; George E. Snyder Jr., George E. Snyder & Co.; Edward Starr, Jr., Drexel & Co.; James M. Symes, Pennsylvania Railroad; Joseph L. Tinney, Station WCAU; Rudolf F. Vogeler, Chamber of Commerce and Lloyd R. Yoder, Station WRCV-TV.

Other officers of the Committee are: T. Johnson Ward, Chairman of the Executive Committee; Robert E. Sessions of the Chamber of Commerce and J. Raymond Leek of the Philadelphia-Baltimore Stock Exchange, Vice-Chairman; K. G. Lefevre, Fidelity-Philadelphia Trust Co., Secretary; Alexander Biddle, Philadelphia-Baltimore Stock Exchange, Treasurer; and Mrs. Katneryn Duffy, Executive Secretary.

With G. H. Walker

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, Conn.—Anthony F. Bauza has become connected with G. H. Walker & Co., 20 East Main Street.

Butler, Herrick Branch

RIVERHEAD, N. Y. — Butler, Herrick & Marshall have opened a branch office at 130 Griffing Avenue under the management of William H. Wilsen.

Brush, Slocumb to Be NYSE Member Firm

SAN FRANCISCO, Calif. — Ernest E. Blum will acquire a membership in the New York Stock Exchange and on April 11, Brush, Slocumb & Co., Inc., 465 California Street, members of the Pacific Coast Stock Exchange, will also become members of the New York Stock Exchange. Officers of the firm are Spencer Brush, President; Mr. Blum, James S. Taylor, Gerald F. Brush, and Edwin C. Callan, Vice-Presidents; Joseph N. Caine, Secretary-Treasurer; and August F. Riese, Assistant Secretary-Treasurer.

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One of the most significant developments of recent years has been the great increase in comforts and conveniences for more and more people.

Recognizing the trend and alert to it, the telephone companies have been accelerating their efforts to find out, and anticipate, what people want and provide it at a reasonable price. The result is a wholly new concept of what is meant by telephone service.

Where formerly it was thought of as just one black instrument, the modern trend is toward a number of telephones at convenient places around the house.

We have helped this new concept by making new style telephones available, along with color, and with spring cords, illuminated dials, volume control, etc.

But the main reason for the success of the idea is that people have found that there is no greater aid to new convenience and comfort than adequate telephone service.

In offices, as well as homes, there is now a much bigger package of telephone service available for everyone.

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The Position of Mutual Savings Banks in the Expanding Economy

By J. BROOKE WILLIS*
Economist, Savings Banks Trust Company, New York City

Banking economist notes that extraordinary demand for credit, rising cost of money and shortage of savings have resulted in devotion of special attention and study to the savings institutions; with the intensification of competition, and threat of credit control assuming particular importance. States current proposals to impose legal requirements on savings institutions ignore their vital role in an expanding economy. Maintains savings institutions and other financial intermediaries must be depended on to promote personal thrift, productivity, and higher living standards without inflationary financing.

If a steady rate of economic expansion at high levels of employment is to be realized without inflation there must be an adequate growth in savings. The developments of the postwar decade have demonstrated that our capacity to grow is limited by our willingness to finance capital investment in plant, equipment and housing by means of savings rather than through monetary expansion.

J. Brooke Willis

Recent Pressures

In the past year and a half heavy pressures have been placed upon the credit and capital markets. The intensity of these pressures reflects a chronic tendency in a period of growth for credit demands to outstrip the rate of savings.

As a result of the extraordinary demand for credit, the rising cost of money and the shortage of savings, the savings institutions have become the subject of special attention and study The two aspects of this situation which are most important to savings bankers are (1) the intensification of competition and (2) the threat of credit control.

I propose to comment only briefly on the aspect of competition since that is a subject with which you are quite familiar at first hand. I shall devote most of my remarks to the threat of credit control. Incidentally, current proposals for extending credit controls to savings institutions are to some extent competitively inspired. However, demands for a study of the financial structure and practices of all financial intermediaries is becoming more and more widespread. Such proposals range from that by President Eisenhower for a National Monetary and Financial Commission composed of outstanding citizens to that by Representative Patman for a study by a Congressional committee.

Very few of the advocates of these proposals have indicated specifically what ought to be studied but, in any event, it is clear that the financial intermediaries, and their role in financing the economy, will occupy a prominent place on the agenda.

Growth Potentials and Competition

Since the war, deposits in mutual savings banks have grown at an annual rate of nearly 6% as compared with 6½% for all types of savings accounts and 7% for life insurance policy reserves. (Last year deposits rose by 6.6% as compared with 6.9% in 1955.) The growth rate of the mutual savings banks has been remarkably steady even though somewhat slower than for some other savings institutions.

However, I must remind you that part of this growth is explained by the rise in the price level. Moreover, the number of accounts has grown much more slowly than the dollar amount of deposits, at only about 1⅜% per year. (Last year the number of accounts rose by 2.0% as compared with 2.2% in 1955.)

What is the outlook for the next decade?

A commonly accepted projection is that the economy will grow during the next decade at the rate of 3% as compared with about 3½% per annum during the past decade. This projection is based upon a combination of assumptions including a constant price level. An estimated 3% annual growth in the gross national product at constant prices assumes an annual increase in population gain of 1.4%, a gain in output per man-hour of 2½%, and a decline in average annual hours worked of 0.8%.

Such a projection implies a commensurate increase in personal savings. However, there can be no grounds for complacency. Even if we were certain of the validity of the underlying assumptions and that a steady pace of growth was assured, the savings banks would still face a decade of intense and relentless competition.

The economic growth projections imply a tremendous demand for capital and a vast increase in debt. During the last decade net public and private debt rose by nearly $300 billion. In the next decade the debt could easily rise by another $350 billion. In this environment the competition for savings will undoubtedly be great.

Threatened Controls Over Savings Institutions

Proposals for imposing financial controls upon non-bank financial intermediaries appear to be gaining support from academicians as well as from commercial bankers; and therefore, what you might otherwise regard as merely another cry of complaint about tight money and competition has to be considered as having some measure of serious intellectual support.

The argument runs along the following lines:

(1) The growth in non-bank credit institutions has narrowed the base upon which monetary controls operate.

(2) Monetary controls, such as legal reserve requirements and open market operations, reduce the resources of commercial banks, but have no direct effect, and but little indirect effect, upon other financial intermediaries.

(3) In periods of tight money, savings institutions are able to attract funds from commercial banks since commercial banks are restricted in what they can pay by regulation and by more unfavorable taxation. The funds thus shifted, it is said, do not represent new savings and, consequently, are inflationary.

The conclusion is reached that existing monetary controls are inadequate and that they should be extended to embrace the entire system of financial intermediaries. Otherwise, inflationary pressures, it is said, will require the use of selective credit controls such as former Regulations W and X over consumer and real estate credit.

I would like to comment on each step of the argument just presented.

(1) The idea that the base of monetary control has been narrowed rests on the statistical finding that the loans and investments of financial intermediaries have grown more rapidly during the last 50 years than those of commercial banks. This is not a new discovery. Economists have long been aware of the growth in institutional savings or of "indirect debt" as some writers now wish to describe it.

For some years in the past, people have tended to accumulate a rising share of their assets in the form of claims against financial intermediaries. Instead of investing their savings directly in corporate securities, real estate, mortgages, etc., they have tended more and more to entrust them to savings banks and to other specialized financial intermediaries, each providing its own distinctive facilities.

Although the savings institutions, as a group, have grown more rapidly than commercial banks, it does not follow that their more rapid growth has been at the expense of demand deposits in banks. Indeed, the channeling of a larger share of savings through financial institutions reflects, in part, a change in the composition of savings rather than the substitution of claims on savings institutions for holdings of demand deposits.

There is no reason why such a change in the composition of savings would impair the operation of monetary policy. Certainly, we could not expect that monetary policy would be made more effective if we did away with financial intermediaries and reverted to a system of direct investment of individual savings.

The thesis that monetary controls have been impaired by the relative growth of other financial intermediaries seems to imply that economic growth should properly be financed more largely by an inflation in the money supply. For this is the only way that a larger share of loans and securities could be retained by the banking system rather than by savings institutions.

In spite of the shift in the channels through which savings flow, the ratio of money supply to national income has not shown a long-run decline. This ratio has declined during the postwar boom following its excessive wartime rise. But, it is no higher now than it was in the 1920's and it is lower than in the period 1900-1920.

While it is quite true that bank loans and investments represent a smaller ratio to those of the financial intermediaries, they are still as high or higher in relation to national financial assets or to national wealth as they were in the year 1900. By these standards the monetary base has not contracted as claimed.

The thesis that monetary controls have been impaired by the relatively faster growth of saving through nonmonetary financial intermediaries rests on a peculiar assumption. It is that there is no essential difference between claims on savings intermediaries and demand deposits in commercial banks. The other financial intermediaries are said to be competitive with banks and serve as substitutes for them. In periods of economic expansion when incomes rise, people are said to prefer claims on nonbank intermediaries to demand deposits. In this way "the lending terms" of the savings institutions are eased while those of banks are not.

This line of reasoning broadens the definition of money to include, in addition to currency and demand deposits, savings deposits, savings and loan shares, policy reserves and other financial assets.

The authors of this type of reasoning admittedly have deviated from the established belief that banks are unique in their ability to issue money, that is to add to total purchasing power. They deny that the banking system is a special thing of its own kind and, instead, argue that it is merely one among other financial intermediaries. This viewpoint naturally tends to regard the function of money as being merely a store of value, something to hold, not as a means of payment or as something which people seek to acquire **in order to spend it.** Consequently, it is possible to reach the strange conclusion that a savings account, or an equity in a life insurance policy is a substitute for a demand deposit.

That savings accounts and other claims on savings intermediaries differ functionally from demand deposits should require no statistical proof. First, the aggregate total of savings accounts and other personal financial assets is a stable quantity as compared with demand deposits in banks. The major cyclical fluctuations in the published statistics on personal savings are not in the volume of savings accounts but are caused by changes in the amount of demand deposits, personal debts, which are treated statistically as offsets to savings, and also by changes in inventories of unincorporated business firms.

Secondly, the turnover of savings accounts is decidedly slower than that of demand deposits. Although their holders add to and withdraw from these accounts, withdrawals are for special purposes; savings accounts are not used as a general means of payment. Savings deposits have an average life of nearly four years, demand deposits only one-half month.

(2) On the second point, there is no disagreement that the monetary controls have a more direct impact upon banks than upon savings institutions.

The reason why commercial banks are the immediate target of control is self-evident. Commercial banks are the institutions which create the effective money supply in the form of demand deposits. In contrast with other financial institutions, the commercial banking system, if reserves are available, can expand its deposit liabilities as the banks make new loans or purchase securities. Debts are thus monetized and bank deposits expand as a result of borrowing to finance expenditures.

By contrast, savings banks and other financial intermediaries cannot, on their own initiative, either individually, or as a system, expand their liabilities and thereby enlarge the savings of the public. Any increase in savings deposits, or in the total amount of claims against other savings intermediaries, depends upon the act of saving by the individual creditors.

The amount of personal savings is a function of income and of the voluntary decisions by savers as to the allocation of their total income between consumption and savings.

In an attempt to show that the relative growth of financial intermediaries is inflationary, the argument has been revived that, like the commercial banks, the savings banks can "create" or "issue" claims against themselves. This use of language is unrealistic. It would be as apt to say that an individual person "creates" or "issues" claims. The fact is that neither savings institutions nor individuals have any power to force their obligations into general circulation since they are **not money.** The ability of savings institutions to expand is conditional upon the willingness of people to accrue claims by refraining from consumption as their incomes expand. The savings institutions can encourage thrift habits but they cannot force savings accounts on an unwilling public.

By contrast the obligations of commercial banks are money; and the accrual of claims against the banking system as a whole is not conditional upon voluntary saving out of income by the community, but is the outcome of borrowing by the community, i.e., spending in excess of current income. For this reason the Federal Reserve System has been given the duty of limiting the availability of reserves. Otherwise, the banking system, **which is incapable of the required self-restraint,** would undertake to satisfy too many borrowing demands by deposit creation.

A policy of monetary restraint could be carried to the point of actually reducing the amount of reserves and thus force a contraction in bank loans and investments and in deposits. Actually the controls are seldom applied with enough force to cause an actual reduction in the resources of the commercial banks. Last year total commercial bank deposits remained about unchanged.

(3) A final, and perhaps, crucial point concerns the ability of other financial institutions to attract funds from commercial banks. The argument is that such a shift from demand deposits to savings accounts is inflationary since it means that lending power of savings institutions exceeds new savings.

Such a "shift" in preference does not seem likely to occur in a period of rising expenditures when there is a general tendency to prefer goods to money.

The rise in savings deposits is ordinarily the result not of such a shift in funds from demand to savings accounts, but a rise in personal incomes.

Savings deposits and other financial assets can grow in periods of economic expansion even though the money supply is held down. There is nothing peculiar about this. It merely reflects the fact that incomes have risen, and so consequently have savings. In terms of monetary mechanics this is possible because the money supply turns over more rapidly, or as the economists say, its velocity rises.

The rise in savings, instead of representing an addition to spending power, as argued by the advocates of controls, reflects the fact that not all current personal income is being spent. The greater the rise in savings the better for the economy since only in this way can we be sure that capital investment is not being unduly stimulated by monetary expansion.

The only basis for arguing that a transfer of funds from demand deposits to savings institutions is inflationary lies in the fact that such a transfer would not in itself involve any reduction in the resources of the commercial banks, since the funds, upon being loaned or invested by the savings institutions, would in the course of their circulation be redeposited in the commercial banks.

There is no way of knowing the extent to which mere shifts from demand deposits to savings accounts actually occur. To the extent that they do, the money supply becomes redundant. If there is to be an adjustment, it is properly made by restraints on com-

*An address by Mr. Willis before the Ninth Annual Savings Bank Conference on Operation, Audit and Control, Boston, Mass.

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mercial banks, not on savings institutions.

The Proposed Method of Control

The method of control which seems to be favored by those who advocate the extension of monetary controls to all financial intermediaries is a legal reserve requirement — presumably a prescribed ratio of cash assets to the volume of savings held.

Legal reserve requirements are a necessary method of control in our type of demand deposit banking system but they are not suited to the purpose of controlling either the flow of funds through savings intermediaries or the amount of their loans and investments.

The main reason why legal reserve requirements are not needed is that nonmonetary financial institutions are incapable of creating purchasing power, as earlier explained.

It is an interesting fact that the American Bankers Association has taken the position that for credit control purposes, there is no need for a reserve requirement against time deposits. This view is contrary to the New York State Bankers Association's recommendations to the legislature. In the recently published brochure "A Plan for Member Bank Reserve Requirements," the A.B.A. recommends that the present requirement of 5% against time deposits be reduced to 2%. Let me quote from this report in answer to the question: Is there any justification for imposing any legal reserve requirement on time deposits?

"Demand deposits of commercial banks are part of the money supply and are properly subject to control by the monetary authorities. The situation with respect to commercial bank time deposits, however, is clearly very different. They cannot be used directly as a means of payment."

In the case of commercial banks, the legal reserve ratio is an effective technique of control because the aggregate amount of reserves of the banks can be controlled by the Federal Reserve System. The Federal Reserve has unique powers by which it can increase or decrease these reserves regardless of the actions of the reserve holding banks. To achieve the same measure of control over the proposed legal reserves of the savings institutions, it would be necessary to require them to hold specified reserves in some central institution designed for the purpose.

The advocates of control would provide also for raising and lowering of the required ratio. (See Clark Beise "Are Our Monetary Controls Outmoded?" address before the Economic Club of New York, Nov. 19, 1956.[1] In practice, this technique would not be effective so long as the subject institutions were able to replenish their reserves. Consequently, not only cash but Government Securities inevitably would have to be included in the prescribed reserve base.

It is apparent that any serious attempt to impose legal reserve requirements on savings institutions would lead inevitably to detailed control over the composition of assets and, therefore, would in fact become a form of selective credit control, the very thing it is supposed to avoid. Indeed, it is asserted in some quarters that "Capital rationing may become the critical medium for enforcing financial control in markets that are dominated by a few large institutional lenders, such as insurance companies."

Moreover, there is no reason to suppose that variable cash reserve ratios would operate more effectively with savings institutions than with commercial banks. Variable reserve rations did not work satisfactorily in the control of commercial banks. Consequently, the Federal Reserve's power to vary requirements is nowadays retained only for extraordinary situations. Requirements were last raised in early 1951 prior to the inauguration of a flexible monetary policy.

Finally, there is the very important question of equity in the application of legal reserve ratios to the various types of financial intermediaries. For example, how would the reserve requirement be applied equitably to such diverse institutions as savings banks, pension funds or life insurance companies?

Happily the proposals to extend monetary controls to savings institutions has not found favor with the Chairman of the Federal Reserve System. (See also remarks of Alfred Hayes, President of the Federal Reserve Bank of New York, before the New York State Bankers Association, Jan. 21, 1957, New York, N. Y.)[2] In reply to a special question from the Joint Economic Committee on Feb. 5 he said:

"A policy of extending to nonbanking institutions a system of monetary controls analogous to that now applied to member banks by the Federal Reserve however, would represent a basic and far-reaching departure from the principles that have in the past governed banking legislation and Federal Reserve policy. Commercial banks have special functions that are not presently shared by non-bank financial institutions."

Concluding Summary

The outlook for continued economic growth is certain. The extent to which the mutual savings banks will participate in it is promising, but the competition for savings will be more intense and as long as credit demands are strong, there will be threats to impose credit controls on savings institutions. They and other financial intermediaries must be depended upon to safeguard, as well as to promote, personal thrift in order that the capital investment required to achieve the promised gains in productivity and the resulting improvement in living standards will not be endangered by inflationary financing.

The current proposals to impose legal reserve requirements upon savings institutions ignore the vital role that these institutions play in an expanding economy.

It has been said that one earmark of an advanced economic society is the variety of financial institutions that assemble and channel savings. The effective use of resources, the economical accumulation of capital, and the actual realization of the benefits of technological improvements all depend upon the existence of a variety of financial arrangements for bringing together the users of capital and the suppliers of savings. Only a part of this task is the proper function of the commercial banking system. By far the larger share of capital investment must be financed outside the banking system. The savings institutions and the other financial intermediaries are indispensable if savings are to be invested in ways that assure the optimum growth potentials.

[1] Reprinted in full in the "Commercial & Financial Chronicle," Nov. 22, 1956.

[2] Reprinted in full in the "Commercial & Financial Chronicle," Jan. 31, 1957.

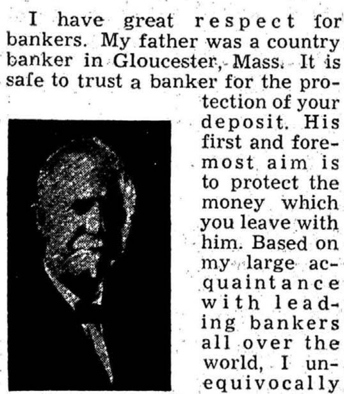
Opens New Branch

WARRENTOWN, Va. — Abbott, Proctor & Paine, members of the New York Stock Exchange, announced the opening of a new office in Warrentown, Va., under the management of William N. Wilbur.

Forward Looking Bankers to Render Investment Advice

By ROGER W. BABSON

Bankers should know what is ahead and not, like accountants, be students of the past, Mr. Babson avers in discussing bankers and investments.


Roger W. Babson

I have great respect for bankers. My father was a country banker in Gloucester, Mass. It is safe to trust a banker for the protection of your deposit. His first and foremost aim is to protect the money which you leave with him. Based on my large acquaintance with leading bankers all over the world, I unequivocally support their 100% desire to protect your savings. Furthermore, barring the ravages of war over which they have no control, they will give you back every dollar you deposit with them. Never criticize a banker for refusing to make a loan.

What About Inflation?

When you draw your dollars out of a bank, whether your dollars will buy as much in food, clothing, and shelter as they would have when you put them in is another question. The bankers have little control over what your dollars will buy in the future. It, however, is only fair to say that the bankers are fighting inflation in every possible way. Inflation hurts not only the value of your deposits but also the value of every bond which the bank holds!

Furthermore, it should be remembered that a banker should naturally be conservative. It is said that only one thing is more easily frightened than a banker—namely, a "pair of bankers." Bankers brag of their deposits; but the greater their deposits, the more they owe! In their hearts they realize that deposits represent debts. The depositors sit in the driver's seat. The depositors of any bank could close the bank in a week. Hence, I repeat we should not blame bankers for being cautious.

Asking Bankers for Investment Advice

Bankers may be making a mistake associating so much with other bankers. Instead of attending Bankers' Conventions, they perhaps should attend conventions of physicists, chemists, and other scientists. Instead of asking the advice of other bankers who are remembering 1929, they should perhaps ask the advice of those who are looking into the future rather than the past.

If you ask some bankers for investment advice, they look up the company in an investment manual and study only its balance sheets and earnings statements. They ask to see the accountant's audit. Yet, accountants are only students of the past. Their business is to make autopsies — not forecasts. Accountants may be classified as "undertakers" — not as "doctors."

Officers of Banks

In my humble judgment, the President of a bank should be a graduate of some highly professional school, such as the Massachusetts Institute of Technology, if he is to give investment advice. He needs to know what is ahead, the wonders which are now on drawing boards and in test tubes.

He should read scientific journals and associate with men who are acquainted with the wonderful changes which will come about during the next 50 years. Furthermore, there should be more "egg-heads" on bank boards of directors, whose knowledge is not limited to existing industries.

Think Back 50 Years

Fifty years ago, the telephone companies had comparatively few subscribers. There were only 140,000 automobiles compared with 54,000,000 today. Then there were no radios, televisions, electric refrigerators or stoves, and only a few chain stores. Over half our present national income and wages come from industries not even dreamed of 50 years ago.

My first job was surveying for a horse car line in Gloucester, Mass. A half century ago this changed to an electric car line, and now the tracks have been ripped up and buses provide the only public transportation. My second job was as bookkeeper for Andrew's Spar Yard, which brought great spars from Oregon to serve as masts for the fishing vessels. The chief industry of Cape Ann was making paving stones. These industries have now vanished.

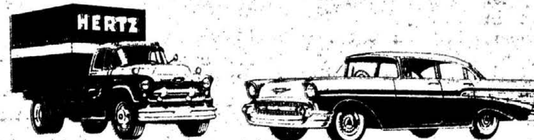
What About the Dow-Jones Averages?

These averages will soon become obsolete, as are horse cars, the Oregon masts, and the paving blocks. The Dow-Jones Averages which so many bankers now worship are only tombstones of fading great industries. These "Averages" will be eroded and decline, while the basic wealth of our nation — barring war — will continue to climb higher and higher.

Harold Haughey

Harold C. Haughey partner in Hoppin Bros. & Co., passed away March 27.

THE HERTZ CORPORATION



Record $58 million gross revenues in 1956

The Hertz Corporation experienced its greatest year in 1956, continuing to be the world's largest rent a car and truck leasing operation.

ANNUAL REPORT HIGHLIGHTS

	1956	1955	1954
OPERATING REVENUES....	$58,789,183	$41,279,907	$23,612,297
EQUITY CAPITAL..........	$19,966,344	$12,959,895	$10,743,849
NET INCOME BEFORE TAX	$ 5,960,147	$ 4,434,615	$ 1,903,776
Ratio to operating revenues....	10.1%	10.7%	8.0%
Ratio to equity capital........	29.8%	34.2%	17.7%
NET INCOME AFTER TAX..	$ 4,759,418	$ 2,901,552	$ 1,370,414
Ratio to operating revenues....	8.0%	7.0%	5.8%
Ratio to equity capital........	23.8%	22.3%	12.8%
NUMBER OF SHARES OUTSTANDING.......... (Before 5% stock dividend paid December 28, 1956)	1,724,925	1,575,793	1,525,343
EARNINGS PER SHARE....	$ 2.75	$ 1.84	$ .90
CASH DIVIDENDS..........	$ 1.00	$ .90	$ .50
STOCK DIVIDEND.........	5%	—	—
PASSENGER CARS OWNED AT YEAR-END....	12,378	7,544	3,956
TRUCKS OWNED AT YEAR-END....	12,857	10,663	5,339
TOTAL VEHICLES OWNED AT YEAR-END....	25,235	18,207	9,295

All data restated to reflect economic mergers.

For copies of the annual report, write: Treasurer, The Hertz Corporation, 213 South Wabash Avenue, Chicago 4, Illinois.

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The Airlines Approach the Jet Age

By CURTIS BARKES*
Vice-President, United Air Lines, Inc.

The air transport industry's new and greatly improved type of air transportation to commence in two to three years, according to United executive, involves: (1) 275 jet transports for long-range flights at an investment cost larger than present assets and net worth; (2) change-over of 80% of domestic commercial air lines to turbine-powered planes, and (3) expectation that passenger volume in 1965 will be doubled over 1956 and, despite a slowing down in growth-rate, an increase from two to three out of five of all inter-city passengers to be handled by air. The cost of air travel today is believed to be too low, and the view is expressed that a higher fare based on 1957 costs will permit jets to operate within such fare levels and at a profit.

Practically every airline in the country has been to the market for additional capital within the past 18 months. That in itself provides us with a common basis of interest with the investment banking field. A second common basis of interest is the fact that the average American is the traveling-est creature that you can imagine, and the jet age will have a great impact on travel habits and will give tremendous impetus to the total amount of travel.

Curtis Barkes

The business and pleasure travel of the country is geared to air transportation. It is taken for granted and is utilized in our day-to-day affairs. But, within the next three years, we are to see an entirely new and greatly improved type of air transportation introduced by the commercial jet airplane.

First, I would like to discuss briefly the nature of this amazing creature of man's inventiveness. The conception which most people today have of a jet airplane is based on their familiarity with military flying.

Distinguishes Between Civil and Military Jets

The military jet airplane is a weapon and we should keep in mind that there are some very fundamental differences between military and commercial airplanes. As a weapon the military airplane has a specific task to perform, and anything that interferes with the best performance of that task must be disregarded. Such things as comfort, economy of operation, and ground handling problems become secondary.

The commercial jet has been developed as an entirely different concept; but still using, of course, the same basic engineering principles as the military plane. It is an airplane that is to be a servant of the public. The considerations which come to the forefront are payload, speed, and range; all of which must be achieved with comfort, economy and passenger appeal, for if these things are not present, it cannot succeed.

The commercial program has benefited tremendously from the vast military experience in this field, but the commercial concept has had to select those elements for emphasis which will make the undertaking an economic success. Much of the pioneering is done by the military, but it is for the air transport industry to adapt and accommodate these possibilities to commercial usage and benefit.

As an example of this different approach between commercial and military jets, take the matter of noise. The military jet must get all of the power possible out of an engine; consequently, nearly all jet engines on military planes are equipped with afterburners. An afterburner makes use of the exhaust gases to achieve additional thrust, and they are very noisy things which add considerably to the overall noise of a military jet airplane. No commercial jet airplane will be equipped with afterburners, and on the other hand they will be equipped with noise suppression devices. Progress in the development of these devices is quite encouraging.

Marked Improvements

As a matter of fact, very few people in this country have heard the sound of any commercial jet transport, and only those concerned with the development have heard jet engines with sound suppression devices. We are confident that the sound created by these airplanes will be acceptable to the public.

What can the passenger expect to receive for his money when he makes use of this facility that will soon be available?

What do we mean by new concept of comfort in travel? There is an entire absence of vibration from piston engines, together with the cushioning effect of swept back wings. There is no feeling of speed once you are in the air. Inside the cabin, size and spaciousness are the first things that will impress you and will make possible a great flexibility of interior configuration. New, interesting interior layouts, together with modern color and lighting will catch the passenger's eye.

Cabin pressurization and air conditioning will be the best obtainable, and the speeds achieved and schedule convenience will create a tremendous impetus to the travel market.

Reliability, too, will be improved due to the relative simplicity of the jet engine compared to the piston engine, and schedule dependability will be another plus for the jet. Since headwinds are a much lower percentage of air speed for the jet transport than for present-day aircraft, delays due to abnormal headwind conditions should be greatly reduced. Weather forecasts for destination points at time of arrival will be more accurate because of the shorter period of time encompassed by the forecast.

Orders for 275 Airplanes

The air transport industry has staked its future on the jet transport, and that stake is an important one. Manufacturers have orders on their books for about 275 of these airplanes, representing a cost to the airlines of about $1.5 billion, including the spare parts initially needed to supply the storerooms to keep such a fleet in operation. This is an impressive total for an industry with assets of about $1.3 billion and a net worth of $650 million. This undertaking is worthy of the courage and foresight which has been responsible for the tremendous development of American industry.

This one and one-half billion dollar investment is roughly equivalent to 35 Prudential Buildings, which is Chicago's newest 40-story office building. To this investment you can add another few hundred million more for hangars, terminal buildings, airport improvements, airway traffic control, and other miscellaneous equipment needed to make these giant airplanes into a transportation system. All these things must come along together, including the training of personnel and the development of new rules, regulations and procedures, and marketing techniques.

All of this work and development will in no small degree provide a substantial underpinning to our economy over the next several years in providing thousands of jobs to bring this new system into being. There are already 136,000 employees engaged in air transportation in the United States.

Turbine Airplanes for Shorter Flights

What I have been discussing about is not the ultimate, but only the beginning of the new era. This billion and a half for new jet planes now on order is essentially an investment in big, long-range equipment — transcontinental coast-to-coast operations, and from the midwest to either coast. But this will most assuredly be followed by smaller turbine-powered airplanes for the intermediate length of flight—3, 4 and 500 miles. We believe that by 1965, 80% of all flying done by domestic commercial airlines will be in turbine-powered airplanes. This means there will be substantial expansion in the shorter haul market.

True, the savings in time on these shorter flights will not be so great as on longer trips, but there are other advantages which in time will bring the turbine airplanes into these areas. Such things as comfort composed of elements like absence of vibration, noise level, space to move around, and air conditioning. Reliability and economy, as well as speed, will bring the transition from piston power to the smooth flow of jet power in these shorter lengths of flight.

What do we expect in the way of market?

With the financial commitments which are involved in this sort of an undertaking, an understanding of the anticipated market is obviously quite important.

What do we see ahead that will support such an investment?

Will It Pay?

As a point of reference, we can take the year 1956. The number of revenue passenger miles handled by the domestic airlines last year were 22.5 billion. That represents a 100% increase over the year 1951. The business has doubled in five years. We are forecasting a doubling in volume over 1956 by 1965, or a nine-year period. This represents a slowing down in the rate of growth from about 20% per year for the past five years to a rate of about 8% per year for the next nine years.

This will give an annual volume of about 45 billion RPM's by 1965.

In 1956 the airlines handled 40%, or two out of every five intercity passengers handled by all common carriers. By 1965 we forecast that three out of every five of all intercity passengers will be handled in the air.

Some forecasts are a bit higher than this. For example, the CAA predict that by 1965 the volume would be somewhere between 42 and 56 billion. The mid-point of that estimate would be 49 billion, compared with our estimate of 45 billion.

The port of New York Authority made an analysis and forecast of the air travel market, and they predict that from the 38 million passengers carried in 1955, the number will reach 90 million in 1965.

This growth will not be in a straight line, but will be somewhat greater in the period 1961 to 1965 than from 1957 to 1961. United will continue to handle about 20% of the nation's air travel.

Why do we feel confident of these market projections? I've mentioned comfort and dependability. The next reason is speed. It was only in 1954 that regularly scheduled non-stop transcontinental service was established with an elapsed westbound flying time of nine hours from New York to Los Angeles.

Now, within six years of the beginning of that service, the flying time will be reduced by 40%.

Here are some other typical jet schedules:

	Jet	Present
Chicago to New York	1:40	2:45
Chicago to Los Angeles	3:50	6:15
Chicago to Miami	2:50	3:50
Chicago to Washington	1:30	2:05

Think of being able to leave New York at 4:00 p.m. and, with the time differential, arrive in San Francisco at 6:40 p.m. in time for dinner and a good night's sleep.

Or, depart Chicago at 7:00 a.m., arrive in Francisco at 9:10, spend a full business day, and be back home in Chicago before midnight.

Flight times such as these, and they are entirely realistic, will do much to bring increased traffic.

What about the cost?

Future Costs

First, let me say that the cost of air travel today, which is approximately the same as it was in 1940, is too low. Fares should be increased so that they recognize the increased costs in 1957 over 1940. Assuming such a higher fare structure based on 1957 costs, then I can say that jets can be operated within such fare levels and at a profit. If price levels go on up from 1957, then the price of air travel will have to go up also regardless of the type of airplane being used.

Based on current-day costs, the per seat-mile cost on a DC-8 jet transport will fall a little bit under the seat-mile cost of a DC-7 airplane and a bit higher than DC-6B.

The breakeven load factor of the DC-8 jet airplane for direct operating expenses, based on a 1,000-mile flight, is 32%. Compared to a DC-7, it is 34%, and for a DC-6B, 31%.

On a 2,000-mile flight, the breakeven load factor is:

DC-8	30%
DC-7	31%
DC-6B	29%

These breakeven load factors apply to direct operating costs which show the comparability of the three airplanes.

Therefore, I can say that in 1960 the fare which the passenger will pay should be reasonably close to what he would pay on a DC-7 airplane to produce the same amount of profit to the airline.

With the substantially greater speed, the greater comfort and reliability, and with reasonable fare levels indicated in terms of the service provided, the prospect for air transportation in the jet age is truly exciting.

*An address by Mr. Barkes before the Central States Group, Investment Bankers Association of America, Chicago, March 28, 1957.

Productive Capacity Equal to Demand: Rukeyser

Economist stresses importance of product improvement, with need for intensified research and scientific exploration. Maintains high government expenditure and excessive taxation can only be brought about through decentralization, increased government efficiency, and cessation of social schemes.

MILWAUKEE, Wis.—The pause in industrial volume on a high plateau suggests that added productive capacity has for the time being caught up with demand for goods and services.

Merryle S. Rukeyser

Merryle Stanley Rukeyser, nationally syndicated economic columnist and business consultant, expressed this view at a conference of industrialists March 21 held at the Wisconsin Club under the auspices of the Koehring Company.

"With shortages overcome," Mr. Rukeyser, who is author of "Financial Security in a Changing World" said, "the new motivation for buying consumer goods is improvement in product, and this in turn depends on research and scientific exploratory activities. In addition, volume hinges on the index of confidence of business executives, who in turn provide employment through ordering new capital goods—tools of production. There has been some leveling off in the basic statistical indicators.

"Despite momentary pauses, creative management is in a long term race against inflationary factors. Inflation, which depreciates the buying power of money, has been, to a degree, offset by improved efficiency in production and better power-driven tools of production. For the next two decades, expected population trends will make heavy demands on the process engineers, whose job it is to increase output per manhour.

"Thus it is expected that in the coming two decades the population of the country will increase by 60 millions, or 40%. But because of increased ratios of the population among senior retired citizens, on the one hand, and young men and women in schools and colleges, on the other, it has been widely estimated that the work force will in the same period increase only by 20%, and, with the shortening of the work week, the actual number of hours worked will increase only by 10%. If these expectations are fulfilled, the American people will rely increasingly on kilowatts of electricity, on better industrial design, and improved labor-aiding tools of production. This is the challenge that faces makers of heavy goods — tools of production — and sources of mechanical energy in the coming two decades. It presages long term growth in capital goods.

"With pause and hesitation in the national economy, the continuance of inflation — or rising prices — tends to be an argument for buying now, rather than waiting. But in this area too business executives, investors and consumers are seeking to visualize the next phase in the economic cycle."

Inflation Under Control

"In appraising inflationary trends, it should be borne in mind that the conventional causes of inflation appear to be under control. Budgetary deficits have been eliminated, and the Federal Reserve System has been vigilant in seeking to restrict excessive use of private credit. The pressures, however, for higher industrial costs and hence higher selling prices stem from the fashion of an annual round of wage rate in-

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creases and the impact of high taxation growing out of the peak cost of government. Taxes are regarded as a business cost, and corporations, like individuals, try to budget financial results in the form of 'take home' pay, that is, net income after taxes. Correction of excessive taxation requires bringing governmental expenditures under control. While the cold war lasts, this can be done only by such surgery as decentralization, that is, returning from Washington to the states, the localities and private enterprise, those activities which they are able and willing to undertake, and through introduction of greater efficiency into government. Likewise, the soundness of continuing pump-priming economic and social schemes, cooked up as depression palliatives, should be challenged during a boom."

Business Man's Bookshelf

New England Labor Force—Special section in "Monthly Labor Review"—U. S. Department of Labor—Superintendent of Documents, Washington 25, D. C.—55c.

Our Manpower Future 1955-65—U. S Department of Labor, 341 Ninth Avenue, New York 1, N. Y.—30c.

Patterns of Farm Financial Structure — Donald C. Horton — Princeton University Press, Princeton, N. J.—cloth—$4.50.

Road Atlas, United States, Canada, and Mexico—Rand McNally & Company, P. O. Box 7600, Chicago 80, Ill.—$1.75.

Steel Facts 1954-1956—American Iron and Steel Institute, 150 East 42nd Street, New York 17, N. Y. (paper).

U. S. Information Agency—7th report to Congress—U. S. Information Agency, Washington 25, D. C.—(paper).

Urban Renewal Demonstrations Authorized by Section 314 of the Housing Act of 1954 — Urban Renewal Administration, Housing and Home Finance Agency, Washington 25, D. C.

Visutac — Bulletin describing two instruments for accurate speed measurement — Boulin Instrument Corporation, 10 First St., North Pelham, N. Y. (on request).

Wage Dispersion in Manufacturing Industries, 1950-55—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.—On request.

Western Area Development Conference — Proceedings of third annual conference — Stanford Research Institute, Menlo Park, Calif.—(paper)—$5.

Workable Programs for Small Communities and Rural Non-Farm Areas — Circular to aid small communities develop a plan of action to eliminate blight areas—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.—5c.

Working Press of the Nation — Vol. 1, Newspaper and Allied Service Directory; Vol. 2, Magazine and Editorial Directory; Vol. 3, Radio and TV Directory — National Research Bureau Inc., 415 North Dearborn Street, Chicago 10, Ill.—$25 per volume; three directories as a set, $49 50.

Your Opportunities in Industry as a Technician — National Association of Manufacturers, 2 East 48th Street, New York 17, N. Y.—(Paper)—On request.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

IRVING TRUST COMPANY

Irving Trust Company traces its origin to two banks organized in 1851, Irving Bank and New York Exchange Bank. Both subsequently took national charters. In 1907 they consolidated under the title Irving Exchange National Bank. Through natural growth and union with other banks, prominent among which were Mercantile National Bank in 1912 and Lincoln National Bank in 1920, Irving's capital funds reached $23,000,000 in 1923, with deposits of $262,000,000. In that year Irving and Columbia Trust merged. The national charter was then relinquished and Irving continued as a trust company under the special state charter that had been granted to Columbia Trust. In 1926 American Exchange and Pacific National Bank were merged with Irving, which brought capital funds to $60,000,000 and deposits to $628,000,000.

In 1931 the bank's new main office at One Wall Street was occupied; and at present there are ten branches. Irving conducts a general banking and trust business. It is the country's 15th largest bank. There are approximately 48,000 stockholders.

Statement of Condition — December 31, 1956

ASSETS		
Cash and Due from Banks		$425,457,465
U. S. Government Obligations		398,370,511
Stock in Federal Reserve Bank		3,150,000
Other Securities		36,664,884
Loans and Discounts		784,944,420
Mortgages		20,719,383
Banking Houses		16,648,727
Customers' Liabilities on Acceptances		37,715,632
Accrued Interest and Other Assets		6,300,718
		$1,729,971,740
LIABILITIES		
Deposits		$1,539,170,385
Taxes and Other Expenses		13,867,871
Dividends Payable		2,500,000
Acceptances, Net		40,523,458
Other Liabilities		6,279,451
Capital	$50,000,000	
Surplus	55,000,000	
Undivided Profits	22,630,575	127,630,575
		$1,729,971,740

A breakdown of these assets into principal categories follows:

	%		%
Cash	24.6	Loans and Discount	45.3
U. S. Govt. Obligations	23.1	Mtges and Banking Houses	2.2
Other Securities	2.3	Miscellaneous Assets	2.5

The following schedule will show the distribution of government bond holdings of Irving Trust into principal maturity categories for the past ten calendar years:

Maturities

	Up to 5 Years	5 to 10 Years	Over 10 Years		Up to 5 Years	5 to 10 Years	Over 10 Years
1947	84%	7%	9%	1952	71%	29%	--
1948	83	10	7	1953	79	21	--
1949	72	18	10	1954	70	*30	--
1950	72	28	--	1955	72	*28	--
1951	78	22	--	1956	72	*28	--

*Due in 5 or more years.

There follows a schedule showing the average rate of return on loans and on governments:

	On Loans and Mortgages	On Governments		On Loans and Mortgages	On Governments
1947	2.12%	1.99%	1952	3.31%	2.16%
1948	2.39	2.00	1953	3.48	2.67
1949	2.65	1.96	1954	3.35	2.48
1950	2.80	1.97	1955	3.61	2.77
1951	3.07	2.09	1956	4.04	3.24

Thus there has been an increase in the rate earned on loans in this period of about 43%; on governments nearly 63%. With nearly three-quarters of Irving's government bond portfolio in maturities below five years in recent calendar years, the bank has been in a favorable position to replace maturing paper at rising rates.

Ten-Year Statistical Record — Per Share

	Book Value	Operating Earnings	Invested Assets	Dividend	—Price Range— High	Low
1947	$22.90	$1.26	$176	$0.80	18⅝	14⅜
1948	23.29	1.36	170	0.80	16⅝	14¾
1949	23.60	1.38	173	0.90	17⅝	14⅝
1950	23.52	1.48	190	1.00	19⅞	16⅞
1951	23.91	1.55	198	1.00	22½	18
1952	24.28	1.63	214	1.10	23⅞	20¾
1953	24.50	1.73	217	1.15	24⅛	20⅝
1954	24.84	1.80	239	1.30	29¾	22¾
1955	25.29	2.20	244	1.40	32¾	29
1956	25.53	2.56	260	1.70	34¼	31

In this decade book value increased about 10%; operating earnings 90%; invested assets some 45%; dividend 112%. Indeed, few of the large New York City banks have had the record of dividend increases that Irving Trust can boast; and the price appreciation record has been an excellent one, too.

Irving, with a relatively small branch system among the New York banks that have developed branch outlets, is in a strong position if adverse general business conditions hit the economy, for it will have far less overhead to cover than will the banks with the widespread large systems.

There is a long unbroken dividend record of 51 years. The stock is selling at present at about 12.8 times 1956 operating earnings. In that year it earned 10.0% on its year-end book value, and only 66% of its operating earnings was disbursed to the shareholders. The yield of approximately 5.2% at the present price of about 32¾ is an unusually attractive one for a conservatively operated major bank. The stock is widely held in institutional accounts.

Irving's security losses and profits go into the bank's general reserve, which at the end of 1956 stood at $2,371,000. The "bad debt" reserve was close to $10,000,000.

Facing Up to Inflation Threat

By EDWIN J. SCHLESINGER

Investment Counsel, New York City

New York investment counselor rejects any temporizing action in calling for courageous confrontation of inflation. Mr. Schlesinger assures labor they will be hit "just as hard as everyone else" in the event of runaway inflation.

Inflation is the greatest threat confronting America today, even outweighing the possibility of war with Russia. Should war eventuate, we can take steps not only to protect ourselves but to punish the aggressor. In the case of inflation, however, we seem to be very timid about taking the necessary steps, some of which should have been put into effect in 1955 when inflation started on its galloping course.

Edwin J. Schlesinger

A budget of $71.8 billion seems nearly incredible and it is hard to understand how it was ever presented to Congress. If the budget is going to be reduced as it definitely should, both the Administration and Congress had better put on asbestos gloves so that they can catch, hold and examine the hot potatoes they are throwing to each other.

Viewing the situation in the light of the huge sums of money earned and made by so large a segment of the population since at least 1955, it is easy to understand why there are so many people who have figured it out that they are sitting pretty regardless of what happens. Let inflation get out of hand, as it appears to be doing, and many of our smug fellow citizens may find that the rug has been pulled out from under them and that they have been either scorched or badly burned.

Labor Will Know

Organized labor today has capable staffs of attorneys, accountants, economists and financial people to whom it must have long since been apparent that, if wages are increased faster than productivity, the future will be just as dim for organized labor as for anybody else. It would be no act of animosity toward organized labor to state in unmistakable English that runaway inflation will hit them just as hard as everyone else, regardless of how secure they may feel at the moment.

There are certain measures that both the Administration and Congress may consider taking, (1) reduce the budget by a very substantial amount and not just by a token figure; (2) follow this by a reduction of the national debt; (3) permit interest rates to move with the law of supply and demand; (4) do everything possible to see that productivity increases more rapidly than wages; and (5) keep prices in line.

We cannot temporize indefinitely with inflation, so, if the situation is not faced courageously now, there is no telling what will happen.

John Sherwood Fleek

John Sherwood Fleek passed away March 28th at the age of 63. Mr. Fleek, prior to his retirement about a year ago, had been senior partner in Hayden, Miller & Co. of Cleveland for many years. He had become associated with the firm in 1922, becoming a partner in 1929.

John S. Fleek

In 1942 Mr. Fleek was President of the Investment Bankers Association of America.

Two With Coburn

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — James J. Rooney and Paul B. Curran have become affiliated with Coburn & Middlebrook, Incorporated, 100 Trumbull Street. Mr. Rooney in the past was with W. R. Bull & Co.

Two With Thenebe

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Robert W. Agnew and Leonard M. Baxer have become connected with Charles E. Thenebe & Associates, 36 Pearl Street. Mr. Agnew was previously with Putnam & Co.

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Steel Industry's Key Role in Nuclear Energy Development

By WILLIAM BUTLER, III*

Assistant to Director of Market and Commercial Development, Lukens Steel Company

According to Lukens' economic studies, Mr. Butler points out, 1984 world steel capacity will increase to 625 million tons as against present 326 million tons capacity, with U. S. A. producing 40% of this, due to the prospects opened up by nuclear power. Author believes the two-fold challenge of financing added steel capacity and obtaining metallic supply will be met in order to make sure enough steel is available as it is needed. In showing steel's future as a key supporting industry to the development of nuclear energy, the writer outlines five different types of demands expected to be made on steel.

Basically, the steel industry feels at home in the atomic era and confident of its future as a key supporting industry in the development of nuclear energy.

William Butler, III

We view it as a new market of truly marvelous potential; as a technological advance which has thrust certain technological challenges upon the steel industry. But steel has faced other challenges in the past, and steel has met them fully.

In the past 20 years, for example, the industries that burn coal to generate electric power have been designing new equipment calling for higher and still higher operating temperatures and pressures to get greater efficiency. Steels of extraordinary thickness and quality were the key to making such designs possible. The steels were there.

In the past 20 years, too, the chemical, petroleum and other industries developed products and processes creating critical corrosion problems for which no economical answers were known. The steel industry has helped to provide not merely one answer, but a variety of answers, giving these industries great freedom of choice in designing their equipment.

Challenges to Steel

Now the atomic industry has come along, developing new processes and demanding steels to make these processes possible, and economically feasible. Like these older industries, the atomic industry is faced with temperature and pressure problems. It is also faced with corrosion problems. That's why we in steel say we feel at home in the challenges of the atomic age.

To take an example that we at Lukens Steel Company are very closely concerned with, the reactor vessel housing the atomic core of the Duquesne Light Company's nuclear power plant at Shippingport, Pa., required stainless-clad steel up to 8⅝ inches thick to meet the specifications—a thickness never before required by industry. There is an art to producing clad steel plates, and at Lukens we believe we know more about it than anyone else. But producing clad steel over eight inches thick, involved problems far beyond simply doubling previously produced thicknesses. The problems were solved and now we know a lot more than we did before.

The Argonne National Laboratory in Lemont, Ill., provides another example. As reported by two of its members, there was concern as to whether a nuclear reactor could withstand the impact if a heavy mass, such as the cover plate, were accidentally dropped on it. Such potential hazards existed because of the need to disassemble the reactor at regular intervals for refueling.

This not being necessary with the conventional power plant boiler, it was a new problem. A new high strength alloy steel, "T-1," three times as strong as carbon steel was finally chosen. Used for the support and hold-down structure, it provided the solution because of its resistance to and ductility under shock loading.

Comparable examples abound. They serve to show that as the industries developing nuclear power face new problems, the steel industry is developing new steels and new fabricating techniques required to solve them.

With this necessary background established, we can now come to grips with the question of what will be the role of steel in the atomic future.

Two Future Paths

In broad terms, the splitting of the atom and the energy which this fission yields seems to open two distinct paths for further development within our lifetimes.

One is the harnessing of atomic energy to produce power, electric power, in a world constantly needing more power and constantly using up its reserves of the fossil fuels, oil, gas and coal.

The second path is the utilization of the by-product of atomic fission, radioactive isotopes, in a steadily growing number of ways—in basic research, in medicine, in food processing, and even in the steel industry where radioactivity seems likely to contribute to quality control.

In every instance, in these fields and every other that employs radioactive materials, steel will be needed to house these peaceful atoms, to support the structures that hold them, and to provide safety for the people who use them.

It is impossible to predict the additional tonnages the steel industry will produce to meet the demands of these new markets within our lifetimes.

Whatever they are, however, it seems certain that they will not be anywhere near the amounts of steel that will be needed for the first result of atom splitting I mentioned — the production of electric power.

In the United States, it is estimated that nuclear-fuelled reactors will be producing over 2.4 million kilowatts of electricity in 1970. But that will be less than 1% of the total amount of electrical power generated in this country. While we have limited known resources of oil, gas and coal, we can still produce electrical energy by using fossil fuels and water power far more cheaply than we can by atomic energy at this time.

This obviously means that we can spend more time in working with experimental reactors than less fortunate nations of the world. But even so, it is certain that in the United States more and more long-range plans will be based upon nuclear energy.

But electrical power is only part of the possibilities with nuclear fuels. There is, in addition, a brilliant future for nuclear-powered transportation. Today, nuclear-powered sea vessels are a fact. Nuclear-powered trains and planes seem likely. Automobiles are a possibility.

Outside the United States, the pace will be far more brisk. It has to be. It's a matter of simple economics. The British, for example, have estimated that right now the cost of producing electric power with nuclear fuels is only 2 mills per kilowatt more than the cost of producing it with fossil fuels.

In other parts of the world, especially in those nations that economically are underdeveloped and poor in power resources, atomic energy will unquestionably be the cheapest method of producing electrical energy. And many of these so-called "backward" nations can boast absolutely first-rate scientists of their own to speed the day. It was a scientist from India, remember, who startled delegates to the Geneva Conference in 1955 with his prediction that energy would be available from controlled fusion of the light elements within the next 20 years — a subject surrounded by the utmost secrecy in the Western World.

This expected growth of nuclear energy as a source for electric power both at home and abroad holds certain clear implications for the steel industry.

Implications for Steel

First, it will create increased demand for the steels used in the mining of uranium and thorium ores.

Second, it will create increased demand for the steels used in the construction of fissionable fuel processing plants where the mined ores are processed for subsequent use as fuel in atomic reactors.

Third, it will obviously create increased demand for the kinds of steel used in reactor construction.

Fourth, the growth of nuclear-fuelled electric power will create increased demand for steels used in the recovery and safe disposal of radioactive waste materials. This will become an increasingly critical problem as the number of nuclear reactors increases.

Fifth, but actually the result of the first four, development of nuclear power inevitably will increase world demand for steel. The nations of the world hitherto underdeveloped and poor in power resources will have an opportunity to grow. To capitalize on nuclear energy, they will need generators, turbines, heat exchangers, transmission equipment, wire, machines, tools — all these and countless others using steel.

In turn, the increased availability of nuclear-fuelled electric power will expand demand for steel in world markets hitherto limited or even non-existent — steel to build industrial plants, homes, transportation equipment, in fact anything that steel and the 20th Century have made possible. And there is no doubt that American industry, including steel, will share in this world-wide boom.

Future Steel Demand

At the present time, world steel capacity is estimated at 327 million tons per year and the United States produces 40% of this. With the prospects opened by nuclear power, world capacity by 1984 will have reached 625 million tons according to Lukens economic studies. In this growth, despite the probable development of steel-making facilities in nations that had little or none before, the United States is expected to hold its place with 40% of that capacity, or 250 million tons.

These are estimates, of course, and not guaranteed to be accurate to the last ton. But what does seem certain is that the steel industry will increasingly be called upon to produce better and better steels, special steels with special properties to meet special conditions.

What some of these changes will be is, of course, impossible to know. It's like wanting to know racing results before placing bets. But we do know that the handling and harnessing of nuclear power right now requires specialty types of steel alloys such as solid stainless, stainless-clad steels, and high-strength alloy steels. We also know that technical people are helping to develop materials and designs for reactors. Metallurgists are testing, analyzing, and developing new alloys and then developing cladding processes to bring their costs down in certain applications. Marketing and sales people are studying each new development in nuclear energy and projecting its future effect on steel demand.

Managements, too, are devoting more and more time to the problem of gearing total company operations to the pace and challenge of the atomic age. And not the least challenging aspect is to make sure that enough steel is available as it is needed.

Financing Challenge

Part of this challenge is *financing* added steel capacity, an increasingly costly matter. In 1955, profits in the American steel industry were slightly in excess of $1 billion. This sounds like a lot of money. In certain terms it is. But in terms of how much added steel capacity that could be bought with it, a billion dollars simply isn't much.

Actually, $1 billion would increase present capacity by only 2.5%. The added capacity would supply only half the steel the canning industry currently uses, or half the steel our railroads need, or only one-quarter of the steel our construction industry needs, or only one-fifth of the steel our automobile industry uses.

Thus, in terms of added steel capacity, $1 billion isn't much. And, of course, to use that year's total profits would have left nothing for the people who invested their money in steel securities.

But adequate financing is not the only challenge. Equally serious is the problem of metallics supply, that is, insuring an adequate supply of the raw materials basic to steel manufacture.

The steel industry is dependent on two sources—pig iron and steel scrap. In the United States last year, roughly 46% of the metallics used in steel production was scrap.

Metallic Supply

The outlook for future supplies of scrap is not encouraging, however. Let me quote from a recent "Report on Iron and Steel Scrap" made by the Department of Commerce for the House Committee on Banking Currency,

"Requirements for obsolete heavy-melting grades in the future are calculated to be in excess of the rate of additions to the heavy-melting scrap reservoir."

Because of this, we shall have to look increasingly to pig iron and, therefore, iron ore.

Present supplies of high-grade iron ore are diminishing. Imports are increasing. As a result, a great deal of work is being done to utilize low-grade ores. This, in essence, is the challenge. It is not the prospect of having no ore at all. Rather, it is the problem of increasing the efficiency of low-grade ores and of transporting ores to the blast furnace and the steel mill from farther away. The need to solve these problems is made far more urgent because of the development of nuclear energy.

These, in brief, seem to be the chief implications of the development of nuclear power on the steel industry. It is, as we said earlier, a new market of marvelous potential. It will require more and more steels of higher quality. It will also make more urgent the need to solve problems of financing adequate expansion and of supplying sufficient amounts of raw materials.

We believe the problems will be solved, the quality steels will be supplied, and the marvelous potential realized.

*An address by Mr. Butler before the 5th Atomic Energy Conference, National Industrial Conference Board, Philadelphia, March 15, 1957.

Schiff Director

John M. Schiff, a partner in the investment banking firm of Kuhn, Loeb & Co., has been elected a director of The Pennroad Corporation at the annual meeting of stockholders, held in Wilmington, Del.

John M. Schiff

Mr. Schiff succeeds George W. Bovenizer, also a partner of Kuhn, Loeb & Co., who served continuously as a director of Pennroad since Oct. 13, 1932, and who resigned as chairman of the board as of Feb. 1, 1957.

H. H. Rhoads Opens

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Homer H. Rhoads has opened offices in the City National Bank Building to engage in a securities business.

With McGinty, Edman

(Special to THE FINANCIAL CHRONICLE)

FAIRFIELD, Calif.—Landon M. Exley and Edwin R. Grantham have joined the staff of McGinty & Edman, Government Employees Building.

With Allen Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Gerald J. Ashby, Ray G. Miller, Elmer W. Mintken, Thatcher L. Shaw, Theodore T. Smith and Robert W. Vorhes are now with Allen Investment Company, Mile High Center.

With Mt. States Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Wayne F. Morrison and Thomas F. Nieman are now associated with Mountain States Securities Corporation, Denver Club Building. Both were formerly with Colorado Management Corp.

W. R. Plankinton Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Ralph M. McKinney has been added to the staff of Walter R. Plankinton, 1637 South Bradway.

Bernard, Winkler Admits

On April 11, Isabell Magor Bernard will become a limited partner in Bernard, Winkler & Co., 11 Wall Street, New York City, members of the New York Stock Exchange.

Winslow, Cohu Partner

As of April 4th Ivan Pouschine becomes a partner in Winslow, Cohu & Stetson, 26 Broadway, New York City, members of the New York Stock Exchange.

George F. Rothschild

George F. Rothschild, G. F. Rothschild & Co., New York investment firm, passed away March 25 at the age of 51.

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Meeting Future Labor Shortage By Training and Not By Chance

By HON. JAMES P. MITCHELL*
Secretary of Labor

Nation's top labor expert looks into the future and finds we are headed into a growing labor shortage. Foreseeing the need of an additional 2 million professional and technical labor, 5 million skilled and semiskilled industrial workers, and 4½ million more managerial, clerical, and sales workers, the Cabinet member recommends a threefold program, for industry, labor and government, which would swiftly modernize and equalize, for all workers, our educational system and our training and employment opportunities.

The shortage of skilled, technical and professional manpower is general throughout the Nation. And this shortage will get worse instead of better unless we move swiftly to improve our training and employment policies and strengthen our educational system.

James P. Mitchell

* * *

Of course, the Federal Government stands ready to help by all proper means. It can provide information, technical and financial assistance, and moral support. But the final effort must rest with the community, because the community best knows its own needs and resources and can develop the best solutions. . . .

When I speak of the need to identify and develop skilled and creative manpower I am not dealing in ideals but in hard necessities. . . . Preparing for the future, in short, comes down to a question of coaxing the best out of the people who are available here and now. The fruitfulness of American labor is the paramount issue of an era marked by great technological complexity and promise —and by persistent international strain. Only the most virile kind of a national economy will suffice to meet the needs of our expanding population and the demands of our defense establishment.

Describes 1965 Requirements

The economy must grow enough by the year 1965 to provide $560 billion in goods and services for a population exceeding 193 million. It is true that the labor force will include 10 million more workers by 1965 and, in terms of quantity alone, this would seem to be an adequate increase — especially since machines and industrial methods are improving so steadily.

But the very machines and techniques which promise such thrilling improvements in efficiency and productivity also demand a very special kind of manpower. And what we have already seen of industry's hunger for skilled workers is a powerful clue that we may be confronted, in 1965, with a painful shortage of capable people to make, man and maintain those wonderful machines that are now taking shape on the drawing boards of industry.

Let me elaborate. Recent studies at the Department of Labor indicate that an adequate labor force in 1965 will require two million additional professional and technical workers — engineers, teachers, scientists, draftsmen, physicians, and so on. And we will need an additional five million skilled and semiskilled industrial workers, and 4½ million more managerial, clerical and sales workers. At the same time, the number of unskilled workers and farmers and farm workers will have declined.

Sources to Draw Upon

From what sources will we draw this highly trained and highly skilled labor? By 1965 the labor force will increase to 79 million, or 10 million more than we have today.

We will have five million more workers 45 years of age and older and 4½ million more youngsters under 25 than we have at present. There will be no increase in the prime working age groups between 25 and 44 years of age; as a matter of fact there will be 750,000 fewer men aged 25 to 34 —a decline only partially offset by a 600,000 increase in the 35-to-44 age group. Of the 10 million net increase in workers of all ages more than five million will be women and over a million will be members of minority groups.

Under today's hiring standards, workers with these basic characteristics are not the ones whom most employers prefer to hire. Yet this labor supply must be used to the best advantage because it will be all we have. It is perfectly evident that we must move now to provide opportunities for these people — women, older workers, minority workers—to acquire the skills which the industry of 1965 will need.

Most people do not remain uneducated or unskilled by choice. Given the opportunity, men and women will grasp the means to become more productive citizens. Unhappily, many Americans have not had this opportunity. Of all the negative forces in American life, discrimination seems to me the most hateful. I could speak about it at length today, but I am sure that no one here needs to be converted to brotherhood, and I think, too, that there may be more profit in measuring what is to be done than in lamenting what has not been done.

Threefold Vital Program

Industry, labor and government all have vital roles to play in the future development of the labor force. A skilled, creative, versatile labor force is the invigorating factor in our efforts to achieve a more productive industry and an increasingly just and happy society.

Such a labor force cannot be created overnight. The acquisition of skill is an arduous and time-consuming process. It begins in the home, is nurtured in the schools and colleges, and is brought to fruition on the job. But it does not stop there. Workers must constantly adjust to technological change, adapting their skills to new techniques, building new skills. Training and education are lifelong processes.

For the boys and girls who are today in the elementary grades and the early years of high school, the process is just beginning. Their need for competent, imaginative teachers and a well-rounded course of study is immediate, for they will be the core of the labor force of 1965—and of 1975, 1985, and beyond.

The strengthening of the schools is fundamentally a community problem. The Federal Government, however, again can be counted upon for assistance. As you know, President Eisenhower has asked Congress to provide Federal funds to aid in school construction. If it passes, this bill will help to remedy the basic problem of classroom shortages, and the regular agencies of the government will continue to supply services and advice to the educational system.

Beyond High School Diploma

The character of our employment market is such that a high school diploma is fast becoming the young job seeker's minimum credential: the nuclear physicist needs more education than the machinist, but both need the same *basic* education. Industry makes a realistic argument for adequate education when it points out to young people that it has increasingly little use for the untrained.

* * *

In loaning its creative thinking and practical approach to the strengthening of the schools, industry not only performs a public service, but builds its own future. The community which does the most to develop the skills of its own people, and keep them at home, very likely will find itself in an advantageous competitive position in years to come.

I have no doubt that Arizona will want to take a fresh look at its school system in light of your survey findings. School-industrial committees might be formed to determine how industry and government can aid the schools in equipping youngsters for a satisfying future in the workaday world.

Endless ways must be found to bring home the importance of training to youth, and to provide the incentives and the encouragement which youth requires.

Career Counseling

Other activities in which exploration might well bear lasting profit include career days to inform students of opportunities in local industry and to motive them to prepare properly for hometown careers; a well-planned and lively program to keep teachers abreast of changes in technical needs and processes; an arrangement under which industry could supply equipment to the schools for vocational training; cooperative programs in which vocational students could divide their time between the classroom and the job as a means of emphasizing the importance of education to youngsters who might otherwise quit school and take a job which would not use their best abilities; the establishment of a scholarship committee to assemble information on sources of financial assistance to capable youngsters.

But with all of this industry has just begun. The long process of education and training has barely been tasted by the young graduate.

In extending full cooperation to the schools, industry accomplishes much to assure itself of a steady flow of manpower with the basic education upon which industrial skills can be built. But no educational system can be expected to provide individuals fully trained for specific jobs. Skills must be developed on the job, and industry must see to it that its workers are placed in jobs in which their potential abilities will be wholly developed. This can best be accomplished through well-planned testing and placement programs which identify the abilities of employees, and assign them to a suitable job.

Every employer owes it to himself to examine his payroll for promising people. In any business are scores of men and women who could be more productive and more valuable with the help of on-the-job training. The employer who determines his future skill requirements and then institutes training programs to equip his employees to fill those requirements inevitably strengthens his business.

Cannot Rely On Chance

The new machines and processes are available to nearly everyone. Competitive advantage lies in the most efficient use of manpower. The company which makes the most efficient use of training, and therefore of the best talents of its employees, will inevitably hold the edge in competition because it will get more out of its machines and processes than will the competitor who is less mindful of the needs and aspirations of his workers. The acquisition of skills can no longer be left to chance. Training is essential.

Responsibility for employee development must be fixed, upon a fully staffed training department or the proprietor himself. Supervisors must have the full support of management and be provided with "know-how" for bringing out the best abilities of their people. Training programs must be based on actual training needs. One-shot courses do little good. Full use should be made of all available outside facilities — extension courses in local schools and colleges, assistance of state agencies such as the Arizona Employment Service which has played so important a role in your Arizona study, the Federal agencies, including the U. S. Department of Labor. And perhaps most important of all—a realistic and continuous effort to encourage employees to apply what they have learned to their jobs, and be rewarded for it.

Once it has taken the lead in such broad measures as this, I believe that industry will find the community following its lead—organizing programs to exchange experiences and ideas, setting up panels of trained specialists to advise companies which do not have training programs, organizing cooperative apprenticeship programs for groups of firms too small to support individual programs.

Praises Arizona's Program

An excellent example of joint industry - community action has just occurred here in Arizona. Some of your personnel officials and training officers have been exchanging views on improved means of training within their plants. I understand that only this week they have adopted a suggestion of the Department of Labor to establish a training materials center where valuable materials on training methods, techniques and specific programs for many thousands of occupations will be accumulated for everyone's use. For the past year the Department of Labor has been accumulating materials of this kind to form a nucleus for such centers. We will participate in your program in every way we can.

I am enthusiastic about what you have begun here, and I hope that I have communicated some of the vigorous interest which the Federal Government takes in programs such as yours.

Your activities here in Arizona, first your state-wide study of Manpower Requirements and Training Needs which has been released today, but even more important the action programs which will surely follow from this penetrating analysis, will set the pattern for the future.

We well know what opportunities for industrial growth and social progress await us in the years ahead. Your spirited effort to clear away the obstacles to those opportunities in Arizona is assurance enough that Americans everywhere will not waste the chance to achieve a world in which technical progress serves the noblest of man's purposes.

*From a talk by Mr. Mitchell before the Third Arizona Statewide Industrial Development Workshop, University of Arizona, March 16, 1957.

Reynolds Group Offers Revlon Common Stock

Reynolds & Co. headed an underwriting group offering publicly on April 2 a total of 241,020 shares of Revlon, Inc., $1 par value common stock at a price of $23.50 per share.

This does not represent new financing by the company. All net proceeds will go to a group of selling stockholders. The shares offered are the result of a share-for-share conversion by the underwriters of like number of shares of the company's class B common stock received by them from the sellers. As a result, outstanding capitalization of the company after completion of the offering will consist of 1,184,495 shares of $1 par value common stock and 1,478,305 shares of $1 par value class B common stock.

Revlon is a major manufacturer and distributor of a broad line of cosmetics and toiletries. Founded in 1933 as a maker of nail enamels, the firm has over the years considerably expanded that aspect of its business and has developed and successfully marketed many other beauty preparations. Among the company's leading brands are Love Pat, Touch-and-Glow, Silken Net, Silicare and Living Lipstick. Revlon, with headquarters in New York City, operates domestic plants at Edison Township, Irvington and Passaic, N. J., The Bronx, N. Y., and Los Angeles, Calif. Foreign production is handled through plants in Cuba, Mexico and Wales.

Net sales of the company for 1956 amounted to $85,767,651 and net income after taxes was $8,375,502, equal to $3.14 per share. In the previous year sales were $51,646,612 and net income was $3,655,950, or $1.37 a share. In January, 1957, a quarterly dividend of 37½ cents a share was paid; a quarterly dividend will be paid on April 4 to stockholders of record March 12 in the amount of 40 cents per share.

FHLB Notes on Market

The Federal Home Loan Banks on April 2 offered through Everett Smith, fiscal agent of the banks, and a group of securities dealers $138,000,000 of 3.70% non-callable consolidated notes dated April 15, 1957 and due Oct. 15, 1957. The notes are priced at 100%.

Net proceeds from the offering, together with current funds, will be used to retire $212,000,000 notes maturing on April 15. Upon completion of the financing, outstanding notes will have been reduced to $650,000,000, a reduction of $74,000,000 from currently outstanding notes and of $313,000,000 from the $963,000,000 notes outstanding on Dec. 31, 1956.

Joins A. R. Nowell

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Homer A. Lee has become affiliated with A. R. Nowell & Co., 400 Montgomery Street.

With Pacific Coast Secs.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert F. McFarland is now with Pacific Coast Securities Company, 240 Montgomery Street.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Joseph W. Hampton is now with Reynolds & Co., 425 Montgomery Street. He was formerly with Stewart, Eubanks, Meyerson & Co.

Joins Keller & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Eugene D. Zimmerman is now with Keller & Co., 31 Milk Street. He was previously with Perkins & Co.

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Why Canadian Mining Capital is Invested in Haiti

By W. W. WEBER*
Consulting Geologist, Mogul Mining Corporation

Why should Canadian capital be used in developing and exploring Haitian metals and minerals, instead of remaining at home, is a question raised and answered by Geologist Weber before going into the details of the major success of Consolidated Halliwell Limited's Haitian subsidiary, Sedren S. A. Author explains the advantages and disadvantages in purchasing mining equipment from abroad when none is available indigenously, and outlines the terms of the exclusive prospecting permit.

The first and most poignant question in the minds of many is "Why foreign exploration and development in the face of the attractive and inviting Canadian conditions such as tax exemption period, access, standard of civilization and operational techniques"? As a consequence of the above there has been a large capital inflow into this country with a resulting exploration and development unprecedented in the Canadian mining industry. However, these bright skies and sunny atmospheres have become recently slightly cloudy and it is necessary to mention only a few of these clouds, familiar to many of you—namely, the current restrictive financing policies, the trend and expectation of increased taxation, the slow and steady rise of inflation, the increasing demands of labor, the decreasing limits of accessibility, particularly for the virgin ground available for exploration. Though it is not the intent of this paper to imply that as in Kansas "We have gone about as far as we can go," there is rather a suggestion that it is both timely and of material advantage (if only to preserve our present gains to share our proven benefits and standards with those countries and peoples out of phase with our developments. Without further transgression into the field of the economists, it is also timely to return to the theme or the illustration of such a principle in a specific instance, Haiti.

Describes Haiti

Haiti, one of the two independent Negro Republics in the world, occupies the western third of the island of Hispaniola in the Caribbean. The Republic comprises an area of 10,700 square miles, or roughly 1/40th the size of Ontario. It is located southeast of Cuba and east of Jamaica in the tropical latitudes, north 18 to 20 degrees. The population, 4,000,000 in number, is totally Negroid or mulatto, with the exception of 3,000 white foreigners of all races. The standard of living is low with a small proportion (4%) amongst the intelligentsia and with means of a sufficient standard. The remainder appear to be entirely in the hands of Providence for their livelihood. The general development of the country has suffered under the primitive tools and mentality of the people. There have been several flourishing industries established in the agricultural field, but the best efforts to investigate the mining potential have in the past been sporadic and half-hearted at best leaving this country relatively virgin prospecting and development ground.

Now, the first consideration for the establishment of a mining industry necessitates a closer look at the environment and circumstance attendant to such a project.

First climate. The tropical climate is ameliorated by the nearness of the surrounding sea and also with changes in altitude. The mean average temperature varies between a low of 75 degrees and a high of 82 degrees. Rainfall is concentrated in the rainy reasons in September, October, April and May. The downpour may be of short duration but the volume and quick run-off can be perilous. In general, the days are sunny (every day at least 75%), the humidity moderate, except in the summer or rainy periods, and the winds constant and regular. This climate has a particular appeal to the average Canadian from October till May.

Next, **Access.** It is possible to reach the island by boat direct from New York, or by plane direct from New York or Miami. Port-au-Prince is a minimum of 12 hours distant from Toronto.

Once in Haiti, access presents a few problems. There is a total of 130 miles of railroad, all narrow gauge and entirely linking the sugar plantations. The roads grade from macadam surface (approximately 300 miles) to a secondary roads network at times passable only by jeep (approximately 2,000 miles), and a limitless mileage of footpaths.

Vegetation. The country is entirely vegetated with attempts evident even on the steep mountain sides. The principal crops are rice, beans, coffee, bananas, mangoes, oranges and sugarcane. Most of the saleable timber has been removed and the surface so denuded, has no jungle growth.

Topography. The topography over 70% of the Republic is moutainous with narrow steep valleys separating rocky cliffs averaging 3,000 to 3,500 feet in height. The highest elevation is 8,790 feet. Three broad valley plains occur; the first or central plain at the head of the Gulf of Gonaives in the Port-au-Prince sector; the second or valley of the Artibonite in the north central region, and the coastal plain along the northern shoreline of the country. These are the principal agricultural regions.

Power. There are no high tension lines on the island. Local generating stations, mainly oil diesel installations, supply the individual cities with no rural distribution system. The proposed distribution system to mesh with the large irrigation dam constructed in the Artibonite valley will be the first major electrical power source. Any mining industry must consider generating power from diesel generators with a fuel oil cost (duty free) at 13—14c per gallon.

There has been a limited search and some drilling on the island for natural petroleum but as yet these ventures have not proven successful.

Water and Rainfall. A torrential downpour in the rainy season may deposit several inches of rainfall per hour, but the overall precipitation is moderate (60-70 inches on the average). The run-off is quick and complete, such that plans for production must include provision for the capture and conservation of the available water supply. The season of greatest difficulty extends from late November till March. Normally, water is reasonably available for an exploratory program, but in an untreated condition, is never potable without rather severe consequences.

There are several rivers of a fair size, the largest, the Artibonite, has a length of 160 miles and volume similar to the Don here in Toronto.

Timber. The island has been completely denuded of merchantable timber excepting a stand of southern pine in the central valley north-east of Port-au-Prince, the capital. The cost of this lumber, plus the quality of the dressed material, are adverse factors to its extensive use. The nearest source of good timber at cost slightly under Canadian standards is in British Honduras.

Building Material. With the major rock exposures of a limey origin good gravel deposits are difficult to find. There are several cement plants on the island with the quality fair to good. Likewise, there are a number of concrete block manufacturing plants and because of their low cost, concrete blocks are utilized extensively in over 90% of the construction projects.

All steel must be imported as completely fabricated units. Likewise, transite, plywood and like materials are entirely imported.

Pro and Con Equipment Aspects

Mining Equipment. Since the island lacks heavy industry particularly in the mining field, all requirements for the surface plant or underground operation must be imported. The advantage of duty free imports allows purchasing in any of the world markets at a considerable saving over Canadian tariff imposts. On the adverse side, the mine must purchase equipment items normally obtained under contract or rental, in Canada. The complement of equipment and warehousing, therefore, represents a considerable item. To illustrate this situation, the equipment necessary for the Consolidated Halliwell operation, includes road building units; 1½ cu. yd. shovel, back hoe and crane, tractor-bulldozer, traxcavator, two portable compressors, etc. The mining equipment is of normal complement but the spare and stand-by units on hand require a heavier than normal inventory similar to our isolated mines here in Canada.

Labor. The unskilled labor force is unlimited. This peasant is a willing and co-operative worker but requires patience and understanding to overcome his ignorance. Skilled workers are limited in number, but with training, the semi-skilled laborers have responded well to the requirements of a mining operation.

The scale of wages for the Haitian labor force ranges from a high of $4.50 per day for the skilled diamond drillers, tradesmen, miners, etc., down to a basic rate of 70c per day for unskilled labor.

It is necessary to supply close supervision fortified with patience, understanding and experience in the tropics.

With 10 drills operating three shifts, and two headings proceeding underground, a total of 28 Canadians (two miners, 15 drillers, three geologists, two prospectors, an accountant, mine superintendent, master mechanic, surveyor, cook and mine manager) make up the white complement of the Consolidated Halliwell staff. The native labor force averages approximately 500, mainly engaged in road building, construction, and providing drill set ups on the steep valley slopes. Unskilled labor, cheap as it appears, cannot supplant heavy equipment on specific projects. Skilled and semi-skilled labor provides the major advantage in costs over comparative Canadian standards.

Exclusive Mining Permit

Now, one of the major considerations of a mining venture in a foreign land is the **governmental attitude.** Presently the exploration and development underway in Haiti operates under either an exclusive prospecting permit or under a mining concession.

The exclusive prospecting permit entitles the holder to seek and attempt to locate an ore body in a designated area. The exclusive permit holder then applies for a concession once an ore zone is indicated. This concession is a matter of negotiation.

Consolidated Halliwell Limited, through its wholly-owned Haitian subsidiary, Sedren S. A. holds a mining concession for an area of 25,000 hectares or approximately 100 square miles. The terms, as I will briefly outline, will provide the general aspects of the concessionary grant.

(1) The Concession was granted for a period of 25 years and is renewable.

(2) The first requirement of the Company was the compilation of a topographic and natural resources map defining the general concession area.

(3) The rental of the concession area was fixed at a yearly fee of one dollar per hectare, or 2.46 acres.

(4) The Company can relinquish at any time any part of the Concession area and is thus relieved of the rental payment.

(5) The Company was obligated to commence exploration within six months of the granting of the Concession.

(6) The Company was obligated to commence development underground within two years of the granting of the Concession.

(7) The rental ceases and a royalty amounting to 6% of the net smelting returns applies to an area under exploitation or production.

(8) The Concession order provides the Concessionary with the right to complete all ancilliary installations, as railroad, wharf, etc., with an arbitration committee indentified to fix any compensation or expropriation if necessary.

(9) The Concessionary must file suitable reports concerning either the exploration, development or exploitation of the Concession.

(10) The Concessionary is granted a period of exemption from all State and communal taxes during a period of three years following the commencement of production.

(11) The Haitian Government has agreed to a fixation of taxes and duties as existed at the date of the granting of the Concession.

(12) The grant provides for a depletion allowance of 20% per annum and depreciation exclusive of buildings at the rate of 33% per annum.

(13) The equipment and materials excluding spare parts and replacement items are granted duty-free entry and, likewise are entitled to re-export free of duty.

(14) Finally the Company assumes certain obligations to safeguard the health of its employees as well as providing an equivalent of the Workmen's Compensation Act.

Geological Picture

Now briefly a look at the **geological picture.**

A general reconnaissance survey of the island was completed by Brown and Woodring of the U.S.G.S. in 1924, with additional work by Butterlin in 1952-54.

This map illustrates the major rock divisions present in the Republic. The rocks are relatively recent ranging in age from the Middle Mesozoic to unconsolidated Pleistocene. Nearly 80% of the rock exposures are of sedimentary origin, mainly limestone, with the remainder siliceous to sub-siliceous lava flows, and minor intrusive stocks and bosses of quartz diorite, granodiorite and porphyries.

First — the sedimentary sequence.

Cretaceous or possibly pre-Cretaceous metamorphosed limestone. This is the host rock of the mineralization on the Consolidated Halliwell concession.

The Upper Cretaceous is an assemblage of limey and argillaceous sediments.

The Tertiary consists of lower basal volcanic and sedimentary detrital zone unconformably overlying the Cretaceous. This is in turn overlain by the extensive coral formations, or fossiliferous limestones of Eocene Age. A similar fossiliferous limestone of Oligocene Age overlies the Eocene limestone. This grades upward into the sandstone and conglomerate of Upper Oligocene Age.

The Miocene is almost entirely sandstone, grits and conglomerates.

The Pliocene Age is of local occurrence and the rock types are entirely similar to the Miocene strata excepting for the fossiliferous content.

The Pleistocene consists of loosely packed coral, coquina, and limestone conglomerate. The recent deposits occur in the valley-plains and are entirely alluvial and consist mainly of clay, sand and poorly sorted gravels.

Now briefly the **volcanic and intrusive activity.**

There was an extensive period of andesitic and basaltic outpourings during the Cretaceous. These are probably the oldest exposed rocks on the island.

Minor vulcanism occurred throughout in the Tertiary with the exposed rocks entirely basalt or nepheline basalts.

The intrusive masses, mainly small stocks excepting for the major massif in the northeast sector, are quartz diorites with associated granodioritic phases and off-shoot porphyry dikes.

This intrusive activity largely occurred near the close of the Mesozoic period.

As to the **structures** present on the island, it is impossible to generalize. The rock formations despite their youthful age exhibit a complexity of folding, faulting, contortions and discontinuity equivalent to the knottiest problems encountered by the writer in our Precambrian. The combined tectonic and intrusive forces operating on incompetent coral and loosely consolidated sedimentary strata has produced a complexity of local structures sufficient to give gray hair to the geologist. The major periods of folding and faulting are believed to accompany the entry of the intrusives and extrusives and are concentrated in the late Mesozoic and early Cenozoic eras.

Now finally the opportunities for **mineral search** available in the Republic. The first attempts to extract copper ores from Haiti are attributed to the Spaniards in 1728. The first series exploration and development commenced at the turn of the century. This work was sporadic up to the late twenties with a total production of several hundred tons of sorted high grade copper ore. Until the recent advent of Sedren, the prospecting and exploration were at a standstill.

The prospects appear favorable for the following metals and minerals.

Iron principally as magnetite occurs in veins and contact replacement bodies generally at the contact of diorite and limestone or basalt. Occurrences without significant investigation have been noted near Limmade in the north, and the Terre-Neuve valley of the Halliwell concession.

Copper occurrences are very extensive but those of primary significance are the vein and con-

*An address by Mr. Weber before the 25th Annual Convention of the Prospectors & Developers Association, Toronto, Canada, March 6, 1957.

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tact metamorphic deposits located on the Halliwell concession and the additional porphyry-copper type located in the prospecting area at Jean Rabel. Copper is also reported in the volcanic rocks in the southern Peninsula.

Manganese as vein-type occurrences grading to 50% Mn occurs in the Gros-Mosne area in the eastern limits of the Halliwell concession. Similar vein-type occurrences have been noted in the Jacmel area in the south and also as concretionary masses in the residual soils of the Northern and Central Plains.

Lead and zinc minerals have not been located in commercial quantities warranting exploitation but do occur in association with pyrite, chalcopyrite and bornite in the copper zones, particularly the copper-quartz veins of the Terre-Neuve and Riviere du Nord district.

Gold occurs universally in association with copper mineralization. Occasionally a gold content of several ounces of the ton has been recorded in the quartz-copper veins. Normal content of the contact metamorphic copper deposit at the Meme deposit ranges between 0.04 and 0.08 ozs./ton. Alluvial gold has been reported from Riviere du Nord, probably originating from the Quartz-copper veins thereabout, as well as in the streams near Limmade and Plaisance in the north and Riviere Gosseleine in the south peninsula.

Platinum, mercury and **chromite** have been reported but verification is lacking.

Bauxite in the Miragoane district is now under exploitation by the Reynolds Company which holds the alumina concession for the major portion of the Republic.

Finally, the direct results of the **exploration and development** by the Canadian capital in the Republic.

First, Consolidated Halliwell Limited through its Haitian subsidiary, Sedren, has met with the major success.

This concession is as located on the above map in the Terre Neuve district of the northern peninsula. This site is approximately 160 miles by tarvia road due north from Port-au-Prince, the capital city. The nearest city to the concession area is Gonaives, a seaport of limited capacity on the Baie of Gonaives, 13 miles distant from the main ore body.

Within the concession the geology is limited to the strata of the Cretaceous and Eocene. The metamorphosed limestone host of the ore zone is one of the oldest rock types. In the ore zone, this limestone under the action of the mineralizing solutions has been altered to a tactite—a magnetite-rock epidote-garnet bearing hybrid rock forming a buffer between relatively pure crystalline limestone and true intrusive diorite. As a result of its metamorphism, the Cretaceous limestone is crystalline and devoid of fossils.

Unconformably overlying the limestone is a basal agglomeratic horizon of relatively thin depth and erratic distribution. This strata grades into a relatively thick sequence of basaltic flows probably of late Cretaceous or Paleocene age.

The uppermost and most extensively exposed horizon on the concession is the relatively flat-lying fossiliferous Eocene limestone. No copper-bearing minerals have been noted in this horizon.

Structure. The concession area appears to be located on the west limb of a major synclinal structure, the axial plane trending northwesterly and with an apparent shallow plunge to the southeast. The continuity of the strata are complicated by strike faulting parallel to the general tectonic lineaments (northwesterly). These faults appear to disrupt the strata in a horst-graben block faulting pattern.

The major importance of the northwesterly faulting particularly the Bassin River fault has been its role in the localization of the quartz diorite-granodiorite plugs. This intrusive penetrates the entire Cretaceous assemblage following the lineal orientation of the fault zone.

Since this intrusive body is believed to be the genetic origin of the copper mineralization and likewise the copper occurrences exhibit a close spatial relationship to the Bassin River fault and the dioritic intrusives, the exploration has been confined to the exposed contact zones of the diorite in close proximity to the Bassin fault.

Presently diamond drilling has been completed on the first and main show, the Meme deposit, and is in progress on two further prospects, the Cassius and Bresillac areas.

Prospecting and Development

During the past year, the entire concession area has been flown and as a result, aerial Mosaics and base maps for the ground crews have been compiled on the regional scale of 1,000 feet to the inch, with a contour interval of plus-minus 25 feet with selected areas detailed at 200 feet to the inch with a contour interval of plus-minus 5 feet. A ground topographic survey established accurate x, y, and z, coordinates for over 230 stations to provide the control for the aerial work. The relatively rugged terrain demanded this volume of control.

An aerial magnetic survey was completed in conjunction with the photography. Ground parties then proceeded with a selective detailed examination of anomalous areas bounded by a limit of 8 miles by 2 miles in the Bassin and Terre-Neuve valleys. The magnetometer, self-potential and soil sampling surveys covered a line distance of slightly over 200 miles.

Bulk determinations of base metal content in the residual soil mantle proved to be very successful in the locating of the more favorable areas of prospecting.

Two Canadian prospectors with native crews would then proceed to examine each of the indicated anomalous areas and with rare exception, the soil sampling anomalies were found to indicate surface copper occurrences.

Trenching and sampling, and in some instances examination of old workings, coupled with geological mapping evaluated the prospect as to the merits of drilling. Presently 23 prospects of merit have been located which warranted detailed work. Diamond drilling has been completed on the first and major showing, the Meme deposit, and is presently in progress on the Cassius and Bresillac shows.

Meme Deposit. The ore zone occurs overlying the northwesterly limits of the southernmost diorite plug on the Concession. The main primary mineralized zone does not outcrop but varies from 100 to 400 feet beneath the present surface. A second zone, highly oxidized, occurs at the surface and was the original attraction to commence the exploration in this area.

This upper zone is exposed on contour in the valley wall. Much of this zone has been lost to erosion and the remaining portion outlined, approximately 500,000 tons grading 1.56% Cu has not been placed in the ore reserve category primarily because of the extensive oxidation, principally malachite, cuprite, azurite, bornite with lesser primary chalcocite and chalcopyrite. A metallurgical leaching procedure similar to the recent developments in the southwestern U. S. A. oxide ores, could allow a profitable mining especially in this accessible location.

The lower zone or primary ore consists mainly of bornite and chalcopyrite with minor chalcocite, covellite, pyrite, galena and associated gold and silver in a gangue of mainly quartz, carbonate, actinolite, garnet, epidote, albite, magnetite and chlorite-sericite.

The shape of the ore zone, outlined in an area roughly 1,000 by 1,000 feet, is a lazy reverse S-contour with a general dip to the southeast; thin and steeper (45°) on the western fringe; bulging and almost flat lying in the central area and pinching and steepening again on the eastern limit. The doming of the diorite intrusive in the northwesterly quarter has uplifted this sector approximately 125 feet above the mean elevation of the major bulge.

Approximately 35,000 feet of drilling on a vertical grid pattern has delimited 3,507,000 tons grading slightly over 2% Cu in this zone. The present underground development is testing the possibility of block caving in sectors of the zone with a tonnage potential slightly over 4,000,000 tons with a mill head of 1.65% Cu.

Underground development commenced late in August has now totaled over 1,200 feet of main 8' by 8' drive and 600 feet of drift at the adit elevation or on the elevation of the contact zone between the diorite and tactite directly beneath the major bulge.

Two relatively important developments have occurred in the underground work. From the drilling a grade of less than mine average in the contact zone was anticipated. The main adit, crosscutting the ore zone, encountered numerous 1" — 4" stringers of massive bornite and chalcopyrite in a vertical attitude. A re-examination of the core revealed these stringers were not present in the drilling in the same plane. These fractures appear to originate in the diorite and extend into the bedded tactite normal to the bands of sulphite replacing the bedding. In consequence, the 254 feet of crosscut through the ore zone graded 3.98% Cu. The vertical extent is not believed to be throughout the entire bedded zone but the upgrading of the contact zone is now confirmed in the northerly drift also and the blessings of nature are sincerely appreciated even if not greater than drift height. Raising is now in progress to define the limit of the vertical continuity of the sulphide stringer zones.

Secondly, the main crosscut proceeding to the west in the footwall has encountered a schistose zone (dipping steeply west) beneath the drilled ore body. An apparent width of 82 feet has now been penetrated with an estimated content if 1% Cu. This is the first indication of copper mineralization in a schistose zone of near vertical attitude and some hope is pinned on the underground drilling about to commence.

Cassius. The Cassius mineralized zone is located approximately 9,000 feet north and west of Meme.

Presently 22 drill holes totalling 6,000 feet of drilling have been completed in this area. A zone of copper-bearing tactite in a horizontal plane near the base of the magnetite-rich zone has been traced for a length of 1,200 feet into the valley wall and across a width of approximately 200 feet. The thickness varies from 10 to 40 feet. The grade presently indicated is 1.5% Cu. Since the drilling is incomplete and the mineralized zone is open in several directions, the tonnage potential of this area rests on the current work.

The major hope of this and the Bresillac area rests upon metallurgical tests about to commence. These tests will seek a separation by magnetic means of the copper and iron minerals. The initial step is an attempt to upgrade the copper content through the removal of the magnetite, as Fe content ranges between 20 and 30% at Cassius and from 30 to 40% at Bresillac. The second step will involve a purification of the iron concentrate as a possible merchantable product.

Bresillac. Three drills have recently commenced the testing of the Bresillac showing. This showing has an exposed length of 1,500 feet in the creek valley. The exposed iron bed contains chalcopyrite but with five holes completed, and results from only two, the thickness so far encountered is from 30 to 70 feet, the copper content about 1% Cu, and the iron content from 30—50%.

There are a large number of iron floats and exposures toward the northern end of the Concession area which have only received a cursory regard. The main effort has been devoted to the copper occurrence.

Now a brief word on the Jean Rabel area where Haitian Copper and Croinor Pershing are prospecting and exploring surface exposures of pyrometasomatic zones at the contact of the diorite plugs; and also low grade porphyry-type copper occurrences in the porphyritic, alteration halo-margins of these plugs.

These investigations have not been underway for a long enough period to have achieved conclusive results, but the exploration possibilities warrant considerable activity.

With Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Elizabeth M. Dickinson is now connected with Kidder, Peabody & Co., 75 Federal Street.

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. headed an underwriting group which on March 29 offered $6,000,000 of New Orleans Public Service, Inc. for first mortgage bonds, 4½% series due April 1, 1987, at 100.823% and occurred interest, to yield 4.45%. The underwriters won award of the bonds at competitive sale on March 28 on a bid of 100.133%.

The bonds will be redeemable at general redemption prices ranging from 105.33% to par, and at special redemption prices receding from 100.83% to par, plus accrued interest in each case.

Net proceeds from the sale of the bonds will be applied by the company toward the financing of its construction program and the partial payment of bank loans.

New Orleans Public Service Inc. is a public utility supplying electric and natural gas services to residential, commercial, industrial and governmental and municipal customers in New Orleans, La. The company also supplied transit service consisting of motor coach, trolly coach and electric railway service in New Orleans.

For the year 1956, the company had total operating revenues of $45,278,277 and net income of $4,004,305.

Participating in the offering are —Auchincloss, Parker & Redpath; Gregory & Sons; Ira Haupt & Co.; Courts & Co.; The Milwaukee Co.; New York Hanseatic Corp.; Mullaney, Wells & Co.; Thomas & Co.; and Arnold & Crane.

Business Capital Outlays to Remain High

Over $2 billion, or 6½%, above the 1956 record-high, is expected to be invested in new plant and equipment in 1957, according to SEC Department of Commerce recent survey of business spending intentions.

Businessmen plan to spend a record $37½ billion on new plant and equipment in 1957, according to the latest survey of investment intentions by the Securities and Exchange Commission and the Department of Commerce. This amount is over $2 billion, or 6½%, above the all-time high established in 1956.

The survey, conducted in late January and February, indicates that plant and equipment expenditures are expected to be at about the same seasonally adjusted rate in the first and second halves of 1957. Realization of these programs would mean the maintenance of business capital investment at the peak reached at the beginning of this year, following the large advance throughout 1955 and 1956. During this period, the seasonally adjusted annual rate of plant and equipment investment moved up to $37 billion from $25½ billion in the initial quarter of 1955.

The report also indicates that businessmen expect sales to rise to new highs in 1957. Compared with 1956, the anticipated increases are: 8% in manufacturing, 4% in trade and 9% in revenues of the utilities. Higher selling prices as well as increased capital goods cost are important factors in the expectations of increased sales and investment.

Differences Among Capital Programs by Industry

Most major industries expect to increase their capital outlays in 1957 from 1956. Manufacturers and the public utilities each anticipate increases of more than $1 billion, or 10% and 24%, respectively, over spending in 1956. The railroads also have scheduled a substantial rise—19%—while other transportation companies expect to spend 7% more than last year.

Commercial companies, on the other hand, have programmed 1957 capital outlays at 6% below 1956—following a steady rise since 1952. Mining companies anticipate a slight decline in spending rates this year.

The 1957 programmed expenditures for major groups, compared with 1956 actual spending, are shown in the table below:

	Millions of dollars		
	Actual 1956	Anticipated 1957	Percent Change
Manufacturing	14,954	16,414	9.8
Durable-goods industries	7,623	8,998	11.5
Nondurable-goods industries	7,331	7,916	8.0
Mining	1,241	1,221	—1.6
Railroad	1,231	1,468	19.3
Transportation, other than rail	1,712	1,826	6.7
Public utilities	4,895	6,062	23.8
Commercial and other	11,048	10,370	—6.1
Total	35,081	37,361	6.5

Realization of 1956 Programs

Final figures for 1956 show total expenditures of $35.1 billion, with every major industry participating in the 22% rise from 1955. This increase—one of the largest ever recorded—was within 1% of the figure projected by business in the survey a year ago. Outlays by manufacturers and utilities are about the same as those anticipated at this time last year. Mining companies and commercial enterprises exceeded their plans while railroads and other transportation companies made lower outlays than previously scheduled.

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Railroads at Milepost '57

By ALBERT R. BEATTY*
Assistant Vice-President, Association of American Railroads

Not wanting to be pessimistic and aware of rails' importance in America's future economic growth, Railroad Association official warns that if railroads are unable to obtain a share of the total traffic that will make it possible for them to remain physically and financially strong, the outlook for the industry will be discouraging. The answer, according to Mr. Beatty, is to permit every proper opportunity to meet competition on equal terms, and not preferential treatment; similar treatment in regulation and taxation as is accorded other forms of transportation; and an end to all direct and indirect subsidies.

Our primary concern today, as I understand it, is whether we as a nation and as a people will continue to have in the years ahead the sort of transportation system that will never permit our vast production to falter or to fail.

Albert R. Beatty

In looking ahead, it is well first to see exactly where we are today — and the reasons for the current situation, whatever it may be. Since the end of World War II, except for a few months, we in America have experienced what some economists have described as "boom times." Generally speaking, business has been good, and the traffic to be moved has been at a high level. In fact, there have been times when there was not a sufficient quantity of equipment to carry all the business that was offered for movement. From this, it would seem to follow logically that the earnings of our transportation agencies should be good under such circumstances.

Unfortunately, this has not been the case. True, some individual carriers have done and continue to do quite well financially, but earnings for the transportation industry as a whole have been and still are meager and grossly inadequate.

This is particularly true of the railroads, the industry I have the honor of representing. The railroads have failed to participate proportionately in the general prosperity experienced by the nation's economy in the years since World War II. Even in 1956, the year of the greatest economic activity the country has ever seen, they have been unable to earn a fair return on their capital investment; and their earnings, moderate as they are, have been achieved largely through increased efficiency and by borrowing from the income of future years.

Rails' Financial Situation

Let's briefly examine the railroads' financial situation and see how it has come about. In the recent five-year period 1952 through 1956, railroad operating revenues — that is, the money taken in for services performed—were 65% greater than those from 1925 through 1929, also a prosperous period. Yet net railway operating income—that is, what is left out of revenues after paying expenses, taxes and rents, but before fixed charges—was actually 10% less in the years 1952 through 1956 than it was during the five years immediately preceding the depression.

Moreover, this net railway operating income for the 1952-1956 period is in reality overstated by $770 million, due to authorized income tax deferrals to stimulate addition of facilities for defense purposes. Although this money must be paid in taxes in the future, the government has required the railroads to include the sum in their accounts as though it were current earnings. When recognition is given to this tax deferment factor, railroad earnings from 1952 through last year were 23% less than for the period 1925-1929.

While it is true that there is no such thing as an average railroad, because some railroads have a better or a worse financial picture than others, the results for railroads as a whole are typical of average conditions. As you know, net railway operating income is the measure of earnings used to calculate the rate of return on the property value of the railroads. On this basis, the rate of return of the railroads on their depreciated capital investment has been less than 4% in six of the eleven postwar years, and over this period has averaged only 3.76%. Moreover, although the net capital investment of the railroads has increased substantially since the end of the war, earnings on this larger investment have been less than they were in the five years before the depression. And this, of course, does not take into account the greatly reduced buying power of today's dollar as compared with that of the 1925-1929 period.

In the latest year — 1956 — the rate of return earned by the railroads as a whole was only 3.95% on net investment — one-fourth less than the rate of return in 1929. Excluding the income tax credits from the 1956 accounts, the rate of return would become only 3.21%, or only about three-fifths of the return earned in 1929.

This current rate of return is only slightly more than half as much as the courts have held would be fair and reasonable earnings for other regulated utilities, and only a little more than half as much as is considered by most enterprises to be a minimum return. Even the Interstate Commerce Commission has commented upon the low level of railroad earnings. In its decision in April, 1952, when it authorized a 15% increase in freight rates, the Commission observed that "judged by any standard shown of record the rates of return earned or prospectively to be earned by the railroads" are "substandard."

Actually, the rate of return for the railroad industry as a whole should be at least 6%. Such earnings would tend to provide railroads with sufficient funds to finance capital improvements on a scale which would give the nation the kind of transportation demanded by shippers and required for the national defense. They would also help the railroads to maintain their position in a highly competitive field.

Accounts for Low Return

Why have railroad earnings been so low, and especially at a time of good business generally? Why have our railroads failed to share fully in the nation's postwar prosperity?

The answer to the first question, in a few words, is simply this: railroad net earnings have declined because increases in wage rates, increases in the cost of materials and increased taxes have been so much greater than the increase in revenues. Moreover, the benefits of more traffic and improved operating efficiency have not been enough to bridge the gap.

From 1939 to 1956, the combined unit costs of wages to railroad employees and the prices which railroads pay for materials used in their daily operation increased 179%. Out of every dollar of revenue which the railroads received last year, more than 48 cents went for wages and 20 cents was paid for fuel, materials and supplies.

Similar conditions have prevailed in respect to taxes and other expenses. In 1956, the railroads paid out of every revenue dollar more than 10½ cents in taxes, including payroll taxes, and about 10 cents went for other expenses. All these costs left only slightly more than 10 cents for net railway operating income, out of which had to come payment of fixed charges, capital expenditures and dividends to railroad investors.

These net earnings, as low as they are, would have been even lower had it not been for the tremendous gains which the railroads have made in recent years in operating efficiency. Due to a much better plant and better methods of operating it, the railroads are today turning out more transportation service per locomotive, per car, per train and per hour of work than they ever did before. Perhaps the most significant single figure is the hourly output of transportation of the average freight train. In 1929, the average gross ton-miles per freight train-hour stood at 24,539, while in 1956 it was 57,012—an increase of 132%.

Such increases in operating efficiency have been the direct result of extensive research and the capital improvement program of the railroads. Since the end of World War II, the railroads' capital expenditures have averaged more than $1 billion annually, and in 1956 the amount reached $1.25 billion. This money was invested in such things as new and better cars, installation of new signalling systems, construction of more efficient and more economical yards, strengthening of the roadbed and the substitution of diesel-electric locomotives for steam locomotives.

There is another important reason why the railroads have not shared in the postwar prosperity enjoyed by most other businesses. It is the volume of traffic which the railroads have had an opportunity to handle. True, this volume has been at a high level by prewar standards. But it would have been and should have been substantially greater if it had not been for conditions beyond the railroads' control.

As all of us know, a railroad is a machine for the production of mass transportation in volume. By its very nature, high volume is indispensable to a railroad's economical performance. With enough work to do, there is no transportation machine on earth which compares with it in all-round efficiency. But if the volume is insufficient, no amount of efficiency in operation can prevent distressing results.

Because of their narrow margin of profit and the pressure of increased costs, the railroads today are faced with a situation where even a moderate decline in traffic and revenues has serious consequences. For example, the temporary and moderate downturn of the national economy in 1954 severely affected the traffic and earnings of the railroads, and required immediate retrenchment of current expenses and capital expenditures. The same thing happened again in July, 1956 due to the steel strike, and a 10% drop in revenues resulted in a 44% decrease in net income for the month.

It is obvious, then, that the earnings of the railroads are very sensitive to traffic levels. Although the total volume of traffic to be moved has been increasing over the years, there has been a persistent decline, temporarily interrupted during World War II, in the relative amount of intercity freight and passenger traffic carried by the railroads. In 1929, the railroads' share of total intercity freight traffic was about 75%, but by 1955, the last year for which comparative figures are available, this had declined to 49.4%. In 1929, the railroads carried 70% of the intercity commercial passenger traffic, but in 1955 this percentage was down to 36.4.

Traffic Levels Change

There are two reasons for this. One, of course, is the appearance and growth of new forms of transportation. The other is government policy which restricts the railroads, and has a strong tendency to favor the growth of competing commercial carriers to the detriment of transportation by rail.

While the railroads' share of the available freight traffic has been going down, the trend for other forms of commercial carriage has been upward. In 1929, motor trucks carried but 3.3% of all intercity commercial freight traffic, but by 1955, this percentage had risen to 17.7. The same has also been true of traffic on inland rivers and canals, which rose from 1.4% in 1929 to 7.7% in 1955. The petroleum pipelines, which are specialized carriers of one commodity, had increased their relative share of the total traffic from 4.4% in 1929 to nearly 16% in 1955. So far, air carriers have been a relatively small factor in freight transportation.

There is a similar situation on the passenger traffic side. Here, as I pointed out a moment ago, the railroads have suffered a decline to an even greater extent than with respect to freight traffic. On the other hand, air carriers, to which the railroads have lost the most ground, have increased their share of the commercial passenger business from a mere one-tenth of 1% in 1929 to more than 29% in 1955.

The railroads, of course, have no divine right to traffic, and no one is suggesting that they can or should be assured of any fixed share of the transportation services to be performed. But they should be given every proper opportunity to meet the competition on equal terms and have the chance to arrest and perhaps reverse these downward trends.

This opportunity they do not now have. The railroads are rigidly regulated while their competitors are not so restricted or, in some cases, are not regulated at all. They also encounter difficulty in adjustment of rates, both up and down, and are faced with inequities brought about by public policy as to transportation that intentionally or unintentionally favors other forms of commercial carriage to the disadvantage of the railroads.

Extent of Regulation

It is pretty generally known that the railroads are virtually 100% regulated. Not only are they subject to the regulation of the Federal Government, largely through the administration of the Interstate Commerce Commission, but they are also subject to state regulation. The railroads are the first to agree that within reasonable bounds regulation serves a very useful purpose. But they do feel that regulation should be fair and in the public interest and should keep abreast of the times—recognizing situations as they exist today, not 10, 20 or more than 30 years ago.

We have had public regulation of railroads on the Federal level for 69 years, and had it even before that in many states. Much of the regulation was based on the assumption that railroads were a monopoly. The railroads are still regulated in many respects as a monopoly, even though they are in fact faced with intensive and selective competition everywhere and at all times. From the statistics I cited earlier in respect to the freight and passenger situations, surely no one could deny that airlines, truck lines, bus lines, water carriers and even pipelines are serious contenders for the available traffic to be moved.

Although, as I said a moment ago, the railroads are virtually 100% regulated, only about 35% of our intercity highway freight traffic is handled by carriers which are subject to Interstate Commerce Commission regulation, and only about 10% of the inland waterway traffic is regulated.

This situation, which has been decried by the Interstate Commerce Commission itself, is largely due to laws which either specifically exempt carriers under certain conditions from being regulated by the Commission, or are so worded or interpreted that many carriers are successfully able to avoid regulation. This has had an extremely adverse effect on the railroads, and has also been partly responsible for the weakening of other common carriers subject to regulation.

Let's take a few minutes to examine briefly some of these regulations. Under existing law, motor vehicles are exempt from economic regulation when they haul certain agricultural and related products—an exemption which is not extended to the railroads. Court decisions, particularly in the past two years, have had the effect of widening these exemptions to such an extent that even representatives of the trucking industry are urging legislative action to prevent any further spread of this kind of exempt carriage.

Motor vehicles, too, are not bound to adhere to the so-called long-and-short-haul clause, which does apply to railroads and requires rail carriers to obtain advance approval of the Interstate Commerce Commission before charging less for a longer distance than for a shorter distance over the same line or route in the same direction, the shorter being included in the longer.

Water carriers also have been given certain advantages over the railroads under the law. For instance, transportation by a water carrier of bulk commodities is exempt from regulation when the vessel so employed is carrying no more than three such commodities. Moreover, railroads can always be required to publish higher rates for the purpose of protecting water transportation, but the Interstate Commerce Commission must decline to increase water rates because of their adverse effect on rail transportation.

Competitive Rate-Making

The railroads are likewise at a great disadvantage, under existing law, when it comes to competitive rate-making. Listen to what happens when a railroad, because of inherent advantages, wishes to charge a lower rate than a competing form of transportation. The railroad serves notice that it wants to put in such a lower rate, but many times before it can go into effect, a competing mode of transportation seeks a suspension of the rate on the ground it is unlawful. The Interstate Commerce Commission in numerous instances, either because of this protest or on its own motion, suspends the rate until it has had an opportunity to conduct an investigation. This suspension, under the present law, can continue for as long as seven months.

Even if the proposed railroad

*An address by Mr. Beatty at the Traffic and Transportation Conference, University of Tennessee, Knoxville, March 7, 1957.

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rate is finally found to be compensatory—that is, able to cover the cost of performing the service and contribute something to profit —and is also otherwise lawful, the railroad has irretrievably lost the business it would have obtained during the suspension period. Many times it has lost the traffic permanently either to another carrier or because the shipper has acquired facilities to do his own hauling.

One of the principal tests applied by the Interstate Commerce Commission in determining the lawfulness of a rate frequently works to the disadvantage of the railroads. It is this: Is the reduced rate, in the judgment of the Commission, "lower than necessary to meet the competition," thus enabling the carrier publishing it to obtain or retain more than a "fair share" of the traffic? In other words, railroads very often are not permitted to put in rates lower than, or even as low as, those charged by their competitors simply because the Interstate Commerce Commission feels this would have an unduly adverse effect on the traffic of those competitors. From this, it can be clearly seen that railroads are many times required to hold a protective "umbrella" over the rates and traffic of their competitors. Due to the importance of large traffic volume to their attainment of lower costs, the railroads are particularly the victims of this erroneous doctrine.

Still another important public policy as to transportation that works against the railroads is that pertaining to public aid to other forms of carriage. Although the railroads meet all their own costs of building, equipping and maintaining their plant and paying taxes on it, and receive no government aid of any kind, large segments of the rest of the transportation industry are the beneficiaries of such assistance. This aid to other and competing carriers takes the form of either promotional activities or direct or indirect subsidies from the government. The more consequential of these subsidies is the use either without charge or for an inadequate charge of facilities constructed and maintained by the government at public expense.

And this is not all. Taxes paid by railroads on their property are real taxes. These taxes are not earmarked for the upkeep of tracks or for any special benefit of railroads, but instead go to support the general services of government — police protection, fire protection, education and even facilities provided at public expense for their competitors. On the other hand, a very large part of the taxes paid by other forms of transportation go to partially repay the government for facilities that it provides for their use and their benefit. In this connection, it is also significant to note that railroads pay out in general taxes a greater percentage of their operating revenues than do the motor freight carriers and the water carriers in both general tax and user charge payments combined. For example, in 1954, the latest year for which such comparative statistics are available, 6.3% of the railroads' operating revenues went for taxes, while in the case of motor common carriers, it was 5.5% and for water carriers it was 2.9%.

In recent years, the Federal Government itself, which is the largest single user of transportation services, has engaged in practices that are undermining the physical and financial health of the railroads. For instance, the Post Office Department has been conducting for some time now so-called experiments in transporting regular first-class mail by air at special rates, and has over-extended parcel post service in competition with the express business. Even the Department of Defense, which places its main reliance on railroads in times of war emergency, has unduly extended its own transportation activities, and has also transferred substantial volumes of transportation services from the railroads to irregular operators that assume none of the obligations and continuing responsibilities of common carriers.

The Future Outlook

This, then, is our railroads at milepost '57. It has not been my intention to reflect a pessimistic view of prospects for the railroad industry because, under proper conditions, there is good reason to view the future with confidence. I have merely attempted to paint the picture as it is so we will be better able to obtain some idea of what lies ahead for the railroads.

We hear on all sides that the future holds great promise; that we can look ahead to an expanding and vigorous economy. We are told by the Joint Committee on the Economic Report that the total output of goods and services in 1965 may be 40% more than it was in the prosperous year of 1955. We are also told by the United States Bureau of the Census that by 1975 this country may have 60 million more people, bringing the total population up to more than 228 million. On that basis, and using the experience of past trends, it is estimated that total intercity freight traffic will be 65% more than it was in 1955.

In other words, with a steadily rising population and greater production of the part of agriculture and industry, the demand for transportation services will continue to mount during the next two decades. From this, it would seem that transportation has a bright future. Certainly this presents an opportunity and a challenge to all our transportation agencies.

However, the future of each form of transportation depends on the extent to which it shares in the total market for transportation services. This, in turn, depends in large part on how well each mode of carriage will be able to compete for the available traffic to be moved on the basis of cost and service.

How will the railroads be likely to fare in this respect? Will they find it possible to change current traffic trends or will their ratio of the total traffic continue its downward course? On the answers to these questions rests the very future of the railroad industry.

Need Is There

In any consideration of the future of the railroads, there is one basic fact to be borne in mind. America will always need railroads. It will need railroads because they are the only complete common carrier which undertakes to haul anything, for anybody, in any quantity, in any season of the year, to and from any part of the nation. And they can perform mass transportation service with far greater economy and conservation of manpower, fuel and materials than any other carrier. As has been clearly demonstrated, this economy, important at all times, becomes vital in times of national emergency.

Moreover, without railroads, the existence and operation of other forms of transportation on the scale on which we have them would simply be impossible. Modern transportation began with railroads, today's transportation depends on railroads, and tomorrow the railroads will still be the very base of the transportation structure.

But how well the railroads will be able to meet transportation demands and their other responsibilities is another matter. If they are unable to obtain a share of the total traffic that will make it possible for them to remain physically and financially strong, the outlook will be discouraging. On the other hand, if they can arrest or reverse present trends, their prospects for the future will be most encouraging.

All this depends in large measure on the climate in which transportation operates in the future. By this I mean public policy as to transportation. As I pointed out earlier in my talk, government policy in this respect is neither sound nor impartial. It restrains the railroads and at the same time stimulates other forms of transport. It prevents the railroads from competing on equal terms with other kinds of carriage.

If the railroads are to meet successfully the intensive competition with which they are faced, they must be in a position to further improve their plant and services. They will need thousands of new and better freight cars, new and more powerful and more efficient locomotives, new passenger cars and other equipment, and continuous improvement in their plant and operations and methods. This will require huge capital expenditures of at least $1½ billion a year. And capital expenditures, as you know, largely depend on earnings.

Competitive Prices

But no matter how good their plant and services are, the railroads will not be able to obtain the business they need and must have unless they can perform their services at prices that compare favorably with their competitors. This they will find difficult to do unless we have in the future what we do not now have—a fair field in transportation.

In a land so devoted and so dedicated to the free enterprise way of doing business, it is only natural that a competitive spirit has prevailed. In the economy generally, we take it for granted that the industry that produces the most economically should be allowed to charge the lowest prices and, by so doing, prosper accordingly. Under such a system, the public—and that means you and me—benefits as a result. But as I have already pointed out, such a situation does not prevail in transportation.

This is the situation that was found when the Presidential Advisory Committee on Transport Policy and Organization was appointed in 1954 to make a "comprehensive review of over-all federal transportation policies . . . and submit recommendations." This is the situation which the Cabinet Committee would correct through favorable legislative action on its principal recommendation. That recommendation is that increased reliance be placed on competition in transportation rate-making as the surest and best way to secure for the public the best service at the lowest cost.

To put in another way: regulated common carriers would be given greater freedom in competitive pricing, but they would not be permitted, as they are not permitted now, to put any rate into effect which is not compensatory, which is unreasonably high or which is discriminatory or prejudicial against shippers, commodities, regions or communities.

Cabinet Committee's Proposal

Under the Cabinet Committee proposal, a common carrier would be allowed to charge rates which, to quote the Committee's report, "reflect cost advantages whenever they exist and to their full extent." But the Interstate Commerce Commission could not, in determining whether a rate is less than a reasonable minimum rate, consider the effect of that rate on the traffic of any other mode of transportation, or its relation to the charges of any other mode of transportation, or whether it is lower than necessary to meet the competition of another mode of transportation.

This would have the effect of creating a situation wherein each form of transport would perform those services which it can do better and more economically than the others. It would mean that competition, rather than government control, would be the main regulator of rates and the effective allocator of traffic. Under such conditions, each user would then truly be in a position to decide for himself which form of transportation he could use to best advantage, cost and service considered. In the case of the railroads, it would afford them an opportunity to compete on more equal terms than they are now able to do.

I would like to emphasize that neither the Cabinet Committee nor anyone else has recommended or contemplates the termination of regulation of transportation by public authority. What is recommended is a redefinition of the objectives and terms of such regulation, and a recognition of what has taken place in the transportation field since regulation was first put into effect.

But even such a change in our government regulatory policy as to transportation, important as it would be, would still not place the railroads in the same competitive position as other forms of carriage. It would simply be an encouraging step in the right direction. There would still remain many things to be done before equality of treatment for all forms of transportation is achieved.

Inequalities Summarized

I have already referred to these inequalities, but I should like to summarize them so there will be no misunderstanding as to what is needed. To treat all modes of transportation alike, government policy must be such that besides permitting greater freedom in competitive rate-making, those carriers which use facilities built and maintained at public expense should be required to pay fully compensatory user charges for operations conducted on such facilities.

These charges should not be confused with general taxes—the sort of taxes which railroads pay but which many of their competitors largely or entirely escape because they have no rights of way to be taxed. By "user" taxes I mean payments made by transportation agencies using public facilities that will meet the cost of these facilities and will be in line with the amount of use which each carrier makes of them. In this way will the tax burdens be more equalized, and the railroads will not be at the tax disadvantage that they are now.

In this connection, I would like to make it clear that the railroads do not advocate that the government refrain from undertaking soundly conceived and necessary programs to provide basic transportation facilities which may be used by competitors of the railroads. For instance, the railroads are and always have been for good roads, and did not oppose the enlarged federal highway program which was approved last year by Congress. What they are concerned about, and properly so, is whether the financing of such improvements is made on the basis of adequate user charges rather than with general tax funds.

While speaking of taxes, I should like to call your attention to transportation taxes that are not only detrimental to common carriers but are also unfair and burdensome to the public. I have reference to the existing federal excise taxes on commercial transportation of both persons and property.

As you may recall, so-called temporary taxes of 15% on passengers and 3% on freight were imposed during World War II. The purpose of these taxes was not only to produce revenues for the conduct of the war but also to discourage the unnecessary use of for-hire transportation facilities. The war has now been over for more than a decade, but these wartime taxes continue, the only relief being a reduction to 10% in the passenger tax.

These taxes are still having the effect they had during the war. They are discouraging commercial passenger travel at a time when the stimulation of such travel is so much needed, and they are a direct inducement to substitute privately operated transportation which pays no such excise taxes for the services of public for-hire carriers. They are thereby weakening our common carrier transportation system, and are discriminatory in favor of those who use their own private means of transportation. Congress is being urged to repeal these taxes in the public interest, and it is to be hoped that there will be no further delay in affording such relief.

Stop Subsidies

Future government policy should also put an end to all subsidies to transportation agencies, both direct and indirect. When the newer forms of transportation were in their infancy, there might have been some justification for public aid. But all major forms of carriage have now come of age, and should be required to pay their own way just as the railroads do. And this applies to promotional activities on the part of the government as well as to financial assistance, no matter what form it may take.

Furthermore, the Federal Government should refrain from shrinking traffic volumes and revenue support for common carriers by engaging in practices that are certain to have this effect. The government should always keep in mind the vital role that common carriers — and particularly the railroads—play in the event of a national emergency, and should do nothing that would serve to weaken their ability to meet wartime demands if such a catastrophe should ever befall us again.

State regulatory bodies should also be more sympathetic to requests from railroads to eliminate local and branch line trains which are being operated at out-of-pocket losses. No one would expect any business to continue a branch that was losing large sums of money, and the same principle should be applied to unprofitable passenger trains which are no longer patronized by the public.

It is evident, then, that the future of the railroads is dependent in large part on the government's transportation policy. If that policy is brought in step with the times and the competitive facts of life, and if it recognizes the need for equality of treatment, there is little doubt that the future prospects of the railroads will be good.

To bring about such long overdue changes is going to take a high degree or statesmanship on the part of all those who have the important responsibility of keeping our common carrier industry physically and financially sound. It will necessitate viewing the problem as it really is, and a willingness to reach a solution that will not only strengthen our gigantic transportation system but will also be truly in the public interest.

The railroads do not seek nor do they expect any preferential treatment. They are not asking for anything that will hamstring those carriers with which they are in competition. All the railroads ask is that they be afforded the same opportunities and the same treatment in respect to such matters as regulation and taxation which are accorded other forms of transportation. Given such opportunities, they are confident they will be able to forge ahead and continue to provide America with the kind of transportation service that it needs and has the right to expect.

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Export-Import Bank's Role In Foreign Credit and Trade

By SAMUEL C. WAUGH*

President, Export-Import Bank of Washington

Export-Import Bank head reviews five changes or refinements just adopted to expedite exporter credits, and lists a few of the more prominent problems, imponderables, in the current international trade scene. Mr. Waugh calls attention to international competitive efforts by various countries to assist their exporters and, in referring to "cold war" competition, hopes we will not compete with the Soviet Bloc on the basis of unsound loans at unrealistic interest rates.

Part I

The Eximbank History

Whenever commenting on the remarkable history of the Eximbank during its 23 years, I always preface my remarks by stating that having been with the Bank such a short time, comparatively speaking, I can review the record objectively, and that all credit is due my predecessors in office and the loyal, efficient, permanent staff of civil servants.

Samuel Waugh

The history of the Export-Import Bank reflects the ever changing conditions, year in and year out, of foreign trade. Between Lincoln's Birthday, 1934, when the Bank was established and September, 1940, there were seven statutory changes in the Bank's growth and development. It is not necessary at this time to discuss in detail these particular steps but we may note that these developments were necessary for the Bank to assist in meeting the problems of foreign trade in those prewar days.

Toward the close of World War II, July, 1945, to be precise, a new change occurred in the Bank's development, again to meet contingencies — these occurring from World War II. The Bank as of that year became an independent agency of the United State Government, a position which it still holds.

August, 1954, Amendment

Originally directed by a Board of Trustees representing various agencies of the government, the Bank's affairs, as a result of the most recent August, 1954, amendment, are now managed by a full-time bi-partisan Board of five Directors appointed by the President of the United States by and with the advice and consent of the Senate.

This last amendment also provided for an Advisory Committee consisting of nine members representing finance, commerce, industry, agriculture, and labor. The Committee is appointed by the Board of Directors on the recommendation of the President of the Bank, and meets with the Board in Washington three times each year. Questions of policy governing operations of the Bank are discussed in detail. In addition, individual members of the Advisory Committee have been used as consultants throughout the year. The Bank has been most fortunate to have as Chairman of the Committee Mr. Roy C. Ingersoll, of Chicago, Chairman of Borg-Warner Corporation.

When the Bank was created in 1934 it was given an initial capital of $1 million, and $10 million borrowed from the Reconstruction Finance Corporation to make a loan to Russia—which I hasten to add was never made. Since that time, through the statutory changes mentioned the Bank has grown into a sizable institution and now operates as the international lending arm of the United States in support of U. S. overseas trade. Today the Bank has a capital stock of $1 billion — all owned by the United States Treasury—and Congressional authority to borrow $4 billion. During the years, reserves of $435.1 million have been accumulated after the payment of all operating expenses, the payment of interest on money borrowed and dividends on the capital stock. The Bank during its lifetime has authorized over $8.3 billion of credits in 68 countries of the world.

Most Active During World War II

The most important years in the activities of the Bank have been since World War II. Over the calendar years 1946 through 1956 the Bank authorized an average of $550 million of new credits each year. However, the current of the Bank's loaning activities during these years did not flow at an average or steady rate. Changing conditions and currents of foreign trade year in and year out flow over many large rocks, which usually cannot be seen far ahead. Consequently, the Bank's loaning record fluctuates as the Bank endeavors to roll over and unforeseen contingencies.

For example, in 1946 the Bank made some substantial pre-Marshall Plan loans to European countries for reconstruction. Credits authorized by the Bank that year totaled $1,200 million. Only two years later, however, in 1948, credits authorized dropped as low as $138 million. By 1950, when the Korean War broke out, credits authorized for that year rose to $566 million. In 1954 the rate had dropped again, this time to $345 million. Then in 1956 another of those unforeseeable incidents developed — the blocking of the Suez Canal—and total credits authorized for the year rose to $1,156 million. A single credit of $500 million of this sum represents the secured line of credit authorized to the United Kingdom to meet British dollar requirements for U. S. goods and services.

British Line of Credit

So far the British Government has not drawn any of this loan. Whether it will draw on the credit we do not know. The uncertainties in the Middle East continue. But if the British do draw on this credit the dollars will be used to pay—as in the case of all our loans—for purchases here in the United States.

United States industry and U. S. labor in every state of the Union benefit each year from Export - Import Bank loans through sales overseas of products which the Bank's loans facilitate. It is interesting to note that, over the years, eight mid - western states, Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio, and Wisconsin, have received approximately 38% of all the Bank's disbursements for materials, equipment and services exported abroad. This sum amounts to more than a billion dollars, most of which covered purchases made since World War II.

You can see that it is difficult to depict in a few words the role of the Export-Import Bank. I know of no better statement than that given recently in an editorial in the Buenos Aires "Herald."

"Americans have taken many knocks but they also have learned a great deal in their past business transactions — in every part of the world. This is where the Export-Import Bank comes in. It is an institution which already has established a commanding role in the promotion of trade expansion primarily for the benefit of the United States but at the same time contributing powerfully to the economic advancement of those foreign countries with which it has friendly and profitable trade. When contracts are negotiated with the Export-Import Bank, it can be taken for granted that they are purely business arrangements, carefully studied and resolved by experts, so that the results are acceptable and remunerative for both parties."

Part II

Exporter Credits

The Exporter Credit Program of the Bank has been developing during the past two years, and an increased number of requests have been received from U. S. exporters for financial assistance in selling abroad on medium terms. Many of these have involved quite small amounts of credit. The Bank has authorized loans in participation with others where our part of a single credit has been less than $1,000.

Continuing experience has indicated a number of ways in which the Bank's handling of exporter credits may be improved and its service to exporters speeded up. Five changes or refinements have just been adopted by our Board of Directors and are here announced for the first time.

Credit Data File

(1) The Bank will welcome the submission by exporters of credit information on their potential customers abroad **prior to requests for actual financing.**

We are endeavoring to build up our files of credit data on overseas buyers and have found that when the information is in our files the minimum time is required to process an application. It should be emphasized that this information will be used only to speed up our own decisions and will not be disclosed to others. We are not in a position of supplying credit information to anyone, whether he be an exporter or a banker.

(2) The Bank is preparing an application form.

By way of explanation, this may seem strange, but the Eximbank has never used an application form, for the business of financing project or development loans does not lend itself to a specific form. Today we find that many of the smaller exporter credit applications show a greater degree of uniformity and we believe the form will insure a more complete application and will aid the Loan Officers in their processing.

(3) The Bank has decided to discontinue the commission charge.

At the outset a commission charge was made upon that portion of the financing requested from the Bank and depended in part upon the maturity. The principal purposes of the commission were to encourage larger participations by the exporter and, conversely, smaller participation by the Eximbank, and the limitation by the exporter to shorter credit terms. Experience has shown that these aims may be obtained by other means.

(4) Where the financed portion of an export sale does not exceed $50,000 the initial credit information may be limited.

On the smaller credit sales referred to there will be two requirements: first, the purchasers' balance sheet with profit and loss statement for the last 12 months only, and second, a letter from the purchaser's bank abroad answering six brief questions about the purchaser's experience and reputation.

Use of Financing Paper

(5) The Bank is now prepared to consider financing paper which represents completed export sales.

In the past the Bank has agreed to participate in financing only if approval had been obtained before the sales contract had been unconditionally concluded. Due to international competition, however, instances arise in which the exporter must close the deal before he can obtain the Bank's approval for its financing. Such paper, nevertheless, must conform to the Bank's usual requirements and this change concerns only the time when an application may be presented and does not change any of the basic conditions that determine the eligibility of an export transaction for Eximbank financing.

Perhaps here it will not be out of order to add a banker's caveat. These changes are offered solely for the purpose of endeavoring to improve the Bank's services and do not in any way indicate a diversion from the Directors' desire to make sound loans and those that "offer reasonable assurance of repayment."

Part III

Imponderables

Without attempting to supply the answers, but rather to stimulate your thinking, I would like to list a few of the more prominent problems on today's horizon, all of which in varying degrees will have an effect on the future role of the Eximbank. And the order in which comments are made does not necessarily indicate their comparative of relative importance.

The Foreign Aid Program

The Senate Special Committee to Study the Foreign Aid Program has by now received reports from at least two of the 11 research organizations appointed to study various phases of this problem.

The studies submitted by the Research Center in Economic Development and Cultural Exchange at the University of Chicago covered "The Role of Foreign Aid in the Development of Other Countries," and the submission by the Center for International Studies at the Massachusetts Institute of Technology was directed to "The Objectives of United States Economic Assistance Programs."

Time does not permit an analysis of these reports other than to say both recommend the extension and the enlargement of the aid programs and deal with the question of hard and soft loans.

The reaction or the final decision of the Congress after the Special Committee analyzes 11 reports and submits its recommendations along with, I presume, the President's submission of the Administration's recommendations after hearing from his Citizens Group, now known as the Fairless Committee, which also has been studying the over-all aid program, will no doubt have a great bearing on the future activity of the Eximbank.

U. S. Foreign Trade Policy

"It would serve no constructive purposes to turn our eyes from the fact that our foreign trade policy has reached a crossroad. The Trade Agreements Program and the liberal trade policy that it represents has not in decades been faced with the crisis it faces today."

These words are not mine, but are those of the Honorable Hale Boggs, Congressman from Louisiana and the Chairman of the Subcommittee of the powerful Ways and Means Committee which has undertaken a comprehensive study of our foreign trade policy. This statement was made 10 days ago in New Orleans before the Mississippi Valley World Trade Conference.

Congressman Boggs goes on to make the significant statement, "Conflicting pressures from all directions converge upon the Congress and Administration and demand consideration." This is indicative of the problem confronting conscientious Congressmen who must rise above the constant sense of pressure to enable them to make decisions in the national interest.

In one year hence the Congress will again be confronted with the renewal of the Trade Agreements Act that has been in effect since 1934. But prior to that date the present Congress will be asked to ratify membership in the Organization for Trade Cooperation.

The President referred to the OTC in his State of the Union Message, again in the Budget Message, a third time in his letter transmitting the Economic Report, and the fourth time in his Feb. 23 message transmitting his report on the Trade Agreements Program. The following paragraph is from the Budget Message:

"As has already been indicated in the State of the Union message continuation of military and economic assistance to the free nations of the world is a keystone of the administration's efforts to promote peace, collective security, and well-being for all peoples. Essential complements of these assistance programs are steps to increase international trade and investment. Both can be materially advanced by taking the actions necessary to avoid unfair tax duplication on business conducted overseas and by the prompt enactment of legislation approving United States membership in the proposed Organization for Trade Cooperation. This administrative agency will greatly aid the orderly operation of existing arrangements governing multilateral trade to help prevent discrimination and restrictions against our foreign commerce."

—European Common Market

The representatives of the six countries in the heart of Europe comprising the European Coal and Steel Community just recently reached "complete agreement" on trade treaties and an atomic pool. These treaties are, of course, subject to ratification by their respective governments. The Eximbank is servicing the first major credit extended to the Community by our government and therefore we have followed this development with great interest.

The Free Trade Area

There has been some confusion between the European Common Market which, as previously mentioned, is limited to the six countries and the broader plan known as the Free Trade Area which will comprise the 17 nations in the Organization for European Economic Cooperation. It is most significant that the United Kingdom has reversed its position and is enthusiastically supporting the Free Trade Area as evidenced by the fact that the recently named Chancellor of the Exchequer, Peter Thorneycroft, was chosen to serve as the "Coordinator."

The potential impact of the formation of the European Common Market, together with the possibility of the creation of the 17 nation Free Trade Area on the United States export market is one of the $64 questions in the trade field. Will there be discrimination against the dollar area or will the elimination of customs and tariffs over the term of years improve the economies of the areas to the extent that they will

*An address by Mr. Waugh before the Chicago World Trade Conference,

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eventually be even greater markets for United States products?

The economic integration of Europe has been encouraged by this Administration and now that the plans seem nearing fruition, one must admit this will undoubtedly call for a review of our over-all commercial or trade policies.

Since the first of the year we have heard comments favoring other common markets and customs union plans for other areas, notably in Central and South America.

The Economic Policy of the U.S.S.R.

Who will gainsay the fact that the so-called "cold war" has been complicated by the recent trade policies of the Soviet Bloc? We cannot disregard this competition, yet I fervently hope we will not attempt to compete on the basis of unsound loans at unrealistic interest rates. It must be self-evident that any country now indebted to the Eximbank or the International Bank for Reconstruction and Development which incurs additional debt beyond its capacity to pay weakens that country's entire financial structure.

Recognition of Red China

Let me hasten to add that it is not my purpose to advocate the taking of this step. I would be less than honest, however, if I did not report to you that in the Far East last December we learned that they cannot appreciate or reconcile the fact that the United States has one trade policy for the U.S.S.R. and its satellites and an entirely different one for Red China.

The Agricultural Disposal Program

It is no secret that certain of our friendly allies are growing increasingly unhappy over the disposal of our agricultural surpluses under the law commonly known as P. L. 480. The fear has been expressed that we have entered into a method for disposing of agricultural surpluses, and one in which no country is wealthy enough to compete, and that it might become a permanent policy in our trade program. Here again no constructive comment is offered.

The solution of these so-called imponderables as well as our United States commercial policies in the fields of minerals, watches, fish fillets, and clothespins, to name but a few, will in a measure have an effect on the future activities of the Eximbank.

These are among the difficult problems facing the Administration and as previously mentioned their solution will have an effect on the future role of the Eximbank. We are today confronted with the fact that a dozen or more countries have in effect various plans for assisting their exporters. It will be the objective of the Directors of our Bank to maintain a fluid position in order to be able to continue in the future, as they have in the past, to assist in maintaining the competitive position of our traders and business interests of the United States, working to the greatest extent possible with and through our private bankers.

Joins Stewart, Eubanks

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Arthur J. Nelson has joined the staff of Stewart, Eubanks, Meyerson & Co., 216 Montgomery Street. He was previously with Richard A. Harrison, Inc.

With F. S. Moseley

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Charles J. Reardon is now with F. S. Moseley & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

A Banker Appraises Today's Instalment Lending Situation

By JOSEPH C. WELMAN*
Vice-President, American Bankers Association
President, Bank of Kennett, Kennett, Mo.

Missouri banker exposits on: (1) the present instalment lending situation; (2) what banks should expect from the public and vice-versa; and (3) how to preserve excellent instalment lending progress, avoid selection controls and unbalanced portfolios. Mr. Welman points out, despite "tight money," such credit is available to regularly employed, of fair reputation, with a fair debt condition and small down-payment, at fair rates and reasonable terms — constituting "one of the real bargains of our day." The ABA official warns built-in stabilizers may lull borrowers and lenders into false sense of security, perceives signs of cautiousness, and cites "Consumer Credit Creed" as guide against abdicating primary responsibility during changing economic conditions.

This is a period which our press, our radio and television, and our abundance of speakers, authorities, experts, and prognosticators have labeled with the very catchy phrase, "tight money" period.

Joseph C. Welman

I often wonder how tight is "tight" as we observe one million houses a year being built; six million automobiles produced, sold, and financed; a $71 billion Federal budget; many billions of municipal spending; instalment and consumer credit outstandings at an all-time high; over $41 billion of industrial expansion, at a rate hardly considered possible a few years ago; and the beginning of a road-building program that will cost more than the total of our Federal debt only a few decades ago.

Nevertheless, because all of the people, business and industry, municipalities and governments, and other segments of our economy can't have all of the money they need or want at the same time (and I am not so certain that we have missed that accomplishment very far), we have "tight money"; and there are many who would indict the banks, the insurance companies, and the other lenders, and particularly the Federal Reserve Board, for having brought about this awful shortage.

On one thing everybody seems to be in complete agreement: that is the premise that it is all right to curtail credit—provided it is the other fellow's credit.

Shall we curtail credit for housing? Oh, no, we mustn't do that! There are anguished cries that the country will be ruined if we drop below one-million starts. Few are willing to consider that we have less eligible veterans each year; that many have solved their housing problems; that many others have likewise supplied their needs; and that there are increasing signs that supply may be catching up with demand.

Shall we curtail to the farmer? Unthinkable.

Shall we curtail credit to business and industry, and cut down the means of supplying more jobs? Oh, no, certainly not.

Shall we cut back credit for municipal, state, and Federal projects — for schools, for hospitals, and for other such worthwhile projects? Never.

Shall we cut back instalment and consumer credit, and cause a further decline in the production of automobiles, appliances, and other such items? Mustn't do that.

We are all against inflation. Never was there an issue—except possibly sin — concerning which there was or is such unanimity of opposition.

Many who are opposed to inflation are also opposed to any kind of restraint. All they want is for money to be cheap, plentiful, and valuable. Unfortunately, they haven't found the formula for that yet.

We hear much of Federal Reserve restraint. The real marvel could be that the Reserve authorities have used so much restraint in restraining themselves from doing more. The real wonder could be that rates aren't higher and money scarcer.

Today's Credit Situation

What is the situation today relative to instalment and consumer credit? First, let me say that I find the terms "consumer credit," "instalment credit," "personal loans," "small loans," etc., to be confusing. Regardless of how we describe or classify, the total outstanding is "away up in the billions." If we take the Federal Reserve definition, we find that total consumer and instalment credit outstanding exceeds $40 billion.

We must keep in mind, in comparing volume with previous years' figures, that it takes more dollars to buy something or do something; and, today, if we loan to the same number of people for the same purposes, the dollar volume will necessarily be much higher. If our total outstandings had remained the same during the past few years, it would have meant actual reduction in the acquisition of goods and services. We are, at times, prone to overlook this in considering the Gross National Product, the volume of sales, the figures on instalment credit, and other statistics.

In considering the total instalment credit outstanding, we should not forget that some credit now charged to instalment credit actually existed in the years before widespread use of instalment credit — but in a different form. There were loans obtained from father, father-in-law, Uncle John or Uncle Jack, or sometimes from a supposedly benevolent employer, for many of the purposes we now use instalment credit; and, generally, the present-day amortization methods are far superior to the hit-and-miss repayment agreements, or lack of any sort of repayment plan, which existed in those days.

Today, there are in our banks many other loans classified as instalment or consumer loans which would have been otherwise classified a few years ago.

I firmly believe that in no other segment of our economy is the need and desire for credit so fully served at fair rates and on reasonable terms as in the field of instalment lending. I believe we can say that in the United States of America no man or woman is far away from or is being deprived of reasonable and adequate consumer and instalment credit—extended by banks, finance companies, or sellers of merchandise. I think we can say with complete confidence that no regularly employed man or woman of fair reputation, in fair debt condition, and with a small down-payment, will have any difficulty in buying an automobile, a television set, furniture or household goods, or other items of a similar nature. Nor will such people find it difficult to obtain small amounts of personal credit.

Notwithstanding the abandonment of this type of lending by a few banks and others, the curtailment by some of the amounts allocated for this purpose, the complaints of some extenders that they find funds hard to come by, and the commonly accepted existence of a tight money policy I believe the statement still stands that in this great country of ours there is no scarcity of credit of this type.

Rates have increased only modestly and, in many cases, not at all. Terms are generous. Truly, instalment credit is one of the real bargains of our day. Bank instalment lending has grown up and is now proudly and confidently wearing its long pants.

Aided Country's Growth

I share the belief of many that history will record that one of the major developments and major accomplishments of the past few decades was the establishment and growth of instalment and consumer credit. Without this, the economic growth of our country would have been much, much slower. We in the banking business can properly take credit for much of it, but I am sure we will not forget that others helped show us the way. Others continue to play a great part in this immense business. Just as we share the credit, we shall also be compelled to share jointly the responsibility for the present and for the future course.

I should like to pay tribute to the men and women in banking responsible for this phase of our business. They have done a perfectly grand job. They have contributed greatly to the earnings of our banks and have done as much or more than any other group to humanize banking and to bring together, for their mutual benefit, banking and the great mass of the people. They are entitled to full recognition at the council tables and in the management of our institutions; in the allocation of funds for lending; in the allocation of space and facilities; and in the allocation of funds for promotion, advertising, and public relations work.

Instalment lending policies, procedures, systems, and records — mostly developed in the past two decades and, consequently, without the bias and handicaps prevailing in some of our operations —are admittedly tops. Losses have been remarkably low and delinquencies well in line. Credit can be properly claimed and shared by the men and women in this phase of banking and by the Instalment Credit Commission of the ABA.

Not to be underestimated is the fact that the instalment lending sections, divisions, and departments of our banks have contributed much in the way of leadership and management. Many of our truly great leaders came up this way. Many more are being developed now. This field presents an opportunity for enlargement of the badly needed improved recruiting, training, and executive development program. The good young prospect will find here that he can quickly get his teeth into something tangible and show real progress and accomplishment. He is less awed by this part of our business, and yet he can learn very quickly the fundamentals of good lending and experience the glow of satisfaction in seeing the success of his efforts. He can learn and understand people, their needs and desires, their weaknesses and their strength, and their habits and peculiarities. He can build on a sound base for a future in instalment lending and general banking.

Must Confess Outside Help

In looking at the other side of the picture, we must confess that our accomplishments were achieved under most favorable economic and credit conditions. We have had reasonably full employment; we have had a growing economy stimulated and bolstered by government subsidies and defense, spending, and unprecedented expansion and spending by industry, business, municipalities, and undividuals.

The character of people seldom changes, but their ability to pay their debts is constantly changing and is frequently beyond the control of the individual. Neither borrower nor lender should be lulled into a false sense of security by the so-called "built-in stabilizers" in our economy.

Admittedly, our people have indulged themselves, to some extent, in somewhat of a buying-borrowing spree, aided and abetted by a great number of people willing and anxious to lend the money and/or sell the goods. There are signs that they are becoming somewhat more cautious. It appears that the consumer attitude is changing.

How to Avoid Controls

It may be that the American people are now making the decision as to the need for controls in the field. If we are to deny the need for selective controls, as we properly do, we must share the responsibility, along with the public, of proving the lack of need and the wisdom of dependence upon the ability of borrowers and lenders to contain themselves properly. We, as lenders, must redouble our efforts to formulate, maintain, and abide by sound principles for the extension of our kind of credit; and the instinctive good sense of the American people must be brought into play. There are encouraging signs that this is happening. What we do will have great effect on our economy; and, if our joint actions are wise and sound, we will assist materially in preventing and offsetting inflationary and/or deflationary pressures.

We should not entertain the thought of favoring clumsy controls because of our own weaknesses: to protect us from ourselves and from our competition; to protect us from doing what we know shouldn't be done.

Quite a number of years ago, at the first National Consumer Credit Conference, a "Consumer Credit Creed" was adopted. Most of us are aware of it and have seen it, but I think it very worthwhile to take another look at it this morning. It reads as follows:

Consumer Credit Creed

"We believe, That, in order to justify its charter, a bank must serve the reasonable credit requirements of its territory as well as provide a safe depository for funds;

"That the extension of credit to salaried or wage-earning individuals on a sound basis is an economically important part of such service;

"That, while recognizing the importance of volume in reduction of loan costs, a bank should endeavor to assist people to get out of debt rather than into it;

"That, although a bank must be competitive, it must maintain its practices and policies on a plane

Continued on page 32

*An address by Mr. Welman before the American Bankers Association's Instalment Credit Conference, Chicago, March 18, 1957.

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Continued from page 31

A Banker Appraises Today's Instalment Lending Situation

which will not bring disrepute to banking, and keep all advertising restrained, truthful, and exact;

"That a bank must determine for itself whether it will offer its services directly to the public or through others, but that no bank should uphold or assist such others when they indulge in unfair business practices;

"That a bank should determine the costs and hazards inherent in such credit and establish its loan charges accordingly; and, finally,

"That any bank which extends credit to individuals under these standards of practice will merit the goodwill and support of the general public."

It may be that through our experience we have gained the wisdom to refine, amend, and improve this code somewhat—and it may be that some small parts of it now appear to be too stilted and restricted—but, in the main, the fundamental truths pointed out still stand fixed and firm as proper guideposts for our conduct.

Instalment lending has come a long way since the days when people in our communities, known to be in debt, carried a stigma as being poor managers and not quite trustworthy. Many of us recall the time when a few auto loans and monthly payment loans we had were sort of "made on the sly," and we wouldn't talk about this type of lending for fear we would be considered "radical." We must do everything we can to preserve this progress, to keep for instalment lending the high regard it now enjoys, and to keep it the useful tool it is and should be in our economy and our way of life.

If we are to do this, instalment lending in our banks must be an essential and vital part of a well rounded financing program, but it should not dominate or be a stepchild.

Cannot Be Exclusive

It will be equally harmful to banking if we devote ourselves almost entirely, or solely, to accepting the funds of our areas or communities — particularly where we monopolize an area or community —and extend only, or almost entirely, instalment credit; or if we refuse, in most cases, or entirely, to extend any instalment credit.

There would be great danger to banking as a whole if banks should compete vigorously at high rates for the savings of the people for the sole purpose or major purpose of investing in instalment lending of the kind we are discussing.

The Savings and Mortgage Division of our own American Bankers Association has pointed out quite properly time and time again that there is a proper link between savings and mortgages. There are other desirable and proper demands upon, and needs and uses for, savings funds. This does not preclude the use of some savings funds in our kind of instalment lending, but the need for a proper balance is clearly indicated.

It is a tribute to the instalment lenders in our banks that many sizable loans not commonly considered instalment loans have found their way into instalment departments. The desire to utilize this proven skill, technique, and sound principle is commendable, provided it is genuine and not done for the primary purpose of obtaining a higher rate. We must also beware of the danger that this tendency may tie up, for the use of a limited number of borrowers, too large a portion of the funds rightfully belonging to the great number of borrowers whom instalment lending is rightfully designed to serve and has come to serve, and may also create demands upon the instalment lending, investigating, and recordkeeping personnel to the end that the true instalment borrower will be neglected. A long, hard, realistic look at this might indicate that these loans belong elsewhere. If they demand, as they often do, the kind of skill and knowledge our instalment loan personnel possess, and such people are not available in the department in which the loan properly belongs, then consideration might be given to a transfer of some of these skilled people into these other lending divisions and their replacement by others so that real instalment lending can continue to function with the same degree of efficiency and success to which it has become accustomed.

The ideal, well rounded program will, in most instances, include a balanced portfolio of the direct, over-the-counter type of loans for a multitude of purposes as well as the purchase of dealer contracts arising out of the sale of consumer durable goods and services.

Dealer versus Direct Loans

I do not propose here to attempt to go very deeply into the question of dealer versus direct loans.

The Creed says that "a bank must determine for itself whether it will offer its services directly to the public or through others." In many banks, and in many areas and communities, there will exist circumstances and situations peculiar to them which will dictate this decision.

Volume is generally appreciated and welcomed by management; however, it must be accompanied by a good portion of common sense as well as a constructive and sound credit policy.

Many of us have built up a sizable volume of business through the purchase of dealer contracts and feel secure in this phase of our operations because we are well protected by such devices as recourse, endorsements, repurchase agreements, and reserve accounts. We must remember, however, that the soundness of these devices has not been fully tested by many banks. Complacency now could well mean losses and problems later.

Paper purchased where the original sale was based not upon the merit and value of the product or the ability to pay and the financial condition of the purchaser, but rather upon the liberal terms offered, will inevitably bring us trouble and grief—no matter how much reserve or how good the endorsement—and will weaken our business; lessen the esteem in we are normally held; and eventually create a sour taste on the part of our directors, stockholders, management, supervisors, and the public.

All of us are subjected to, and tempted by, the proposals and different forms of protection offered by customers with strong financial positions and large deposit balances; and I doubt very much if there is among us one who can honestly say he has not to some extent succumbed to such influence. There is great danger to our field of banking, to the maintenance of healthy competition, and to our prestige if we do not minimize this practice.

Dealer paper, properly originated, policed, and serviced, provides the admitted benefits of greater volume and somewhat easier and less costly acquisition and handling; and it plays a major part in today's economy.

Banks and other direct lenders could never have persuaded the great majority of the millions of people who have bought and financed cars, appliances, and household goods, to have come first to the lender, arranged for the loans, and then bought these things. Surely, we could have done some of it—and we do some of it all the time—but without the dealer vehicle, mass production and mass selling, as we know it, could not have been accomplished.

Not for one moment should we discount its value and advantages in a well rounded program, but never should we hand over completely the reins to others. To do so would be no favor to the dealer or to the borrower.

Those who refuse to consider dealer paper under any conditions merely cause the dealer to seek other means that have been available so far, and there is no reason to believe they will not continue to be available.

Those who permit dealer originations to absorb their funds completely will miss the thrill of seeing a live, healthy volume of loans made directly to individuals, actively at work in providing great numbers of people with the things they want and need, long before they could acquire them by saving first; the pleasure and satisfaction which come in knowing that every creditworthy individual in the community seeking this type of credit is adequately taken care of; the satisfaction of watching the increased flow of traffic in the bank of people from all walks of life; and the gratifying feeling that the old barriers between the public and banks have been destroyed.

Keeping People Out of Debt

The Creed says that we should endeavor to help people get out of debt. While, in the main, the American people have shown a remarkable ability to pace themselves in the matter of instalment debt and to manage their finances properly, and often have become systematic savers through experience gained by the use of instalment credit, it would be folly to fail to recognize there are always those who cannot or do not do so. There are always those who will overbuy and overborrow. Grantors cannot escape responsibility if they over-encourage or permit the naive, the inexperienced, and the weak to use more instalment credit than they need or can pay back in a reasonable period of time.

The Creed also says that our advertising should be restrained, truthful and exact. We can recognize the desirability of inviting people to borrow from banks and the necessity to break down the old feeling that they may be unwanted or their applications rejected and, at the same time, admit that much of our advertising has gone too far. Instalment credit doesn't have to be sold with the vigor, enthusiasm, and clamor used to sell beer and cigarettes. We can never dodge the fact that it is what it is—a debt that must be repaid. We can certainly sell the idea that it is, properly used, a useful tool to enable people to acquire and pay for something useful and enjoyable, within their means and income; to make progress in increasing their net worths through the ownership of goods and chattels; and to ease a temporary or unexpected bad financial situation.

It is not worthy of bankers to overemphasize the attractiveness of debt, to encourage borrowing just for the sake of borrowing, to encourage refinancing just because the loan is well paid down, and to consolidate just for the sake of consolidation. To consolidate in order to improve one's condition and make progress is certainly in order; but consolidation due solely to the desire of the borrower to gain temporary ease or to avoid facing the financial facts of life, only to rewrite and consolidate again—and perhaps again and again—or due to the desire of the grantor to increase his outstandings and improve his profits, reflects no credit on the lender or borrower, violates our creed, encourages evasion on the part of the borrower, dulls his morale and desire for permanent improvement, and encourages the critics of banking.

Borrower's Responsibility

In the last analysis, the question rests with the borrower as to whether debt will be helpful or harmful, whether it is the means of acquisition and progress, or whether it is to become a chain around his neck—and often that of his wife and family. But we cannot, and should not, escape the responsibility of trying to influence his direction. We must have the facilities and ability to work patiently with him — to explain over and over again our basic philosophy and our policies—and to convince him that we really want to help, not harm.

Under present conditions of modern mass production, increased productive facilities, increased plant expansion, and inflated prices, there will be more and more pressures on us to lend larger amounts, lengthen loan maturities, and reduce down-payments as an inducement to people to buy durable goods and to maintain full employment and high incomes. It is my hope and my belief that we shall always be alert to changing political and economic conditions and wisely and properly adjust our current policies, but I have the equal hope and faith that we will never abdicate our primary responsibility to see that the credit extended is good and not bad for the people.

There are some who believe that this country is in for a prolonged period of so-called "tight money" and that the demand for money will increasingly exceed supply. If this should be true, then banks may be compelled to take additional steps in rationing or allocating funds for the various types of loans, including instalment loans. Should this happen, those responsible for instalment lending in our institutions must resist unfair discrimination but must be ready and willing to cooperate in the proper allocation of loanable funds. Likewise, we should be certain there is a fair allocation in the making and purchasing of instalment loans, and we should not apply solely the test of profit or ease of handling, but rather continue to provide a well-rounded service. This business is too valuable and was acquired through too much effort to permit it to be permanently damaged by temporary expediency. We readily concede that it does not carry the large compensating balances of commercial and industrial lines, and our rate structures do and should recognize this, but we must never forget that there are compensations other than large balances.

Instalment and consumer credit will not, and should not, escape thorough scrutiny in the proposed national inquiry into the nature, performance, and adequacy of our entire financial system; but there is every reason to believe it will come out all right. We must continue to so conduct ourselves that we can always withstand searching inquiry.

We have developed a wonderful new banking service; we should be proud of it; we should guard it zealously; and we should do our utmost to improve it.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Herman W. Parker has been added to the staff of Paine, Webber, Jackson & Curtis, 24 Federal Street.

Stock Transfer Ass'n Announces Committees

At a regular meeting of the New York Stock Transfer Association held at the Waldorf Astoria Hotel, Joseph E. Williams, Chairman of the Executive Committee, on behalf of his associates, announced the appointment of the following Committees:

Liaison Committee for Stock Exchanges

Edward S. Travers (Chairman), Vice-President Manufacturers Trust Co.; Frank H. Ormerod, American Telephone & Telegraph Co.; J. E. Bull, Asst. Vice-President City Bank Farmers Trust Co.; Arthur S. Muller, Ex-Officio Assistant Vice-President Bankers Trust Company.

This committee is to take up all matters concerning the work that stems or has any relationship with the Stock Exchanges; this would cover such matters as facsimile signatures, various requirements of the Stock Exchanges and obtaining relief as to tight time schedules re: stock splits, stock dividends and stock subscriptions.

Legislation and Tax Committee

William J. Neil (Chairman), Assistant Vice-President Guaranty Trust Co. of New York; Frank C. Straat, Vice-President Marine Midland Trust Co. of New York; Robert H. Akers, General Electric Company; John C. Bancroft, Ex-Officio Assistant Vice-President The Bank of New York.

This committee will study all proposed legislation, rulings and tax matters that may affect the work and report its findings to the Executive Committee for approval so that proper action may be taken with such proposed legislation and rulings.

Program, Publicity and Educational Committee

Fred W. Gundersdorf (Chairman), Assistant Secretary United States Trust Company of New York; Arthur Sundt, Union Carbide & Carbon Corporation; W. H. McCoach, Assistant Vice-President Irving Trust Co.; Harvey W. Roscoe, Ex-Officio, Assistant Treasurer American Tel. & Tel. Co.

This committee will recommend programs, agendas for the meetings, handle publicity pertaining to the Association and educational matters, such as the course given at the A. I. B. on transfer work.

Standardization Committee

William J. Rieber (Chairman), Assistant Treasurer The Chase Manhattan Bank; George M. Erhart, Corporate Trust Officer Chemical Corn Exchange Bank; Walter L. Jones, Assistant Secretary Bankers Trust Company; T. O. MacDonald, General Motors Corporation; James E. Robertson, Assistant Vice-President City Bank Farmers Trust Co.; George E. Wasko, Transfer Agent Atchison, Topeka & Santa Fe Ry. Co.; W. J. McDermott, United States Steel Corporation; Herman W. Warnken Ex-Officio, 2nd Vice-President Guaranty Trust Co. of New York.

The primary purpose of this committee is to attain the highest degree of uniformity among Transfer Agents by promulgating and reviewing rules covering stock transfer work and thus simplifying the problems of security holders. This committee will also check on CCH releases and handle various questionnaires from time to time. It will also work closely with the Executive Committee and serve as a clearing house for questions raised by the members concerning procedure and practice.

Mr. Williams is Ex-Officio on each of the committees.

The Executive Committee is composed of the following persons: Joseph E. Williams, Chair-

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man, Vice-President The Chase Manhattan Bank; Arthur S. Muller, Secretary, Assistant Vice-President Bankers Trust Company; George J. Kenny, Treasurer, Vice-President The First National City Bank of New York; Harvey W. Roscoe, Assistant Treasurer American Telephone & Telegraph Company; Herman W. Warnken, Second Vice-President Guaranty Trust Co. of New York; John C. Bancroft, Assistant Vice-President, The Bank of New York.

The New York Stock Transfer Association was organized in the early 1920s. Its membership is composed of the leading banks in the United States, Hawaii and Canada. This country's largest corporations also hold membership in the Association.

A. C. Allyn Makes Annual Report

CHICAGO, Ill.—A. C. Allyn and Company, Incorporated, added more new customers in 1956 than in any other year in its history, A. C. Allyn, Chairman, disclosed in the annual report of this Chicago-headquartered investment firm. The current year should be an active one in bond and stock underwritings and in serving individual and institutional investors, Mr. Allyn commented.

"While the 'tight money' policy followed by the Federal Reserve Board created problems in the capital markets last year," Mr. Allyn noted, "the investor and saver can find basic encouragement in the more worthwhile return available on money." Despite high money rates, the market "continues to offer individual investors many attractive areas for common stock investments," Mr. Allyn pointed out.

Underwritings of A. C. Allyn and Company, Incorporated, gained in the corporate field, with common stock underwritings up 21.9%, but were lower than the preceding year in municipals, "reflecting in large part the problems imposed by the rising trend in interest rates." The firm took part in underwritings, corporate and municipal, with a total value of $4,736,591,000, compared with $4,936,624,000 in 1955, with participations of $88,428,000, against $95,894,000 in 1955.

The Allyn organization maintains offices in New York, Boston and 20 other cities, in addition to Chicago.

ASE Quarter Century Club

Wilmont H. Goodrich has been elected to a one-year term as President of the American Stock Exchange Employees' Quarter Century Club. Mr. Goodrich, building director of the Exchange, joined that organization after his graduation from the Columbia School of Engineering in 1922. He resides at 8801 Shore Road, Brooklyn, N. Y., and has been a resident of Bay Ridge for 25 years.

Other club officers elected were: John V. Creed, Vice-President, Arthur A. Bellone, Treasurer, and Bernard W. Burke, Secretary. The Quarter Century Club, which was organized in 1946, is composed of employees who have been with the Exchange for 25 years or more.

Albert Frank Expands Coast Services

Albert Frank-Guenther Law, Inc., New York advertising and public relations, and Wolcott & Associates, public relations counsel of Los Angeles, announce establishment of an expanded public relations service in San Francisco. This new facility represents an expansion of the two firm' West Coast public relations affiliation which was instituted last year in Los Angeles, the announcement said.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

THE CHASE MANHATTAN BANK, N. Y.

	Mar. 31, '57	Dec. 31, '56
	$	$
Total resources	7,529,490,137	7,756,947,318
Deposits	6,585,785,264	6,927,736,057
Cash and due from banks	1,795,003,635	2,072,851,139
U. S. Govt. security holdgs.	1,027,406,571	1,073,035,283
Loans & discts.	3,793,239,277	3,731,987,213
Undivid. profits	82,222,489	79,614,193

* * *

THE FIRST NATIONAL CITY BANK OF NEW YORK

	Mar. 31, '57	Dec. 31, '56
	$	$
Total resources	7,485,882,769	7,426,979,040
Deposits	6,691,860,149	6,672,390,362
Cash and due from banks	1,808,148,997	1,861,534,344
U. S. Govt. security holdgs.	1,195,588,283	1,184,240,523
Loans & discts.	3,758,083,937	3,708,099,539
Undivid. profits	72,599,459	69,381,186

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MANUFACTURERS TRUST COMPANY NEW YORK

	Mar. 31, 1957	Dec. 31, 1956
	$	$
Total resources	3,019,860,014	3,137,030,771
Deposits	2,721,434,417	2,845,221,115
Cash and due from banks	800,813,118	898,913,039
U. S. Govt. security holdgs.	672,786,918	697,433,284
Loans & discts.	1,151,935,811	1,164,754,950
Undivid. profits	58,512,881	56,263,500

* * *

IRVING TRUST COMPANY, NEW YORK

	Mar. 31, '57	Dec. 31, '56
	$	$
Total resources	1,736,527,270	1,729,971,740
Deposits	1,492,221,280	1,539,170,385
Cash and due from banks	432,824,170	425,457,465
U. S. Govt. security holdgs.	336,146,523	398,370,511
Loans & discts.	823,530,567	784,944,420
Undiv. profits	23,656,341	22,630,575

* * *

J. P. MORGAN & CO., INC., NEW YORK

	Mar. 31, '57	Dec. 31, '56
	$	$
Total resources	850,252,089	854,614,967
Deposits	742,001,640	745,566,397
Cash and due from banks	218,806,069	211,684,375
U. S. Govt. security holdings	160,594,742	179,738,532
Loans & discounts	379,009,126	320,961,831
Undivided profits	19,141,742	17,832,862

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THE NEW YORK TRUST CO., NEW YORK

	Mar. 31, '57	Dec. 31, '56
	$	$
Total resources	793,580,417	835,171,185
Deposits	695,201,748	733,186,326
Cash and due from banks	174,015,828	218,444,023
U. S. Govt. security holdgs.	159,463,627	171,480,416
Loans & discounts	417,903,726	405,927,296
Undivided profits	9,171,564	8,973,905

* * *

THE MARINE MIDLAND TRUST CO., NEW YORK

	Mar. 31, '57	Dec. 31, '56
	$	$
Total resources	538,716,689	601,708,874
Deposits	476,754,909	538,999,157
Cash and due from banks	148,046,597	193,215,940
U. S. Govt. security holdings	96,323,920	101,366,892
Loans & discounts	263,374,870	280,281,459
Undivided profits	9,820,062	9,387,254

* * *

THE BANK OF NEW YORK

	Mar. 31, '57	Dec. 31, '56
	$	$
Total resources	504,666,337	610,905,051
Deposits	438,723,571	546,612,949
Cash and due from banks	117,278,851	187,828,755
U. S. Govt. security holdings	93,189,747	134,849,592
Loans & discounts	257,357,543	255,400,283
Undivided profits	8,735,854	8,383,445

* * *

GRACE NATIONAL BANK OF NEW YORK

	Mar. 31, '57	Dec. 31, '56
	$	$
Total resources	191,048,951	187,331,808
Deposits	173,678,750	173,330,522
Cash and due from banks	49,613,410	54,658,955
U. S. Govt. security holdings	50,405,354	47,011,263
Loans & discounts	73,860,484	72,729,653
Undivided profits	1,525,414	1,222,932

* * *

CITY BANK FARMERS TRUST COMPANY NEW YORK

	Mar. 31, '57	Dec. 31, '56
	$	$
Total resources	158,115,080	161,205,189
Deposits	118,358,205	120,591,249
Cash & due from banks	36,387,227	47,833,974
U. S. Govt. security holdings	87,143,644	79,950,577
Loans & discounts	3,318,600	2,482,497
Undivided profits	12,987,372	12,801,777

THE STERLING NATIONAL BANK & TRUST COMPANY OF NEW YORK

	Mar. 31, '57	Dec. 31, '56
	$	$
Total resources	152,227,014	156,127,457
Deposits	138,617,637	142,808,479
Cash and due from banks	34,668,942	39,945,798
U. S. Govt. security holdings	35,684,306	36,035,473
Loans & discounts	72,912,717	74,805,372
Undivided profits	1,539,255	1,507,858

* * *

UNDERWRITERS TRUST CO., NEW YORK

	Mar. 31, '57	Dec. 31, '56
Total resources	$41,538,691	$41,842,729
Deposits	37,597,157	38,154,522
Cash and due from banks	8,256,854	6,913,568
U. S. Govt. security holdings	14,795,770	13,746,964
Loans & discounts	14,496,048	17,898,228
Undivided profits	1,441,149	1,435,928

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THE CLINTON TRUST CO., NEW YORK

	Mar. 31, '57	Dec. 31, '56
Total resources	$36,197,928	$36,876,277
Deposits	33,208,741	33,877,004
Cash and due from banks	8,696,769	9,495,295
U. S. Govt. security holdings	10,510,827	9,512,354
Loans & discounts	13,913,420	14,665,560
Surplus and undivided profits	1,337,746	1,316,925

* * *

The Hanover Bank, New York, became the first major New York Commercial Bank to announce removal of a substantial part of its operations from Wall Street to the new mid-town business center on Park Avenue. The announcement came with the agreement for a long-term lease in the 42-story Astor Plaza project which will occupy the square block running from 53rd to 54th Streets and from Park to Lexington Avenues.

William S. Gray, Hanover Chairman, stated that the lease will provide for the bank's occupancy of approximately 200,000 square feet of space. The Hanover facilities will include an important new branch occupying the 53rd Street side of Astor Plaza from Park to Lexington Avenues, and three upper floors, two of which will be used initially by the banks Personal Trust Division now located at 70 Broadway.

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Alex. H. Sands, Jr. has been elected to the board of directors of **Chemical Corn Exchange Bank, New York** it was announced on March 29 by Harold H. Helm, Chairman.

* * *

The election of Joseph B. Zweifel as Assistant Vice-President of **The Marine Midland Trust Company of New York** has been announced by George C. Textor, President.

His duties with the bank will include the constant audit of loans from the standpoint of soundness throughout the entire bank.

* * *

Hugo E. Scheuermann, a retired Senior Vice-President of the **Chase Manhattan Bank, New York,** died on April 1 at the age of 70.

Mr. Scheuermann worked for the **Liberty National Bank** and the **Mercantile National Bank of New York,** between 1909 and 1912 and was with the **Park National Bank** from 1912 to 1929, becoming Assistant Cashier in 1919, Assistant Vice-President, 1920 and Vice-President, 1922. When the Park National Bank merged with the Chase National Bank in 1929, he was made a Vice-President. He was promoted to Senior Vice-President of the Chase Manhattan Bank in 1947.

* * *

John J. Mackey, a member of the legal staff of **The Dime Savings Bank of Brooklyn, N. Y.** for more than 24 years and for the past six years head of the Bank's legal department with the title of Solicitor, retired on March 29 as an officer of the Bank. William A. Anzalone, Assistant Solicitor, will take over Mr. Mackey's duties beginning April 1.

Mr. Mackey joined "The Dime" staff as an attorney in 1932, attained officer rank when he was named Assistant Solicitor in 1940, and was made Solicitor in January 1951.

* * *

Rockaway Savings Bank, Far Rockaway, N. Y. and the **Jamaica Savings Bank, Jamaica, N. Y.** merged on April 1 under the title of "Jamaica Savings Bank."

* * *

Clarence William Vail, retired Vice-President and Assistant Treasurer of the **Stamford Savings Bank, Stamford, Conn.** died on March 25 after a long illness. His age was 75. He had been associated with the Bank since 1921. He retired last June.

* * *

Frederick K. Hopkins has retired as Chairman of the **Hudson Trust Company, Union City, N. J.** He will continue as a director. Mr. Hopkins has been associated with the Bank since 1922. He has been its Chairman since 1954.

* * *

W. G. Semisch, President of the **Second National Bank of Philadelphia, Pa.** reports that a special meeting of shareholders has been called for April 18 to authorize an increase in capitalization, by the issuance of 12,500 additional shares of capital stock.

All present shareholders will have the right to purchase one additional share for each 10 shares held or any part thereof, at a price of $28.00 per share.

With the completion of this new stock subscription, Second National's capital funds and reserves will be increased to approximately $4,000,000.

* * *

By the sale of new stock, the common capital stock of **The Conestoga National Bank of Lancaster, Pennsylvania** was increased from $900,000 to $1,000,000 effective March 21 (50,000 shares, par value $20).

* * *

Wythe County National Bank of Wytheville, Wytheville, Virginia, with common stock of $175,000; and **The Bank of Crockett, Inc.,** Crockett, Virginia, with common stock of $20,000 consolidated as of the close of business March 16. The consolidation was effected under the charter and title of "Wythe County National Bank of Wytheville."

At the effective date of consolidation, the consolidated bank will have capital stock of $195,000, divided into 19,500 shares of common stock of the par value of $10 each; surplus of $195,000; and undivided profits, including capital reserves, of not less than $123,985.

* * *

The First National Bank of Celina, Ohio, increased its common capital stock from $300,000 to $400,000 by a stock dividend effective March 18 (20,000 shares, par value $20).

* * *

The common capital stock of **The Shelby National Bank of Shelbyville, Ind.,** was increased from $250,000 to $300,000 by a stock dividend and from $300,000 to $350,000 by the sale of new stock effective March 20 (17,500 shares, par value $20).

* * *

The First National Bank of Rochester, Minn., increased its common capital stock from $200,000 to $500,000 by a stock dividend effective March 20 (5,000 shares, par value $100).

* * *

Effective March 20, the common capital stock of the **Northwest Security National Bank of Sioux Falls, S. D.,** was increased from $500,000 to $1,000,000 by a stock dividend efective March 20 (10,000 shares, par value $100).

* * *

The common capital stock of **The Union National Bank of Wichita, Kan.,** was increased from $300,000 to $360,000 by the sale of new stock and from $360,000 to $600,000 by a stock dividend effective March 19 (60,000 shares, par value $10).

* * *

The Fidelity National Bank & Trust Company of Oklahoma City, Okla., increased its common capital stock from $600,000 to $750,000 by the sale of new stock effective March 18 (75,000 shares, par value $10).

* * *

Relly E. Andrews, President, **Jefferson-Gravois Bank, St. Louis, Mo.,** was elected a member of the bank's board of directors at their meeting on March 8. There were no other changes in the board.

Mr. Andrews, elected President in January, 1956, has been with the bank since 1949.

* * *

John Hayward, 66, Assistant Vice-President and Counsel for **First National Bank in St. Louis, Mo.,** died March 26, after serving the bank for more than 50 years.

* * *

Joseph F. Thompson, Sr., manager of the Collection Department of **First National Bank in St. Louis, Mo.,** died on March 25, following a long illness. He had 38 years of service to his credit, having joined the staff of the **Mechanics-American Bank** in September, 1918.

* * *

Promotion to Vice-President for Darrow L. Sutton, Atlantic seaboard representative in **Bank of America's Corporation, San Francisco, Cal.,** and bank relations department, was announced by President S. Clark Beise.

Mr. Sutton's territory includes New York City, Upper New York State, Vermont, Philadelphia and southeastern Pennsylvania, Virginia, West Virginia and North and South Carolina.

Mr. Sutton joined the bank in 1935 as a batch clerk, and served as lending officer at the Berkeley and Oakland Main Offices and the Instalment Credit Loan department at the San Francisco head office before his elevation to Assistant Vice-President in the corporation and bank relations department four years ago.

* * *

The Standard Bank of South Africa, Ltd., London, Eng., announces the following changes in the Constitution of their Board as of March 31:

Sir Edmund Hall-Patch, G.C.M.G., has been elected Chairman in place of Sir Frederick Leith-Ross, G.C.M.G., K. C. B., who has retired from the chair but will remain on the Board.

Mr. Michael Berry has resigned his seat on the Board owing to pressure of other duties and Mr. John Prideaux, O.B.E., has been appointed a Director in his place.

Metropolitan Dallas Midwest Exch. Member

DALLAS, Texas—Metropolitan Dallas Corporation, Vaughn Building, has been elected to membership in the Midwest Stock Exchange effective March 27, 1957. George S. Rooker, President of the firm, holds the exchange membership.

Form Paradise Securities

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Paradise Securities Company has been formed with offices at 9477 Brighton Way. Victor G. Paradise, formerly with Morgan & Co., is a principal.

Also associated with the new firm is J. L. Cravens, who was previously with Morgan & Co.

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Continued from first page

Utility Common Stock Financing

stocks. Knowing this, I believe that I can suggest to you a few ways in which you can make your stocks more appealing to the investing public and thereby reduce your cost of financing.

* * *

What can you do to make your stocks attractive to investors? Obviously when you offer common, it must be attractive relative to other securities that are available to investors. Therefore, you are competing with securities of other companies and industries as well as with government and municipal securities. Can you offer equal or better investor appeal than do these other securities?

Appeal of Common Stocks

Before this question can be answered, it must be determined just what investors are looking for when they buy securities. The three main appeals are safety, income, and appreciation. Emphasis can vary from the trustee who is primarily interested in safety to the speculator whose main interest is a substantial capital gain. But in between these two extremes are the bulk of the investors who are looking for all three features in varying degrees.

Up until the early post World War II years the utility industry successfully attracted capital by offering a relatively high degree of safety and a good yield. From an economic point of view, your securities have well above-average safety. You sell essential commodities at very low cost so that the public is getting an outstanding bargain when it buys your service. Because of this and the public's desire for better, easier living, your industry has an exceptionally strong growth record. It is only in the political area that your securities carry risk.

Your common stocks, except for the past year, gave relatively attractive yields. An investor could obtain 1 to 2% better income on utility common stocks than he could on bonds or preferred stocks. Thus, your stocks having safety and offering good yields did not have to give promise of capital gains in order to attract investors. Unfortunately, in my opinion, too many utility executives still operate on the basis that the appeals of safety and stable dividends are all that are necessary to attract capital and that anything more than a minor appreciation potential can be ignored.

In this connection, I am convinced that during these postwar years there has been a major shift in investor emphasis from income to appreciation potentials. This is why such popular stocks as Aluminum Company of America, Amerada, Gulf Oil, Humble Oil, International Business Machines, Minneapolis Honeywell, Minnesota Mining & Manufacturing, National Cash Register, etc., yield less than 2½%. Why else would investors buy Florida Power & Light common yielding only 3% when they could buy Minnesota Power & Light first mortgage bonds to yield 4.6%, or Pacific Power & Light preferred stock to yield 5¾%? They are looking for appreciation and weighting it rather heavily.

The reasons for this shift in emphasis to appreciation are quite clear. With current high tax rates, ordinary income has lost a great deal of its appeal to wealthy investors. For a person in the 40% or higher tax brackets, municipal bonds give a much higher net yield than a utility common stock can possibly do. Today such an investor, if his primary investment objective is income, will be much better off investing in tax exempt bonds. They give greater safety, they are available in an increasingly generous quantity, and to give the same net yield after taxes your stocks would have to yield 7 to 15%. The only possible reason such an investor will choose a common stock is because he believes that a common stock will appreciate enough so that even after paying a capital gains tax of 25%, he will still be better off taking a lower net yield amounting to 3 to 11% annually. This requires an annual appreciation of about 5% on a common stock just to break even after taxes as compared to an investment in tax exempt bonds. When the safety of principal is considered, your stocks should be capable of showing considerably better than an annual 5% appreciation if you are to compete successfully with tax exempt bonds.

Another reason for the shift in investor emphasis to appreciation is the changing value of the dollar. Following the stock market crash of 1929, thousands of investors decided that never again would they put money in stocks. Throughout the 1930's and the war years they invested heavily in bonds. As bonds matured and were paid off, these investors found that they again had taken substantial losses in terms of the purchasing value of their dollars. With this declining value of the dollar, more and more investors are investing in stocks for the purpose of obtaining appreciation as a partial hedge against inflation. They buy the stocks that they believe will show the best appreciation and this is a trend that I am confident will continue for some time in the future.

With both high tax rates and inflation apparently with us for some time to come, you can no longer weight appreciation lightly if you are to successfully compete for the investors' dollars. If you will give it substantial weighting, you will find that you can finance more easily and cheaply.

Often when I make this point with utility people, I am told that utilities with their regulation and limited rate of return just cannot compete with industrials when it comes to appreciation. Also, if the utility man to whom I am talking is overly frank, he sometimes says, "Yes, you want us to get our stock up in price so you can sell out at a nice profit." I think I can offer evidence to refute both of those points.

As to the ability of utility common stocks to show as much appreciation as industrial stocks, I would like to show you a chart (Chart 1) bearing on this matter. One line shows the market action of a group of utility stocks, and the other line shows the market action of the Dow-Jones index of industrial stocks. Both are plotted on the basis of 1938 equaling 100 which is the starting point on the chart. Which line is the utilities, and which the industrials? If you didn't know there was a catch in the question, I am sure that most of you would say the upper line was the industrial index. It has had sharper fluctuations and has shown a better long-term gain than the lower line, and so fits into the popular concept of how industrial stocks behave as compared to utilities. Actually the upper line reflects the market action of our holdings of utility common stocks (Chart 2), and the lower line shows the market action of the Dow-Jones industrial stocks. Incidentally, these latter stocks include most of the very popular blue chip companies—the leaders in their field. The better market performance of the utilities is due almost entirely to the fact that for our portfolio we have selected non-urban utilities serving a growing area where we could see above-average gains in earnings per share. Large city utilities and those with slow growth in per share earnings have been avoided. The limited amount of switching that was done did not have an important effect on the end results.

You will note from the chart that the utilities made their biggest gain against the industrials in the years 1942-1946. These were the years when the basis for the breakup of the holding companies was being prepared and the investor had an opportunity that will probably not be available again. In order to eliminate these distortions, I have prepared a table (Table I) showing the market action of the two groups with 1947 equaling 100. During this 10-year period when we had almost constant inflation which is supposed to be bad for utilities, there were only four years when the utilities failed to better the industrial showing. In 1947 and 1950, the comparative showings were not such as to make the utility investor particularly happy. In 1954 and 1955, although the utility showing was not as good as that of the industrials, the utility investor could not be entirely unhappy with gains of 26% and 13% respectively. For the full 10-year period, the utility gains have been superior to the industrial gains, so I submit to you that utilities can offer appreciation potentials to compete with industrial stocks. I will outline how I think this can be accomplished, but please note that the average annual appreciation is far greater than the "better than 5%" that I said earlier was necessary to compete with tax exempt bonds.

As to the criticism that when I talk appreciation, my main interest is to get the stocks up so that we can sell out at a nice profit, it has no basis in fact. An analysis of our utility common stock portfolio shows that 75% of the stocks which we now own are in companies in which we have had substantial investments for periods ranging from seven to 20 years. Considering that several of these are companies that came out of holding companies only seven years ago, it is evident that we are long-term holders on a substantial majority of our utility investments. As to the other 25% of our utility stocks, we added eight new names between 1953 and 1956. The funds for these purchases came not only from the sale of some industrial stocks, but also from the elimination of a few utility holdings. We do occasionally eliminate commitments in utilities, but when we do, it is usually for some good reason. Either we do not like the trend of local regulation or we feel that the management is pursuing wrong financial or other policies. Only very occasionally do we liquidate positions on a wide scale. The last time this was done was in 1940 when we felt that utilities would be a poor market risk under war conditions.

We now own shares of Florida Power & Light that cost us $1.25 a share, and shares of Middle South Utilities which cost us $2.50 a share. If we were short-term investors, and my purpose in urging utilities to realize the importance to investors of appreciation were just so we could make a quick profit, we would not be holding these stocks now. We would undoubtedly have sold them out by the time we had a 100% profit. Obviously we have held these stocks for a long time. While we frankly like to see our investments appreciate, we also maintain that this appreciation potential is an important element in low-cost financing and if recognized will operate not only to the company's benefit but to the consumer's benefit as well. Thus, it is extremely important to a healthy private industry facing a tremendous capital program.

Tailoring Utility Stocks for Appreciation

Since we put great emphasis on the appreciation potential when selecting common stocks, I should be able to tell you what features an investor looks for when he selects a stock for capital appreciation. You can adopt many of these features and thus give your stocks more investor appeal under today's market conditions.

The market value of a stock is based on various factors. Book value is an element in a stock's value, but under current market conditions it is a minor factor, and market values bear little relationship to book values. Some stocks sell at less than book, whereas others sell at many times book value. Yield is another element in market value but it, too, is a minor factor. As pointed out earlier, many of the most popular stocks yield less than 2½%. The yields on stocks which we own range from ½% to 8%, and even among our utilities there is a wide range of 2% to 6%. It thus seems clear that stocks do not currently sell on the basis of yield. There have been times in the market when yield was more heavily weighted, but for several years it has been relatively unimportant.

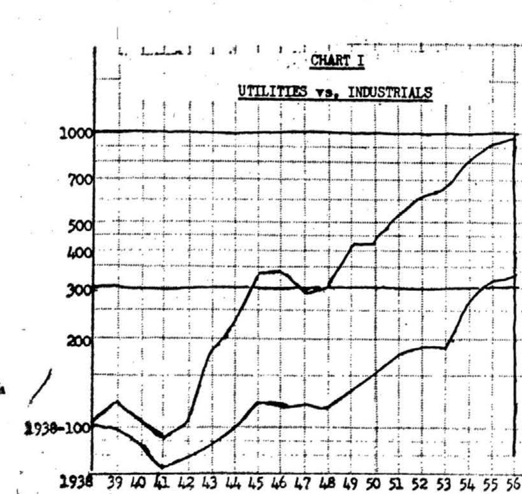
The more we study the common stock market, the more convinced we become that the most important single factor in the market value of a stock is its prospective earnings per share. I would like to emphasize the words "prospective" and "per share." Past earnings are of interest to the investor mainly as an indication of what can be expected in the future. And investors are not nearly so interested in the number of dollars available for the common as they are in the per share figures.

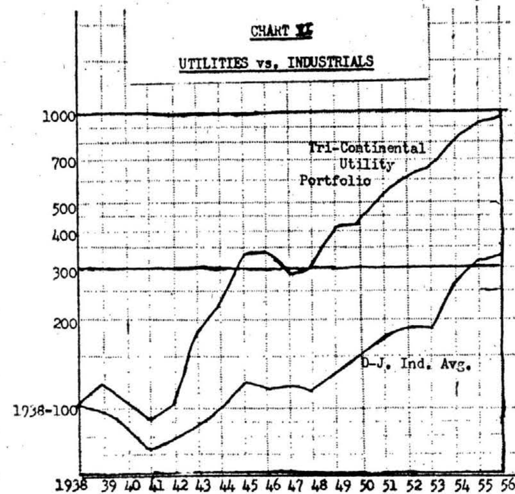
Although per share earnings are the fundamental basis for the market price of a stock, there is another important factor in the formula. This is the price-to-earnings ratio. The evaluation of earnings can vary widely between stocks. For example, Illinois Central Railroad is selling at 7.3 times 1956 earnings, whereas International Business Machines is selling at 39.1 times 1956 earnings. Why should there be such a wide variation? The answer is confidence. The investor lacks confidence that Illinois Central can maintain the present level of earnings if business volume should decline, and he is not sure that earnings can increase materially if business holds up. On the other hand, investors are very confident that over a period of time International Business Machines will report much higher earnings per share and they are not particularly concerned about any minor downturn in earnings that might occur under poorer business conditions.

Among utilities, Florida Power & Light is selling at 18 times earnings to yield 3%, whereas Wisconsin Electric is selling at 12 times earnings to yield 5.6%. The reason that investors are willing to put a 50% higher appraisal on Florida's earnings and to accept a much lower current yield is because they are confident that over a period of years Florida will be reporting higher per share earnings and with these higher earnings will be paying larger dividends. This confidence is based to a large degree on Florida's past earnings and dividend record and the favorable regulatory climate in the state. Wisconsin Electric's earnings and dividend record does not inspire the same investor confidence and, in addition, there is apprehension about strict regulation in the state.

Table 2 shows the earnings, dividend, and market price record of the stocks of these two companies. Note that Florida's earnings and dividends have increased 115% and 95% respectively since 1950, whereas Wisconsin's have shown increases of 29% to 33%. But the price action of the stocks has shown even a wider disparity. Florida's stock has appreciated 314% during this period, whereas Wisconsin's stock is up 68%. This is because investors appraised Florida's earnings at only 8.7 times in 1950 but having gained confidence are now appraising them at 18 times—an increase of 107% in the ratio. Wisconsin's price-to-earnings ratio has expanded from 10.5 to 13.7—a gain of 30%. I am sure that you will agree that Florida has lowered the cost of its common stock capital much more than has Wisconsin. The former's earnings of $2.59 a share represents a return of 5½% on the 46¾ market price of the stock. Wisconsin with practically equal earnings of $2.46 a share sells at 31, which results in a return of 8.0%.

Not only is the all important cost of equity capital improved if you can obtain higher earnings and increased investor confidence, but the improved investment standing is usually reflected in lower cost of prior capital. Customers will benefit over the long run, and the private industry will





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be better able to withstand the inroads of socialistic ventures.

It is for this reason that I deplore the growing trend toward the "cost of money" theory in regulation and feel that anyone who abets it is doing a great disservice to the industry and our private enterprise system. Under that theory there is no incentive to lower your cost of capital and in fact you can't. It would be practically impossible to increase investor appraisal of your earnings because as your price-to-earnings ratio went up, the cost of your equity capital would go down. This would result in rate reductions or the equivalent which would eliminate the growth in per share earnings. Investor confidence would be shaken and this would be reflected in turn by a lowering of the price-to-earnings ratio. Once investor confidence is lost, it takes a long time to rebuild it. Your cost of capital would be considerably higher if not prohibitive, and government competition would be given a boost.

At this point it is evident that my two main proposals for lowering your cost of capital are (1) increase your per share earnings, and (2) take steps to improve investors' appraisal of your earnings which is reflected in the price-to-earnings ratio at which your stock sells. If you can accomplish the first step, you will have gone a long way toward realizing the second step.

Increasing Per Share Earnings

There are not many ways in which a utility with its return limited by regulation can increase its per share earnings. It is obvious that physical expansion will not increase per share earnings if the return on your over-all investment remains constant, your capital structure is kept in a constant proportion, your cost of capital is unchanged, and you have no important reinvestment of earnings. It is because of this that many feel that regulated utilities cannot show the required growth. I do not subscribe to this point of view. I grant that you cannot constantly show substantial year-to-year gains in per share earnings, but I do not think this is necessary. If you can show steady gains even though small, you will find that investor confidence will grow. Chart 3 shows the per share earnings results of two utilities with above average growth in revenues. If you were an investor which would you have more confidence in? I think that a steady upward trend in per share earnings can be accomplished if you make intelligent use of the five factors which will give higher per share earnings. These factors follow:

I

Rate of Return

Of all factors which affect your per share earnings, your rate of return is the most important. If you are already earning a full return, this factor is probably useless as a means of improving earnings. However, it is our observation that under present inflationary conditions very few utilities are earning a maximum allowable return. If you are not earning this return, it is your duty as managers to do whatever you can either through sales promotion or cost reductions to improve the return. If these economies fail, then and only then should you attempt to obtain rate relief. Rate increases, by and large are undesirable, but if necessary you should not hesitate to go after them. In this connection, you should do what you can to constantly impress upon your commission the importance of maintaining adequate earnings if capital is to be attracted at low cost. There is and there will continue to be in the foreseeable future a tremendous demand for capital. Unless investor confidence can be maintained, the cost of your capital will rise over a period of time and your customers will suffer from poorer service and eventually from higher rates. With utility services at such bargain prices, I am sure that most consumers are more interested in service than they are in rates at the present time.

II

Capital Structure

Changes in capital structure can have an important bearing on per share earnings. If a company chooses to build up the proportion of its capital structure represented by common equity, it results in proportionately heavy offerings of common stock, and this dilutes the per share earnings. Conversely, if the proportion represented by common declines, per share earnings will be increased, everything else being equal. Therefore, I think there is much to be gained by a judicious use of your capital structure. This begs the question, "What should a capital structure be?"

There is no one pattern that can be applied to all segments of the industry or to all companies within a given segment. A capital structure should be tailor made to fit the risks involved. Consequently, those who preach standards of capital structures are theorists, in my opinion, who have harmed the industry. At the time that El Paso Electric was to be divorced from its holding company, the SEC issued a decree stating that the minimum capital structure for an electric company should be 50% debt, 25% preferred, and 25% common. This started a fashion. Many companies decided that they had to be much better than the "minimum" and in this they were encouraged by many outside well-intentioned kibitzers. The rush was on to build up equities. First a 30% goal was set, but then this was raised to 35%, 40%, and higher. At the time, I was consistently against this build up and with hindsight I am sure the build up was a mistake. During the period of this build up, we were having the most favorable bond market we have ever had or will likely ever have again. On the other hand, the common stock market was relatively low in that stocks were selling at subnormal price-to-earnings ratios on an historical basis. The result was proportionately small offerings of low cost prior securities and relatively large offerings of high cost common stocks. This was expensive financing.

Was the cost of this added financial strength worthwhile, or was it an unnecessary extravagance? Anyone who has dealt with organizations such as a PTA, etc. will know that there are such things as unnecessary extravagances. To answer this question, let us make the supreme test by recalling the experience of utilities during the great 1932 depression. I doubt that we, in our lifetime, will be called upon to face conditions as unfavorable to utility operations as were encountered then. Not only was the depression severe, but it was long drawn out so that families finally doubled up and you actually lost customers on balance for the only time in your history. And how did the industry weather the storm? On today's standards of accounting most utilities had little or no common equity, and some had actual deficits. Yet, outside of a few extremely pyramided holding companies, there were very few bankruptcies. Some operating companies went into arrears on preferred dividends but by and large this was about the worst that happened.

Today you are in a much stronger position to meet these unfavorable conditions. From a pricing point of view, you are in a greatly superior competitive position than you were in 1929, the many labor saving devices on your lines are even more of a necessity than they were then, and fixed charges, because of the lower cost of money, take a much smaller proportion of revenues or net income. Although I do not recommend it, I believe that you could go to a 10% common stock ratio without real risk of bankruptcy, even under 1932 conditions.

The point that I would like to make is that I do not think you should set some bogey such as 35% or 40% as your goal and then continuously build toward this. And don't be afraid to let your ratio drop below 30% if it is necessary to maintain an upward trend of per share earnings.

The use of changes in capital structures as a factor in obtaining an upward trend in earnings should be synchronized with the other factors, especially rate of return. In periods when it appears that your rate of return is likely to slip, you should allow your pyramid to rise and do your financing with the lowest cost capital. Conversely, when you expect your rate of return to expand either because of some new profitable load, a major economy, or a rate increase, you should take advantage of this opportunity to build up your equity, but you should not offer so many shares that the gain in earnings would be fully diluted.

This policy of synchronizing changes in capital structure with other factors in order to maintain an upward trend in earnings has been used by Atlantic City Electric ever since 1948. At that time the company had the recommended capital structure of 50%, debt, 15% preferred, and 35% common. In several subsequent years there was a decline in the rate of return and to offset this, the company increased its pyramid so that at the end of 1956 its common equity ratio had declined to 31.6%. As a result, the company has been able to show an increase in per share earnings each year since 1948, and by 1956 per share earnings were up 81%. With investor confidence thus built up, the stock sells at a well above average PE ratio. What would the record have been if the original capital structure had been maintained?

Another chart shows the actual earnings compared to earnings that would have been reported if the 35% equity ratio had been maintained year by year. In preparing the pro forma earnings, certain assumptions had to be made. When we substituted common stock financing for actual bond or preferred stock financing, we used the price at which the common stock was selling at the time of the financing. If stock had actually been sold to maintain the 35% ratio, it is extremely doubtful that the market price would have been maintained at the assumed level. There were other similar assumptions necessary that made the theoretical showing better than it would probably actually have been.

As can be seen from the chart, the maintenance of a 35% ratio would have resulted in a poorer earnings record. With the irregularity of reported earnings in the first few years when the company was making its early market history, the buildup of investor confidence could probably have been slow. Over the full period per share earnings would have increased 68% instead of the actual 81%. Per share earnings in 1956 would have been $1.53 instead of $1.65. Under these conditions it is unreasonable to assume that the stock would be selling at as high a price-earnings ratio as it now enjoys. Using a price-to earnings ratio of 15 instead of the present 17, and applying this to the pro forma earnings of $1.53 results in a market value of 23 compared to the actual present price of 28.

Thus, it is conservatively estimated that to have maintained the 35% equity ratio would have cost the company $5 a share in the market value of its common. If the company were selling 250,000 shares—an approximate 1-for-10 offering—it would be obtaining $1,250,000 less capital at the lower price. To pay their current dividend of $1.30 a share would cost the company $429,000 in additional dividends annually because of the increased number of shares. Thus, Atlantic City Electric has used the type of buildup in pyramid which I recommend.

III

Reduction in Cost of Prior Capital

You do not have much control over the cost of your prior capital. By and large this is established by the law of supply and demand in the money market. Unfortunately this factor is working against an improvement in per share earnings at the present time in that the cost of your new prior capital is higher than that of the prior capital now on your books. As you issue new capital at higher rates the average over-all cost of prior capital increases. However, there are certain things you can do to stem this tide to some extent.

Keep flexible in your financing plans and do not get into a corner where there is only one way out. All securities markets are in a constant state of flux and at times are receptive to one type of security and at other times to another type. Therefore, you should be in a position to offer whatever security the market is most receptive to. I have seen companies adopt certain patterns of financing and stick to them rigidly even though market conditions are poor. Such a pattern might consist of first selling common stock, then selling preferred, and then selling bonds and repeating this in rotation with no thought given to existing market conditions for the security being offered.

I know of companies who finance construction by bank loans until the bank loans reach certain levels at which time they are permanently financed. This is fine during a period of declining interest rates, but it is wrong when interest rates are rising. In the latter case it is better to issue your securities early in anticipation of your needs. Of course, you cannot always determine in advance what type of security the market will be receptive to or whether interest rates will be rising or falling at the time of your financing, but if you give this enough study you should be able to bat over 500 and this is worthwhile.

There are a few other suggestions that I believe can lead to an improved cost of prior capital. Try to schedule your offerings during periods when financing calendars are not too congested. There is a tendency on the part of corporations to do their financing in the first part of the year and the months of February through April seem most popular. Make yourselves available to security analysts and make sure they have all the information that they desire. Above all, don't mislead them, and don't talk down to them. They are an important group when cost of capital is concerned.

Appearances before analyst group meetings are important, but I would recommend individual calls with prior notice so that questions can be prepared. A private visit during which a security buyer can ask questions which he believes bear on confidential matters is much better from his point of view than an invitation to a large group meeting where he hesitates to ask these questions. Moreover, he feels that he has information that is not generally available. If he overlooks questioning you on an important matter, volunteer the information. Invite him to visit your territory and call on you.

The amount by which you can affect the cost of your prior capital is limited, but if you can improve it by only five or 10 basis points it is worthwhile. Assuming that you are earning a 6% return and your bond money costs you 4½%, the difference of 1½% works to the benefit of the share owner. If this difference can be increased to 1.6%, that represents an improvement of over 6% in the amount working for the benefit of the share owner.

IV

Reinvestment of Earnings

Another factor which can lead to improvement in per share earnings is the reinvestment of a portion of these earnings. I am often asked what proportion of earnings should be paid out in dividends and I have heard theorists argue this point at great length. In my opinion, there is no specific percentage that fits all market conditions or all companies. As I said earlier, the current market appears to be ignoring yield except in certain securities, but there are times when the market puts a great deal of weight on yield. What the payout for any company should be depends on what the company can do with the retained earnings. If a company will issue a proportionate amount of prior securities and can earn a full return on the total investment, the return on the reinvested earnings can be quite large. Under these conditions the company is justified in having a

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TABLE I

Market Performance of Utility Portfolio Compared to Industrial Stocks

Year	Annual % Change D-J Indust.	Annual % Change Utilities	Index 1947 = 100 D-J Indust.	Index 1947 = 100 Utilities
1947	+ 2.2	—16.8	100.0	100.0
1948	— 2.1	+ 4.2	97.9	104.2
1949	+12.9	+40.4	110.5	146.3
1950	+17.6	+ 1.0	129.9	148.8
1951	+14.4	+24.6	148.6	185.4
1952	+ 8.4	+16.0	161.1	215.1
1953	— 3.8	+ 6.7	155.0	229.4
1954	+43.8	+26.2	222.9	289.5
1955	+20.8	+13.0	269.3	327.1
1956	+ 2.3	+ 6.5	275.5	348.4

TABLE II

Comparative Record of Earnings, Dividends, and Prices

Year	Earnings per Share Florida	Earnings per Share Wisconsin	Dividends Florida	Dividends Wisconsin	Average Price Florida	Average Price Wisconsin
1950	$1.21	$1.90	$0.62½	$1.20	10½	20
1951	1.25	1.94	0.70	1.30	12½	21
1952	1.42	1.93	0.72½	1.40	15½	25
1953	1.54	2.01	0.80	1.50	18	27
1954	1.75	2.07	0.87½	1.50	24	31¼
1955	2.05	2.35	1.02½	1.60	34	33¼
1956	2.59	2.46	1.22	1.60	43½	33⅜
% Change 1950 to 1956	115%	29%	95%	33%	314%	68%

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Utility Common Stock Financing

low payout. In this instance the proportionately large reinvestment of earnings at a high return can contribute importantly to an upward trend in per share earnings.

On the other hand, if a company uses the reinvestment of earnings as a means of building up its equity ratio and so does not issue a proportionate amount of prior securities, or if it is unable to earn a good return it is not justified in retaining a large portion of its earnings. Since the stockholder can reinvest these funds at a better rate, it is against his interest to force him to add to his investment. For such a company the reinvestment can have only a minor effect on the trend of earnings.

Some small increase in your dividend rate each year is highly desirable and is impressive when the long-term record is examined. However, if you can employ retained earnings to good advantage from the stockholders' point of view, I would recommend that you keep your payout as low as possible consistent with a small annual increment in your dividend rate.

V

Common Stock Offerings

The final factor affecting the trend in per share earnings is the policy adopted in connection with common stock offerings. The best price possible should be obtained and all unnecessary dilution should be avoided. As stated earlier, the timing should be synchronized with changes in your rate of return. Beyond this the price level is important. If you can sell stock above its book value, you add to per share earnings, everything else being equal. If you sell stock below book value, you dilute per share earnings. The most desirable situation would be to sell stock at successively higher prices on each subsequent offering. Thus, even your newest share owners would not be diluted. While this may sound difficult, it should be generally possible if you have a steady upward trend in earnings and dividends.

Largely because rights tend to dilute per share earnings, I strongly recommend against the offering of stock through rights. Some stockholders are in favor of rights under the false impression that it gives them a good investment opportunity or that it is a form of an extra dividend. From the long-term point of view, they are better off if you do not offer through rights. Those who subscribe may be better off than those who do not or cannot subscribe, but actually it is the transfer agent, the printer, and the underwriter who get the most benefit from a rights offering. It is an expensive form of financing for the utility. The only benefit you get from such an offering is the goodwill of some of your short-sighted stockholders. If you are to get even this, the rights must have some value and in order to give them value, you must price the stock below the market. This means you are going to have to issue more shares to get in the same number of dollars than if you priced the stock at the market. The resulting unnecessary dilution will not help your per share earnings. Over the long run the higher per share earnings and dividends obtained by eleminating this unnecessary dilution will do more for the bulk of your stockholders than is done by giving them occasional rights.

In addition to being expensive, a rights offering usually depresses the stock during the rights period and most stockholders sell their rights on a depressed market. Don't be deceived when you see that a rights issue has been fully subscribed. The chances are that a majority of the subscriptions came from rights that were bought on the market and not from the original stockholder. A rights offering either dilutes the stockholder or forces him to increase his investment in the company. He may not be financially able to increase his investment or he may already have all he wants invested in the company. If not, he can always add to his investment through purchases in the open market.

Other Factors Leading to Investor Confidence

My main thesis has been that a steady upward trend in earnings and dividends is essential to a high appraisal of your earnings which, in turn, will give you low cost financing. However, there are other factors that influence investor confidence, and the most important of these is management.

You should at least give the impression that you are hired help—which you are—working for the interest of the stockholders who own the company—which they do. Under our free enterprise system, management operates a company for the benefit of its common stockholders. If this were not so, utilities might just as well be publicly owned. Of course, it is to the long-range interest of the stockholder to make sure that the customer is getting the best possible service at reasonable rates and that labor is being adequately paid. But we believe that these latter two objectives will be better served under the profit system which leads to more economical operations. Since this is so fundamental, it is generally assumed that management always has as its primary objective the interests of its shareowners. Unfortunately this is not so, and there are too many officers whose main objective appears to be to maintain their high salaried positions and the prestige that goes with the office.

A few years ago I was talking with a financial officer of a company who had avoided the use of preferred stock in his capital structure. His reason for so doing, even though it would benefit the common stock, was that under modern indentures if they went into arrears for a certain number of quarters, there could be a change of management. Recently I heard a talk by the president of a utility in which he pointed out that during the past ten years average residential rates had declined about 50% and wage rates had increased by an astronomical amount. Then he added that per share earnings were up 10% during this period. How do you suppose investors felt when he offered these figures as evidence of an excellent job.

Just last week three reports came to my desk. In glancing at the 10-year record of performance, I noticed that two gave the record of earnings per share and dividends paid. The third, although it showed an impressive performance in growth in physical units, number of customers, consumption per customer, number of employees, average wages, and a steady decline in rates, had nothing to indicate how the stockholders made out on a per share basis. I don't know whether this was because they didn't think it was an important statistic or because they were ashamed of the record. I might add that the stock of this company sells at a relatively low relationship to earnings.

There are a few final factors influencing investor confidence that I would like to mention. Your reported earnings should not be temporarily inflated so that there is a risk of substantial decline. Along this line, I think that tax savings resulting from amortization of emergency facilities should be normalized. Tax savings from accelerated depreciation are more questionable and do not concern me so much as long as you continue to expand. Interest charged to construction, if too liberal, can inflate reported earnings so that there is the risk that when it runs out earnings cannot be maintained. The quality of your earnings has a considerable bearing on investor confidence.

The constant offering of common stock or the threat of overhanging dilution from convertible securities will disturb investor confidence. Thus I would recommend that you try to space your common offerings so that they do not come too frequently. Also, confine the amount of potential dilution from convertible securities to a minimum.

Electric utilities that lack fuel clauses in their rate schedules have added vulnerability. This hurts investor confidence which, in turn, results in higher cost capital. Today earnings of utilities operating in California where there are no fuel clauses are being adversely affected by the increase in the price of oil. Although some have already applied for compensating rate increases, damage has already been done to confidence. In investment circles, California has the reputation of being very slow in the granting of rate relief. If regulatory lag can be reduced, investor confidence will increase.

Summary

To summarize, I would like to show you one final chart. This chart shows the per share earnings record since 1949 of two companies operating in contiguous territory and subject to the regulation of the same commission. Company A has made a strong effort to show some increase in per share earnings each year and has worked diligently to strengthen investor confidence. I would like to read you its earnings record on an index basis with 1949 equaling 100. It has been 100, 106, 107, 117, 133, 143, 156, 167. This has been accomplished without the help of a rate increase—the return has actually slipped. Company B on the other hand has had a spotty earnings record as you can see and has done very little to stimulate investor confidence. Its earnings record on a similar index basis has been 100, 92, 101, 90, 89, 89, 102, 106.

With this contrasting earnings record, it is interesting to see what has happened to the price-earnings ratio. In 1949, Company A's stock sold at 10.8 times earnings, but by 1956 this had increased to 17.3—a gain of 60%. In the same period Company B's ratio had expanded from 10.3 to 14.2—a gain of 38%. Company A's stock, with a 67% gain in earnings and a 60% increase in its price-earnings ratio, has appreciated 167% during this seven-year period. This compares very favorably with most industrial stocks and has materially lowered the cost of capital. Company B's stock has appreciated 46% during this period. This is a compound rate of less than 6%, and so is not as attractive to most investors as either municipal bonds or industrial stocks.

Your industry has a tremendous capital program ahead of it. If you can compile a record such as Company A's, you will have no trouble in attracting capital. If you do not better Company B's record, I question your ability over the long run to continue to attract capital at reasonable rates.

Public Utility Securities

By OWEN ELY

Florida Power & Light Company

Florida Power & Light might perhaps lay claim to the title of the "premier utility growth company," since it was selling recently at about the highest multiple of earnings (18) and returned the lowest yield (2.8%) of any of the leading growth companies in the utility list. Of course, day-to-day market changes might change this picture with respect to the P-E ratio, since competition is keen with such runners-up as Florida Power Corp., Texas Utilities, Houston Lighting, etc. Moreover, Florida P. & L. has certain "hidden earnings" which, known to the initiated, would lower its real price-earnings ratio somewhat.

Chairman McGregor Smith recently addressed the New York Society of Security Analysts and told a "grew-some" story of Florida and his company. Florida has enjoyed the steadiest growth trend enjoyed by any state during the 90 years since the Civil War, and the population is expected to gain 80% in the decade ending 1960. Every week, on the average, 3,500 people come to Florida, of which some 2,000 are job seekers. The state ended 1956 with fewer people unemployed than a year earlier, and the 3½% unemployment was about the irreducible minimum. During 1947-1954, more new manufacturing jobs were created in Florida than in such great industrial states as Michigan and Pennsylvania, and since 1954 that growth has accelerated to more than double the rate previously set.

For the first ten months of 1956, with rising interest rates a damper on mortgage financing, home building in the U. S. declined 19%—in some states 40%—but Florida showed a gain of 8% over 1955. All except three of the nation's 20 largest life insurance companies are actively making mortgage loans in Florida.

Defense industries, faced with the urgent need for more engineers and scientists, have found that employment in Florida has a big appeal. Hence, these companies and others have been locating new factories or research facilities in Florida: Lockheed Aircraft, General Electric, Pratt & Whitney, Combustion Engineering, Monsanto Chemical's subsidiary Chemstrand, Sperry Rand, Minneapolis Honeywell, and Glenn L. Martin Company. Industrial development not only helps the general economy of Florida, but each worker in a manufacturing plant uses about 18,000 kwh annually—six times as much as in 1920. As a result Florida P. & L.'s sales increased 36.8% in the past decade.

The company, the state's largest utility, operates along the lower west coast and most of the east coast as well as in central and north-central Florida. Cities served include Miami, Miami Beach, West Palm Beach, Daytona Beach, Coral Gables, Ft. Lauderdale, St. Augustine, Sarasota and Ft. Myers. The tourist trade is the chief activity in the east coast area, and vegetables and citrus fruits in most of the remainder.

The company's revenues in 1956 were 98% electric and 2% gas, but the company's gas properties have now been sold. Electric revenues are 48% residential, 39% commercial 8% industrial and 5% government and municipal. Average residential electric rates at 3.07¢ per kwh, and annual usage of 3,502 kwh, compare with 2.60¢ and 2,956 kwh nationally.

The company is confident of continued rapid growth and has a huge construction program on the drawing boards. It is estimated that by 1962 it will need generating capability of 2,375,000 kw, 2.3 times present capability and 10 times that of 1946. It is now adding 640,000 kw to be completed by the end of 1959 and is planning three additional 220,000 kw units to be completed by the end of 1962. The company has about a half interest in a 150,000 kw atomic energy plant expected to be in operation by the end of 1962.

Florida Power & Light has been fortunate in having a sound regulatory setup. The company has automatic rate adjustment clauses covering nearly all its business, which act as a stabilizer for earnings and thus aid the company to finance its tremendous growth. Following the Suez incident, the price of oil went up sharply, and without the automatic adjustment net income would have suffered correspondingly. (In California where the utilities do not have these adjustment clauses except perhaps on industrial business, the earnings of some utilities such as Southern California Edison are being sharply reduced by the rise in oil prices.)

These protective clauses can also work in reverse. When the new pipeline brings natural gas to Florida in about a year and a half, Florida Power & Light will contract for a substantial amount of gas for boiler fuel over a period of years, and this will probably result in lower residential rates.

Florida P. & L. was recapitalized in 1947 with an equity ratio of 28% and by the end of 1956 this had increased to 38%. Despite this increase (which has a restraining effect on earnings by reducing leverage) share earnings increased in every subsequent year. By 1952 share earnings had nearly doubled the 1947 figure of 74¢ and it looks as though 1957 could easily double 1952's $1.42 (in 1956 $2.59 was reported).

Reference was made above to "hidden earnings." This referred to the company's celebrated hurricane reserve, its substantial charge for plant acquisition adjustments, and the fact that "interest charged to construction" was discontinued in 1954.

The common stock, which sold at only 8 or 9 times earnings when first distributed to the public in 1949, has advanced from the 1950 low of 8⅝ to last year's high of 50 (after adjustment for a 2-for-1 split). The recent price around 46½ compares with the 1957 range of 48¼-44⅝.

J. C. Wheat & Co. To Admit New Partners

RICHMOND, Va.—On April 11 J. C. Wheat & Co., 1001 East Main Street, members of the New York Stock Exchange, will admit Irving L. Brittle and Lawrence B. Wales, Jr. to partnership. Mr. Wales will make his headquarters in the firm's Norfolk office, 15 Selden Arcade, of which he is Resident Manager.

On April 1, George S. Bernard Jr. retired from partnership in the firm.

Join Gill-Harkness

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Martin B. Bethell, Norman B. Best and Edward J. Cleven are now with Gill-Harkness & Co., Security Building. All were previously with Kostman, Inc.

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Capital Markets Outlook

from 3.43% in December of last year to 3.15% in mid-February of this year. It has since recovered and currently stands at about 3.30%. Likewise, Standard and Poor's average yield on high-grade municipal bonds declined from 3.44% in December to 3.22% in mid-February, with again a moderate rise from that date. The average yield on Moody's Aaa corporate bonds fell from 3.75% in December to 3.66% in mid-March. Many of the new issues of corporate securities offered publicly in the first two months of the year came out at yields somewhat lower than those prevailing at the end of 1956, but here again there has been some stiffening in rates in recent weeks. Signs of moderate easing were likewise reported in the conventional mortgage market during February. The big question before us, therefore, is whether the moderate easing which took place in the capital markets in the first two months of the year indicated a trend or whether the more recent recovery in yields will persist in coming months.

In order to analyze this question, I would like first to review some of the signs which many economists think now point to an easing in the capital markets this year. Then, I shall indicate some of the reasons why I believe it is doubtful that further easing will go very far, if indeed it develops at all.

Some of the Signs Pointing to an Easing in the Capital Markets

Those who anticipate some easing in the capital markets during the rest of this year call attention to a number of developments in the national economy, as follows:

(1) A great deal of stress is laid upon the apparent leveling off in business and industrial plant and equipment expenditures. The McGraw-Hill Survey, the National Industrial Conference Board data on appropriations for capital expenditures, and the SEC - Commerce survey on plant and equipment expenditures are all cited to indicate that some of the steam has been taken out of the boom in plant and equipment expenditures. Although it is admitted that the record annual rate of $38 billion, as reported for the second quarter of 1957 by the SEC-Commerce survey, is a healthy one, much is made of the fact that this rate represents a leveling off of the rise in these expenditures. The explanation for this development, which is widely accepted among business economists, is that corporate profits rates have declined to a point where at higher interest rates, business concerns are raising serious questions about going further with their plans for expansion. In addition, it is pointed out that capital spending moves in waves and that the present leveling off heralds an end to the most recent surge in the capital expenditures area. A great deal of emphasis is given to the argument that, although the volume of plant and equipment expenditures remains high, it is the direction of movement and the momentum of growth of these expenditures which applies pressures to the capital markets.

(2) The second most important sign of easing in the capital markets which is frequently mentioned is the persistent decline in housing starts. A great deal is made of the fact that housing starts have currently fallen to a seasonally adjusted annual rate of 910,000 as compared with 1,127,000 a year ago, with the end still not in sight. The interpretation of this is, of course, that this decline is reducing the demand for capital funds in the residential mortgage area. A basic question here, which I shall touch upon later, is to what extent this decline in residential construction can be explained by the dearth of easily available credit and how much of it by a lack of demand for housing. There are many housing analysts who believe that consumer resistance to high prices in the housing field is an important factor in reducing the demand for housing, and that under these circumstances the reduced supply of new houses is coming more nearly into balance with the demand.

(3) Particularly among commercial bank economists, considerable importance is being attached to the fact that bank loans are not showing the same vigor this year as a year ago. It is true that the seasonal decline in bank loans which is characteristic at this time of year has been greater in 1957 than it was last year. The latest figures, moreover, indicate that bank borrowing by business concerns during the recently completed tax period was 20% less than it was last year.

(4) Another sign of ease that is frequently mentioned is that manufacturing and trade inventories rose at a much slower rate in January than in the last quarter of 1956. The question has been raised, therefore, as to whether we may not be moving into a period of inventory liquidation.

(5) Still another sign of ease mentioned is the moderate increase in personal savings which has taken place during the past year. This shows that personal saving amounted to 7.6% of personal disposable income in the fourth quarter of 1956 as compared with 6.8% in the fourth quarter of 1955. This higher ratio of saving is, of course, cited as a movement toward restoring a balance between the supply of and demand for capital funds.

(6) Another point frequently made is that consumer credit has risen to record levels and the question is raised as to whether consumers may retrench this year in their borrowing activities.

(7) Still another sign of ease often cited is that some of the basic industries have not shown the resiliency this year which had been expected by them. Frequently mentioned is the automobile industry, where it is noted that manufacturers' sales figures have already been adjusted downward on the basis of the experience to date. Similar arguments are made with regard to other durable consumer goods and likewise it is suggested that the steel industry seems to have become a bit more comfortable in its ability to meet the demands placed upon it.

(8) Finally, considerable emphasis has been placed upon the decline in the stock market which took place in the first couple of months of the year, in spite of the gradual recovery of recent weeks. The basic argument here is that weakness of stock prices contributes a depressing influence on both consumer and business expectations.

These are the principal signs which an increasingly large number of economists are pointing to as suggesting that a business downturn is already in progress, or is imminent, and that along with it will develop an easing in the capital markets. But, a great deal of this reasoning is still quite "iffy." The early months of the year seem to be a time in which many economists are chronically pessimistic about the business outlook. This same kind of pessimism developed early last year and certainly proved ill-founded. In contrast with the pessimists are a minority of optimists who doubt that any important downturn in business is under way or that any significant easing is ahead of us in the capital markets.

Some Reasons to Be Doubtful About Easing in the Capital Markets

What are the main reasons which can be advanced to cast doubt upon the view that some easing may be expected in the capital markets? They are as follows:

The jury is still out on whether a business downturn is in the making. Actually, there is still a great deal of room for optimism regarding the business outlook. Business and industrial plant and equipment spending is still increasing even though there has been some slackening in the rate. Moreover, despite narrowing profit margins, there are still very strong pressures on the part of business and industry to substitute capital equipment for high-cost labor.

In the residential construction field, despite the fact that housing starts have declined the dollar amount of residential construction is still close to record highs. Added to this, the total dollar amount of commercial and industrial construction still places aggregate construction expenditures at record levels. In the housing field Congress is struggling with the problem of how to increase the volume of financing for government-insured and guaranteed mortgages, where the major part of the decline has occurred. It seems inevitable that we shall soon have legislation providing for a reduction of down payment requirements under the FHA program, or as an alternative a substantial increase in purchases of government-insured and guaranteed mortgages by the government through such agencies as the Federal National Mortgage Association, the Veterans Administration, or through the use of the National Service Life Insurance fund. We may get both an easing of FHA down payments and an expansion in government purchases of mortgages. Without going into detail, all of the devices to expand government purchases of mortgages will require the U. S. Treasury to raise new money in order to support the purchases. There is no escaping the demands which would thus be put on the capital markets. Government action along the lines indicated could increase activity in the residential field rather substantially. For a time at least the mere availability of financing on easier terms for government - insured and guaranteed mortgages could very well provide quite a stimulus to the demand for housing.

Rising Personal Incomes

Still another reason to doubt any important downturn in business activity and consequent easing in the capital markets is the fact that personal incomes are still rising as are consumer expenditures. The rate at which personal saving has increased has been so modest as to have made not much of a dent in the shortage of savings relative to demand. Similarly, corporate profits rose in the fourth quarter of 1956, reversing the downward movement during the preceding three quarters. The average weekly hours of manufacturing production workers, thought by many economists to be a sensitive indicator of business conditions, show no downward trend. Moreover, the Federal Reserve Board index of industrial production in February was only one point below the peak of 147 in December of 1956.

Added to this, according to preliminary estimates retail sales in February continued at a record high level. Under these circumstances, it is not surprising that continued upward pressure is being exerted on consumer prices. Similarly, the average of prices in wholesale markets continued to rise to new heights in the first two months of this year. Still another element belying any possibility of a business downturn is the Federal budget where expenditures are pushing up to a record peacetime high.

Accordingly, there is still a good deal of room to be optimistic about the business outlook and to be skeptical about the possibility of a business downturn leading the way to greater ease in the capital markets.

Reduced Liquidity

In addition to the fact that there is still room to be optimistic about general business activity throughout 1957, there are several other reasons for doubting that any substantial amount of easing will take place in coming months in the capital markets. For one thing, the forward investment commitments of financial institutions are very heavy at the present time. As a result of the heavy demands placed upon the capital markets, most of these institutions have built up a large backlog of commitments which will absorb a substantial part of their cash flow from normal sources for several months ahead. Indeed, in order to meet some of these commitments it is not unlikely that there will have to be further liquidation of government securities by these institutions.

It is important to recognize, moreover, that during the last several years practically the entire financial system has experienced a reduction in its ability to raise cash for the investment markets. This arises from the fact that in the last several years financial institutions have rather consistently reduced their holdings of U. S. government securities and other saleable assets. Although the end is still not in sight, the relatively low holding of such assets, plus the capital loss which must be taken on sale, currently is restricting savings institutions much more to their regular cash flow. This same phenomenon of reduced liquidity also exists in corporate financial structures and places much more pressure on corporations to borrow in the short-term and long-term money markets.

In addition, it is important to recognize that, if financing should become more readily available on easier terms, there are many pressing demands for capital funds which have gone unsatisfied in the past year which will probably manifest themselves very promptly. Prominent among these are demands for funds to finance schools and highways and public utilities. It seems likely that if credit becomes more readily available this type of postponed demand will soon be brought into play.

The Outlook

Against this background, what can one conclude about the outlook for the capital markets during the remainder of this year? It is my guess that whatever changes that do occur in basic long-term interest rates will be gradual and of minor amplitude. That is, I think that rates will be characterized by stability at around present levels. Conditions do not seem ripe for another rise in rates of the order of last year, but at the same time I see no prospect of any material easing in the capital markets. The backlog of investment commitments and the dammed-up capital demands, plus continued high level business activity, make it difficult for me to see how any material easing can occur this year.

I would like to make this qualification, however. We may witness fairly substantial swings in the yields on government securities. Aaa corporate bonds, and similar securities. These swings could conceivably take place alongside comparative stability in the basic interest rates on new issues of corporate bonds and conventional mortgages—both residential and commercial. It is the new corporate issues, particularly direct placements, and the conventional mortgages where the heart of the capital market lies today. These are the bell-weathers of the capital market, and it is here that I expect interest rates to display stability at around present levels. Because of the thinness of the government securities market, it is much more prone to sudden changes in market psychology. The mere announcement by the Treasury of the possibility of a modest issue of a long-term security, for example, is enough to set off quite a movement in the yields on long-term governments. As for the yields on outstanding corporate bonds, they likewise are not a good thermometer of basic conditions in the capital markets because of the limited market for them.

Federal Reserve Policy Change

Finally, no guess about the outlook for the capital markets would be complete without discussing the outlook for Federal Reserve policy. As a matter of fact, I have been implicity assuming that the general economic picture during the balance of this year will be such that the Federal Reserve authorities will be cautious about moving in the direction of credit ease. They will undoubtedly want clearcut evidence of a business downturn before they make any move toward ease. Since I do not expect such clearcut evidence to develop, I believe that the Federal Reserve policy will continue to be in the direction of credit restraint. Just as has been true in recent months, a major objective of the Federal Reserve will be to conduct their operations in such a way as to permit the interplay of demand and supply forces in the capital markets. As I have indicated, I expect these forces to produce comparative stability of interest rates during the remainder of this year at around present levels.

$20 Million Bonds of Los Angeles Districts Offered to Investors

Bank of America N.T. & S.A. and associates are offering $20,000,000 Los Angeles City School District and City High School District 3¼% bonds, Election 1955, Series C, maturing from May 1, 1958 to 1982, inclusive. The bonds are priced to yield from 2.10% to 3.20%, according to maturity.

Other members of the offering group include—The First National City Bank of New York; Bankers Trust Company; Blyth & Co., Inc.; The First Boston Corporation; Smith, Barney & Co.; American Trust Company, San Francisco; Chemical Corn Exchange Bank; The Northern Trust Company; R. H. Moulton & Company; C. J. Devine & Co.; Merrill Lynch, Pierce, Fenner & Beane.

Security First National Bank of Los Angeles; Seattle-First National Bank; California Bank, Los Angeles; Bear, Stearns & Co.; Dean Witter & Co.; William R. Staats & Co.; Reynolds & Co.; J. Barth & Co.; Clark, Dodge & Co.; Laidlaw & Co.; Carl M. Loeb, Rhoades & Co.; John Nuveen & Co.; Shearson, Hammill & Co.; Trust Company of Georgia; Andrews & Wells, Inc.; Bacon, Stevenson & Co.; Bacon, Whipple & Co.; William Blair & Company; Francis I. duPont & Co.; Gregory & Sons; Ira Haupt & Co.; E. F. Hutton & Company; and Roosevelt & Cross Incorporated.

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Gold and Monetary Discipline

Federal Reserve Banks. Then we would either have to contract our money supply and take the destructive economic consequences of such a contraction, or we would have to reduce the percentage of gold reserves (gold certificate reserves) required in order to maintain the money supply at economically desirable levels. So the argument runs.

There can be only minor exceptions taken to this arithmetic. The figures are nearly all available, because of our willingness to disclose the facts of our own position in such matters and, to some extent, to disclose as much as we can learn about the affairs of our clients and customers. There can be real question, however, as to whether the argument is anything more than an exercise in simple arithmetic, short of such a chaotic world situation as would nullify all cozy calculations.

In the first place, the aggregate figures used in these calculations ignore the banking principle of proportional reserves which enables banks to carry deposits which far exceed their primary reserves, secure in the assumption that, in all but the most extreme circumstances, not all of their depositors will try to withdraw their deposits at the same time. In a sense, the United States is now acting as banker for the free world, accepting deposits from foreign countries, making loans and investments abroad, and tolerating with assurance potential gold liabilities which seem to trespass upon our gold reserve requirements. The nation differs from most of our banks, of course, in that it also gives away dollars from time to time, and these gift dollars have helped to increase our short term liabilities, but that doesn't need to enter into this discussion.

It could be pointed out in rebuttal of this restful reliance on the banking principle, however, that in most countries with developed banking systems, the banks of deposit can, in case of need, draw on secondary reserves by shifting their holdings of liquid investments to someone else, or even replenish their reserves by borrowing from a central bank or an equivalent lender of last resort. The United States might be said to have some modest secondary reserves, in the form of holdings of foreign currencies and assets, but it has no substantial source of relief, no "lender of last resort" to which it can turn, unless it were to be considered a possible borrower from the International Monetary Fund. As of now that would be hitching the cart to the horse.

It may be argued, therefore, that it is not prudent for the nation to rely entirely on the banking principle in equating its international short-term liabilities and its gold assets. This suggests that we take a little closer look at the aggregate figures of our foreign short-term liabilities. It is estimated that foreign official and private holdings of dollar bank deposits and short-term securities now total slightly in excess of $13 billion (including the Bank for International Settlements and the European Payments Union). About $5 billion of this amount is held by foreign banks and business concerns which use most of these funds as working balances in carrying on trade and financial transactions with this country, and with other countries also, since the United States dollar is now an international currency of wide use. And in addition to their day-to-day need for dollar funds, it must remembered that these private holders cannot directly convert their dollars into gold, and thus threaten our gold reserves. Our commitment to sell gold for dollars runs only to the monetary authorities of foreign countries. These authorities already hold about $8 billion of deposits and short-term securities. Because of the substantial and healthy increase in the gold and dollar resources of most of them, during the past five years they no longer are pressed so hard, as they were, to conserve and to seek dollars by trade and financial measures. It would be anarchistic to assume that they would readily and easily cooperate with their nationals in a run on the gold reserves of the United States.

It should always be remembered that we have an international monetary system in the free world, as well as a collection of national monetary systems, and this international monetary system imposes certain disciplines upon the countries which enjoy its advantages, even though gold is no longer the absolute monarch of the system but has only constitutional prerogatives. It is incumbent upon countries, which find their gold reserves endangered, to take steps to correct the economic causes of their difficulties. It is equally incumbent upon countries which are the beneficiaries of the international monetary system to refrain from capricious or arbitrary actions which could destroy that system.

This discipline has its application to the presence of large foreign holdings of dollars, which some would have us think are a living threat to the adequacy of our gold reserves. As I have said, these are not entirely free dollars—they are held as working balances on current account and as monetary reserves. Such balances and reserves are kept in dollars because trade and financial relations of foreign countries with the United States, and between foreign countries, require their maintenance in our currency, or because monetary reserves can safely be held here, and even employed at short term in ways which will provide income to the owner while their essential character as reserves is maintained.

The United States, by reason of its position as the world's financial center, has a responsibility to provide these facilities. For its own protection, it must order its fiscal and monetary affairs, and maintain its competitive productive capacity, so that there will be no excuse for other nations to doubt the safety of their dollar holdings. By the same token, these other nations have a responsibility toward the "banker," and toward the international monetary system which the "banker" now makes possible and in which they all have an important stake. Their responsibility is to manage their dollar funds on the basis of current trade and currency needs, and not on the basis of speculative rumor and narrow short term gain.

The situation most likely to put these responsibilities to the test is an expectation of possible devaluation of the dollar, which would frighten nervous holders into converting dollar assets into gold. There is nothing quite so pathetic as a finance minister who has to deny the imminence of a devaluation right up to the time action to devalue is taken. The Secretary of the Treasury of the United States is not in the position of having to deny such rumors and there is no likelihood of his getting into that position. The principal and conceivably possible excuse for a wholesale conversion of foreign dollar assets into gold disappears so long as this is the case.

The only other situation in which such a "run on the bank" would seem to be a possibility is a condition of all-out war or international disturbances which are almost the equivalent of all-out war. In that situation, a pooling of the resources of the free world under special rules would be the path to follow, and not the fragmentation of these resources in a disorderly scramble to try to protect supposed national interests.

U. S. S. R. Gold-Dumping Speculation

This implication of a financial, political and social contract in connection with the uses of foreign holdings of dollars and dollar assets has its special application in the case of Russia. It has been suggested that Russia might try to use its gold holdings, of large but unknown amount, to accomplish a massive diversion of goods and services to communist use, a maneuver which, under present conditions, would press the United States into an unequal exchange of goods and services for gold. Since the Russians can, if the they wish, treat gold solely as a commodity, it would appear to be possible for them to exchange their gold for the products of the free world, and for nations other than our own to use gold so obtained to purchase goods and services in the United States.

It is in assessing this danger that it must be particularly remembered that there are rules of the game; that the international monetary system, based as it is on gold, demands discipline in observing these rules. Since Russia is not a bona fide participant in the system, and in the circumstances posited would be flaunting the discipline of the accepted code of international behavior, there would be no reason for us to observe the code so far as it is concerned. It would not be altogether simple and easy to exclude Russia from the circle within which gold and goods and services now flow quite freely in international trade, but with toughness on our part and a reasonable degree of cooperation from those countries which, with us, carry on the bulk of the world's trade and commerce, I am sure a means could be found to combat a Russian gold dumping campaign.

I should like to bring this discussion of gold and the monetary discipline to a close by referring to the disciplinary requirements of our domestic system of monetary management. Central banking and credit policy may seem to be a "mysterious diversion of mandarins" to many, but the monetary discipline it requires must be understood and accepted by politicians, bankers, businessmen, labor leaders, and some considerable number of all of our citizens if it is to do its best work. It may never be popular, but it should have widespread acceptance and support as good medicine for the body economic. During the past year or two, while the monetary authorities have been following a policy of credit restraint, there have been encouraging signs of such public understanding. It is also apparent, however, that monetary discipline has become increasingly irksome as it bears down on one or another segment of the community and, at times, seems to be denying them their fair share of the prosperity pie we have been baking.

Selective Credit Controls

It has been said that credit controls, on which we place so much —maybe too much—reliance for achieving at one and the same time high levels of production, employment and income, and stability of the purchasing power of the dollar, are not equal to the task and, in attempting it, are being discriminatory. It has been asserted that credit controls now work through too narrow a segment of our complex combination of public and private financial institutions. It has been suggested that we should have two or three more selective credit controls (in addition to the present specific control of stock market credit) to supplement and, at times, to reinforce general or quantitative control measures. It is claimed that small business now bears the brunt of a restrictive credit policy while big business goes merrily on its way getting bigger. It is argued, with some heat, that residential housing and public building needed by growing communities do not get a square deal under present methods of enforcing credit controls. It is held, by some, that the need for unifying, legally and formally, all phases of national economic policy, including monetary policy, under one responsible executive head or body has become imperative.

Here, I think, are valid questions. They demand valid answers if the people of the country, whether the heads of great corporations, or the heads of great unions, or veterans yearning for a "home of their own," or whoever, are to accept and support the discipline which a money economy requires. They need valid answers, if political and social pressures, which seek to moderate the impact of credit restraint on certain areas of the economy, are not to attain a force which will impair the effectiveness of general credit controls. They need valid answers if the ebb and flow of credit itself is not to contribute to rather than ameliorate the ups and downs we still must expect in a dynamic "free enterprise" economy.

Deep and Broad Financial Study

And no one can now be sure he really has the answers. That is one reason why there have been suggestions that the time has come for another fundamental study of our whole financial machinery. That is why many of us, who have been concerned with this problem in recent years, were heartened when the President, in his State of the Union Message to the Congress said that he believed 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 the creation of 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 the machinery."

There is an element of danger in this sort of thing. We do not know what we shall get if we tamper with the present machinery, which has worked after a fashion, despite its periodic shortcomings. There are always harebrained ideas concerning money, lurking in the wings and ready to take the stage. But there does come a time when the danger of doing nothing outweighs the danger of doing something. This is one of those times.

We have had a succession of relatively narrow official inquiries into this or that phase of our monetary arrangements and our fiscal and credit policies since the war, some of which were constructive and bore good fruit and some of which assumed the ritual character of the mating dance of the fiddler crab without apparent results. Now we need a broad study, or an inquiry by an objective panel of citizens, divorced from partisan public and special private interests, who will develop a comprehensive picture of the structure of our financial system and the ways in which it operates. This inquiry should be a study in depth; and in the words of Woodrow Wilson uttered prior to the creation of the Federal Reserve System, it should be undertaken "in the spirit of those who question their own wisdom and seek counsel and knowledge, not shallow self-satisfaction or the excitement of excursions whither they cannot tell."

By embarking on such a study we may hasten progress in answering the questions which now plague the administration of monetary policy, and which now dilute acceptance of the necessary monetary discipline. To paraphrase slightly something which Robert MacIver said on another subject. "Today the materials for our building are better and more plentiful than ever before — and here we give grateful thanks to the quantitative workers. The bricks and the mortar, the steel and the lumber have been or are being prepared. The bricklayers and the masons, the carpenters, the riveters and all the rest are ready. Now we must pray that the architects also arrive."

Boni, Watkins, Jason Co. Opens D. C. Branch

Boni, Watkins, Jason & Co., Inc., New York firm of economic and management consultants, has opened a new office in Washington, D. C., and appointed Dr. John H. Kaufmann, economic consultant and former government economist, to manage it. Dr. Kaufmann has been elected a Vice-President of the firm.

The new office is in the Shoreham Building, 15th and H. Streets, N.W., Washington 5.

Dr. Kaufmann was with the Economic Stabilization Agency; served as a staff economist to Gordon Gray, special assistant to the President, performed economic feasibility testing at the National Security Resources Board, and worked with the Bureau of Labor Statistics in price, cost and productivity analyses.

For the past four years he has been an independent economist in Washington, specializing in antitrust, rate, market forecast and traffic problems in air transportation. He also consulted on problems in such industries as watch manufacturing, TV, chemicals and food. During World War II he was an Army finance officer and is a major in the reserve.

A graduate of Swarthmore College, Dr. Kaufmann received his master's and doctorate degrees from Harvard, where he has taught. At one time he was on the Oberlin College economics faculty and he also has taught at the Army Finance School and at the Industrial College of the Armed Forces.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of the late Elliott M. Anderson to Walter J. Smith will be considered by the Exchange on April 4.

George E. Paine retired from partnership in Robert Timpson & Co. March 30.

In Investment Business

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Scott, Bancroft & Co. is engaging in a securities business from offices at 235 Montgomery Street. Officers are Charles W. Partridge, President; Charles J. Lennihan, III, Vice-President and Charles W. Partridge, Jr., Secretary.

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Moving on to Economic Health After Inflation 1957 Ceases

more progress than a soldier marking time or an animal on a treadmill. If a few do it, their only benefit can come at the expense of all the rest.

(4) That we are all consumers, as well as producers and that when our wages are inflated, we ourselves pay for it in prices. Sometimes the price spiral climbs faster than the wage spiral as it did between 1947 and 1951, and then every apparent gain is, in fact, a loss.

(5) And finally, that today's worker is tomorrow's pensioner, and every man who lives long enough to be put on pension must pay, when he can least afford it, his part of any inflationary excesses.

Who Does the Educating?

Who should undertake this education? So long as ours is a free country, the responsibility should be shared by every organized group or institution that touches our economic life and whose programs will themselves suffer if economic collapse again occurs. In his State of the Union Message, President Eisenhower specifically mentioned the opportunities that business and labor leaders had to set examples in self-restraint. To me, their responsibility is deeper and broader than this. It goes to the point of learning, using and teaching basic economic truth, and truth is basic and inevitable, not subject to collective bargaining.

Other groups have equal responsibilities. The churches have the mission to prepare us spiritually for all life's problems, including these economic ones. The schools should be continually adjusting their economic theories to the fundamental truth and rise above the wave of desperate imagining with which they tried to reason their way out of the consequences of the inflation-depression pattern of the '20's and '30's. And the savings institutions, banks, insurance and savings and loan companies, investment counselors, and trusts need to put new and more attractive emphasis on the savings side of the interest coin. I'm glad to see that the life insurance companies have begun such a program. It should help them, but it certainly also is in the public interest.

But most of all, because this is a free country — or rather, a country of free men, the ultimate responsibility, as usual, comes back to us as individuals. It is, after all, just another part of the price we must pay to continue as free men, another test of our devotion to the principle of liberty. There are many other problems like it, but this one has a present urgency. 1957 may mark the end of the 15 years of inflation begun in 1941. This may be the year when the disease will run its course. This may be our best chance to break the old habit of inflation, throw off its chains and restore our economy to a healthy balance in freedom. God grant that we can find the spiritual courage and the intellectual wisdom not to re-infect ourselves, but to move on to economic health.

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The Business Outlook

not powerful enough to save us from the results of our folly if we overbuild business capacity or inventory, or build our business structure on excessive credit, particularly bank credit. Business and personal confidence, on which rising business activity depends so heavily, can be weakened if excesses develop.

I spoke last year about the great need for the accumulation of savings in this country to finance the expansion of our business plant, our housing stock, our road system, and our schools. The need for saving is still very great, as is shown by the increase in interest rates and bond yields over the past year. The higher interest rates are stimulating savings and they are also causing the postponement of some demand for savings—stretching out the boom. Both trends will help to moderate price increases in construction and equipment.

Money Easing End of 1957

Money will probably remain "tight" during the next two quarters. It may be easing by the year-end if construction and business spending for new plant and equipment rise by only the moderate amounts we expect. Personal and corporate savings will be high in 1957, as they were in 1956.

The Federal interstate highway system has been hailed as a strong support for the construction industry and for business generally over the next 15 years. The program may be providing net stimulation to the economy by 1959. In 1957 and 1958, however, rising road construction under this program must first offset a decline in toll road construction, since the new system will largely replace roads which might have been built as toll roads. Furthermore, the Federal aid system is being financed by tax collections which will take more money out of the economy in 1957 and 1958 than will be returned in the form of roadbuilding expenditures. The reverse situation will be true by the early 1960's.

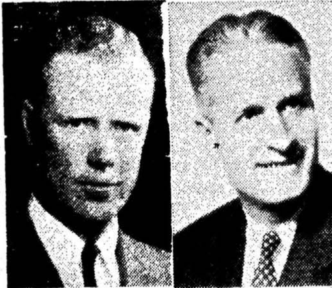
Looking a Decade Ahead

Looking ahead to the '60s, several trends are apparent. Unemployment will not be a serious problem over the next decade. The low birth rate of the '30s has resulted in relatively small numbers of new young workers today. Actually the number of people in this country from 25-34 years of age will be **lower** in 1965 than it was in 1955. There will be, of course, many more in the age group from 10-19 years of age, but these age groups do not provide large numbers of workers. There will also be a growing number of workers from 20-24 years of age and over 34 years. The current labor shortage suggests why so many wives are being drawn into the labor force, and why labor productivity must be increased substantially if our standard of living is to continue to improve. We must solve the problem of rapidly rising population supported by a slowly rising labor force.

Our population is now increasing at a rate of about 2.8 million persons per year. We add a city the size of metropolitan Boston every year. In four years we add population equal to that of all New England. In six years we add population equal to that of Canada. In many areas of the world rising population means a lowered standard of living. In the United States, however, with our variety of natural resources, our large supply of capital seeking investment, and our national skill in organizing production, rising population is a favorable factor. The necessary increased production should be available in the '60s, because the number of workers will then be rising rapidly as well as the number of adult consumers. The size of our economy is growing. Let's keep it growing—steadily if we can—but growing.

Pittsburgh Bond Club Elects New Officers

PITTSBURGH, Pa.—At the annual meeting of The Bond Club of Pittsburgh held at the University Club, March 28, 1957, the following officers were elected:



A. F. Humphrey, Jr. William G. Simpson

Kenneth Moir James C. Lear

President: Arthur F. Humphrey, Jr., Hulme, Applegate & Humphrey, Inc.

Vice-President: William G. Simpson, Simpson, Emery & Co. Inc.

Secretary: Kenneth Moir, Arthurs, Lestrange & Co.

Treasurer: James C. Lear, Reed, Lear & Co.

John R. Klima of Reed, Lear & Co., George H. Kingsley, Jr. of Singer, Deane & Scribner and Louis R. Schmertz, Jr. of Cunningham, Schmertz & Co. Inc. were elected to the Board of Governors.

The Spring Outing was planned for June 14 at the Fox Chapel Gold Club.

Now Eddy & Co.

HARTFORD, Conn.—The firm name of Eddy Brothers & Co., 33 Lewis Street, members of the New York and Boston Stock Exchanges, on April 1 will be changed to Eddy & Company. On the same date E. Welles Eddy will retire from limited partnership.

Hincks Bros. Adds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn. — Bruce Berman has been added to the staff of Hincks Bros. & Co., Inc., 157 Church Street.

John Kalb

John Kalb passed away March 28 at the age of 49 following a heart attack. Mr. Kalb was senior partner in Kalb, Voorhis & Co., members of the New York Stock Exchange, which was formed in 1946. Prior thereto he had been a partner in Lewisohn & Co.

Mr. Kalb wrote and lectured on investment companies and trust estates. He was one of the founders of the New York Society of Security Analysts.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The business pattern is getting more important as far as the money market is concerned, because further declines in some of the components that make it up is expected to have beneficial effects on money and credit conditions. A restrictive money policy appears to have become one of do nothing, wait and see, a state of suspense or passive as the money managers indicate. Due to a lesser degree of inflation, or if there be any at all this time, as some say, the boom psychology appears to have passed on for the time being, at least, into limbo. A continuation of the downtrend in economic conditions will have to be favorable as far as the market for fixed income bearing obligations is concerned, because more funds will be available for the purchase of these obligations.

Banks Adding to Liquidity Position

The demand for short-term Government securities is still very large and it is believed that this will continue to be true for the foreseeable future. Some of the deposit banks, according to reports, are starting to rebuild their liquid assets. The capital market is likewise in good shape, but this is almost entirely a corporate and tax-exempt picture. Long-term Governments are not yet competitive with them.

The action of the money market seems to give evidence that the "passive phase" of the policy of the powers that be, is not exactly distasteful to those that are concerned with fixed income obligations. The opinions which are being expressed in certain quarters indicate that a let-up of some proportions in the restrictive monetary policy would not be an unexpected development in the not distant future. To be sure, the use of bank credit for the payment of income taxes is still having a tightening influence on the money market, although the decline in loans is encouraging. The capital market is continuing to push offerings into the picture and these are tending to absorb a good part of the available supply of long-term funds. Nonetheless, the money which is seeking an outlet in the money market and the capital market is still on the increase and this has tended to have a constructive influence on yields of the issues that are available in the short- and long-term markets.

Contraction in Short-Term Yields Likely

The action of near-term Government obligations seems to say that further decreases in the yield of these issues, especially Treasury bills, is to be looked for, with the passing of not too much time. It is the belief of not a few money market specialists that, with the digesting of the new money raising issues of the Treasury which should not take too long, and with the effects of the tax borrowings becoming less of a factor, there should be a larger flow of funds into short-term Government securities. There are reports now that some money is being moved out into the intermediate-term sector.

3½% Long Bond for "F" and "G" Maturities

As far as the long-term Government market is concerned, there will not be very much of a pick-up of interest in these securities until the indicated long-term bond has been offered to holders of the F and G savings bonds. Just when this offering will be made seems to be largely a matter of conjecture, but there are opinions around that the later part of April or early May would be a likely time for this to take place. Others believe an announcement is imminent.

It now appears to be the belief of most money market followers that a 3½% long-term Government bond will be offered to holders of the maturing F and G savings bonds. This will not make it directly competitive with the corporate and tax-exempt issues as they are being quoted at this time. However, in the interim period, while the capital market is waiting for this offering of long-term Government bonds, there might be an improvement in prices of corporate and tax free bonds so that they would be more in line with a 3½% long-term bond of the Treasury. This would have a favorable effect on the capital market.

Also, an offering of a 3½% long-term Government bond would mean less of a price adjustment for the other outstanding marketable, more distant Treasury bonds. It may be that the marketable issues will soon be anticipating the long-term bond which will be offered to the holders of the maturing savings bonds. Therefore, prices of the longer-term outstanding marketable issues are being watched very closely for clues along this line.

Corporates and Municipals Going Well

The capital market for corporate issues continues to have an improving tone, and the way in which the very large American Tel and Tel bond issue was taken seems to be evidence of the increasing amount of money that is available for the high yielding bonds. Corporate bonds continue to give a much better yield than do Government bonds, and the marketability factor is just as good, if not better in the non-Treasury issues. Therefore, more institutional money is moving into corporates and this will continue to be true until the Government bonds are able to compete on a more favorable yield basis. Tax-free bonds are also going into investment accounts in a fairly sizable way and, in spite of the ample supply of these securities, market action has been on the constructive side.

Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—George F. Parker has become associated with Paine, Webber, Jackson & Curtis, 111 Pearl Street. He was formerly with Walston & Co., Inc.

Three With Dacey

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — James J. Flanagan, Lucy W. Hill and Gardner C. West have become connected with Norman F. Dacey & Associates, 114 State Street,

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As We See It

the fact that all this dirty linen is being washed in public, if indeed it is being washed at all.

Consternation, of Course

Of course, there is general consternation in the ranks of those who are sensitive to the moral transgressions revealed, and a good deal is said from time to time in a vague sort of way about the injury to the individual working man implicit in this type of behavior by his leaders, but what seems to be feared most at least among the so-called liberals is that labor unions may presently be required to live by the same laws that govern activities everywhere else in the work-a-day world. These organizations now, of course, have nothing to worry about so far as the antitrust laws go, as do those they bargain with, and they are allowed to do all manner of things in the name of "picketing" which would put others behind the bars in short order. They freely deny men and women the right to work. They use their power to obtain much to which they, economically speaking, are most certainly not entitled.

These privileges and others like them are endangered, so it seems to be feared, by such disclosures as those now being made. It seems to us that if such a consequence should flow from the scandals now being aired or any others which may follow them, nothing more helpful could befall the country, including in the long run the wage earners themselves. We do not for one moment regret that certain members of our national legislature are moving with vigor to expose this sort of thing everywhere it exists, and we do not see how anyone else could regret it. We, of course, regret that such acts as these have been committed, although if the truth be told we do not see how anyone could expect anything better in the circumstances under which unionism has been permitted, nay encouraged, to develop in this country.

The important thing now is to see to it that precisely what the "liberals" fear actually comes to pass—namely that the unions and their members be deprived of their favored place in the economic order and be required to obey the same laws that the rest of us have to obey. It would be tragic indeed if all this were to be permitted to be glossed over with the punishment of a few scapegoats, leaving the unions themselves and the leaders to follow those deposed to go on much as before, *sui generis* before the law. In such an event it may be taken for granted that abuses of the sort already exposed will continue, and what is more, abuses of many sorts which are not now being aired will go right on.

Fortunate Timing

It is by no means unfortunate that these scandals should come just at the time that the exactions of the unions are being appreciably reflected in the prices that the rank and file must pay for the things they need in their daily lives. It is not only true that wage increases have come faster than improvement in what is known as "productivity," which is another name for output per manhour, but the improvement in "productivity" that has come is not the work of the wage earners at all. On the contrary, greater productivity in recent years has been achieved despite less diligent labor, more union restrictions and general indifference to the volume of output from day to day. It has come because the scientist in his laboratory and the manager working as wage earners simply will not do have found ways and means of producing better goods in greater quantities more efficiently without either help or encouragement from the men at the benches and the lathes.

There is at least the possibility that the rank and file will presently come to realize that this pampering of the wage earner is costing them money. It is, of course, merely silly to assert, as some of the defenders of the unions do, that prices are rising solely as a result of the greed of producers or the policies of the monetary or credit authorities. Generally prices must rise with costs or production ceases or is drastically curtailed. In the final analysis costs are today largely determined by wages. Exposure of some of the more unseemly things that go on at union headquarters may help attract attention to other matters having to do with the behavior of the wage earner and to lead the man in the street to do some thinking about these things.

When men on strike have been required to observe the same laws that their employer is expected to obey; when the strength of an entire national union no longer can be concentrated upon one employer who in turn can not act in cooperation with his competitors in defending himself; when men everywhere have the right to work or not to work as their own judgments direct; when wage earners are no longer required to limit arbitrarily their operations; when unions are willing to proceed coopera- output and to observe foolish restrictions upon their tively with employers to keep output up and costs down—when these things have come to pass labor union racketeering and the rest will no longer be a problem.

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Some Significant Aspects Of the Automobile Market

tive company business research specialist, two years ago made this observation:

"Each new generation has approximately twice as much as the previous generation in the way of world goods and services at its disposal.

"This is a 2½% yearly compound interest gain in economic productivity, so that the nation's production per individual is doubled about once every generation.

" . . . as our income expands some of our other appetites expand very rapidly and begin to claim an increasing share of our added income. . . . When a person's income rises from $3,000 a year to $4,000, you may be sure—particularly if he's a young man—that a large share of the increased income will be spent on raising his standard of automobile living. This is also true of farm families, regardless of age.

"On the other hand, if a business executive earnings $20,000 a year gets a $1,000 raise, a far smaller share of this added income is likely to be spent in the automobile market.

"The tremendous postwar growth in automobile ownership and use—and the record level of automobile sales this year (1955) —is due to a marked shift that has taken place in our economy which has resulted in vast growth of real income among families in the lower and middle income ranges . . ."

In 1941, half the families in the United States had an income after taxes of less than $3,000; today, more than half of our families now have incomes in execess of $4,300. Due to a dramatic increase in average family income and to a larger population, a 73% increase in the number of families above the $3,000 level was registered in 15 years.

Dispersal of Population

From a predominantly rural people, Americans have become largely urban and suburban based. Sixty per cent of the nation's population today is crowded into 1% of the country's area. The explosion of population clusters in central cities, and the mushrooming of the suburbs are, of course, dynamic factors in U. S. living today. Nearly 60-million people already live in the 37 largest metropolitan centers. Population projections for the next 20 years indicate that an additional 54 million people will be added to these larger metropolitan areas.

Since 1940, the central city has grown only one-fourth as fast as suburbia. The exodus to the suburbs, therefore, has multiplied the need for a second, third, or fourth car. Should the expected growth continue, there might be as many as 25 million more people coming to work in the central city from the suburbs 20 years hence. How many will come by passenger car will depend upon the cost and convenience of personal transportation and availability of highways and terminal facilities.

Multiple Car Ownership

At present, one out of six car-owning families has a second car. In total, there are now six million two-car families, and 750,-000 families a year are joining the multiple-ownership category. Almost one-third of new car buyers own more than one car. Two-car households will increase more than twofold by 1965, and by 1985 more than 60% of car owning families will be owners of more than one car if we can avoid economic and international catastrophes.

Another major factor in the two-car family trend is the desire of young people everywhere to drive. New York State reports a threefold increase in junior licenses held by youngsters 16 to 18 years, over a recent five-year period.

More paid vacation time, more paid holidays, and greater stress on recreational activities have placed heavier demands on the family motor vehicle, and this is likely to continue. Weeks of paid vacation has more than doubled in the past 10 years.

The 1960's will see a high rate of family formations as the war-time baby crop reaches maturity. These new families will be acquiring homes and motor vehicles for the first time. It is also anticipated that the relative number of women drivers and the amount of driving they do will increase at a faster rate than population increases.

Dr. Robinson Newcomb, a transportation research authority, points out that motor vehicle travel has increased fivefold since 1920, or more than twice as fast as the growth of total national economic activity.

Since World War I, the value and utility of the automotive product has been greatly enhanced; its use has become widespread; and the ability of people to purchase new cars has increased sharply.

Future Market

The long-range future of the industry looks promising to various authorities. Commissioner Charles D. Curtiss of the Public Roads Administration predicts that by 1975 the nation will have 100 million cars, trucks and buses. The New York "Times" puts the passenger car figure alone at the 100-million level by that date.

Even by 1965, a car population of 70 million is anticipated.

How large will the automobile market be in 1957? If we take retail sales for the 1957 model year to date—a total of 2,471,364 passenger cars—and project these figures over 12 months, making allowances for normal seasonable variations, we come up with a retail volume of 6,270,000 passenger cars. If we take the calendar year to date, Jan. 1 through March 10, and make the same seasonal adjustments, our projection for the year would come out to 6,900,000 units. Assigning varying weights to the different months, depending on the season, and projecting the results to date over a 12-month period, is far from a scientific business. As you are well aware, public psychology, weather conditions over the country, and other factors affecting buying impulses can throw off your calculations by the proverbial country mile. However, the above figures do support the industry's expectations of 6,200,000 to 6,500,000 car sales this year.

Obstacles to Progress

If the industry is to realize its full potential in the future, concerted efforts must be made to overcome some very real obstacles in the road ahead. When the public generally understands the nature of the problems, I'm confident sound public solutions will be found. Getting around the road-blocks has been characteristic of the American people in the past, and this offers hope for the future. However, I don't wish to minimize the problems, for they are of considerable magnitude. The major one are these:

(1) Need for additional highways.

(2) Wasteful consumption of raw materials and sizable increases in car operating costs.

(3) Threat of governmental controls.

(4) Inflation and economic imbalance.

Dr. Newcomb's study pinpoints the lag in highway construction compared to the mid-20's. The nation's highway construction program now averages only one-half as much per highway travel mile as that program did 30 years ago. Motorists are paying $5 billion yearly in motoring penalties for inadequate roads through wasted gasoline, commercial vehicle time losses, and high automobile insurance premiums. As even a small percentage rise in the nation's level of economic activity can mean a sharp rise in family income, we are cheating ourselves when we permit inadequate highways to exert a braking action on the nation's economic progress.

Many of our big cities now boast expressways and controlled access highways, yet the total mileage is unimpressive. In the 25 largest cities, an estimated 400 miles of controlled access roads are available, with slightly more than 100 miles under construction.

The new Federal Highway Program will place special emphasis on modernizing the 41,000 miles of the interstate highway system—about 1.2% of the miles of highways in the United States.

The Bureau of Public Roads two years ago estimated that to improve all roads and streets in the nation to a safe and adequate level would cost $100 billion in 10 years. Last year's Federal Aid Highway Act provides about $25 billion in Federal funds over approximately 13 years.

Authorities believe that these additional Federal funds, plus normal Federal aid and a continuation of state and local financing, will result in total expenditures for highways of $95 to $100 billion by 1970.

It is apparent, therefore, that a good deal more family income will be spent for this vital national service. Even without the recent Federal boost in fuel taxes as resut of passage of the Highway Act, the tax collectors were placing additional burdens on the motorists. Between 1941 and 1954, 35 states had increased gasoline taxes; one state doubled its tax and others increased their levies by from 13 to 67%. Compared with 100% or more increases in highway construction costs and greater capital costs for modern designed highways, these increases are

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modest. Soaring gasoline taxes are making more motorists increasingly conscious of car operating costs. In the aggregate, such costs total $17.5 billion annually. If motorists were able to coax out of their cars five more miles of travel for each gallon of gasoline consumed, they would save $2.5 billion in their total gasoline bill annually.

However, higher engine compressions require higher and higher octane fuels that not only cost more to produce but require more crude oil per gallon.

Material Shortages

Through most of the postwar years, the industry has been in a phase where the luxury aspects of automobiles have become pronounced. Automatic shifting devices, power steering, power brakes, air conditioning and other embellishments make for more pleasurable driving but also add to cost of ownership and of operation. The trend has been to put certain types of cars back in the luxury class, where they were before World War I.

The rate at which the nation is chewing up steel has helped deplete our iron ore reserves; and unless the miracle of taconite mining proves successful, we must turn increasingly to Labrador, Venezuela, and overseas sources for ore.

The United States is, of course, a "have-not" nation in respect to a number of strategic metals—ranging from antimony to zinc—which are used in making automobiles. From time to time, deficiencies exist in the availability of cobalt, columbium copper, nickel, asbestos, beryl, and selenium. The tendency of cars to grow bigger and more luxurious is further aggravating the shortages of some of these materials.

From its watch on the automotive front, the "Detroit News" about a year ago carried a lead editorial captioned "Toward Smaller Cars." Its conclusion was as follows:

"For some years now the trend in America has been toward bigger and heavier cars with constantly growing horsepowers. When, if ever, this trend collides with an insistent consumer demand for cars less thirsty for gasoline, the clamor in the industry as competition adjusts to the new requirements will be wonderful to hear."

It has taken less than a year for the "trend" to become obvious to many other observers. General Motors has recently put into production in England its new small car, "The Victor," and Chrysler has announced it is exploring the possibilities of making a small car abroad.

The Rambler, the Metropolitan, and the Volkswagen have collided with the oversized car trend in America and have, for the first time, generated doubts nationally about the supposed superiority of "heavy" cars and the advisability of making cars ever longer. A customer who recently traded in his big 1957 car for the compact Rambler gave these reasons for abandoning the larger car after just three months' usage:

"First, I couldn't get the big car in my garage. Second, I couldn't get it in my parking space at work. Third, I wasn't comfortable inside the car. Finally, I found I was getting eight miles less to a gallon of gasoline than on my old car."

Joseph Geschelin, technical editor of "Automotive Industries," reports that some engineers believe motor cars may evolve into three specialized types—one consisting of a large luxurious highway model for intercity transportation, another a sports car for travel over secondary roads, and the third, a medium-speed car for general use. The latter type he describes as one that could "combine maximum passenger space and maneuverability into a small package . . . since acceleration will be a major consideration, light weight will be of chief importance."

* * *

I predict revolutionary changes in car concepts in this industry as a result of multiple car ownership, growing material shortages, and higher operating costs. The philosophy of making them "bigger, heavier and more powerful" is having its last great fling.

Factory Dealer Relations

The dynamics of the automobile business should continue to propel the industry to still greater production and sales levels—greater than in the past. However, one of the greatest dangers to continued progress is lack of restraint on the part of some groups of our citizens.

Because of a deterioration of the voluntary cooperation mechanism in the area of factory-dealer relations, the organized automobile dealers took their problems to Washington last year and succeeded in getting legislation passed affecting factory franchises. Today some dealers are directing their efforts at the State Legislatures. The "Denver Post" of March 3 commented editorially as follows on a dealer-sponsored proposal now before the Colorado State Legislature:

"One of the ironies of our economic system is that those who shout the loudest about the blessings of free enterprise, unrestricted by government regulation, often turn out to be the strongest advocates of government regulation which—they hope—will benefit them, *vis-a-vis* their competitors.

"Denver automobile dealers are showing symptoms of this curious schizophrenia at the present time. In a bill presented to the Legislature, these dealers are asking for State regulation. They want the State Director of Revenue to be endowed with czaristic powers to issue regulations affecting car dealers, car salesmen, auction lots, and car manufacturers. . . .

"These dealers have written into this amazing bill provisions which would make a car manufacturer subject to heavy penalties if it cancelled a dealership franchise with any existing Colorado franchise holder.

"In an attempt to show there is a public purpose in this kind of legislation, the bill cites a feeble justification—the fact that automobiles sometimes are stolen and the fact that they are sometimes sold under false representations.

"This is as self-seeking a bill, for private advantage, as any group ever whipped up for presentation in Colorado. After reading it, we are more convinced than ever that if all business in this country ever falls under strict government regulation, that change is likely to come, not through the activities of the enemies of business, but because businessmen really do not believe in the free enterprise to which they pay lip service."

Price Investigation

In a period of concern over our nation's monetary policies, it is not surprising to find a flurry of political activity, and rightly so. Some politicians, however, choose to deal with symptoms rather than causes of economic illness. Senator Kefauver, Chairman of the Senate Anti-Trust and Monopoly Committee, recently announced that he will conduct an investigation of price increases in "administered price" industries, including the automotive industry.

"Much of the present inflational spiral," he said, "appears to rise from price increases in administered price industries. The tight money policy now in effect can have very little influence on such price increases since the big companies in administered price industries can and do raise prices even when demand is falling."

Let's take a brief look at the causes of the inflationary spiral.

Gross National Product

To maintain high level employment, at least a 4 to 5% increase annually in the gross national product, at stable prices, is required. If the nation fails to realize this annual growth, and the money supply increases, inflationary pressures develop. It's the classic case from the economic primers of too many dollars chasing too few goods.

Currently, about 20% of the gross national product is used by government, and the remaining 80% must provide all consumer goods and services and capital requirements, including housing.

Marriner S. Eccles, a man with broad private and central banking experience, said in Chicago a few months ago:

"This 80% does not seem to be enough to meet the present demands of the consuming public and the capital market. With the result, the country is confronted with marked inflationary pressures from many directions. This is evidenced by the great demand for credit of all kinds, as well as the spectacular increase in the use of existing funds."

More than three months before President Eisenhower submitted his controversial $72 billion budget, Mr. Eccles pointed out:

"Under present conditions of booming economic activity, I feel the government could contribute more toward reducing inflationary pressures by cutting its own expenditures which, in my opinion, are altogether too large for peacetime economy."

Money Supply Outdistances GNP

The principal tools for holding back the surging inflationary forces have been U. S. Treasury and Federal Reserve attempts to keep the money supply in better balance with available goods and services.

Recent Federal Reserve actions in holding down the growth in the money supply have been more than offset by the increase in the velocity of available funds. As a result, the money supply has gone up 8½%, while the gross national product has risen only 2½%.

In the past 20 months, money demand has exceeded supply importantly in the capital equipment industries, boosting wholesale prices by 13%. These price increases have been largely concentrated in metals, fabricated metal products, machinery, and equipment. Prices of construction materials also have reflected heavy business construction demand. In the same period, however, prices of finished durable goods, largely passenger cars, appliances, and household furniture, rose half as much, or about 6½%.

Comparisons Before and After War

Since 1948, most of the increase in dollar income generated in the manufacturing sector of the economy has been in the form of higher payrolls and government tax revenues. Average annual earnings of full-time employees has risen 48%; if nonwage fringe benefits were included, the rise becomes much greater. Government tax-revenues from manufacturing industries' corporate income currently are about 70% above the 1948 level.

By contrast, corporate profits after taxes have stayed at about the same dollar amount since 1948, despite the substantially higher dollar volume of sales and capital investment. In brief, the rate of return on investment for manufacturing operations has been reduced.

These contrasts become even more striking when we compare the postwar period with prewar. By matching up annual rates of increases in the 1934-39 period with the 1948-56 period, we can readily see what vast changes have occurred in the distribution of the sales dollar in manufacturing industries.

Employee compensation increases in the prewar period averaged $915 million annually, compared to $4,300 million in the postwar period; government tax revenues derived from corporate profits rose $84 million yearly, compared to $650 million; income remaining to stockholders increased $372 million annually in the earlier period compared to a $25 million yearly increase in the 1948-56 period.

These figures show the rapid increase in labor and government costs and the seriousness of the problem. For as you well know, sale of equities or earnings are the normal sources or means for securing funds for capital expenditures required to increase our production as well as productivity. Such funds make possible the real gain in employee wages and national economic progress.

The thoughtful American has real cause for concern as he ponders this question: How much longer can wages and taxes continue at such a pace without further price increases or reduced markets, or both? Obviously the strain of paying higher prices is less severe on the recipients of increased hourly wages than on consumers who do not share in rising incomes.

I refer not only to the unorganized and fixed income units but to such major economic groups as farmers who, even with the growing subsidies, are again falling behind economically. Since 1948 agriculture prices have decreased 17%.

As relative or real purchasing power is reduced, consumers are less able to buy. The problem, therefore, is to control inflationary developments as so to maintain economic stability.

My personal sympathies are with labor's real interests—continuous employment at as high a real wage as the national income will permit. However, we can't have cheap money and cheap credit without further increases in the cost of living. Nor can we have real wage advances without increased productivity of labor. There is no other continuous source out of which these costs can be met. Nor can we make national economic progress without spreading to all economic groups the benefits of increased productivity.

A basic cause of our national economic problems, in my view, is that the country is trying to do too much in too short a time. For example, our Federal Government is making huge military and foreign aid expenditures, thereby reducing the goods and services available to the civilian economy. Too many private citizens, too, are trying to increase their standards of living too rapidly. Too many business are trying to build new production facilities now, thus competing with other industries for materials and skilled labor.

I am not opposing foreign aid, necessary military expenditures, industrial expansion, or other desirable programs. I just believe it is time we paused for some sober examination to answer this question: Aren't we trying to do too much in too short a time? And in stifling profits, aren't we starving the goose that laid the golden egg?

Automotive Productivity

The fact is that wage and fringe benefit advances have been greater than the rate of productivity increase for several years. It currently takes more man-hours to build a car than was required in 1950. In fact, one major automobile company recently made public these figures on its operations.

"The number of hourly worker man-hours per vehicle produced in 1956 was as great as in 1954 and somewhat more than in 1950. If salaried employment were included, the ratio would be still worse because of a sharp increase in number of such employees. I want to be fair, however, and admit that the vehicle is considerably more complicated in 1956 than it was in 1950."

It is questionable whether Walter Reuther is doing his members a real service if his current efforts and his projected program for "walloping" the automobile companies result in still further inflation. The illusion of getting more money may be a heady experience now, but the severe headaches would confront today's workers, just as they already have come to the aged, the pensioner, the widows, and other members of our society who have been depending on savings to tide them over. Some of organized labor's friends recognize this. Senator Douglas has said this of inflation:

"It can be a destroyer almost as evil as war itself. For those who want to destroy democracy and capitalistic institutions, it is a cheap way of achieving their collapse."

The automobile industry grew to greatness by passing on part of the benefit of higher productivity to the customer in terms of reduced prices and greater consumer value.

This was and is fundamental. We cannot continue down the present road, or we will price millions out of the potential multiple-car market. Furthermore, the nation cannot progress with union prosperity, farm distress and subsidization, and declining profits at a time when more funds are needed from investors and profits to increase productivity and total production.

Due to its consistently heavy investment in new machinery and development of new methods, the motor industry's productivity between 1919-37 increased on the average at annual rates of about 5%, and real earnings of employees kept pace. The big winner, however, was the automobile consumer. Not only did he receive a car of substantially better quality, but the average wholesale price was about 37% less at the end of the period than at the beginning.

Since 1945, gross hourly earnings in the automobile industry have doubled. The average wholesale prices of cars stand 93% above the 1945 level.

The major paradox of the automobile industry today is this: through laws that protect the competitive process, prices are subject to needed discipline; meanwhile, through laws promoting unrestricted concentration of power, powerful unions are experiencing declining resistance to inflationary wage increases. This is legally and economically absurd.

Until this problem is solved, the long range outlook for the automobile business is beclouded.

The problem is larger than just our industry. It has become the major economic and political concern of our day. Its solution calls for reappraising and providing further division and distribution of the nation's social and economic power, just as the nation's founders wisely recognized the necessity of dividing and distributing political and governmental power.

Historically, the American people have corrected such basic threats to its future welfare. I trust this proves to be the case with this vital threat to our economic future and world leadership. It is essential to the realization of the huge auto markets of the future.

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Eastern Gas & Fuel Assn.

(By Dr. K. BELTCHEV)

been very satisfactory due to competitive conditions.

Eastern Gas & Fuel has an investment of $7.1 million in Algonquin Gas Transmission Co., which is represented by $1.9 million of subordinated notes due 1978, and 51,711 shares (36.8%) of common stock. Algonquin operates a natural gas pipeline extending from a connection with Texas Eastern Transmission Co., at Lambertville (N. J.) to Boston — a distance of 240 miles, distributing natural gas to different utilities in the New England area. All of Boston Gas Co.'s (wholly owned by the Association) natural gas requirements are supplied by Algonquin.

Earnings of Algonquin Gas Transmission Co. improved substantially in 1956 and the company began paying dividends on its common stock amounting to $3.75 per share. In accordance with contract agreements, Algonquin's customers will take additional quantities of gas and it is expected that earnings will continue to improve.

Sales and operating revenues of all divisions and consolidated subsidiaries increased 17% over 1955. The marked improvement in revenues may be seen by the following three-year comparison.

Sales and Revenues by Operations

(Millions of Dollars)

	1956	1955	1954
Coal	$89.8	$67.6	$52.4
Coke Plant	35.6	33.6	27.1
Public Utility	30.0	27.1	27.2
Marine	10.6	9.2	6.5
Store	5.8	5.5	5.4
Pig Iron	5.1	8.1	6.0
Total	$176.9	$151.1	$124.6

The revenues from coal sales in 1956 increased over the previous year by 33% and have improved 71% in the past two years.

Coal sales in 1956 were distributed as follows:

Electric utilities, steel companies and coke plants	55%
Export	25
General Industrial	12
Retail Dealers	6
Railroads	2
	100%

Earnings and Dividends

Current and foreseeable future earnings of bituminous coal producers are, and have been since 1954, showing a pronounced uptrend. We confidently believe that this trend will continue upward, in view of the authentic estimates of power needs over the next four or five years and the increasing production of steel and aluminum.

The earnings of the Association have fully reflected this favorable trend. The table below shows the consolidated earnings per share for the last three years, on shares oustanding at the end of each year.

Earnings

	1956	1955	1954
Net Income	$10,749,712	$5,157,205	$2,848,525
4½% Cum. Pfd. Stock:			
Per Share	$43.63	$20.93	$11.56
Number of Shares	246,373	246,373	246,373
Common Stock:			
Per Share	$3.61	$1.56	$0.67
Number of Shares	2,669,734	2,590,696	2,580,868

If we add to these earnings the equity in the undistributed earnings of the Virginian Railway and Algonquin Gas Transmission, the earnings of the Association for 1956 would be raised to $5.34 per common share.

Barring unforeseen developments, we expect the consolidated earnings of Eastern Gas & Fuel for 1957 to be above $4 per common share. Twelve months February earnings were recently reported at $3.96 per share.

Regular dividends of $4.50 per share were paid on the cumulative preferred stock in 1956. During the same year dividends totaling $1.40 in cash plus 2% stock dividend were declared and paid to holders of the common stock, which payment compares favorably with the 60c per common share paid in 1955. The company announced its intention to supplement cash payout with stock dividends at intervals and in amounts to be determined by the trustees during 1957. Latest quarterly declaration was 40c per share.

Selling around $33 on the New York Stock Exchange, Eastern Gas & Fuel has a P/E ratio of eight times on the basis of estimated 1957 earnings, which compares favorably with the other major bituminous coal producers.

Arvin Industries

(By ALEXANDER CARROLL)

well. In 1956 a "down" car year, Arvin's automotive volume was virtually equal to that of 1955.

Here again Arvin has a well-established set of rules to enable it to get and keep important volume at a good profit. Its policies are to emphasize parts which require good and complete engineering service; to provide that engineering service; to keep its plants and equipment completely modern; to efficiently produce parts at lower cost than the car manufacturers can afford to make them and to spread the over-all volume among a large number of different parts.

Arvin practices diversification outside the automotive field as well. Its consumer items carry the same kind of multiple diversification. Its sales of such product lines as radios, car and electric space heaters, small electric appliances, window fans, ironing tables, outdoor furniture and newly added barbecue braziers are diversified among the private label channels such as the major mail order companies, retail chains, and nationally known tire companies, as well as the regular wholesale and retail channels under the Arvin trademark.

Finally diversification is provided by the location of Arvin's 15 plants in five cities in southern Indiana, making for more efficient, economical operations and providing for a competitive situation among the plants. Arvin has successfully practiced decentralization for many years.

The third major policy which supports a promise of continued growth, is Arvin's sound, conservative financial management.

Cornerstone of this policy is Arvin's determination to maintain a simple capital structure. Never has Arvin issued bonds or preferred stock. Only occasionally has it gone to the banks for short-term money either for expansion purposes or to finance peak season inventories in order to level out production schedules. It has a basic policy to grow through reinvested earnings.

Arvin's dividend history has been to pay out a little better than 50% of earnings. It has just paid its 97th consecutive quarterly dividend and in six months will have completed 32 consecutive years in which cash dividends have been paid.

Arvin's management has stated that it considers one of its important responsibilities to its owners is to increase the company's net worth an average of at least 8% a year. This goal has been achieved or exceeded in most years. Exceptions have been in excess profit tax periods which have strongly influenced this company's affairs. The heavy tax burden itself, and its effect of drying up funds for reinvestment and expansion were primarily responsible for the sub-par growth in sales and profits in 1952-53-54. In the past two years, however, 14.4% and 10.1% respectively have been added to Arvin's net worth indicating that the healthy growth trend has been resumed.

Although its pre-tax profit margins may look relatively low compared with many more popular growth stocks(it has averaged about 10.3%), Arvin's manufacturing skills have enabled it to maintain a very high average return on net worth of about 37%.

Insistence on these standards has caused the company to be tough minded towards unprofitable lines. Even though its sales dropped 27% in 1954 over 1953 when Arvin quit the TV business because of its low profits, earnings were almost exactly the same in dollars and profit margins were up over 30%—a truly remarkable performance.

Another area of management philosophy which gives great promise for future growth is Arvin's advanced and forward-looking personnel policies. Its excellent employee relations record is well known through the industry. Arvin has a fine record of harmonious employee relations, which has been a major asset in increasing Arvin's contractual business. The company has likewise been successful in the executive area where emphasis is placed upon promotion from within on an individual merit basis, on great depth, on youth and on a very extensive training program at all levels.

Except in very rare instances, Arvin's top men have come up through the ranks. The present managerial group of 60 men averages 45½ years in age and has an average of 19 years of service at Arvin. All Arvin supervisors and high level specialists are organized into a "Key Men" group totalling about 450. Every member of this group participates in continuous year-round formal training on such diverse subjects as cost control, personal relationships, and creativity, to name just a few. Additional training for potential executives is undertaken by a unique "Committee of 24" composed of young men averaging 35½ years of age with an average of some 12 years of experience at Arvin. This group elects its own members, determines its own projects, and makes recommendations to management.

The final management policy which has received a greatly expanded emphasis in the past two years is Arvin's research program.

Arvin has always been research minded. One of its principal services to the car makers has been its excellent engineering and research work. However, results in the past have been principally on improvement of present products and methods, and on preparations for new car models. Research was decentralized along with sales and manufacturing. As a result creative research for new products tended to take second place.

In 1956 all this was changed. A new central research building was constructed. Now fully staffed are its chemical, electrical and mechanical departments. Its activities are completely divorced from the day-to-day problems of the operating divisions. Its assignment is "creative but practical." Arvin's two foremost engineers were selected to head it. As a result they have operational experience as well as creative talents. In spite of its youth, the redoubled research program is already bringing results.

In 1956 new items were added in every major product group, including a one-pound, all transistor pocket radio; a new line of 14 and 20-inch window fans; several new aluminum outdoor furniture items; a complete line of brand new outdoor barbecue grills and a roll-away ironing table. Most important of all, a plastic-to-metal laminating process was perfected resulting in a new material called "Arvinyl" which may have almost endless potentialities both in connection with Arvin's present products and in new fields such as portable TV cabinets for which sizable orders have already been received.

Several new products are expected out of this department during the current year. These should include some for the consumer product divisions and new automotive items some of which have already been submitted to the car makers. According to its 1956 annual report Arvin has some 16 research projects in progress. Here are seeds for future growth that should help Arvin dwarf past accomplishments.

These two tables are ample evidence of Arvin's past growth and its ability to earn unusually high returns on investment to prove that here, indeed, has been a growth company.

CHART I

Arvin's 25-Year Growth Record

	Sales (millions)	Net Profit (millions)	Earn. per Share	Dividends per Share
1931	2.29	Def. 0.10	Def. 0.11	0.25
1936	9.35	1.04	1.17	0.65
1941	15.19	1.10	1.23	0.93
1946	20.36	0.67	0.75	0.67
1951	64.00	2.69	3.02	2.00
1956	64.61	3.78	4.22	2.00

CHART II

Arvin's Recent Profitability Record

	Profit Margin % Pre-tax Profit	Turnover Sales Assets	Return on Total Assets(1)	Book Value per Share	% Increase in Book Value
1952(2)	6.9%	2.35	16.2%	18.35	plus 2.7%
1953(2)	6.4	2.70	17.3	18.89	plus 2.9
1954	8.7	1.91	16.8	19.79	plus 4.8
1955	12.5	2.10	26.3	22.64	plus 14.4
1956	12.2	2.01	24.5	24.93	plus 10.1

(1) Pre-tax profit margin x turnover. (2) Excess profit tax years.

Finally, you can add to this picture a resolute and dedicated management which has charted its future and is working inevitably to accomplish its goals. I do not know where else to find the combination of research, the plow back of earnings, the investment in efficient plant and equipment, the high return on investment, the forward look personnel administration, and the conservative financial policies which are all misjudged by the market as if this were a cyclical company with an uncertain future.

Arvin should, in my opinion, be selling at $40 per share and still not be discounting a most promising future.

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The State of Trade and Industry

in the week preceding. A year ago output netted 125,781 cars. During March of last year, United States plants produced 575,260 cars and 105,205 trucks.

The statistical agency said last week's operations were marked by a short work week at certain General Motors Corp. plants, including Pontiac at Pontiac, Mich., and Buick at Flint, Mich. But scattered six-day operations also were noted at several Ford Motor Co. factories plus Chrysler Division at Detroit.

With March output completed on Saturday last, the industry's first quarter car production stands at 1,792,200 units, slightly above the 1,742,934 last year. Running below 1956, truck manufacturing stands at 276,800 as against 313,105 last year, "Ward's" said. Last week marked the 2,000,000th car or truck completion of the year for United States plants since Jan. 1.

Business failures totaled 1,146 in February as against 1,148 in the preceding month. The toll was 12% higher than the 1,024 a year ago and reached a postwar high for the month of February. It remained 5% below the prewar level of 1,202 in the similar 1939 month.

Current liabilities of the failures in February were the largest for any postwar month, amounting to $65,406,000. Failures in all size groups under $100,000 were 12% to 15% more numerous than in 1956, while those of larger size dipped 10% from last year.

In all industry and trade groups except retailing more businesses failed in February than in January. The most noticeable rise occurred in service enterprises. Tolls among manufacturers, wholesalers and construction contractors increased slightly. While failures in manufacturing and wholesaling were below those of February 1956, year-to-year increases were reported among retailers, construction contractors and service enterprises.

Casualties in the Middle Atlantic, South Atlantic and West South Central States were below those of January, while no change occurred in the East South Central region. There were month-to-month increases in the other five regions, with the sharpest rises in the East North Central and Pacific States.

Steel Production Scheduled This Week to Yield 91.6% of Ingot Capacity

Steel mills produced 31,600,000 net tons of steel in the first quarter, "Steel" magazine reported on Monday of this week. The yield represents 94.7% of capacity or an annual rate of 126,400,000 net tons, considerably above predictions for the year.

The metalworking weekly said that on the basis of first quarter operations, the industry appears to be heading for a more profitable year than it had in 1956 when its earnings established a record.

Earnings totaled $1,140,000,000 in 1956 or 1% above the pre-

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vious record of $1,120,000,000 set in 1955, according to the publication's 32nd annual financial analysis of the steel industry. The figure is based on the performance of 33 ingot producers representing 94% of the nation's ingot capacity.

The increase in earnings came largely from increased prices of steel and efficiencies being realized from new facilities and improved practices. The companies had an 8.6% larger dollar volume of sales in 1956 than in 1955, despite a 1.6% decline in the industry's ingot production. Output was restricted by a six-week strike of steel workers.

While the steel industry earned more money in 1956 than it did in 1955, the analysis showed its net profit in 1956 as 7.28 cents out of every sales dollar, compared with a net profit of 7.82 cents in 1955.

Even though sales and net profits were up in 1956, the Federal tax collector got 3.7% less than he did in 1955 because of increased costs of labor and material and fast amortization of facilities under certificates of defense necessity.

In 1956, Federal income taxes were 4.7% less than the industry's net profit while in 1955, taxes were 0.1% greater than profit. Even so, Federal income taxes took $1,010,000,000 from these companies in 1956. In 1955, they took $1,050,000,000.

Growth of the industry and increased rates for overtime work are pushing up its total employment, despite the continued introduction of labor saving equipment. Employment rose 1.4% in 1956 over that of 1955. Employment costs jumped 7.7% even though most of the steel plants were idled six weeks by the strike.

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 91.6% of capacity for the week beginning April 1, 1957, equivalent to 2,344,000 tons of ingot and steel for castings, as compared with 92.4% of capacity, and 2,364,000 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 94.2% and production 2,411,000 tons. A year ago the actual weekly production was placed at 2,406,000 tons or 97.7%. 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 Eased Slightly the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, March 30, 1957, was estimated at 11,694,000,000 kwh., according to the Edison Electric Institute. This represented a decline below the previous week.

The past week's output decreased 29,000,000 kwh. below that of the previous week; it increased 702,000,000 kwh. or 6.4% above the comparable 1956 week and 1,890,000 kwh. over the week ended April 1, 1955.

Car Loadings Ease 0.5% Below Prior Week and 1.6% Under Like Period in 1956

Loadings of revenue freight for the week ended March 23, 1957, declined by 3,393 cars or 0.5% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended March 23, 1957, totaled 685,833 cars, a decline of 11,415 cars, or 1.6% under the corresponding 1956 week, but an increase of 51,205 cars, or 8.1% above the corresponding week in 1955.

U. S. Car Output Registered a Decline Under That of the Preceding Week

Automotive output for the latest week ended March 29, 1957, according to "Ward's Automotive Reports," declined below that of the prior week both in the production of cars and trucks.

Last week the industry assembled an estimated 131,090 cars, compared with 138,646 in the previous week. The past week's production total of cars and trucks amounted to 154,090 units, or a decrease of 7,776 units below that of the preceding week's output, states "Ward's."

Last week the agency reported there were 23,000 trucks made in the United States. This compared with 23,220 in the previous week and 24,082 a year ago.

Last week's car output declined below that of the previous week by 7,556 cars, while truck output declined by 220 vehicles during the week. In the corresponding week last year 125,781 cars and 24,082 trucks were assembled.

Canadian output last week was placed at 8,963 cars and 1,736 trucks. In the previous week Dominion plants built 9,211 cars and 1,633 trucks, and for the comparable 1956 week, 8,540 cars and 1,555 trucks.

Business Failures Down Slightly the Past Week

Commercial and industrial failures declined to 290 in the week ended March 28 from 318 in the preceding week, Dun & Bradstreet, Inc., reports. Although at the lowest level in four weeks, the toll exceeded the 263 in the comparable week last year and the 237 in 1955. However, failures were 6% below the prewar level of 310 in 1939.

Wholesale Food Price Index Edged Upward in Lastest Week to Attain a New High for Year

The wholesale food price index compiled by Dun & Bradstreet, Inc., rose somewhat to $6.22 on March 26 from the previous 1957 high of $6.20 a week earlier. This represented a 5.6% gain over the $5.89 of the comparable period a year ago.

Higher in wholesale price last week were corn, oats, hams, bellies, butter, cheese, cocoa, beans, hogs and lambs. Lower in cost were flour, wheat, rye, barley, cottonseed oil, eggs, potatoes and steers.

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 Registered a New Low for 1957 the Past Week

After a mild recovery, the over-all level of wholesale commodity prices dropped to another low for 1957 so far. At 289.10 (1930-1932=100) on March 25, the Dun & Bradstreet daily wholesale commodity price index was fractionally below the 289.40 a week earlier, but it remained a few points higher than the 285.59 on the comparable date a year ago.

Grain prices declined last week. Selling was stimulated by reports that the best rains in many months had fallen in the drought-stricken areas of the Southwest.

There was very little support generated from the Washington news that funds for the disposal of surplus farm products abroad might be increased by about $1,000,000,000.

Average daily trading volume on the Chicago Board of Trade increased to about 50,000,000 bushels last week, compared with 35,000,000 in the preceding week and 42,000,000 a year ago. Wheat trading was especially large, with volume almost twice that a week previously.

Flour trading remained very slow, with volume confined to scattered fill-in orders. Sugar prices advanced slightly, contrasting with the declines in cocoa prices. While coffee trading was fairly quiet, prices were steady.

In the heaviest trading in nearly five years, cottonseed oil futures declined markedly. Much of the selling was attributed to a belief prevalent among traders that cottonseed oil was not competitively priced with substitutable oils and that this had adversely affected consumption.

The decline in cottonseed oil prices was accompanied by a comparable drop in the prices for soybean oil.

The Department of Agriculture announced the past week that farmers intend to plant another record crop of soybeans.

Lamb prices advanced for the fourth consecutive week, reaching the highest levels since last July. A reduction in hog receipts was accompanied by a rise in hog prices. Steer and cow prices were up, with sow prices the highest in two years.

Although trading in cotton was irregular, price levels at the close of the week were slightly higher than a week previously. The Census Bureau reported that cotton consumption in February amounted to 34,218 bales for each working day, slightly more than January's 33,623, but less than the 38,001 bales consumed in February, 1956.

Cotton consumption for the current season through February amounted to 5,278,000 bales, down slightly from the 5,432,000 bales in the comparable period a year ago.

Contrastingly, cotton exports this season, at 5,268,000 bales so far, were about five time as large as a year ago.

Notwithstanding a decline in the consumption of cotton in some countries, the addition to Free World stocks of cotton in 1956 was the smallest since 1951, according to reports from the International Cotton Advisory Committee. Increased buying by shirt manufacturers boosted trading volume in combed cotton lawns the past week. There was a pick-up in purchases of cotton print cloths too.

Trade Volume Moderately Exceeded Level of Previous Week and Registered a Slight Increase Above Like Period of 1956

Shoppers were primarily interested in women's Spring apparel, housewares and furniture last week. Total retail volume expanded moderately and was slightly above the similar level last year.

However, there were slight year-to-year declines in purchases of men's clothing, major appliances and some food products.

Despite an increase from the level of the preceding week, dealer inventories of new passenger cars were below those of a year ago.

The total dollar volume of retail trade in the period ended on Wednesday of last week was unchanged to 4% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England +8 to +12; Middle Atlantic +5 to +9; East North Central —4 to 0; West North Central and Pacific Coast —5 to —1; South Atlantic +3 to +7; East South Central —2 to +2; West South Central +1 to +5, and Mountain States —1 to +3%.

Grocers reported moderate decreases in purchases of dairy products and poultry, but the call for fresh meat was unchanged.

There was a slight rise in wholesale trade the past week, as buyers increased their orders for apparel, furniture and some textiles. The total dollar volume was slightly higher than that of the similar 1956 week.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended March 23, 1957, increased 1% from the like period last year. In the preceding week, March 16, 1957, an increase of 2% was reported. For the four weeks ended March 23, 1957, a decrease of 3% was recorded. For the period Jan. 1, 1957 to March 23, 1957, a gain of 1% was registered above that of 1956.

Retail sales volume in New York City last week registered a drop of 7% to 9% below the like period a year ago, due mainly to the fact that Easter comes three weeks later this year, trade observers state.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended March 23, 1957 advanced 15% from the like period of last year. In the preceding week, March 16, 1957, an increase of 7% (revised) was reported. For the four weeks ending March 23, 1957 a gain of 1% was registered. For the period of Jan. 1, 1957 to March 23, 1957 the index recorded a rise of 4% above that of the corresponding period in 1956.

Reynolds Metals Stock Offered at $42 a Share

Reynolds Metals Co. is offering common stockholders rights to purchase an additional 914,078 common shares on the basis of one share for each 11 shares held, according to R. S. Reynolds, Jr., President of the company. The subscription price is $42 a share to stockholders of record April 2, 1957.

Simultaneously, United States Foil Co. is offering to holders of its outstanding class A and class B common stock 746,270 shares of class B common stock for subscription at the price of $28 per share and at the rate of one share for each seven shares held of record April 2, 1957. Both offerings expire April 16, 1957. United States Foil Co., which together with its subsidiary Reynolds Corp., owns 50.7% of Reynolds Metals common stock, intends to use the proceeds from the sale of its own common stock to pay for the 435,904 shares of Reynolds Metals common stock which it is entitled to subscribe, and to redeem all its own outstanding shares of 7% preferred stock.

Underwriting of the two offerings will be handled by a group of investment banking firms headed by Dillon, Read & Co., Inc. and Reynolds & Co., Inc.

The offering is part of a $150 million financing program for the construction of a new primary aluminum plant near the St. Lawrence Seaway project and to expand alumina, sheet and plate fabricating facilities.

Estimated cost of the new Reynolds plant in upper New York State is $88 million, Mr. Reynolds said, and its annual rated capacity is 100,000 tons of primary aluminum.

The company plans to obtain an additional $100 million from the sale of first mortgage bonds to institutional investors and the borrowing of $15 million from banks.

Total consolidated revenues of Reynolds Metals during 1956 amounted to $409,186,000 and net income of $41,240,000 compared with revenues of $386,535,000 and net income of $34,307,000 in 1955.

Western Maryland Ry. Equipments Offered

Halsey, Stuart & Co. Inc. and associates are offering today (April 4) $3,450,000 Western Maryland Ry. Co. 3¾% equipment trust certificates, series V, maturing annually May 1, 1958 to 1972, inclusive.

The certificates are scaled to yield from 3.50% to 3.80%, according to maturity. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by seven Diesel road switching locomotives; 100 covered hopper cars and 300 hopper cars, estimated to cost $4,312,506.

Associates in the offering are —Dick & Merle-Smith; R. W. Pressprich & Co.; Freeman & Co.; New York Hanseatic Corp.; Wm. E. Pollock & Co., Inc.; Shearson, Hammill & Co.; McMaster Hutchinson & Co.; and Suplee, Yeatman, Mosley Co. Inc.

With F. L. Putnam Co.

(Special to THE FINANCIAL CHRONICLE)

BANGOR, Me. — George H. Bangs is now with F. L. Putnam & Company, Inc. of Boston. He was previously connected with Chas. A. Day & Co.

Joins Dewey, King

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Ronald N. Charland has joined the staff of Dewey, King & Johnson, 53 State Street.

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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.

Addison Airport, Inc.
March 20 (letter of notification) $300,000 of 6½% convertible debentures due 1972 (convertible into common stock at the rate of $1.50 per share). **Price**—At face amount (in units of $100 and multiples thereof). **Proceeds**—For the purchase of equipment and hangar space and working capital. **Office** — 302 Texas Bank Bldg., Dallas, Tex. **Underwriter**—Creson, Sledge & Co., Dallas, Tex.

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.

Aluminum Co. of Canada, Ltd. (4/10)
March 21 filed $125,000,000 of sinking fund debentures due 1980. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans of $63,000,000 and for working capital and future construction expenditures. **Underwriters**—The First Boston Corp. and Morgan Stanley & Co., both of New York.

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.

★ Amcrete Corp.
March 29 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expansion and equipment. **Business** — Prefabricated concrete wall sections and buttresses. **Office**—Fox Island Road, Port Chester, N. Y. **Underwriter**—None.

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.

Apache Oil Corp., Minneapolis, Minn.
March 25 filed 50,000 shares of common stock (par $2.50). **Price**—$6 per share. **Proceeds**—For investment in stock of APAF Co., a subsidiary; to carry an inventory of leases for present and future drilling programs; and for general corporate purposes. **Underwriter**—APA, Inc., another subsidiary, Minneapolis, Minn.

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.

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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.

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.
March 7 filed 34,377 shares of common stock (par $1) being 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**—$22 per share. **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.

● Blackstone Valley Gas & Electric Co.
March 21 (letter of notification) 90 shares of common stock (par $50) being offered to minority common stockholders on the basis of one share for each six shares held as of March 25; rights to expire April 12, 1957. **Price**—$105 per share. **Proceeds**—For working capital. **Office**—55 High Street, Pawtucket, R. I. **Underwriter**—None.

● 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. **Offering** — Expected in April.

★ British Columbia (Province of)
April 3 filed $45,000,000 of debenture issues, viz.: $25,000,000 of sinking fund debentures due 1987 of British Columbia Power Commission and $20,000,000 of sinking fund debentures due 1982 of Pacific Great Eastern Ry. **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for capital expenditures. **Underwriters**—Morgan Stanley & Co., Harris & Partners, Ltd., Inc. and Burns Bros. & Denton, Inc. **Offering**—Expected later this month.

★ Broad Street Investing Corp., New York
March 29 filed (by amendment) an additional 300,000 shares of capital stock (par ($1). **Price**—At market. **Proceeds**—For investment.

● Brockton Edison Co.
March 12 (letter of notification) 478 shares of capital stock (par $25) to be offered to minority stockholders on the basis of one new share for each 13 shares held as of March 21; rights will expire April 12, 1957. **Price**—$62 per share. **Proceeds**—To prepay bank loans. **Office**—36 Main Street, Brockton 67, Mass. **Underwriter** — None.

★ Bureau of National Affairs, Inc.
March 21 (letter of notification) 500 shares of common stock (no par). **Price** — $32 per share. **Proceeds** — For working capital. **Office**—1231 24th St., N. W., Washington, D. C. **Underwriter**—None.

Burma Shore Mines, Ltd., Toronto, Canada
July 26 filed 600,000 shares of capital stock, of which 500,000 shares are to be offered publicly, and 100,000 shares to promoters. **Price**—At par ($1 per share). **Proceeds** — For equipment, exploration, drilling, working capital and other general corporate purposes. **Underwriter**—To be named later.

★ C & D Batteries, Inc.
March 28 (letter of notification) 14,000 shares of common stock (par $10) to be offered for subscription by stockholders and employees. **Price**—$12.50 per share. **Proceeds** — For machinery, equipment, inventories and working capital. **Office** — Washington and Cherry Sts., Conshohocken, Pa. **Underwriter**—None.

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 9 a.m. (PST) on April 9 at Room 900, 433 So. Spring St., Los Angeles 13, Calif.

Capper Publications, Inc., Topeka, Kan.
March 25 filed $1,000,000 of five-year 4% first mortgage bonds, series six, and $3,000,000 of 10-year 5% first mortgage bonds, series seven. **Price**—At par. **Proceeds**—To redeem outstanding bonds and for improvement of present facilities and other corporate purposes. **Underwriter**—None.

Cargo Cool Corp.
Jan. 31 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To open and acquire additional truck terminal branches; for increased inventories; and for working capital. **Business** — Transport refrigeration equipment. **Office**—947 Communipaw Ave., Jersey City, N. J. **Underwriter**—Fred Kaufman Co., 120 Elm St., Orange, N. J.

★ Carolina Mines, Inc., Kings Mountain, N. C.
March 29 filed 679,469 shares of common stock, of which 283,676 shares are to be offered for subscription by stockholders at the rate of five additional shares for each four shares held; and the remainder will be offered to the public. **Price**—At par ($1 per share). **Proceeds**—To repay loans, for exploration and development work, construction and working capital. **Underwriter** — None. A. S. MacCulloch of Vancouver, B. C., Canada, is President and principal stockholder.

★ Cascade Natural Gas Corp., Seattle, Wash. (4/24)
March 29 filed 226,820 shares of common stock (par $1) to be offered for subscription by common stockholders of record April 24 on the basis of one new share for each 2½ shares held; rights to expire on May 8. **Price**—To be supplied by amendment. **Proceeds** — To reduce 4¼% notes by $1,000,000, to repay about $695,000 of bank loans and for construction program. **Underwriter** — White, Weld & Co., New York.

● Central & South American Acceptance Corp. (4/16)
March 22 filed 425,000 shares of common stock (par 10 cents). **Price**—Expected to be $1 per share. **Proceeds**—For working capital and other general corporate purposes. **Office**—Jersey City, N. J. **Underwriter**—Charles Plohn & Co., New York.

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.

★ Colonial Aircraft Corp., Sanford, Me.
March 29 filed 250,000 shares of common stock (par 10¢), to be issued upon exercise of warrants to purchase the following number of shares and held as follows: Glick & Co., Inc., underwriters of original offering, 140,000 shares; and by three individuals 110,000 shares. **Price**—Shares to be offered at market. Warrants are exercisable at 10 cents per warrant. **Proceeds**—From sale of shares to sellers of warrants. **Underwriter**—None.

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.
March 8 filed 1,675,415 shares of common stock (no par) being 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**—$15.75 per share. **Proceeds** — For financing construction work of subsidiaries. **Underwriters** — Lehman Brothers and Eastman Dillon, Union Securities & Co., both of N. Y.

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.

Comanche Creek Oil Co.
March 14 (letter of notification) 75,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For oil drilling expenses. **Office**—1848 South Elena Ave., Redondo Beach, Calif. **Underwriter**—Samuel B. Franklin Co., Los Angeles, Calif.

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.

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., 405 Lexington Ave., New York 17, N. Y.; and Shaw & Co., San Marino, Calif.

★ Continental Can Co., Inc.
March 29 filed 131,593 shares of common stock (par $10), together with an equal number of options for common stock, the latter to be offered under the company's "Employees' Stock Purchase Plan 2" to executive employees of the company.

Continental Turpentine & Rosin Corp., Laurel, Miss.
March 12 (letter of notification) 11,400 shares of capital stock (par $5) and $125,000 of 20-year 5% subordinate

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debentures dated March 31, 1957 to be offered in denominations of $100 to present stockholders, officers and employees of the corporation at rate of 3/10ths of a share of new stock for each share held and $300 debentures for each 100 shares held. **Price**—Of stock, $15 per share; and of debentures at face amount. **Proceeds**—For construction purposes in Shamrock, Fla. **Underwriter**—None.

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.

★ District Wholesale Drug Corp. of Washington
March 22 (letter of notification) $50,000 of 8½% registered debentures. **Price**—At par (in units of $100 and multiples thereof). **Proceeds**—For expansion of inventories. **Office** — 52 "O" St., N. W., Washington, D. C. **Underwriter**—None.

★ Dodge & Cox Fund, San Francisco, Calif.
March 28 filed (by amendment) 19,916 additional beneficial shares in the Fund (par $1). **Price** — At market. **Proceeds**—For investment.

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 (with an oversubscription privilege); rights to expire on April 8, 1957. **Price**—$25 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

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.

● Fall River Electric Light Co.
March 12 (letter of notification) 291 shares of capital stock (par $25) being offered to minority stockholders on the basis of one new share for each 16 shares held as of March 21; rights to expire on April 12. **Price**—$52 per share. **Proceeds** — To prepay notes to banks. **Office**—85 N. Main St., Fall River, Mass. **Underwriter**—None.

★ Farm & Home Loan & Discount Co.
March 29 filed 125,000 shares of class A common (voting) stock; 120,000 shares of class B common (voting) stock; and 150,000 shares of class C common (non-voting) stock. Of the class A shares, 85,000 are to be offered to persons who became policyholders in the Farm & Home Insurance Co. prior to Feb. 25, 1952, for assignment of insurance dividends only; while 40,000 shares are to be offered to officers, directors and employees of the Discount company and the Insurance company, at an offering price of 25 cents per share. 120,000 class B shares are to be offered to persons who became policyholders in the Insurance company after Feb. 25, 1952, and before Dec. 31, 1953, for assignment of insurance dividends only, at an offering price of 35 cents per share. The 150,000 class C shares are to be offered, at 50 cents per share, to all holders of life insurance policies of the Insurance company, regardless of date of policy. **Proceeds**—For additional working capital. **Office**—Phoenix, Ariz. **Underwriter**—None.

● Flexible Tubing Corp., Guilford, Conn. (4/7)
March 26 filed $600,000 of first mortgage bonds due 1972 (with common stock purchase warrants attached) and 32,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—Together with proceeds from new bank loans, to repay present bank loans and for expansion and working capital. **Underwriter**—P. W. Brooks & Co., 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 Steel Corp., Tampa, Fla. (4/16)
March 22 filed 300,000 shares of common stock (par $1), of which 30,000 shares will be offered to employees. **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriters** — McDonald & Co., Cleveland, O.; and Kidder, Peabody & Co., 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 work-

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NEW ISSUE CALENDAR

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
Nyvatex Oil Corp. ____ Common
(Milton D. Blauner & Co., Inc.) $225,000
Pepsi-Cola Mokan Bottlers, Inc. ____ Common
(G. F. Church & Co.) $300,000

April 9 (Tuesday)
California Electric Power Co. ____ Bonds
(Bids 9 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
Shumway Uranium Mining Corp. ____ Common
(Winslow, Cohu & Stetson) $250,000

April 10 (Wednesday)
Aluminum Co. of Canada, Ltd. ____ Debentures
(The First Boston Corp. and Morgan Stanley & Co.) $125,000,000
Katz Drug Co. ____ Common
(A. G. Becker & Co. Inc.) 50,000 shares
Norfolk & Western Ry. ____ Equip. Trust Ctfs.
(Bids to be invited) $6,600,000
Overnite Transportation Co. ____ Common
(Scott, Horner & Mason, Inc.) 126,000 shares
Roberts Co. ____ Common
(Straus, Blosser & McDowell) 190,000 shares
Sears Roebuck Acceptance Corp. ____ Debentures
(Goldman, Sachs & Co.; Halsey, Stuart & Co. Inc.; and Lehman Brothers) $25,000,000

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
United Illuminating Co. of New Haven ____ Common
(Offering to stockholders—no underwriting) $6,854,254
United States Leasing Corp. ____ Common
(Schwabacher & Co.) 800,000 shares
Wrigley Properties, Inc. ____ Common
(Offering to security holders of ACF-Wrigley Stores, Inc. —underwritten by Allen & Co.) 2,069,150 shares

April 15 (Monday)
Baltimore & Ohio RR. ____ Equip. Trust Ctfs.
(Bids to be invited) $3,585,000
Lake Lauzon Mines, Ltd. ____ Common
(Steven Randall & Co., Inc.) $300,000
New England Electric System ____ Common
(Exchange offer to Lynn Gas & Electric stockholders—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co. to act as dealer-managers) 819,000 shares
Quebec Natural Gas Corp. ____ Bonds
(Lehman Brothers and Allen & Co. in United States) $25,000,000
Quebec Natural Gas Corp. ____ Debentures & Common
(Lehman Brothers and Allen & Co. in United States) $15,000,000
Western Nuclear Corp. ____ Debentures & Common
(Bosworth, Sullivan & Co.) $404,400

April 16 (Tuesday)
Central & South American Acceptance Corp. ____ Common
(Charles Plohn & Co.) 425,000 shares
Cincinnati, New Orleans & Texas Pacific Ry. ____ Equip. Trust Ctfs.
(Bids noon EST) $4,200,000
Florida Steel Corp. ____ Common
(McDonald & Co. and Kidder, Peabody & Co.) 300,000 shares
Iowa Southern Utilities Co. ____ Common
(The First Boston Corp.) 75,000 shares
Lincoln Telephone & Telegraph Co. ____ Common
(Offering to stockholders—underwritten by Dean Witter & Co.) 63,750 shares
Roxbury Carpet Co. ____ Common
(Paine, Webber, Jackson & Curtis) 175,000 shares
Stevens Markets, Inc. ____ Class A common
(R. S. Dickson & Co., Inc.) 100,000 shares

April 17 (Wednesday)
Flexible Tubing Corp. ____ Bonds
(P. W. Brooks & Co. Inc.) $600,000
Standard Pressed Steel Co. ____ Common
(Kidder, Peabody & Co.) 190,000 shares
Transcontinental Gas Pipe Line Corp. ____ Bonds
(White, Weld & Co. and Stone & Webster Securities Corp.) $50,000,000
Transcontinental Gas Pipe Line Corp. ____ Preferred
(White, Weld & Co. and Stone & Webster Securities Corp.) $10,000,000

April 22 (Monday)
Herold Radio & Electronics Corp. ____ Preferred
(Amos Treat & Co., Inc.) $800,000
Houston Oil Field Material Co., Inc. ____ Common
(Shearson, Hammill & Co. and Underwood, Neuhaus & Co.) 200,000 shares
Swartwout Co. ____ Common
(McDonnell & Co.) 30,000 shares

April 23 (Tuesday)
Midwestern Instruments, Inc. ____ Common
(C. E. Unterberg, Towbin Co.) 200,000 shares
Minneapolis & St. Louis Ry. ____ Equip. Trust Ctfs.
(Bids noon CST) $2,700,000
Northwestern Bell Telephone Co. ____ Debentures
(Bids 11 a.m. EST) $30,000,000
United Artists Corp. ____ Debentures & Common
(F. Eberstadt & Co.) $10,000,000 of debentures and 350,000 shares of common stock

April 24 (Wednesday)
Cascade Natural Gas Corp. ____ Common
(Offering to stockholders—underwritten by White, Weld & Co.) 226,820 shares
National Lithium Corp. ____ Common
(Gearhart & Otis, Inc.) $3,900,000

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
Laclede Gas Co. ____ Bonds
(Bids to be invited) $10,000,000
Mid-State Commercial Corp. ____ Debenture bonds
(Frazee, Olifiers & Co.) $190,000

May 7 (Tuesday)
Cincinnati Gas & Electric Co. ____ Bonds
(Bids to be invited) $25,000,000 to $30,000,000
El Paso Electric Co. ____ Common
(Offering to stockholders—Stone & Webster Securities Corp. may be dealer-manager) 119,522 shares
Potomac Edison Co. ____ Bonds
(Bids to be invited) $14,000,000

May 9 (Thursday)
Alabama Power Co. ____ Bonds
(Bids 11 a.m. EDT) $14,500,000

May 13 (Monday)
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
Florida Power Corp. ____ Common
(Offering to stockholders—to be underwritten by Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.) 255,813 shares
New York State Electric & Gas Corp. ____ Bonds
(Bids noon EDT) $25,000,000

May 15 (Wednesday)
El Paso Electric Co. ____ Bonds
(Bids 11 a.m. EDT) about $6,500,000

May 16 (Thursday)
Washington Gas Light Co. ____ Bonds
(Bids to be invited) about $8,000,000

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)
Interstate Power Co. ____ Bonds
(Bids 11 a.m. EDT) $20,000,000

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 5 (Wednesday)
Boston Edison Co. ____ Bonds
(Bids to be invited) $25,000,000

June 6 (Thursday)
Georgia Power Co. ____ Bonds
(Bids 11 a.m. EDT) $15,500,000

June 10 (Monday)
Portland Gas & Coke Co. ____ Common
(Offering to stockholders—may be negotiated) 225,976 shares

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

July 30 (Tuesday)
West Penn Power Co. ____ Bonds
(Bids to be invited) about $20,000,000

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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ing capital. **Office**—Hoag and Newton Sts., Akron, N. Y. **Business**—Manufacturing chewing gum and self-service machines. **Underwriter**—None.

Fruit Juices, Inc.
Dec. 3 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For working capital. **Office** — 1115 South Washington St., Marion, Ind. **Underwriter**—Sterling Securities Co., Los Angeles, Calif.

★ **Fundamental Investors, Inc., Elizabeth, N. J.**
March 29 filed (by amendment) 2,000,000 additional shares of capital stock (par $2). **Price**—At market. **Proceeds**—For investment.

★ **Furness, Withy & Co., Ltd. (England)**
March 26 filed 60,000 American depositary receipts for ordinary registered shares. **Depositary**—Guaranty Trust Co. of New York.

★ **Gaudio Bros., Inc.**
March 15 (letter of notification) $250,000 of 7% debentures due April 1, 1972. **Price**—At face amount (in denominations of $100 and multiples thereof). **Proceeds**—For leasehold improvements, inventory and working capital. **Office** — 139-141 Kaighn Ave., Camden, N. J. **Underwriter**—None.

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). **Bids**—To be received up to 3:45 p.m. (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 Motors Corp.**
April 2 filed 1,500,000 shares of common stock to be offered for subscription under the company's savings stock purchase program for salaried employees in the United States.

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. (4/22)**
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.

★ **Homasote Co.**
April 1 (letter of notification) 20,000 shares of 5% cumulative convertible preferred stock, series B. **Price**—At par ($10 per share) and accrued dividends. **Proceeds**—For working capital. **Business**—Prefabrication. **Office**—Lower Ferry Road, Trenton, N. J. **Underwriter**—None.

Houston Lighting & Power Co.
Feb. 25 filed 665,760 shares of common stock (no par), of which 612,260 shares are being 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 being 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.

★ **Incorporated Investors, Boston, Mass.**
March 29 filed (by amendment) 2,500,000 additional shares of common stock (par $1). **Price** — At market. **Proceeds**—For investment.

International Bank of Washington, D. C.
Sept. 28 filed $1,000,000 of time certificates, series B, C and D. **Price**—At 100% of principal amount. **Proceeds**—For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

International Capital Corp., Des Moines, Iowa
Nov. 29 filed 370,000 shares of common stock (par 10 cents), of which 185,000 shares are to be offered by The Equity Corp. on a share-for-share basis in exchange for Equity Corp. common stock, and the remaining 135,000 shares by Financial General Corp. on a basis of 1⅔ shares of International common stock in exchange for one share of Financial common stock. Equity and Financial are to receive the 185,000 shares each of International common stock in exchange for all the outstanding shares of common stock of Investors Financial Corp. and Group Equities, Inc. International has been informed that 142,000 shares of Equity common owned by Fremont Corp. will be tendered in acceptance of the Equity exchange offer. **Underwriter**—None.

International Duplex Corp., San Francisco, Calif.
Dec. 21 filed 500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To equip and establish five super launderettes and for working capital. **Underwriters**—Names to be supplied by amendment.

★ **International Fidelity Insurance Co., Dallas, Tex.**
March 28 filed 100,000 shares of common stock (no par) to be offered for subscription by stockholders at the rate of one new share for each seven shares held. **Price**—To be supplied by amendment. **Proceeds**—For working capital, etc. **Underwriter**—Franklin Securities Co., Dallas, Texas.

★ **Interstate Fire & Casualty Co. (Ill.)**
March 29 filed 20,000 shares of common stock to be offered for subscription by common stockholders of record April 1, 1957, on the basis of two new shares for each five shares held. **Price**—$21 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ **Investors Loan Corp., Frederick, Md.**
March 27 (letter of notification) 4,688 shares of 6% cumulative preferred stock. **Price** — At par ($50 per share). **Proceeds**—For general corporate purposes. **Office**—12 So. Market St., Frederick, Md. **Underwriter**—None.

★ **Investors Stock Fund, Inc., Minneapolis, Minn.**
March 29 filed (by amendment) 7,000,000 additional shares of capital stock (par 50 cents). **Price**—At market. **Proceeds**—For investment.

Investors Variable Payment Fund, Inc.
March 25 filed 10,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Sponsor and Investment Manager** — Investors Diversified Services, Inc., Minneapolis, Minn., which will also act as distributor.

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.

● **Iowa Southern Utilities Co. (4/16-17)**
March 27 filed 75,000 shares of common stock (par $15). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter** — The First Boston Corp., New York.

Israel American Industrial Development Bank, Ltd.
Feb. 13 filed $2,500,000 of perpetual 6% debenture stock. **Price** — 110% of par. **Proceeds**—To be converted into Israel pounds and will be used as working capital to extend the medium and long-term credits to enterprises in Israel. **Office**—Tel Aviv, Israel. **Underwriter**—Israel Securities Corp., New York.

● **Jacobs (F. L.) Co.**
Oct. 4 filed $3,000,000 of 6% convertible debentures due Nov. 1, 1966. **Price**—100% of principal amount. **Proceeds**—To pay short-term loans and for working capital. **Underwriters**—McLaughlin, Cryan & Co. and Gearhart & Otis, Inc., both of New York. Statement withdrawn.

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. (4/10)**
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.

● **Lake Lauzon Mines Ltd., Toronto, Can. (4/15-19)**
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.

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.

★ **Lincoln Telephone & Telegraph Co. (4/16)**
March 28 filed 68,750 shares of common stock (par $25) to be offered for subscription by common stockholders of record April 10, 1957 on the basis of one new share for each three shares held; rights to expire on May 1. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—Dean Witter & Co., San Francisco, Calif., will underwrite 53,114 of the shares.

★ **Little Sister Uranium Corp., Vernon, Calif.**
March 21 (letter of notification) 60,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining operations. **Office**—2636 Leonis Blvd., Vernon 58, Calif. **Underwriter**—None.

Logren Aircraft Co., Inc., Torrance, Calif.
March 5 (letter of notification) 194,180 shares of common stock (par $1). **Price**—$1.37½ per share. **Proceeds**—For working capital. **Office** — 2475A So. Crenshaw Blvd., Torrance, Calif. **Underwriter**—Daniel Reeves & Co., Beverly Hills, Calif.

★ **Lone Star Gas Co. (4/23-24)**
April 3 filed $30,000,000 of sinking fund debentures due 1982. **Price**—To be supplied by amendment. **Proceeds**—To finance 1957 construction program of company and its subsidiary, Lone Star Producing Co., and to provide additional working capital. **Underwriter** — The First Boston Corp., New York.

Loyal American Life Insurance Co., Inc.
Sept. 28 filed 230,000 shares of common stock (par $1) being 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); rights to expire on April 15. **Price**—$5 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—J. H. Goddard & Co., Inc., Boston, Mass., and Thornton, Mohr & Farish, Montgomery, Ala.

★ **Marion Finance Corp., Ardmore, Pa.**
March 28 filed $250,000 of 6% renewable subordinated debentures, due upon demand May 1, 1967, without demand May 1, 1972. **Price**—At par (in units of $100 and $500 each). **Proceeds**—For working capital. **Office**—17 W. Lancaster Ave., Ardmore, Pa. **Underwriters**—Walnut Securities Corp., Philadelphia, Pa.; B. Ray Robbins Co., New York; and Berry & Co., Plainfield, N. J.

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.

★ **Mayfair Markets**
March 14 (letter of notification) 5,000 shares of cumulative preferred stock (par $50) and 5,000 shares of common stock (par $1), to be offered in units of one share of each. **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

★ **McCormick Armstrong Co., Inc.**
March 21 (letter of notification) 31,940 shares of common stock (par $5). **Price**—$6.50 per share. **Proceeds**—For working capital. **Office**—1501 East Douglas, Wichita 7, Kan. **Underwriters** — Small-Milburn Co., Inc.; Mid-Continent Securities Co., Inc.; First Securities Co. of Kansas, Inc.; Ranson & Co., Inc., and Brooks & Co., all of Wichita, Kan.

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

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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.

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.

Midland Telephone Co.
March 13 (letter of notification) 170,154 shares of common stock (par $1) of which 151,487 shares to be offered to stockholders through rights and 18,667 shares to be offered to public. **Price** — To stockholders, $1.25 per share and to public, $1.50 per share. **Proceeds**—For retirement of outstanding bonds and working capital. **Office**—126 N. Fifth St., (Box 988), Grand Junction, Colo. **Underwriter**—None.

★ **Mid-State Commercial Corp. (5/1)**
March 29 (letter of notification) $190,000 of 7% registered debenture bonds due May 1, 1967. **Price**—At 100% and accrued interest. **Proceeds**—For expansion of service area and working capital. **Office**—2 King St., Middletown, N. Y. **Underwriter** — Frazee, Olifiers & Co., New York.

★ **Midwestern Instruments, Inc., Tulsa, Okla. (4/23)**
March 29 filed 200,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — For capital expenditures, working capital and general corporate purposes. **Underwriter**—C. E. Unterberg, Towbin & Co., New York.

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.

★ **Mutual Investment Fund, Inc. (N. Y.)**
March 28 filed (by amendment) 300,000 additional shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

Mutual Investment Trust for Profit Sharing-Retirement Plans, Inc., Richmond, Va.
March 19 filed 50,000 shares of capital stock (par $1), to be offered trustees of profit sharing retirement plans. **Price**—At market. **Proceeds**—For investment. **President**—T. Coleman Andrews. **Office** — 5001 West Broad St., Richmond, Va.

★ **National Investors Corp., New York.**
March 29 filed (by amendment) 100,000 additional shares of capital stock (par $1). **Price** — At market. **Proceeds**—For investment.

● **National Lithium Corp., New York (4/24)**
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 Weekly, Inc.**
March 29 (letter of notification) $232,000 of 5% debentures due April 1, 1967, and 58,000 shares of class B common stock (par $1) to be offered in units of $80 principal amount of debentures and 20 shares of stock. **Price**—$100 per unit. **Proceeds**—To repay advances in connection with purchase of radio station and for general corporate purposes. **Office**—211 East 37th St., New York, N. Y. **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**—Indefinitely postponed.

New Canaan Co., New Canaan, Conn.
Dec. 14 (letter of notification) 2,000 shares of class A stock being offered for subscription by stockholders beginning March 20, 1957; rights to expire on April 11, 1957. **Price**—At par ($25 per share). **Proceeds**—To reduce a certain note indebtedness incurred by the company in connection with the recent purchase of The Ridgefield Water Supply Co. **Underwriter** — Glidden, Morris & Co., New York.

● **New England Electric System (4/15)**
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.

★ **Nichols, Inc., Kingston, N. H.**
March 21 (letter of notification) 8,000 shares of common stock (no par). **Price**—$27 per share. **Proceeds**—For working capital. **Underwriter**—None.

Nic-L-Silver Battery Co., Santa Ana, Calif.
Dec. 27 filed 75,000 shares of 5% cumulative participating preferred stock and 7,500 shares of common stock. **Price**—At par ($10 per share). **Proceeds** — To liquidate a bank loan of $178,635; increase inventories; and for working capital and general corporate purposes. **Underwriter**—None.

★ **Northwestern Bell Telephone Co. (4/23)**
March 29 filed $30,000,000 of 32-year debentures due May 1, 1989. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent. **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 up to 11 a.m. (EST) on April 23.

● **Nyvatex Oil Corp. (4/8-12)**
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. (4/10)**
March 19 filed 126,000 shares of common stock (par 50 cents), of which 25,000 shares are to be offered first to officers and employees for a seven-day period. **Price**—To public $13.30 per share; and to employees, $12.25 per share. **Proceeds**—To selling stockholders. **Office**—Richmond, Va. **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.

★ **Paul Hesse 3-D Arts, Inc.**
March 28 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For machinery, equipment and working capital. **Office**—1250 Brookline Blvd., Pittsburgh, Pa. **Underwriter**—Reilly, Hoffman & Sweeney, Inc., New York.

★ **Phillips Petroleum Co., Bartlesville, Okla.**
April 1 filed $51,000,000 of participation in Thrift Plan for principal executive officers of company and its subsidiaries, together with 1,139,665 shares of common stock which may be purchased under the plan.

Pittsburgh Rys. Co., Pittsburgh, Pa.
Feb. 13 filed 547,678 shares of common stock (no par), of which 540,651.75 shares are to be offered for subscription by Standard Gas & Electric Co. common stockholders on the basis of one Pittsburgh Rys. share for each four Standard Gas shares held 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. Statement effective March 27.

Plymouth Fund, Inc., Miami, Fla.
Feb. 5 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Plymouth Bond & Share Corp., Miami, Fla. Joseph A. Rayvis, also of Miami, is President.

★ **Potomac Edison Co. (5/7)**
April 1 filed $14,000,000 of first mortgage and collateral trust bonds due 1987. **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). **Bids**—Expected to be received on May 7.

★ **Price (T. Rowe) Growth Stock Fund, Inc.**
April 1 filed (by amendment) 75,000 additional shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

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. (4/15-19)
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.

Quebec Natural Gas Corp. (4/15-19)
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.

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.

★ **Realty Investors Corp., Albuquerque, N. M.**
March 22 (letter of notification) 2,940 shares of 5% non-cumulative participating preferred stock. **Price**—At par ($100 per share). **Proceeds** — For investments in first mortgages and working capital. **Office** — 518 Simms Bldg., Albuquerque, N. M. **Underwriter**—None.

★ **Resource Fund, Inc., New York**
March 29 filed 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None. D. John Heyman of New York is President.

● **Reynolds Metals Co.**
March 12 filed 914,078 shares of common stock (par $1) being 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 April 16, 1957. **Price**—$42 per share. **Proceeds**—For expansion program. **Underwriters**—Dillon, Read & Co. Inc. and Reynolds & Co., Inc., both of New York for 450,866 shares.

★ **Rittenhouse Fund, Philadelphia, Pa.**
March 29 filed (by amendment) 50,000 additional participating units in the Fund. **Price**—At market. **Proceeds**—For investment.

Roberts Co., Sanford, N. C. (4/10-11)
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.

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.

● **Roxbury Carpet Co. (4/16-17)**
March 27 filed 198,274 shares of common stock (par $1), of which 175,000 shares are to be offered publicly (50,000 shares on behalf of company and 125,000 for selling stockholders) and 23,274 shares are to be offered in exchange for the minority holdings of common stock in Roxbury Southern Mills, Inc., a subsidiary. **Price**—To be supplied by amendment. **Proceeds**—For modernization program. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

★ **St. Louis Insurance Corp., St. Louis, Mo.**
March 27 filed 1,250 shares of class C cumulative preferred stock (par $57). **Price**—$97 per share. **Proceeds**—To R. M. Realty Co., who is the selling stockholder. **Underwriter**—Yates, Heitner & Woods, St. Louis, Mo.

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★ **St. Regis Paper Co.**
April 1 filed 850,000 shares of common stock (par $5) to be offered in exchange for common stock of St. Paul & Tacoma Lumber Co. on the basis of 56⅔ shares of St. Regis stock for each share of Lumber company stock. The offer will be declared effective if 95% of the latter stock is deposited for exchange (and may be declared effective at option of St. Regis, if not less than 80% of the stock is deposited).

Sears Roebuck Acceptance Corp. (4/10)
March 26 filed $25,000,000 of subordinated debentures due May 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—To purchase customer receivables from Sears, Roebuck & Co., the parent, under arrangements similar to those under which Sears has sold receivables to banks since 1937. **Underwriters**—Goldman, Sachs & Co., Halsey, Stuart & Co. Inc. and Lehman Brothers, all of New York City.

★ **Security Savings Life Insurance Co.**
March 21 (letter of notification) 60,000 shares of non-assessable common stock (par $1) to be offered to stockholders on the basis of one new share for each share held (with an oversubscription privilege). **Price**—$5 per share. **Proceeds**—To capital and paid-in surplus. **Office**—Old South Life Bldg. (P. O. Box 376), Montgomery, Ala. **Underwriter**—None.

★ **Shop Rite Foods, Inc.**
March 28 (letter of notification) 15,000 shares of common stock (par $5). **Price**—$11.50 per share. **Proceeds**—For fixtures and inventory. **Office** — 617 Truman St., N. E., Albuquerque, N. M. **Underwriters**—First Southwest Co., Dallas, Tex.; and Minor, Mee & Co., Albuerque, N. M.

★ **Shumway Uranium Mining Co. (4/9)**
March 26 (letter of notification) 200,000 shares of common stock. **Price**—$1.25 per share. **Proceeds**—For general corporate purposes. **Office**—65 E. 4th South St., Salt Lake City, Utah. **Underwriter**—Winslow, Cohu & Stetson, New York, N. Y. **Offering**—Expected to be done privately.

● **Southeastern Public Service Co.**
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. **Offering**—Expected today (April 4).

★ **Southwest Acceptance Co., San Antonio, Texas**
March 26 (letter of notification) $300,000 of 6% debentures due 1967. **Price**—At face amount. **Proceeds**—For additional working capital. **Underwriter** — First Trust Co. of Lincoln (Neb.), and Beecroft, Cole & Co., Topeka, Kansas.

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) being 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 being offered first in exchange for the 54,530 outstanding shares of 5% cumulative convertible preferred stock (par $10) at the rate of one unit for each 10 shares of preferred stock held. This offer expires on April 22. The remaining $200,000 of debentures and 4,000 shares of common stock were 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. Statement effective March 20.

★ **Standard Oil Co. of California**
April 1 filed $60,000,000 of Interests in the Stock Plan for Employees of this company and certain subsidiaries, together with 1,286,863 shares of capital stock which may be issued pursuant to the plan.

Standard Pressed Steel Co. (4/17)
March 21 filed 200,000 shares of common stock (par $1), of which 190,000 shares are to be publicly offered and 10,000 shares offered to employees of company. **Price**—To be supplied by amendment. **Proceeds**—For working capital and plant expansion. **Office** — Jenkintown, Pa. **Underwriter**—Kidder, Peabody & Co., New York.

● **Stevens Markets, Inc., Miami, Fla. (4/16-17)**
March 25 filed 100,000 shares of class A common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To equip a third super market and for working capital and other corporate purposes. **Underwriter**—R. S. Dickson & Co., Inc., Charlotte, N. C.

★ **Stinnes (Hugo) Corp., New York**
March 29 filed 530,712 shares of common stock (par $5), of the presently outstanding 988,890 common shares. **Proceeds** — To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding.

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.

★ **Supercrete, Ltd., St. Boniface, Manitoba, Canada**
April 1 filed $1,000,000 of convertible subordinated debentures. **Price**—To be supplied by amendment. **Proceeds**—To repay $550,000 bank loans, and for increased facilities and working capital. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

★ **Swartwout Co., Cleveland, Ohio (4/22)**
March 29 filed 30,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term borrowings and for expansion program. **Underwriter**—McDonnell & Co., New York.

★ **T. E. C. Inc.**
March 20 (letter of notification) 29,375 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds**—For construction costs and working capital. **Office**—1700 Girard Trust Bldg., Philadelphia 2, Pa. **Underwriter**—None.

★ **Telechrome Manufacturing Co.**
April 1 (letter of notification) 6,500 shares of class A stock (par 10 cents). **Price**—At market (about $5.50 per share). **Proceeds**—To Amos Treat & Co., Inc., the selling stockholder. **Office**—28 Ranick Road, Amityville, L. I., N. Y. **Underwriter**—None.

★ **Texas National Petroleum Co.**
March 29 filed 91,540 shares of capital stock (par $1), which are issuable upon exercise of outstanding class B and class C warrants which are exercisable at $5.25 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ **Tex-Tube, Inc., Houston, Texas**
March 29 filed 50,000 shares of 6% convertible preferred stock (par $10) and 50,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures and working capital. **Underwriter**—Moroney, Beissner & Co., Houston, Tex.

Thermoray Corp.
June 29 (letter of notification) 380,000 shares of common stock (par 10 cents). **Price** — 75 cents per share. **Proceeds**—For inventory, working capital, etc. **Business**—Electrical heating. **Office**—26 Avenue B, Newark, N. J. **Underwriter**—Eaton & Co., Inc., New York.

★ **Titanium Ores Corp.**
March 18 (letter of notification) $250,000 of 6% convertible debentures due April 1, 1967 (convertible on and after Oct. 1, 1958, into 100 shares of common stock for each $100 of debentures). **Price**—At face amount (in denominations of $100 and multiples thereof). **Proceeds**—For mining expenses. **Office**—9525 Georgia Ave., Silver Spring, Md. **Underwriter**—None. Charles E. Jefferson is President.

● **Transcontinental Gas Pipe Line Corp. (4/17)**
March 27 filed $50,000,000 of first mortgage pipe line bonds due 1977 and 100,000 shares of cumulative preferred stock (no par) stated value $100 per share. **Price**—To be supplied by amendment. **Proceeds** — For construction program and to repay bank loans. **Underwriters**—White, Weld & Co., and Stone & Webster Securities Corp., both of New York.

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.

★ **Treasure Island Resort, Inc.**
March 25 (letter of notification) 10,000 shares of 7% cumulative participating preferred stock. **Price**—At par ($20 per share). **Proceeds**—For building and operating a yacht basin. **Office**—20 E. Fourth St. (P. O. Box 306), Panama City, Fla. **Underwriter**—None.

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.

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.

★ **Union Carbide & Carbon Corp.**
March 28 filed $25,000,000 of interest in participations in the Savings Plan for Employees of this company and United States subsidiaries, together with 50,000 shares of common stock which may be issued pursuant to the plan.

★ **United Artists Corp., New York (4/23-30)**
March 29 filed $10,000,000 of 6% convertible subordinated debentures due 1960. **Price** — To be supplied by amendment. **Proceeds** — To retire a $925,000 note and $2,500,000 of bank loans and for working capital. **Underwriter**—F. Eberstadt & Co., New York.

★ **United Artists Corp., New York (4/23-30)**
March 29 filed 350,000 shares of common stock (par $1), of which 250,000 shares are to be offered for account of company and 100,000 shares for selling stockholders. **Price** — To be supplied by amendment. **Proceeds** — For working capital. **Underwriter**—F. Eberstadt & Co., New York.

● **United Illuminating Co., New Haven, Conn. (4/11)**
March 22 filed 311,557 shares of common stock (no par) to be offered for subscription by common stockholders of record April 10, 1957 on the basis of one new share for each eight shares held; rights to expire on May 2. **Price**—$22 per share. **Proceeds**—For payment of bank loans and construction program. **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.**
March 12 filed 746,270 shares of class B common stock (par $1) being offered for subscription by class A and class B common stockholders of record April 2, 1957 on the basis of one class B share for each seven class A and/or class B shares held; rights to expire on April 16, 1957. **Price**—$28 per share. **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 for 701,074 shares.

United States Leasing Corp., San Francisco, Calif. (4/11)
March 22 filed 800,000 shares of capital stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — For working capital and general corporate purposes. **Underwriter**—Schwabacher & Co., San Francisco, Calif.

★ **Valley Telephone Co., Silverton, Ore.**
March 12 (letter of notification) 12,811 shares of common stock to be offered to stockholders on the basis of one new share for each two shares held. **Price**—At par ($10 per share). **Proceeds**—For expenses for operating a public utility (telephone and telegraph). **Underwriter**—Daugherty, Butchart & Cole, Inc., Portland, Ore.

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**
March 13 filed 178,646 shares of common stock (par 50 cents) being 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**—$16 per share. **Proceeds**—To be used initially to reduce bank borrowings. **Underwriter**—Blyth & Co., Inc., New York.

● **West Penn Power Co.**
Feb. 19 filed 251,606 shares of common stock (no par) of which 12,579 shares are being offered for subscription by minority common stockholders (other than the parent, West Penn Electric Co.) of record March 21, 1957 on the basis of one new share for each 14 shares held; rights to expire on April 16, 1957. **Price**—$49.50 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 Nuclear Corp., Rawlins, Wyo. (4/15-19)**
March 27 filed $400,000 of 5¾% subordinated debentures, series B, and 440,000 shares of common stock (par one cent) to be offered in units of $1,000 of debentures and 1,100 shares of stock. **Price**—$1,011 per unit. **Proceeds**—For capital expenditures and operating purposes. **Underwriter**—Bosworth, Sullivan & Co., Denver, Colo.

Western Uranium Corp.
March 16 (letter of notification) 1,000,000 shares of common stock (par five cents) to be offered as follows: 200,000 shares to present stockholders on a basis of one new share for each share held and 800,000 shares to the public. **Price** — To stockholders, seven cents per share; to public, 10 cents per share. **Proceeds**—For mining expenses. **Office**—139 N. Virginia St., Reno, Nev. **Underwriter**—None.

★ **Whitehall Fund, Inc., New York**
March 29 filed (by amendment) 200,000 additional shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

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.
Feb. 14 filed 40,000 shares of common stock (par $10) and 4,000 shares of cumulative preferred stock (par $100) being offered in units of 10 common shares and one preferred share (first to preferred stockholders; rights to expire on April 5). **Price**—$230 per unit. **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. Statement effective March 21.

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● **Wrigley Properties, Inc. (4/11)**
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 as of April 10, 1957 (rights to expire on April 25, 1957), 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. **Office** — Detroit, Mich. **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 Specialty Co.
March 18 it was announced company plans to issue and sell 15,000 shares of $1.20 cumulative convertible preferred stock series A (par $20). Stockholders on April 6 are to vote on approving an authorized issue of 30,000 shares of preferred stock. **Underwriters**—Emch & Co. and The Marshall Co., both of Milwaukee, Wis.

American Fletcher National Bank & Trust Co.
March 21 bank offered 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. **Price** — $33 per share. **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 is offering 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.

★ **Atlantic City Electric Co.**
March 25 it was announced stockholders will vote April 9 on authorizing the issuance and sale of convertible bonds or debentures. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., American Securities Corp. and Wood, Struthers & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lee Higginson Corp.; Blyth & Co., Inc.

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. (6/5-13)
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. **Bids**—Expected in first or second week of June.

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, handled 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 $8,700,000. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

Carolina Telephone & Telegraph Co.
March 11 it was announced company plans to issue and sell some debentures in an amount which would permit substantial reduction of its bank loans (which approximate $12,200,000). Previous debenture financing was done privately.

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 Illinois Light Co.
March 18 it was reported company plans to issue and sell this Fall between $18,000,000 to $20,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly).

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. (4/16)
Bids will be received by the company up to noon (EST) on April 16 for the purchase from it of $4,200,000 of equipment trust certificates dated Feb. 1, 1957 and due semi-annually from Aug. 1, 1957 to and including Feb. 1, 1967. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Baxter & Co.

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.; Chas. W. Scranton & Co., New Haven, Conn.; and Estabrook & Co., Boston, Mass.

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.

Detroit Edison Co.
March 18 it was announced company plans to sell in 1957 about $60,000,000 of new securities. **Proceeds**—For construction program (estimated to cost about $89,000,000 this year). **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Coffin & Burr, Inc., and Spencer Trask & Co. (jointly). **Bids** — Now expected to be received in latter part of June.

Du Mont Broadcasting Corp.
March 20 it was announced that corporation intends to offer its stockholders the right to subscribe for about 300,000 shares of common stock on the basis of one new share fo reach three shares held. **Proceeds**—To help pay for cost of acquisition of radio station WNEW. **Underwriters**—Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co., both of New York.

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 up to 11 a.m. (EDT) 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. (5/14)**
Jan. 3 it was reported that company plans to offer to its stockholders about May 14, next, 255,813 shares of additional common stock on a 1-for-10 basis; rights to expire June 3. **Price** — To be announced on May 13. **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.
March 18 it was announced company plans to issue and sell, probably in June, first to common stockholders, $45,000,000 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.

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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. (5/22)**
March 4 it was announced company plans to sell about $29,000,000 of new securities ($20,000,000 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: Kidder, Peabody & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on May 22 for bonds.

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.
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.

KLM Royal Dutch Airlines
March 18 it was reported company plans offering in the United States of its common stock. **Underwriters**—Smith, Barney & Co. and The First Boston Corp., (latter handling books), both of New York.

Laclede Gas Co. (5/1)
March 18 it was announced the company is planning an issue of $10,000,000 first mortgage bonds due 1982. **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. **Bids**—Planned to be received on May 1. **Registration**—Expected on April 4.

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.

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 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. (5/14)
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). **Bids**—Expected to be received up to noon (EDT) on May 14.

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.

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 28 it was announced company plans to offer to its common stockholders 189,844 additional shares of common stock on a 1-for-6 basis. **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.

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★ **Pepsi-Cola Mokan Bottlers, Inc.** (4/8-15)
March 20 it was announced company plans to issue and sell 60,000 shares of common stock (par 50 cents). **Price** $5 per share. **Proceeds**—To acquire and operate selected Pepsi-Cola plants in the Midwest. **Office** — Coffeyville, Kansas. **Underwriter** — G. F. Church & Co., St. Louis, Mo. **Offering**—Expected between now and April 15.

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.** (6/10)
March 26 it was reported company plans offering to common stockholders of 225,976 shares of additional common stock (par $9.50) about June 10 on a 1-for-5 basis; rights to expire about July 1. **Underwriting**—To 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.

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 1932 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.

Radiation, Inc.
March 20 it was reported registration is expected in about a month of about 213,000 shares of common stock, of which approximately 183,000 shares are to be offered by the company late in May to its stockholders on a 1-for-3 basis and about 30,000 shares are to be sold for account of certain stockholders. **Underwriters** — Kuhn, Loeb & Co., New York, and Johnson, Lane, Space & Co., Savannah, Ga.

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.

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 Edison Co.
March 20, Harold Quinton, President, announced that for the balance of this year the company's present intention is to issue additional bonds and probably a preferred stock. He added that the company will require more than $180,000,000 of new money in 1957 and 1958, in addition to the $37,500,000 bond issue of February, 1957. (A total of $70,000,000 may be raised in 1957.) **Underwriters**—(1) For any bonds, to be determined by competitive bidding. Probable bidders may include: Halsey, Stuart & Co. Inc.; Blyth & Co. Inc.; The First Boston Corp. and Dean Witter & Co. (jointly); Kuhn, Loeb & Co. (2) For any preferred stock: May be The First Boston Corp. and Dean Witter & Co. (jointly).

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.

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.

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. (5/16)
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 16.

● **West Penn Power Co.** (7/30)
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. **Bids**—Tentatively scheduled for July 30.

White (S. S.) Dental Manufacturing Co.
March 11 it was reported company is considering some long-term financing. **Underwriter**—Drexel & Co., Philadelphia, Pa.

Blyth Underwrites Vitro Stock Offer

Vitro Corp. of America is issuing to the holders of its common stock rights to subscribe at $16 per share for 178,646 shares of additional common stock at the rate of one share for each five shares held of record on April 2, 1957. The subscription offer will expire at 3:30 p.m. (EST) on April 16, 1957. The offering is being underwritten by a group of investment firms headed by Blyth & Co., Inc.

The company, which is engaged in the production of uranium concentrates through the chemical processing of uranium ores at Salt Lake City, Utah, and other activities, will use the proceeds of this financing to reduce bank borrowings. The company's expansion and capital investment program in 1957 is expected to require up to $7,000,000 in excess of cash expected to be available from current operations and amortization and depreciation charges. The company's activities, carried on principally by seven operating divisions and by several minor subsidiaries, include: design, engineering and construction management; engineering and construction of oil refineries and natural gasoline and petro-chemical plants; and operation of laboratories for various types of research.

For the year ended Dec. 31, 1956 the company reported net sales of products and services of $40,688,181 compared with $29,759,797 in 1955. Net earnings were $617,515 in 1956, after a special charge of $552,607 as compared with net earnings of $418,280 in 1955.

British Columbia Plans Sale of $45 Million Debentures

Issues registered with SEC to be underwritten by Morgan Stanley syndicate.

The Honorable W. A. C. Bennett, Premier and Minister of Finance, Province of British Columbia, announced that a registration statement was filed April 3 with the Securities and Exchange Commission covering an aggregate of $45,000,000 principal amount of debenture issues of two instrumentalities of the Province. The proposed issues are: $25,000,000 sinking fund debentures due 1987 of British Columbia Power Commission; and $20,000,000 sinking fund debentures due 1982 of Pacific Great Eastern Railway Company.

Each of the debenture issues is to be guaranteed unconditionally by endorsement as to the payment of principal and interest by the Province of British Columbia and will have a sinking fund calculated to retire the entire issue by maturity. Principal and interest will be payable in United States dollars.

It is expected that the public offering of the debenture issues will be made later this month by a nation-wide group of investment banking firms managed jointly by Morgan Stanley & Co., Harris & Partners Limited, Inc., and Burns Bros. & Denton, Inc.

The Power Commission which supplies electric power to a large area of the Province, excluding the more densely settled areas such as the cities of Vancouver and Victoria, will use the proceeds to repay outstanding bank loans and for capital expenditures. The Pacific Great Eastern Railway, which presently operates from North Vancouver north to Prince George, will apply the proceeds to the repayment of outstanding bank loans incurred mainly for construction of extensions north to Dawson Creek and Fort St. John.

The last public sale in the United States of Province of British Columbia obligations was in June, 1956 when three instrumentalities of the Province sold a total of $40,000,000 in debentures unconditionally guaranteed by the Province.

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James W. Means With First Southeastern

ATLANTA, Ga. — James W. Means has been appointed a Vice-

James W. Means

President of First Southeastern Corporation and will be in charge of the Atlanta office in the Candler Building. Mr. Means was formerly a partner in Courts & Co. Prior thereto he was an officer of the Trust Company of Georgia in charge of the bond department.

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Mutual Funds

By ROBERT R. RICH

Wellington Builds Up Bond Holdings

In a report to the more than 200,000 Wellington Fund shareholders accompanying the distribution of the fund's 109th consecutive quarterly dividend, Walter L. Morgan, President, stated that the fund continued to increase its backlog of senior securities by purchasing new issues of high grade corporate bonds at unusually attractive yields. Low yielding convertible bonds and miscellaneous preferred stocks were reduced. The fund on March 1 had about 63% of its resources invested in common stocks, with the balance in good grade preferred stocks, bonds and governments, Mr. Morgan stated.

He stated that since the beginning of this year, increases were made in selected electric utility, oil and drug common stocks for their favorable earnings or dividend prospects. Moderate reductions were made in certain auto and building stocks, where 1957 earnings prospects seemed less favorable than for the stocks purchased.

Steel stocks were also reduced moderately at higher prices to keep Wellington Fund's investment in this group in the desired proportion relative to other investments, Mr. Morgan reported.

"Since 1894"

Calvin Bullock, managers of mutual funds with assets of over $400,000,000, has distributed a booklet giving a brief background of the firm since its founding, entitled "Since 1894." It shows some of the ups and downs of various well-known stocks during 1956 and points out that there are pitfalls in buying any common stocks, which can be minimized by seeking expert advice.

"The principle of seeking professional advice is well established with respect to major things that cross the average man's life," the booklet says. "He consults a doctor or a lawyer when he has need of them. Investing money is likewise a profession. Yet the average man—who works so hard to make that money — is often careless beyond belief in his endeavors to preserve it—and to make it work for him."

No company under Calvin Bullock management has ever omitted a cash dividend on a regular dividend date, the booklet points out. In the years since the Crash of 1929, such companies have distributed substantially over $125,000,000 from investment income and over $60,000,000 from security profits.

Philadelphia Fund Sales

Record sales of Philadelphia Fund shares for March and the first quarter of 1957 were reported by Roy R. Coffin, President. Sales for the month amounted to $175,101 for an 87% increase over the total of $93,409 in March, 1956. For the three months ended March 29, 1957, sales were $407,766, up 52%, over the $266,603 in the like period last year.

Canada General Fund Assets $76.5 Million

Canada General Fund Limited reports net assets of $76,594,473 on Feb. 28, 1957, the close of the second quarter of the fund's present fiscal year, equal to $12.76 per share. New highs were reached both in shares outstanding, at 6,003,835, and in number of shareholders.

The quarter-end figures compare with net assets of $65,829,830 on Feb. 29 of last year, amounting to $11.95 per share on the 5,507,627 shares then outstanding.

In his letter to shareholders, Henry T. Vance, President, notes that the fund accumulates and reinvests its net income and comments:

"Under this policy shareholders are accorded the unusual advantage of a complete 'plowback' of net earnings. Not only is net dividend income from portfolio companies reinvested, but also the retained earnings of the companies in which the fund has investments work toward the same end."

A feature of the report is a section headed "Canada's Continuing Growth" which includes figures showing that the rate of gain in many areas of Canada's economy was greater than in comparable areas in the United States during 1956. Among the comparisons given is an increase of 10% for Gross National Product against 5% in the U. S., 24% in capital expenditures compared to 8%, a gain of 8% in Industrial Production against 3% and a rise of 14% in Canadian corporate profits in contrast with 1½%.

As of Feb. 28, Canada General Fund's investments were diversified among more than 100 issues of securities in 18 industry classifications, the largest of which were: Oil and Gas 19.7%, Forest Products 12%, Mining 10.2%, Utilities 10.1% and Stores 8.1%.

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April 1, 1957

Fund Research & Management Formed

Formation of Fund Research and Management, Inc., with offices at 67 Wall Street, New York City, has been announced by Wayne R. Benzing, President.

Registered as an investment adviser and broker-dealer with the Securities and Exchange Commission, the new firm will serve as manager and principal underwriter for the shares of Pioneer Fund, Inc., an open-end, diversified investment company with assets in excess of $20,000,000.

Other officers of the new organization are John W. Meader, Vice-President in charge of research, and William F. Byrne, Treasurer.

Formation of the new company was previously reported in the "Chronicle" of Feb. 28.

Atomic Fund Sees Uranium Stocks Low

Newton I. Steers, Jr., President of Atomic Development Mutual Fund, Inc. stated that the fund had completed sale of all its common stock in Can-Met Explorations, Ltd. (285,000 shares) at a profit to the Fund of about 50% above the cost of acquisition ($135,000 of Can-Met bonds are still held, however).

Mr. Steers said that in spite of this sale, "the Fund is maintaining a substantially unchanged position in shares of the leading Canadian uranium producing companies." He mentioned that shares of certain of these producers including Consolidated Denison Mines, Ltd., Algom Uranium Mines, Ltd., Pronto Uranium Mines, Ltd. and their associated companies, Preston East Dome and Peach Uranium, still appear undervalued for the long term.

Carriers & General Corp. At $16.4 Million

Total net assets of Carriers & General Corporation, a closed-end investment company managed by Calvin Bullock, amounted to $16,426,422 on Feb. 28, 1957, according to the letter accompanying the company's 106th consecutive quarterly dividend, now being sent to shareholders. The dividend, payable April 1, is from accumulated net income and is at the rate of 15 cents per share, an increase over the 12½ cents per share paid in the same period a year ago.

The net asset value of each share of common stock was $25.94 on Feb. 28, 1957, and the market value of the company's investments was $16,036,779, or $9,291,687 more than their cost.

Common stocks accounted for 89.27% of holdings, preferred stocks accounted for 2.06%, and U. S. Government and industrial bonds accounted for 6.30%.

Johnston Mutual Fund Inc. reports net assets on March 31, 1957 of $5,890,043.68 equivalent to $20.73 per share on 284,083 shares outstanding. This compares with $5,728,085.95, or $21 per share, on Dec. 31, 1956, and $5,181,016.31, or $21.35 per share, on March 31, 1956, on shares outstanding at these respective dates. A capital gains dividend of $0.50 per share was paid by the fund on Dec. 21, 1956.

Keystone Income Fund Now Pays 5.7 Percent

The annual rate of return for Keystone Income Fund K-1, based on the Feb. 28 net asset value of $8.47 and regular distributions of 48 cents over the last 12 months, was 5.7%, according to the semi-annual report for the six months ending Feb. 28. Keystone K-1 paid a semi-annual dividend of 24 cents a share to a record number of 21,726 shareholders.

Adjusted for the capital gains distribution of 41 cents per share last August, the per share net asset value is $8.88 compared to $8.95 six months ago. Total net assets of this Keystone Income Fund rose to a record high of $43.7 million. K-1 ranks fourth in size among Keystone's 10 funds, which have total assets of more than $316 million.

Keystone K-1 has a portfolio of 74 issues, including bonds, preferred and common stocks. American & Foreign Power and Pittston Co. are the largest holdings among the 12 bonds, while General Tire & Rubber, Kaiser Steel and Pittsburgh Steel head the list of 33 preferreds. The fund's largest positions among its 29 common stocks are in Great Northern Railway, Illinois Central, Public Service Electric & Gas, Phelps Dodge and United Fruit.

Among major portfolio additions for the six-month period were Federal-Mogul-Bower Bearings, Rockwell Spring & Axle, Seaboard Air Line RR., Southern Railway, and Universal Products.

Nation-Wide Has 42% Assets In Bonds, Preferred

Total net assets of Nation-Wide Securities Company, Inc., a balanced mutual fund managed by Calvin Bullock, were $26,253,545, as of Feb. 28, 1957, according to the letter accompanying the company's 98th consecutive quarterly dividend, now being sent to shareholders. The dividend, payable April 1, amounted to 15 cents per share, derived from net investment income. Total payments per share during 1956 were 71 cents from net investment income and 74 cents from net securities profits, compared with 67 cents and 68 cents, respectively, in 1955.

The company continued to adhere to its policy of "balance" investment, including in its portfolio carefully selected bonds and preferred stocks as well as high-grade common stocks, Hugh Bullock, President, told the shareholders, pointing out that, "the result of this policy is reflected in your company's recent record of stability and resistance to the decline in common stock prices, a feature which is of considerable importance to many conservative investors during periods of market uncertainty."

At the end of February, approximately 42% of the assets of Nation-Wide at market values were held in bonds and preferred stocks. Common stocks accounted for 55.5%, with largest commitments in the utilities and petroleum groups.

International Fund Assets Rise To $15.5 Million

Net assets of International Resources Fund, Inc. totaled $15,571,945 at the close of the first quarter ended Feb. 28, 1957 compared with $10,425,259 at the close of the same period a year ago. Coleman W. Morton, fund President, reported to shareholders.

On Feb. 28, 1957, the company

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paid a dividend from net investment income of 3 cents a share and a distribution of 33 cents per share from realized security profits. After the distribution, net asset value per share was $4.40 on the 3,538,819 shares outstanding as of Feb. 28, last, compared with $4.26 a year ago on the 2,447,189 shares then outstanding.

Mr. Morton stated that the fund continued to be fully invested with in excess of 92% of its assets being represented by common stocks.

In the field of oil and natural gas, the company acquired common stock positions in Trinidad Petroleum Development Company, Limited, International Petroleum Company, Limited and convertible debentures in San Jacinto Petroleum Corporation during the quarter ended Feb. 28, 1957. The company's coal interests were increased with initial commitments in Henderson's Transvaal Estates, Limited, Transvaal Consolidated Land and Exploration Company, Limited and Wankie Colliery Company, Limited.

The company's first direct interest in hydroelectric power is its ownership of Brazilian Traction, Light and Power Company. This concern generates approximately 60% of the electric power produced in Brazil. Other new holdings acquired during the quarter were Interlake Iron Corporation, Vanadium Corporation of America, The Rio Tinto Company, Limited and Furness, Withy and Company.

Willard Daggett With Schwabacher & Co.

SAN FRANCISCO, Calif.—Willard Daggett, with 30 years experience in the investment securi-

Willard Daggett

ties business serving banks, trust companies, insurance companies and private investors, has become associated with the firm of Schwabacher & Co., 100 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

William C. Wilkes

William C. Wilkes passed away suddenly April 1, while he and Mrs. Wilkes were on vacation in Florida. His age was 57. Mr. Wilkes, well-known economist, investment banker and broker, was a partner of Kidder, Peabody & Co., New York City.

He attended Cornell University and upon graduation joined the Guaranty Company of New York. He became affiliated with Kidder, Peabody & Co., in 1934, as manager of research, and was made a general partner in 1941. He was formerly a director of the Manhattan Life Insurance Company.

Mr. Wilkes was widely known for his active participation in the program of Moral Re-Armament and for over 30 years was a close friend of the program's initiator, Dr. Frank N. D. Buchman.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Dennis C. Kenny and John C. Smith are now connected with Reynolds & Co., 425 Montgomery Street. Mr. Smith was previously with York & Co.

Railroad Securities

By GERALD D. McKEEVER

Seaboard Air Line

A study of 1956 operations of the Seaboard lends greater encouragement than a backward look on the market action of the road's stock over the past several months. While this road's 5.2% increase in revenues last year as compared with the 4.4% increase of the Class I total may again have given some pause to those who have been enthusiastic over the growth character of the Seaboard, there is much greater encouragement in the outstanding upward revenue trend of this road. As measured by the usual trend index based on the 1947-49 average as 100, the Seaboard stands out with the leaders, excepting, of course, the three Pocahontas roads which enjoyed an extraordinary revenue gain last year due to the sharp increase in export coal movement.

With these exceptions the revenue index of 130 for the Seaboard was bettered only by the Great Northern 135, the 132 of the Nickel Plate and the 131 of the Kansas City Southern. The Seaboard, on the other hand, led the Southern region as shown by the following:

	Seaboard Air Line	Atlantic Coast L.	Southern Railway	Illinois Central	Southern Region
1956	130	129	121	117	121
1955	123	123	122	116	115
1954	120	118	110	108	111
1953	123	127	121	121	123
1952	126	132	119	120	122

It is also to be observed that the 1956 revenue increase of $7,985,922 was a wholesome one since almost 60% of this increase, or $4,710,922, according to the road's 1956 report, was derived from additional business. The same source placed the revenue gain attributable to the freight rate increase of March 1956 and to the later passenger fare increase at an estimated $3,285,000. Assuming that the major part of the latter figure is represented by the freight rate increase, which was an allowable 6% except for certain "hold-downs" and, allowing for the fact that it was effective for only about 80% of the year, the actual freight rate increase received appears to have worked out at only about 3% to 4% for the Seaboard, giving due weight also to the effect of both the Birmingham steel strike and the nationwide steel strike in restricting revenue gains.

This is symptomatic of the Southern territory and explains why the roads in this area have been reluctant and tardy in joining in applications for freight rate increases. The infection of low-rate competition from Mississippi River barges permeates the territory for one thing. It affects directly the Illinois Central and the Gulf, Mobile & Ohio but, as these roads adjust their rates downward to meet this competition, roads in adjacent areas have to make similar adjustments on certain hauls where neighboring roads compete. However, the easternmost Seaboard is naturally the least affected, but is not wholly immune.

Continued growth of the Seaboard is evidenced in the establishment of 159 new industries on its lines in 1956 and the undertaking of expansion by 45 others already located there. These industries represent well diversified fields, including lumber and lumber products, steel fabrication, fertilizer, naval stores, paper mill products, bakery goods and fresh vegetable packing. It is also stated in the road's 1956 report that, in addition to the foregoing, plant sites have been acquired by General Portland Cement, Lehigh Portland Cement, the Pratt & Whitney Division of United Aircraft and a site for a large brewery at Tampa. Also the Mead Corporation and Bowater Paper Co., Ltd. have acquired sites for the construction of mills on the road's line.

Thus in spite of some let-down in paperboard and a decline in the movement of citrus fruits as a result of a greater degree of local canning and concentration, the revenue outlook continues bright. The road states that it expects a pick-up in carloadings by mid-summer since inventories in its territory have become substantially reduced. The unfavorable factor is the general complaint of rising expenses. While total revenues of the Seaboard rose some 5.2% in 1956, operating expenses were up 8.3% and, due primarily to the run-off of the tax-deferment element of amortization in excess of normal depreciation, the Federal income tax accrual for 1956 showed an increase, albeit a small one, amounting to $214,000 or 4½ cents per share. The large factor, on the other hand, was the $9.2 million increase in operating expenses as against only an $8 million gain in revenues.

This $1.2 million pre-tax gap is the main reason for the decline of almost $400,000 in net income which placed 1956 net at $4.23 per share as against $4.53 in 1955, although fixed charges also increased. The $156,000 increase in this item for the year was the result of a net increase of $4,336,000 in equipment debt as against a $1,745,000 reduction in bonded debt. The increase in equipment debt was in spite of the repayment of $6,869,000 of serial maturities during the year and including those due on Jan. 1 of the current year.

Thus the 30 cent per share decline in the net income of the Seaboard in 1956 was due to a disproportionate increase in expenses. It is only coincidental that there was also a 30 cent per share run off in the tax deferral due to accelerated amortization in excess of normal depreciation. This factor amounted to only 91 cents per share last year as against $1.21 in 1955. If there had been no such decline, the tax saving admittedly would have offset the rise in other expenses, with the result of about the same per share earnings as for 1955. The realistic way to look at it, however, is that the drop in 1956 net was due to operating conditions for which a solution must be found. Nothing can be done about the run-off of the tax deferral, for the decline in this factor will continue to the vanishing point. The tax deferral for this year will drop to 76 cents per share.

The weakness in Seaboard stock is ascribed largely to apprehension over future of the $2.50 dividend rate, since this represents a "pay-out" ratio of 58% of 1956 earnings. This, of course, is not an exorbitant ratio and is matched among the upper quality rails by the pay-out rates of the Great Northern and Atchison, for instance. Like these two roads, the Seaboard is in excellent physical shape and is strongly capitalized. While the 1956 capital outlay was a large one such calls on the road's cash should be moderate in the longer run. Almost 70% of the last year's $29 million capital expenditure was for rolling stock, the purchase of which might have been at least more gradual if it had not been for the fact that the road wanted to take advantage of fast amortization on the cost of equipment ordered before the 1955 year-end. This meant picking up a large "tab" in 1956, and the similar bill for the current year will also be a large one, since freight cars on order still total about $28 million.

The 1956 capital outlay caused a $4.9 million year-to-year decline in year-end working capital and the carry-over of cars still to be delivered will have further impact. There has nevertheless been a reaffirmation of the $2.50 dividend rate by the payment of 62½ cents per share for the first quarter of this year, and this may be taken as a "straw in the wind." The market has viewed it so only to a limited degree, however, but it may well prove conclusions that a dividend reduction is in order are premature.

Securities Salesman's Corner

By JOHN DUTTON

MISTAKES!

There are no perfect records when it comes to buying and selling securities over a period of years. This you can mark down in your book. It is a fact that if you check the most capable investment analysts that their records are replete with mistakes that have been made at one time or another. It is said that some of the most renowned investment bankers and industrial tycoons died with some pretty sorry heirlooms in their lock box. I know of one of the most highly respected market analysts in this country whose record for forecasting has placed him at the forefront of the parade during the past five years, but prior to that time was so wrong that you could not believe a man could make so many errors in forecasting.

I have seen able investment men make errors in judgment over the years and when they looked back on their past performance they, themselves, could not believe they could have been so far wrong. I have seen a good many trading accounts of professional speculators and they have made errors too—the only difference between these experts in trading in stocks and the amateur is that the pros EXPECT TO BE WRONG BUT THEY TRY TO BE RIGHT MORE OFTEN THAN THEY ARE WRONG. They also limit losses. When they see they are on the losing side and the odds are unfavorable, they cut bait and get out. They, too, get "whip sawed" once in a while but they expect reverses. It is part of the game. If you can't take some losses, you certainly don't deserve to achieve some profits. Life isn't built so that the gains are all one-sided.

Your Customers

What does this all lead up to? If you are selling securities it means first of all that you should have the correct mental attitude. Don't let your customers put you on the spot when it comes to trading or investing. If mistakes are made then try and correct them but don't go on the defensive about it. The only customer that is worthwhile is one that will begin with the premise that I have outlined in the foregoing brief remarks. Some losses are inevitable if you are handling, supervising, and investing in a diversified group of securities which you own. The Mutual Funds have losses and they are experts in investing, with every conceivable source of information at their command. They take actual losses on portfolio securities and at times they have unrealized losses. They have profits, too.

Here's an example. I have an account that owns about 20 different stocks. The investor lives off of the income produced by these securities. Several months ago the lady in question telephoned me and asked me if I thought she should sell one stock and buy another. She likes to initiate certain ideas of her own (some people want it this way), then she checks with my opinion. I made a check-up of the current status of the stock she wished to sell. The earnings and outlook were favorable but the stock had advanced substantially. The one she wished to buy was a common stock of high quality of one of the premier industrial companies in this country that had been depressed during the past year but that should recover in time. The trade looked logical, income-wise, also as to security and quality. We made the "switch." Three months later the stock she sold advanced 20% more and the one she purchased continued its decline about 5%.

The other day she said to me, "Our timing was certainly bad on that 'switch,' wasn't it?" I didn't argue the matter. This customer knows that you can't hit the top eighth on a sale and buy at the bottom when you buy. We didn't make the "switch" because the lady was looking for a short-term profit, but still it would have been a better deal if she had waited to sell A and buy B. But who knows these things. I have subscribed to about every reputable investment service over the years and the best of them can't hit the top selling and the bottom buying. They can help a bit possibly if you use the good services properly and don't expect them to make you rich.

If there was a magic formula for hitting the target trading in stocks most of the time, then all of us would be rich.

You can help your customers obtain a better income, you can preserve their capital over the years, and sometimes you can assist them in building up their assets by sound long-term investing in growing companies, but the sooner you talk this kind of horse sense over with them, the better they will be able to work with you.

P.S.—If you think your record has been sorry sometimes, don't despair, you have plenty of company. Market profits are the boast of the uninitiated; the experienced investor knows better.

Westheimer Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Jerome A. Smith is now connected with Westheimer & Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

With H. L. Jamieson

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif. — Harvey J. Thomas is now with H. L. Jamieson Co., Inc., 2144 El Cajon Boulevard.

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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)	Apr. 7	§91.6	*92.4	94.2	97.7
Equivalent to— Steel ingots and castings (net tons)	Apr. 7	§2,344,000	*2,364,000	2,411,000	2,406,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Mar. 22	7,818,400	7,798,600	7,567,200	7,163,265
Crude runs to stills—daily average (bbls.)	Mar. 22	¶7,976,000	8,098,000	7,795,000	7,970,000
Gasoline output (bbls.)	Mar. 22	25,060,000	26,084,000	25,673,000	25,788,000
Kerosene output (bbls.)	Mar. 22	2,265,000	2,401,000	2,318,000	2,533,000
Distillate fuel oil output (bbls.)	Mar. 22	12,855,000	13,646,000	13,858,000	12,321,000
Residual fuel oil output (bbls.)	Mar. 22	8,305,000	8,527,000	8,651,000	8,628,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 22	205,521,000	205,589,000	204,122,000	196,801,000
Kerosene (bbls.) at	Mar. 22	19,978,000	19,701,000	21,723,000	17,710,000
Distillate fuel oil (bbls.) at	Mar. 22	77,603,000	79,599,000	87,738,000	65,912,000
Residual fuel oil (bbls.) at	Mar. 22	36,886,000	36,283,000	35,772,000	34,047,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 23	685,833	689,226	626,636	697,248
Revenue freight received from connections (no. of cars)	Mar. 23	646,840	646,059	615,287	655,064
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 28	$358,987,000	$375,871,000	$321,197,000	$459,450,000
Private construction	Mar. 28	133,498,000	148,097,000	211,391,000	245,184,000
Public construction	Mar. 28	225,489,000	227,774,000	109,806,000	214,266,000
State and municipal	Mar. 28	141,245,000	129,030,000	75,598,000	158,874,000
Federal	Mar. 28	84,244,000	98,744,000	34,208,000	55,392,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 23	10,260,000	*10,225,000	9,850,000	9,961,000
Pennsylvania anthracite (tons)	Mar. 23	407,000	445,000	491,000	496,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Mar. 23	113	107	100	112
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 30	11,694,000	11,723,000	11,791,000	10,992,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Mar. 28	290	318	284	263
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 26	5.670c	5.670c	5.663c	5.179c
Pig iron (per gross ton)	Mar. 26	$64.56	$64.56	$62.90	$59.71
Scrap steel (per gross ton)	Mar. 26	$45.83	$48.17	$52.17	$52.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 27	31.425c	31.575c	31.325c	46.600c
Export refinery at	Mar. 27	29.100c	29.125c	29.650c	47.525c
Lead (New York) at	Mar. 27	16.000c	16.000c	16.000c	16.000c
Lead (St. Louis) at	Mar. 27	15.800c	15.800c	15.800c	15.800c
‡Zinc (delivered) at	Mar. 27	14.000c	14.000c	14.000c	14.000c
Zinc (East St. Louis) at	Mar. 27	13.500c	13.500c	13.500c	13.500c
Aluminum (primary pig. 99%) at	Mar. 27	25.000c	25.000c	25.000c	23.196c
Straits tin (New York) at	Mar. 27	101.000c	99.750c	98.125c	99.125c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Apr. 2	91.44	91.55	90.79	93.29
Average corporate	Apr. 2	96.69	96.69	96.38	106.92
Aaa	Apr. 2	101.47	101.31	101.47	110.34
Aa	Apr. 2	99.36	99.20	99.36	108.88
A	Apr. 2	96.85	96.69	99.38	106.92
Baa	Apr. 2	89.92	89.92	89.09	101.97
Railroad Group	Apr. 2	95.47	95.32	95.47	105.69
Public Utilities Group	Apr. 2	97.00	96.85	96.69	107.44
Industrials Group	Apr. 2	97.94	97.78	97.16	107.62
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Apr. 2	3.22	3.21	3.26	3.02
Average corporate	Apr. 2	3.96	3.96	3.98	3.34
Aaa	Apr. 2	3.66	3.67	3.66	3.15
Aa	Apr. 2	3.79	3.80	3.79	3.23
A	Apr. 2	3.95	3.96	3.98	3.34
Baa	Apr. 2	4.42	4.42	4.48	3.63
Railroad Group	Apr. 2	4.04	4.05	4.04	3.41
Public Utilities Group	Apr. 2	3.94	3.95	3.96	3.31
Industrials Group	Apr. 2	3.88	3.89	3.93	3.30
MOODY'S COMMODITY INDEX	Apr. 2	408.7	411.4	412.1	416.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 23	257,167	255,749	245,909	271,210
Production (tons)	Mar. 23	288,866	288,531	262,293	285,966
Percentage of activity	Mar. 23	95	95	93	98
Unfilled orders (tons) at end of period	Mar. 23	408,010	443,293	370,885	554,885
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Mar. 29	110.72	*110.72	110.99	107.97
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Mar. 9	1,138,740	1,118,110	1,357,660	1,765,250
Short sales	Mar. 9	212,910	220,430	206,230	312,770
Other sales	Mar. 9	986,820	933,960	1,170,130	1,396,480
Total sales	Mar. 9	1,199,730	1,154,390	1,376,360	1,709,250
Other transactions initiated on the floor—					
Total purchases	Mar. 9	237,000	207,600	215,330	362,210
Short sales	Mar. 9	29,900	33,100	24,700	21,860
Other sales	Mar. 9	301,400	232,580	289,600	326,040
Total sales	Mar. 9	331,300	265,680	314,300	347,900
Other transactions initiated off the floor—					
Total purchases	Mar. 9	496,296	437,800	425,185	690,430
Short sales	Mar. 9	104,330	115,810	120,500	97,180
Other sales	Mar. 9	492,390	397,996	461,781	764,521
Total sales	Mar. 9	596,720	513,806	582,281	861,701
Total round-lot transactions for account of members—					
Total purchases	Mar. 9	1,872,036	1,763,510	1,998,175	2,817,890
Short sales	Mar. 9	347,140	369,340	351,430	431,810
Other sales	Mar. 9	1,780,610	1,564,536	1,921,511	2,487,041
Total sales	Mar. 9	2,127,750	1,933,876	2,272,941	2,918,851
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	Mar. 9	1,137,300	1,055,443	1,375,914	1,453,569
Dollar value	Mar. 9	$55,432,432	$51,821,805	$63,114,186	$75,979,537
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Mar. 9	857,273	807,074	1,051,288	1,296,296
Customers' short sales	Mar. 9	8,728	9,225	10,010	6,527
Customers' other sales	Mar. 9	848,545	797,849	1,041,278	1,289,769
Dollar value	Mar. 9	$40,190,410	$38,759,855	$50,702,912	$64,306,337
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 9	197,500	185,560	255,880	346,990
Short sales	Mar. 9	------	------	------	------
Other sales	Mar. 9	197,500	185,560	255,880	346,990
Round-lot purchases by dealers—					
Number of shares	Mar. 9	501,530	447,560	552,240	536,470
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	Mar. 9	481,960	494,730	536,500	533,670
Other sales	Mar. 9	9,486,490	8,390,410	11,311,910	14,647,090
Total sales	Mar. 9	9,968,450	8,885,140	11,848,410	15,180,760
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Mar. 26	117.0	116.9	116.9	112.9
Farm products	Mar. 26	89.1	88.9	88.3	87.4
Processed foods	Mar. 26	104.1	103.9	103.6	100.1
Meats	Mar. 26	84.7	83.9	80.8	73.6
All commodities other than farm and foods	Mar. 26	125.3	125.3	125.4	120.8

*Revised figure. ¶Includes 758,000 barrels of foreign crude runs. §Based on new annual capacity of 133,459,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of February (in millions):			
Total new construction	$2,883	$3,051	$2,821
Private construction	2,083	2,188	2.
Residential buildings (nonfarm)	934	1,017	998
New dwelling units	820	900	895
Additions and alterations	77	79	73
Nonhousekeeping	37	38	30
Nonresidential buildings	696	719	648
Industrial	264	268	225
Commercial	234	244	252
Office buildings and warehouses	116	121	101
Stores, restaurants, garages	118	123	151
Other nonresidential buildings	198	207	171
Religious	65	68	55
Educational	41	42	40
Hospital and institutional	34	33	25
Social and recreational	23	24	17
Miscellaneous	35	39	34
Farm construction	96	91	101
Public utilities	346	350	334
Railroad	31	32	29
Telephone and telegraph	75	75	70
Other public utilities	240	243	235
All other private	11	11	7
Public construction	800	863	733
Residential buildings	29	28	21
Nonresidential buildings	304	331	284
Industrial	35	40	33
Educational	194	211	187
Hospital and institutional	22	23	19
Administrative and service	28	30	19
Other nonresidential buildings	25	27	26
Military facilities	86	93	82
Highways	205	220	200
Sewer and water systems	93	100	77
Sewer	53	56	42
Water	40	44	35
Public service enterprises	26	29	23
Conservation and development	44	48	36
All other public	13	14	10
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of February	12,075	14,632	12,503
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of January (millions of dollars):			
Manufacturing	$51,500	$51,400	$46,300
Wholesale	13,200	13,300	12,400
Retail	24,000	*23,900	24,100
Total	$88,700	$88,500	$82,800
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD — Month of March (000's omitted):			
Total U. S. construction	$1,467,575	$1,436,044	$23,792
Private construction	614,372	824,680	1,633,273
Public construction	853,203	611,364	745,964
State and municipal	567,941	473,896	585,008
Federal	285,262	137,468	160,956
COTTON GINNING (DEPT. OF COMMERCE)—As of March 20 (running bales)	13,150,313	------	14,542,040
COTTON SEED AND COTTON SEED PRODUCTS—DEPT OF COMMERCE—Month of December:			
Cotton Seed—			
Received at mills (tons)	114,299	339,695	169,068
Crushed (tons)	612,886	570,018	691,528
Stocks (tons) Jan. 31	1,624,274	2,122,861	1,898,199
Crude Oil—			
Stocks (pounds) Jan. 31	170,536,000	178,477,000	192,547,000
Produced (pounds)	207,691,000	192,572,000	231,041,000
Shipped (pounds)	175,185,000	155,988,000	189,248,000
Refined Oil—			
Stocks (pounds) Jan. 31	266,693,000	237,267,000	416,904,000
Produced (pounds)	163,852,000	146,516,000	174,915,000
Consumption (pounds)	131,606,000	122,138,000	123,015,000
Cake and Meal—			
Stocks (tons) Jan. 31	194,737	187,819	191,461
Produced (tons)	293,321	274,304	320,731
Shipped (tons)	286,403	272,591	292,319
Hulls—			
Stocks (tons) Jan. 31	57,371	57,069	136,324
Produced (tons)	131,233	123,585	153,802
Shipped (tons)	130,931	128,168	137,682
Linters (running bales)—			
Stocks Jan. 31	221,461	221,911	190,613
Produced	187,312	170,902	207,352
Shipped	187,762	161,269	171,029
Hull Fiber (1,000-lb. bales)—			
Stocks	577	513	441
Produced	869	774	1,091
Shipped	805	910	1,176
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Jan. 31	3,122	2,832	5,153
Produced	1,635	1,337	1,973
Shipped	1,345	1,234	1,128
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average=100—Month of February:			
Sales (average monthly), unadjusted	84	96	80
Sales (average daily), unadjusted	93	94	85
Sales (average daily), seasonally adjusted	115	119	105
Stocks, unadjusted	124	116	116
Stocks, seasonally adjusted	132	131	124
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of January (000,000 omitted):			
Ordinary	$3,123	$3,800	$2,439
Industrial	464	536	437
Group	682	2,726	850
Total	$4,269	$7,062	$3,726
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of January (millions of dollars):			
Inventories—			
Durables	$29,819	*$29,935	$26,590
Nondurables	21,669	*21,462	19,709
Total	$51,488	*$51,397	$46,299
Sales	29,113	*28,684	27,023
MONEY IN CIRCULATION—TREASURY DEPT. As of Jan. 31 (000's omitted)	$30,614,000	$31,790,000	$30,228,000
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS—Month of January (000's omitted):			
Exports	$1,674,900	$1,994,900	$1,27[illegible],800
Imports	1,118,500	1,023,000	1,074,300

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Donald B. Stephens

Donald B. Stephens, partner in Cruttenden, Podesta & Co., Chicago, passed away March 31 at the age of 48. Mr. Stephens was formerly with the First Securities Company of Chicago and Paul H. Davis & Co. He was a member of the Bond Traders Club of Chicago and was active in the Central States Group of the Investment Bankers Association.

DIVIDEND NOTICES

DIVIDEND NOTICE

The Board of Directors today declared the following dividend:

60 cents per share on the Common Stock, payable June 15, 1957 to stockholders of record at the close of business May 15, 1957.

The Goodyear Tire & Rubber Co.
By Arden E. Firestone, *Secretary*

April 1, 1957

THE GREATEST NAME IN RUBBER

LONG ISLAND LIGHTING COMPANY

QUARTERLY DIVIDEND

COMMON STOCK

The Board of Directors has declared a quarterly dividend of 30 cents per share payable on the Common Stock of the Company on May 1, 1957, to shareholders of record at the close of business on April 12, 1957.

VINCENT T. MILES
Treasurer

March 27, 1957

MEETING NOTICE

LONG ISLAND LIGHTING COMPANY

Notice of Annual Meeting

April 16, 1957

Notice is hereby given that the Annual Meeting of the Stockholders of Long Island Lighting Company will be held in the office building at the Company's Hicksville Operations Center, 175 Old Country Road, Hicksville, New York, on Tuesday, April 16, 1957, at 2 o'clock P.M., to elect eleven directors and to take action on the following four proposals:

1. Amending the Certificate of Incorporation to provide for an increase in the authorized number of shares of Preferred Stock from 600,000 shares to 900,000 shares;
2. Amending the Certificate of Incorporation to provide for an increase in the authorized number of shares of Common Stock from 8,000,000 shares to 10,000,000 shares;
3. Authorizing approval of an Employee Stock Purchase Plan whereby 200,000 shares of Common Stock will be available for purchase by employees;
4. Approval of appointment of Price Waterhouse & Co. as independent public accountants for the year 1957; and such other business as may properly come before the meeting or any adjournment thereof.

Holders of Common Stock and holders of Preferred Stock (the latter are entitled to vote only on the proposal to increase the authorized Preferred Stock from 600,000 to 900,000 shares) of record on the books of the Company at the close of business on March 15, 1957, are entitled to vote at the meeting. The stock transfer books will not be closed.

CHARLES E. ELBERT
Secretary

March 15, 1957

DIVIDEND NOTICES

OTIS ELEVATOR COMPANY

COMMON DIVIDEND No. 202

A quarterly dividend of $.50 per share on the Common Stock has been declared, payable April 26, 1957, to stockholders of record at the close of business on April 5, 1957.

Checks will be mailed.

H. R. FARDWELL, *Treasurer*
New York, March 27, 1957.

DIVIDEND NOTICES

VANADIUM CORPORATION OF AMERICA

420 Lexington Avenue, New York 17

Dividend Notice

At a meeting of the Board of Directors held March 26, 1957, a dividend of fifty cents per share was declared on the capital stock of the Corporation payable May 14, 1957, to stockholders of record at the close of business May 3, 1957. Checks will be mailed.

D. A. SHRIVER, Secretary

Dated March 26, 1957.

DIVIDEND NOTICE

THE CHASE MANHATTAN BANK

The Chase Manhattan Bank has declared a dividend of 60c per share on the 13,000,000 shares of the capital stock of the Bank, payable May 15, 1957 to holders of record at the close of business April 15, 1957.

The transfer books will not be closed in connection with the payment of this dividend.

MORTIMER J. PALMER
Vice President and Secretary

***The* DIAMOND MATCH COMPANY**

76th **CONSECUTIVE YEAR OF DIVIDENDS**

The Board of Directors of The Diamond Match Company on March 28, 1957, declared a regular quarterly dividend of 45c per share on the Common Stock. At the same meeting the Board also declared a quarterly dividend of 37½c per share on the $1.50 Cumulative Preferred Stock. Both dividends are payable May 1, 1957 to stockholders of record April 8, 1957.

PERRY S. WOODBURY, *Secretary and Treasurer*

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INTEREST PAYMENT

ARMOUR AND COMPANY

5% Cumulative Income Subordinated Debentures, Due 1984

Notice is hereby given that ARMOUR AND COMPANY, pursuant to the Indenture under which the above Debentures have been issued, will pay interest on the Debentures as follows:

May 1, 1957 —$2.50 per hundred dollars principal amount of Debentures

November 1, 1957—$2.50 per hundred dollars principal amount of Debentures,

being payment in full of all interest accumulated to the above mentioned dates.

Holders of coupon Debentures should detach Coupon No. 5 on May 1, 1957 and Coupon No. 6 on November 1, 1957 and present them for payment either at the Continental Illinois National Bank and Trust Company of Chicago, 231 South La Salle Street, Chicago 90, Illinois, or The Chase Manhattan Bank, 9th Floor, 37 Wall Street, New York 15, New York. The Trustee, American National Bank and Trust Company of Chicago, will mail checks for the interest payable on Debentures not in coupon form.

ARMOUR AND COMPANY
By: F. A. Becker
April 1, 1957 *Vice President and Treasurer*

DIVIDEND NOTICES

AMERICAN CAN COMPANY

COMMON STOCK

On March 26, 1957 a quarterly dividend of fifty cents per share was declared on the Common Stock of this Company, payable May 15, 1957 to Stockholders of record at the close of business April 18, 1957. Transfer books will remain open. Checks will be mailed.

JOHN R. HENRY, *Secretary*

DIVIDEND NOTICES

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY
New York, N. Y., March 29, 1957.

The Board of Directors has this day declared a dividend of Thirty Cents (30c) per share, being Dividend No. 181, on the Common Capital Stock of this Company, payable June 1, 1957, to holders of said Common Capital Stock registered on the books of the Company at the close of business April 26, 1957.

D. C. WILSON, Assistant Treasurer
120 Broadway, New York 5, N. Y.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED.

NOTICE TO HOLDERS OF STOCK WARRANTS TO BEARER.

NOTICE IS HEREBY GIVEN that by a resolution passed at an Extraordinary General Meeting of the Company on the 29th day of March, 1957, it was resolved to capitalise the sum of £11,878,880.10s.0d. (being as to £3,000,000 part of the General Reserve, as to £7,512,559 part of the Fixed Asset and Stock Replacement Reserve and as to £1,366,321.10s.0d. part of the Undivided Net Profits of the Company standing to the credit of Profit and Loss Account), and to apply that sum in paying up in full 23,757,761 Ordinary Shares in the Company of ten shillings each for distribution credited as fully paid up amongst the existing holders of Ordinary Stock in the proportion of one such Ordinary Share for every £1.10s.0d. in nominal amount of Ordinary Stock held by them respectively.

Any such new Ordinary Shares which, on an exact distribution, would fall to be allotted in fractions will be allotted to trustees or a trustee appointed by the Directors and sold, and the net proceeds of sale divided amongst the holders of Ordinary Stock entitled to such fractions.

All new shares will be issued in registered form.

Fully paid Letters of Allotment will be issued in respect of the said Ordinary Shares, and in order to enable holders of Ordinary Stock represented by Warrants to Bearer to obtain their Letters of Allotment, Coupon(s) No. 230 must be deposited at Lloyds Bank Limited, Issue Department, 72, Lombard Street, London, E.C.3, not later than the 14th August, 1957. The coupon(s) so deposited must be accompanied by a completed Application Form and Listing Form(s), copies of which may be obtained from the Company's Office, Westminster House, 7, Millbank, London, S.W.1, or from Lloyds Bank Limited, Issue Department, 72, Lombard Street, London, E.C.3, or from Lloyds Bank Limited, Westminster House, Millbank, London, S.W.1, or in the United States of America from the Company's Office at 800, Bowe Street, Richmond, Virginia, or the Guaranty Trust Company of New York, Corporate Trust Division, 140, Broadway, New York, U.S.A.

Coupons must be deposited (with the Application Form and Listing Form(s)) by a Bank or other agent in London who is an authorised Depositary within the meaning of the Exchange Control Act, 1947, by whom they may be imported into the United Kingdom without formality so far as the Act is concerned.

Renounceable Letters of Allotment will be issued in respect of coupons and applications deposited in order on or before the 6th June, 1957.

Non-Renounceable Letters of Allotment will be issued in respect of coupons and applications deposited in order after the 6th June, 1957, but on or before the 14th August, 1957.

If in the case of any holdings represented by Stock Warrants to Bearer Coupon No. 230 is not so deposited, together with a duly completed Application Form and Listing Form(s), on or before the 14th August, 1957, the Ordinary Shares to which the holder of any such warrant would be entitled will be allotted to a trustee, and sold, and the holders of such warrants, on Coupon No. 230 being subsequently deposited and such Application Form as the Board may require being duly completed, will be entitled only to receive their appropriate share of the net proceeds of sale, and any interest received in respect thereof.

In the case of any holder resident outside the Scheduled Territories (as defined for the purposes of the Exchange Control Act, 1947) other than in Denmark (including Greenland), the Faroe Islands, Norway or Sweden, such net proceeds, if they amount to £5 or over, can only be paid to a blocked sterling account in the name of the holder.

The new shares will not participate in any dividend declared prior to the 14th June, 1957.

As and when the shares are issued, they will be converted into Stock and application will be made to the Council of The Stock Exchange, London, for permission to deal in and for quotation of the new Ordinary Stock.

Coupon No. 230 deposited as aforesaid will not be returned to the depositor and no coupon bearing that number will be used for the payment of dividend. Coupon No. 231 will be the next coupon after No. 229 to be used for that purpose.

By Order of the Board,

A. D. McCORMICK, *Secretary.*

Westminster House,
7, Millbank, London, S.W.1.

1st April, 1957.

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Some of the more conservative heads on Capitol Hill are going to fight hard to prevent the strong public sentiment for economy from being transmuted into a stampede for a substantial cut in the personal income tax.

There are individuals who seriously are talking about a tax cut. There reasoning is along this line:

President Eisenhower predicts a surplus of $1.8 billion for fiscal 1958. Congress is going to make "cuts" in appropriations of $3 to $4 billion. This will permit a cut of minus $3 billion in income taxes and still leave an ample $1 billion or more over for reduction of the Federal debt.

This cut could come about either by raising the personal exemption from $600 to $700, at a cost they say of about $2.8 billion, or by halving the present income tax rate to 10% from 20% on the first $1,000 of taxable income.

Such a move already is under contemplation in the House. It may be doubted that in responsible quarters in the Senate that this idea is getting any favorable reception. So long as Senator Harry F. Byrd (D., Va.) is Chairman of the Finance Committee, any tax cut will be difficult to sell until Federal expenditures are demonstrably on the way down, and substantially stable.

Although House Republicans are in some cases talking vaguely about the eventual possibility of an income tax cut, these men as of the present are going to oppose such an idea this year. If by 1958 the "expenditure cuts" become genuine, then they probably would support a tax cut.

Reasoning of Opponents

Opponents of a tax cut this year have a different line of reasoning.

They observe that the $1.8 billion "surplus" Eisenhower guessed for fiscal 1958 is predicated upon a continued upward trend in both personal and corporation income. This, they say, is now open to question since business is tending somewhat to level off.

These men also are aware of the probability that 1958 and current year estimates of expenditures are probably unduly low. Hence, it would take a very real and substantial cutback in appropriations, not yet foreseen, to merely forestall part of the unbudgeted rise in Federal spending.

Finally, the "victory" in the newspaper headlines for economy so far is not taken seriously in responsible quarters. With the committee-reported Health, Education and Welfare appropriation bill. House-voted economies or cuts in appropriations were just under $846 million. Competent sources say that a very large share of this figure is phony, inasmuch as deficiency appropriations will be required from Congress next year to restore the funds.

Hence, if Congress were to vote a personal tax cut effective on calendar 1958 incomes, it could very well bring about a substantial deficit, considering these background factors in the fiscal situation.

The tax cut should not be taken too seriously at this juncture even though responsible leaders are naturally hesitant to foreclose the possibility.

Railroads' Depreciation

It is stated that Congress probably will pass a special bill to require railroads to follow the "straight line" method of depreciating their equipment for tax purposes, in place of a special arrangement they have had since 1913. This special arrangement, sustained by the courts, indicated that the roads would be able to sue for and get some $250 millions of tax refunds. The purpose of the bill, approved by the Treasury, is said to be to forestall the courts from granting those refunds.

This special bill will come after the House has disposed of the so-called loophole closing bill. The latter is scheduled to be reported shortly from the Ways and Means Committee.

Labor Inquiry

Even in the short time it has been going, the Senate labor rackets inquiry has already chalked up one substantive success. It has created such an impact that it cannot be shut off soon by the most ardent of organized labor's friends. As a matter of fact, the pro-laborites give the impression of falling over one another to support the enterprise.

It seems to be the fashion of the age, that whom one must regulate one must first hold up to ridicule and expose before a Congressional investigating committee. Thus, it was the banking and stock market inquiries which the Democrats conducted in the early 1930's which built up the sentiment which made it possible to push through securities and banking regulatory legislation.

The longer the investigation, the greater the exposure of alleged mal-practices. The longer the exposure of alleged malpractices, the more is a segment of society reduced in its standing in the community.

Therefore, if legislation regulating labor unions is pressed at the present time, it will be more restricted in scope than if legislation is brought in much later, say next year.

Thus, as observers see it, if legislation were proposed now it would be directed almost exclusively at regulating the internal affairs of unions. It would include such things as enforcing secret ballots in union (not just collective bargaining) elections, compulsory audits of union funds, and Federal regulation of union pension funds.

On the other hand, months more of such a TV show can create a wide impression that labor leaders are irresponsible, heedless of their trust to their members, and a group of men whose powers hence must be regulated in the public interest.

So, if regulatory legislation waits until next year, it might be possible to go so far as to restrict union expenditures and intervention in election campaigns, subject unions to certain antitrust law restrictions. and perhaps outlaw industry-wide collective bargaining.

On the other hand, interim legislation will not necessarily preclude broader legislation next year. However, the eventual possibilities for labor regulation cannot be assessed in the light of what is now proposed.

Worm Turns

Ever since the bank holiday of 1933 and subsequent bank regulatory legislation, the commercial bankers have been amazingly passive when confronted with regulatory legislation, whether wise or unwise.

This passiveness disappeared in a tornado of personal appeals from commercial bankers to members of the House when there came up the proposal to put Rep. Wright Patman (D., Tex.) in charge of a monetary investigation.

Patman is a consistent inflationist who believes that the Federal Reserve should constantly keep the banks in funds so that they can lend no matter what strains the credit structure or price levels face. Speaker Sam Rayburn backed Patman, partly out of an obvious personal deep friendship and loyalty to his fellow Texan, and partly because he believes sicking Patman on the monetary system over the issue of tight money is good politics.

The day before the resolution to authorize Patman to have the inquiry come up, the Democrats thought they had lined up a majority in its favor. On the day of the vote, a surprising number of Democratic members who allegedly were pledged by the House Democratic organization on behalf of the Patman resolution developed colds, visits from mothers-in-law, and other accidents which prevented them from being present when the vote was cast. The non-voters were about 33 in number.

Even though Speaker Rayburn took the floor on behalf of Patman, something he does usually only when there is a major party issue, and thus threw his own prestige into the balance, the resolution was defeated by a margin of 51 votes, and could have had several more if necessary. Several waited until the second roll call and when assured their "aye" vote would not make its passage possible, voted for the resolution to keep on the good side of Sam Rayburn.

Proponents of the Patman resolution ascribed the defeat to the "powerful influence" of the commercial bankers, who haven't in years come forward in such numbers to express their views.

GOP Leadership Did Trick

However, other observers on Capitol Hill expressed the opinion that the unusually large expression of banker sentiment by no means alone turned the trick. Probably the decisive influence was the job done by the House Republican leadership under Joe Martin, the Floor Leader, and Charley Halleck, his assistant. They got 225 GOP votes against the Patman resolution and only two of the party voted for it, an extraordinary party saturation on any issue.

An equally important factor cited by others is that even in this era of highly organized irresponsibility, a great many of the rank and file of the House membership opposes turning loose on the country in a monetary investigation a Congressman whose record is so strong for monetary inflation.

[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

"Certainly it has a consistent dividend record—no dividends for 75 years—isn't that consistent?"

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$70 Million Bonds for Jacksonville, Florida Expressway Scheduled

A new issue of $70,000,000 Jacksonville Expressway Authority, Fla., revenue bonds is scheduled to be publicly offered on April 9 by a syndicate managed jointly by Smith, Barney & Co., New York City, and Pierce, Carrison, Wulbern, Inc., of Jacksonville. The offering will include $10,000,000 Serial bonds, due annually on July 1 from 1961 to 1977 inclusive, and $60,000,000 Term bonds, due July 1, 1992. Part of proceeds of the bonds, to be dated Jan. 1, 1957, will be placed in escrow pending the retirement of the outstanding balance of the original $28,000,000 bonds dated Oct. 1, 1950. The bulk of the proceeds, however, will be employed by the Authority in making extensions to the Expressway required in order that it will adequately serve the present and anticipated volume of traffic in the City in accordance with the recommendations of the Consulting Engineers.

The Authority's bonds are secured by toll revenues, also by a portion of the proceeds of the State's 2 cent Constitutional Gasoline Tax payable annually to Duval County, of which Jacksonville is the County Seat. Although the prospective 1957 bond issue was validated by final decree of the Duval County Circuit Court on Feb. 21, last, the State's Attorney, as a matter of routine, has requested the State Supreme Court for a review of the lower court decree. Delivery of the new bonds will be effected as quickly as possible following the Supreme Court's affirmation of their validity.

Edwin Merrill Joins Children's Aid Society

Edwin K. Merrill has resigned from Brown Brothers Harriman & Co. to join the Children's Aid Society of New York. Mr. Merrill who has managed the Society's investment portfolio as a voluntary service, will become head of the agency when Arthur Huck retires as executive director.

Joins Bennett Staff

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, Calif.—Solomon E. Altman has joined the staff of Bennett & Co., 6253 Hollywood Boulevard.

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