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EDITORIAL

As We See It

"We can have both a shorter work week and at the same time enjoy higher living standards if we will but intelligently and responsibly utilize the tools of abundance, automation, the peaceful harnessing of the atom and the other productive tools that science and our developing technology will afford us in the days ahead." These are words recently uttered by that shrewd labor politician, Walter P. Reuther. The statement is in keeping with his well attested acumen in attracting a following among organized labor and among the "liberals" who like to think of themselves as far ahead of their time. It is a shrewd utterance for such purposes because taken of itself out of context, it is probably in keeping with the facts.

But—and here's the rub—his next sentence places it in a different light. Here is what follows immediately upon these generalities of the boss of the automobile workers: "Despite the difficulties in the way and the many problems that must be faced and solved, I am confident that our union has the resources of wisdom, solidarity and militancy to add, in 1958, the shorter work week to the many other gains that we have pioneered not only for ourselves but for American workers generally. Taken together the two statements seem to say that the union intends, and is able, to wring a shorter work week—without reduction in pay, indeed with even an increase in pay—from the industry it serves, and that the industry can carry such a load if it makes full use of all the resources of technology, management and energy available to it—that is to say the investors, the managers, the scientists,

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Outlook for Plant and Equipment Expenditures

By CHARLES E. YOUNG*
Economist, Weyerhaeuser Timber Company

Capital outlay analysis by Weyerhaeuser Timber economist depicts: (1) 1957 will probably be higher than 1956—achieving a record high; (2) direction of plant-equipment spending will probably turn down; and (3) after a breathing spell—with no cataclysmic drop ahead—of a slower expansion pace, another rise is likely to begin, carrying eventually to new peak levels.

Every significant change in expenditures for plant and equipment, whether up or down, has been reflected in corresponding changes in total industrial production, employment, and, to a lesser degree, in Gross National Product. To many business forecasters, and certainly to me, changes in the pace of private investment expenditures are the main key to the ups and downs of the national economy.

Charles E. Young

Plant and equipment spending is of extreme importance, too, to future levels of productivity and living standards. Living standards have risen with past improvements in productivity, and they can rise in no other way. To put the matter in its simplest terms, we can **consume** per capita no more than we **produce** per capita. Our ability to produce more per worker has grown directly with the increased use of power equipment per worker and with the development of improvements in equipment and methods of production. Hence maintaining and expanding private investment in plant and equipment is basic to maintaining and improving our national productivity as the years go by. Some rather glib assumptions have been made, both in labor contracts and in long-term economic projections, about future increases in productivity. These assumptions will be no

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

The Stock Market Ahead

By S. B. LURIE*
Partner, Josephthal & Co., New York City
Members New York Stock Exchange

Market analyst, listing various constructive and destructive factors, maintains this is a year of "private bull and bear markets," with the market action of the issues in many industry categories having already reflected relevant business developments. While doubting possibility of an overall advance, insists enthusiasm is warranted about individual situations, with great profit-making opportunities for those who are flexible.

Something new has been added to the market place! And that "something new" has constructive implications which have not been fully appreciated.

Everyone interested in securities knows that the stock market today is dominated by a more sophisticated, more intelligent, buyer than ever before in history. This isn't news! The point that is news is the fact that our more sophisticated markets spell two-way markets—markets of stocks rather than a stock market. Whether it be the result of Wall Street's educational program—the growth of the indirect investor—via pension funds and open-end trusts — or the part played by the professional security analyst—the end result is the same. The upward and downward evaluation of individual stocks, and individual groups, is a continuous process. Not a readjustment likely to be accomplished in one all-embracing swoop. In turn, this condition has brought about four corollary or supplementary considerations—each of which can make headlines. For one thing, a sophisticated market means that outstanding values can attract buyers just as they do in a department store. Note, for example, the positive action of the drug stocks during the past month in reflection of the prospect of record high sales and earnings

Sidney B. Lurie

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*A talk by Mr. Lurie at the New School for Social Research, New York City, April 4, 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

Robertshaw-Fulton Controls Co.—Henry J. Low, Manager of Institutional Research Dept., Gude, Winmill & Co., New York City. (Page 2)

Pepsi-Cola Company—Sidney R. Winters, Partner, Abraham & Co., New York City. (Page 2)

HENRY J. LOW

Manager, Institutional Research Dept.
Gude, Winmill & Co., New York City
Members New York Stock Exchange
New York City

Robertshaw-Fulton Controls Company

ROBERTSHAW-FULTON CONTROLS, a leading manufacturer of thermostats and automatic controls, is currently undergoing an aggressive expansion and diversification program. On Dec. 14, 1956, Acro Manufacturing Co., a well established producer of home heating controls, electric switches and specially engineered electric components was acquired through exchange of stock. On Dec. 31, 1956, ROBERTSHAW purchased the Beta Corp., manufacturer of vibration controls used for detection of faulty performance in motors, pumps and power units. Operations of the latest acquisition are being consolidated with the Fielden Instrument Division, which is engaged in the production and design of electronic recorders and controllers for the petroleum, chemical and textile industries. In addition, an arrangement with a leading German concern was recently made for production of electric range controls with a plant to be constructed in West Germany this year. This development draws attention to ROBERTSHAW's rapidly growing export sales throughout Europe, Canada and Australia which last year amounted to 5% of 1956 total sales.

Henry J. Low

Other activities include the Aeronautical Division which is actively conducting research and development work on controls for aircraft and guided missiles. Benefits of costly long-range planning for this part of the company's operations are beginning to make themselves felt and should result in sizable earnings contributions from now on. Completion of enlarged plant facilities of the Robertshaw Thermostat Division scheduled for June of this year, and the greatly increased capacity for the Grayson Controls Division and the Bridgeport Thermostat Division will aid further in substantially higher total earnings for 1957. These are conservatively estimated at about $3.25 per share with 1957 sales projected in the neighborhood of $80 million compared with 1956 sales of $72,640,000 and 1956 net income of $2.82 per share.

Dividend payments, which have been made continuously since the shares were first offered to the public in 1957, are presently at an annual rate of $1.50 per share. The company's financial and working capital position is strong with current assets of $29,793,000 on Dec. 31, 1956 including cash of $8,614,000, compared with $8,303,000 current liabilities.

The common, currently selling around 29 on the New York Stock Exchange, is available at only nine times estimated 1957 earnings and appears reasonably priced with good appreciation possibilities over the longer term. Reynolds Metals, one of the world's largest aluminum producers, owns 505,000 shares or 34% of the total number of common stock outstanding. ROBERTSHAW's capitalization consists of 1,469,344 shares of common stock preceded by 56,245 shares of $1.37½ convertible preferred (convertible into 1.25 common) and 9,838,000 long-term debt.

SIDNEY R. WINTERS

Partner, Abraham & Co., N. Y. City
Members New York Stock Exchange
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Pepsi-Cola Company

I am always on the lookout for an outstanding management team. As I see it, the records prove that good management is probably the most important element of a successful business enterprise. When I have found such management in an attractive industry, then I have located one of the securities I like best. I think the following story will demonstrate that Pepsi-Cola common stock fits well into this description.

Sidney R. Winters

The soft drink industry has shown a rather steady growth trend for many years. Pepsi-Cola, however, has only demonstrated its mettle since 1950. It was then that an aggressive, hard-hitting new management team stepped in to repair what was then a rapidly deteriorating situation. The company's sales had declined from over $56 million in 1947, to little more than $40 million in 1950. Likewise, earnings in that period dropped from $1.18 per share to only $0.22 per share, and cash dividends on the shares were discontinued. The progress of the new management provides a true modern success story. Not only was the decline in sales and earnings peremptorily halted and reversed, but the recovery has been truly spectacular. Sales have risen sharply each year since the managerial change, reaching a new peak of more than $97 million for 1956. Profits reached a new high of $1.60 per share in 1955, and but for a combination of adverse circumstances, mentioned later, would have exceeded that amount in 1956. Further, dividends are now being paid at a 25 cent quarterly rate. In the opinion of the revitalized and enthusiastic management, all this is only the beginning.

Now, just what is the Pepsi-Cola Co.? Fundamentally, Pepsi is the second largest maker of the cola-type soft drink. The company owns and operates 12 plants, located in the U. S. A. and abroad, in which the flavor concentrate used to prepare the widely advertised beverage "Pepsi-Cola" is manufactured. This concentrate is then sold to some 789 franchised bottlers located all over the world, including 76 foreign countries. These franchised bottlers have, in each case, the exclusive right to bottle and distribute "Pepsi" in their own specified territories. The company itself also owns 16 bottling plants in the United States. In addition, a sugar refinery is owned, although most of the output is sold to others. The "Pepsi" concentrate is also marketed in large cans for use in fountain dispensers, and automatic cup vending machines. A subsidiary, under an agreement with Schweppes, Ltd., of Great Britain, bottles and distributes throughout the United States the well known Schweppes quinine water, ginger ale and club soda.

What was wrong, and how was the problem solved? Before 1950, the public regarded Pepsi as a drink inferior to that of Pepsi's leading competitor, and its acceptance was based largely upon the fact that there was more of it for the same price. This attitude was emphasized during the last war, when Pepsi used sugar substitutes, for then scarce sugar. Add to this a deteriorating relationship with franchised bottlers, and one can see why the company's sales and profits were fading away. Indeed, it is well known that even in the case of many people who were still serving the drink, it was being poured in the kitchen, then served in the living room.

The new management began a most extensive alteration with an internal reorganization and a changed and improved formula for the drink, for which quality controls were instituted. Then the very vital matter of relationships with franchised bottlers received increasing attention from top officials. "On premise" markets were pursued and developed, and last but not least, advertising and promotional activities received a new direction, being pointed towards the ultimate acceptance of Pepsi as a quality beverage at least on a par with any other similar drink. Perhaps the most impressive indication of the tenor of Pepsi's present day advertising mood was the recent sponsorship of the TV spectacular Cinderella. This presentation received much comment, not only for its excellence, but also for the fact that the commercials were non-jarring and attuned to the performance.

A word now about last year's results. As mentioned in the recently issued annual report, because of three major events, all unforeseeable and unavoidable, a notable sales growth was not similarly followed by higher earnings. At the peak of the selling season, there was a strike in the company's largest bottling plant, concentrate plant, and sugar refinery, which added heavily to expense. Also, during the important sum-

Continued on page 6

Ten-Year Record

Year	Net Sales	Net Income	Earned Per Share	Dividend	Price Range
1956	$97,030,000	$8,880,000	$1.50	$1.00	26¼–18½
1955	88,970,000	9,450,000	1.60	1.00	24⅝–17⅞
1954	74,200,000	6,210,000	1.07	0.65	18¾–13¼
1953	66,110,000	5,480,000	0.95	0.50	15⅜–10¾
1952	53,280,000	3,880,000	0.67	0.35	11⅞– 8¾
1951	46,760,000	2,630,000	0.46	---	12¾– 8⅝
1950	40,180,000	1,270,000	0.22	---	12 – 7½
1949	45,630,000	2,140,000	0.37	0.20	12 – 8
1948	46,630,000	3,150,000	0.55	0.42½	24⅛– 7½
1947	56,450,000	6,770,000	1.18	0.95	34⅛–22

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Electricity and Progress

By DONALD S. KENNEDY*

President, Edison Electric Institute and Oklahoma Gas and Electric Company

Private electric utilities are expected to invest an average of $4 billion annually for next decade and, according to Mr. Kennedy, this should permit 6.7 million kilowatts of new generating capacity in 1957, as against 4.5 million in 1956, and 29.5 million kilowatts by 1961. Attributing ready power availability to consistent planning for the future and to dispatch with which private operated firms can act, the Mid-west utility head expressed confidence that an informed electorate "will never fall for the socialistic power programs. . ." Cites arbitrary subsidies which permit public power to charge less than private firms.

From the time of Edison's development of the first practical incandescent lamp in 1879 only 78 years have passed—less than three generations. In this time we have seen a revolution in our standard of living. Even the youngest of us here can measure in terms of his own experience the difference electricity has made in his life. In the early days, electricity was widely feared as a dangerous enemy of the public. Even as late as the early years of this century in this city of Chicago overhead trolley wires were prohibited in the Loop and electrically equipped cars were hauled behind horses in the central business district. Today, such notions seem quaint. Electricity has become an important and accepted part of our daily living.

Donald S. Kennedy

Power, now mostly electric power, has during the last century emancipated man from most of the hard drudgery of living. Consider this: In 1850, 94% of all the work done was done by men and animals. In 1900, this percentage had declined to 62%, and as of 1950 only 6% of the work was done by men and animals—94% was done by machine. The latest figures show that in 1956, 98.5% was done by machine. Think of how this has increased American productivity. From 1½ man-years of human effort we are now producing 100 man-years' worth of goods. When you consider that a nation can consume only that which it produces, you can readily see how Americans today enjoy the highest standard of living of any nation on earth.

Let's measure this accomplishment in units with which we are more familiar. Fifty years ago the output of the electric industry was less than 6 billion kilowatt-hours —in 1956 it was over 600 billion kilowatt-hours — a 100-fold increase. Fifty years ago the capital of investor-owned electric utility companies was on the order of $1 billion—today it exceeds $30 billion. The rate of growth in investment now is $3 billion per year and is expected to average over $4 billion a year over the next ten years.

Many people fail to realize that this great development didn't just happen. The growth was made possible largely by the fact that any time anyone has developed a new tool or built a new factory the electricity has been there to operate it. This is because the electric industry has recognized its obligation to serve the public the quantities of power demanded by it and has consistently planned for the future so as to have power available when it was wanted. Because of this planning, and because an investor-owned power company can get right down to business without getting approval from the Congress and without suffering the delays that unfortunately plague politically-managed power developments, we have been able to meet public demand for our service.

The future program of construction to meet prospective demands is vast. Last year the power companies installed 4.5 million kilowatts of power station capability. This year it is estimated that 6.7 million kilowatts will be installed and that there will be a total of 29.5 million kilowatts of station capability on order with the manufacturers by 1961. During the current year, the capital funds required not only for power station capability but also for transmission and distribution will exceed $3.8 billion.

To obtain the funds for this construction the investor-owned electric utilities go to the American public, which has savings to invest. We are thankful that we have a free market at which to obtain our money requirements and that the American people served by us are, therefore, not dependent upon taxation and Government appropriation and a further increase in the Federal debt for the fulfillment of their electric facility requirements.

Incentives and Savings

We pay the going rate for money which we use in our business and we are not in a position to dictate what interest or return an American citizen is to get for his savings. Part of the reason that we have been able to obtain the capital with which to provide our facilities is the fact that America is a thrifty nation. The savings per capita here are the

Continued on page 32

*An address by Mr. Kennedy before the American Power Conference, Chicago, March 27, 1957.

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Husky Corn Products

By IRA U. COBLEIGH

Enterprise Economist

A swift panoramic trip from the cornfield, to the home, factory and dividend envelope.

Refining is a popular process in America. We refine sugar, petroleum and corn; and refinement is a universal cultural goal among us. Today, however, our reference to the refining process is going to be quite specific — we're going to talk about refining corn—a commodity which is not only a ubiquitous American ingredient in cocktails and conversation but as we shall perceive has an amazing variety of industrial and domestic application. When you sip an evening glass of beer, eat a salad, a pudding, a bun, or canned pears, feed your dog, launder your shirt or chew gum, you are paying tribute to corn in general and most probably, to Corn Products Refining Company in particular, topic for today's piece.

Ira U. Cobleigh

We have selected an appropriate time for the citing of this company since, for the first time in its history, it crossed (in 1956) the $300,000,000 annual sales mark. Quite a milestone, and quite a company. Of this huge total, 53% of the volume is in manufactured bulk products, about 32% in corn by products and 15% in packaged goods for household use. This latter line is not only the best known to the public but carries the highest profit margins — and it's increasing. You are no doubt familiar with Linit Starch, Karo Corn Syrup, Kre-Mel puddings, and Mazola cooking and salad oil. Still newer are Kasco dog food, Nu-Soft fabric softener and Bosco, a chocolate flavoring for milk.

Now all this maze of Mazola and mash comes from corn—141 million bushels of it last year to be precise. This corn was converted to starch — a paltry 4 billion pounds—of which 1½ billion became corn syrup, ¾ billion corn sugar, ¼ billion corn oil and the rest, farm animal feed. This corn may not be as high as an elephant's eye but it's certainly as high as your dining room table. Sixty different industries depend on products from Corn Products Refining Company — and the future of some of these industrial demands is indeed interesting.

For example, there's Nu Bru, a hopped up corn syrup—which has provided a short cut in making beer that can save brewers millions of dollars a year. By eliminating the traditional process of grit mashing and cooking, a much lower volume of raw materials is required to be purchased, handled and stored at the brewery; time and labor are saved, and the finished brew comes out lighter and drier, in line with modern taste preferences of the stein savants. Over 20 million pounds of Nu Bru will be sold this year; and if the product were universally adopted by the brewing industry, an annual demand of over 1¼ billion pounds has been estimated.

In other new applications, there is Zein, used in making Vicara, a new synthetic fibre, as well as in inks, shellacs and varnishes. CFG is also turning out Inositol, a remedy for hardening arteries and a real "toughie" to spell, glucuronolactone, helpful in treatment of arthritis.

But we need not continue this catalog of corn—besides, we haven't room in this article. We merely wanted to delineate, as briskly as possible, the broad applications of the first grain which our Pilgrim forefathers harvested in the autumn of 1621 — and we're sure you'll pardon the corny reference.

Not only is Corn Products Co. big in size and diverse in its output, but its operations are spread broadly over the face of the world. Starting from an early oversea investment right after World War I, CFG has developed facilities in 18 countries. It now has an investment in foreign subsidiaries which, on a depreciated basis, stands on the books at $12,700,000. This item, however, has a demonstrable net worth of about $42 million, and will in 1957 develop sales of well over $120,000,000 and should deliver a net profit of over $7½ million. For 1956, $5,700,000 was transmitted to the parent company as dividends from foreign subsidiaries in both hemispheres. This foreign phase of the business is particularly attractive since, with the great economic gains recorded in West Europe, business has grown rapidly and the profit ratio is most satisfactory.

The position of Corn Products was further enhanced by recent acquisition of Refined Syrups & Sugars Inc. (outstanding producer and technician in liquid sugars), for 128,228 shares of Corn Products common. Refined Syrups is grossing nearly $40 million annually and is a most logical corporate addition for CFG.

Perhaps it's time to say a word on the financial side of this distinguished and durable enterprise. This is the 51st year of the corporate life of Corn Products Refining Company. In all this time and through wars, depressions and droughts, Corn Products has never showed a loss, and it has paid cash dividends to stockholders without a pause since 1920. Practice in recent years has been to pay out between 65% and 70% of net (not including undistributed equity in overseas earnings).

As a market performer, CFG must be regarded as among the most stable equities on the Board. In the decade 1947/56 the common, giving due allowance for a 5% stock dividend in 1951, and a 3-for-1 split in May 1955, ranged between 18 and 32. If it is selling today near its historic high, it does so, no doubt, by virtue of $2.36 per share earnings in 1956 and a $1.50 dividend which on the present price of 31 creates a yield of 4.84%.

Balance sheet position has been consistently good with current assets at 12-31-56 of $82.7 million against current liabilities of only $31½ million. Long-term debt is $2,664,000 and ahead of the 3,217,830 common shares lies only 239,341 shares of $7 non-callable preferred—an authentic blue chip selling at 161.

Certainly Corn Products common is entitled to be considered as a quality equity for the investor for income. Less appreciated are the qualities that may make CFG a growth type enterprise—a $32 million plant expansion program for 1956-57, a research program in depth in pure research and process and product development; and excellent outlook for expanded foreign business.

First quarter 1957 returns already in, show 47c a share, and the President, Mr. William T. Brady, is optimistic about the capacity of the company to improve both total sales and net for 1957. While certain motor cars, textiles, fertilizers and rails are in line for earnings' dips this year, the corn appears quite definitely green for Corn Products.

Emanuel, Deetjen to Admit Two Partners

On May 1 John R. McDonnell will be admitted to general partnership and Rudolph Henry Deetjen to limited partnership in Emanuel, Deetjen & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other Exchanges.

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The State of Trade and Industry

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

On the industrial front the past week steel production showed a further decline, but it is reported by "Steel" magazine, that steelmen look for output to slip in the second quarter, level off in the third, but recover sufficiently in the Fall to keep the current year's production around the high levels of the past two years. Electric output in the latest week eased slightly, while automotive production made fairly good progress with evidence, according to "Ward's Automotive Reports," that "the public at last is expressing its willingness and ability to purchase new transportation." Some improvement was also noted in car loadings which rose 1.3% above the prior week. Crude oil production, on the other hand, slipped fractionally, but remained 9% above the level of last year. The nation's gasoline stocks in the week ended March 29, decreased 1% from the prior week, but were nearly 3% higher than the same period in 1956.

With the advent of Spring, unemployment insurance claims showed some falling off. In the week ended March 23 they declined 2% from both the week preceding and the like period a year ago. Recalls in the tobacco industry in North Carolina, in the fishing industry in California and in the construction industry in New York were the chief contributors to the decline.

In the steel industry the decline in new order volume appears to have leveled for the time being at least. There will be production declines in April and early May. But overall order volume now suggests that the mills may be in a position to stabilize ingot production by late May or early June, states "The Iron Age," national metalworking weekly this week.

Construction will be the mainstay of the market this summer. Oil and gas and freight car building also will help keep the operating rate at a respectable level. Mills that produce structurals, plate, oil country goods and linepipe will maintain a higher-than-average production rate, it notes.

The looked-for pickup in demand from automotive is still "just around the corner." Detroit is holding to its policy of cutting steel inventories. In fact, some excess automotive steel, largely sheets, is being dumped on the market at below-mill prices.

Construction in some areas is getting off to a slow start. This has led to a slight easing in light and standard structurals. The road-building program also has bogged down somewhat because of hassles between Federal and state governments over which projects get priority. But these delays are only temporary. The structurals market is expected to revert to its extremely tight status within the next few weeks, "The Iron Age" continues.

The oil and gas industries are maintaining a lively pace. The possibility of new pipe lines in the Middle East to bypass the Suez Canal has injected a psychological factor into the market.

Scrap prices continue to drop. But there are signs that some dealers feel the market may be nearing a turning point. Reports from several areas indicate that some dealers are rebuilding yard inventories. This could represent a belief that prices are due for an upturn, concludes this trade weekly.

In the automotive industry record new car sales, with the United States-wide daily average topping any 10-day period in 1956, were reported for March 21-31 by "Ward's Automotive Reports."

The statistical publication said March 21-31 period of new car buying averaged to 22,700 daily as compared with 21,570 a year ago and the entire 1956 high of 22,200 reached during the period May 21-31 last year.

"Ward's" said the month-end increase was fully 13.5% over March 11-20, which already had shown a 7.4% upturn over March 1-10, indicating that the expected spring sales upturn is beginning to blossom.

Thus, entire March marked the first time that more than a half-million new car sales were recorded since last June; it also pushed the month's daily selling rate of 20,500 units 4.9% over February, holding the March buildup in new car inventories to a mere 4%.

The fact that new car stocks in March held to an unchanging 37 days' supply for the second consecutive month alone supports plans to achieve the scheduled 554,000 car production for the month of April. In April of 1956 output totaled 547,617 cars.

Because, April-June car building is being revised downward from January-March, adjustments in employment and hours worked can be expected, the publication said. However, such changes do not cancel out plans to boost April-June manufacturing over a year ago.

"Ward's" said Ford Motor Co. last week operated 3.2%, and Chrysler Corp. 58.9% over the year-ago level, with American Motors showing a 20% increase.

Truck output in the United States also gained last week in keeping with plans to boost April volume over March.

Although building permit valuations in February exceeded those of the previous month, volume fell slightly below the comparable 1956 level. The total volume of permits in 217 cities, including New York during February was $432,407,002, a drop of 1.2% from $437,782,749 in February 1956, but rose 3.0% above the January total of $415,994,396.

New York City permits alone were valued at $56,474,685. This compared with $89,172,555 in February of last year, for a loss of 36.7%, and with $50,783,539 in January, for an increase of 11.2%.

Two of the eight regions reported year-to-year declines; volume fell 28.3% below last year in the Middle Atlantic States and was down 18% in the Mountain region.

New business incorporations declined in February in accord-

Continued on page 34

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Observations . . .

By A. WILFRED MAY

PRESIDENTIAL CONVICTIONS — BEFORE AND AFTER

"One of the most commonly voiced misrepresentations by Republican speakers, including the President, has been the claim that the Democratic position in regard to money has not been made sufficiently clear. The President is seeing visions of rubber dollars. I am not going to characterize these statements. I merely present the facts. . . . We advocate a sound currency to be preserved at all hazards. That is plain English. The thing has been stated in plain English three times in my speeches. It is stated without qualification in the platform, and I have announced my unqualified acceptance of that platform. So much for that misrepresentation . . ."[1]

A. Wilfred May

"The businessmen of the country, battling hard to maintain their financial solvency and integrity, were told in Des Moines, Iowa, how close an escape the country had had some months ago from going off the gold standard. This, as has been clearly shown since, was a libel on the credit of the United States. . . . No responsible government would have sold to the country securities payable in gold if it knew that the promise, yes the covenant embodied in these securities was as dubious as the President of the United States claims it was."[1]

"Let us have courage to stop borrowing to meet continuing deficits. Stop the deficits."[2]

Principles in Transition

These are some of the explicit and unequivocal statements of principle in the fiscal and monetary area aggressively submitted to the anxious citizenry by the Presidential *candidate* of another era. *After* Nov. 8, 1932, as some of us can remember, the new *incumbent* of the Presidency lost no time in taking us off the gold standard; repudiated gold obligations with "libel" on his country's credit being committed by himself; characterized exchange stabilization as "an old fetish of international bankers"; and forsook his concern over "that" budget-deficit for an eight-year uninterrupted string of peacetime deficit-eering under the frankly expounded mis-deal purpose of "taxing and taxing and spending and spending".

1 From a speech by F. D. Roosevelt, in the Academy of Music, Brooklyn, N. Y., Nov. 14, 1932.
2 In Albany, N. Y., July 30, 1932.

Our Mid-Century Re-Run

Moving up to the nineteen fifties — *candidate* Eisenhower (of the Republican party), after complaining that "we have gotten into the habit under the leadership of Washington of passing all problems to Washington, and Washington in turn stretches its long nose farther and farther into our business"[3], narrowed his excoriation of the Democratic Administration to the fiscal area, as follows — "We see an expenditure program that, in the absence of a more reasonable explanation than any we have yet had, appears reckless and extravagant to the point of sheer folly.

"Our form of government means that in the long run over a period of years you cannot push deficit upon deficit and have left the kind of economy that we have known."[4]

The Pin-Pointed Program

And what was General Eisenhower going to *do* about the spending mess? In a pin-pointed Program, he would, he promised, establish (1) a sound dollar; and (2) reduction of government spending to about $60 billion within four years, thus making way for a substantial tax reduction to restore the incentive to expand production.[5]

And—"under your orders this is what we will do. We will end this era of waste under an Administration that gives you a full dollar's worth of service for every tax dollar. We will reduce the double toll of high prices and taxes."[6]

On Defense needs, now offered as the indestructible obstacle to thrift, the *candidate*—not Senator Byrd—said: "frugality, efficiency, information, knowledge properly used can bring us a defense organism that will be balanced with our capacity to pay, and so will keep and make us strong. It is possible that a few more billions [the Treasury's cash "take" during that year was—slightly less than now — $71 billion] might be squeezed out of the tax pockets of Americans, but certainly in many instances and on many levels, including the lowest, we have gotten to the point that incentive—the individual incentive that has made this great nation great—is dangerously risked in the process".[7]

"*Now*, he explains, we can dig up the necessary taxes simply by giving up material comfort, or joining a new club, "or doing anything else".[8]

3 At Shreveport, La., Oct. 15, 1952.
4 In Paterson, N. J., Oct. 16, 1952.
5 In Peoria, Ill., Oct. 3, 1952.
6 In New Orleans, La., Nov. 13, 1952.
7 In Patterson, N. J., Oct. 16, 1952.

A Cow Not So Sacred Then

Regarding his presently untouchable budget pet, foreign aid, Mr. Eisenhower (not Senator Knowland) at the New York Herald Tribune Forum on Oct. 21 of the same year, berated his predecessor thus: "certainly I know that we must find a substitute for the purely temporary business of bolstering free nations through annual hand-outs. That gets neither permanent results nor real friends. Further needling his political opponent, he also very sensibly observed, "It is far too easy to blame it all on Stalin. I know the solution to the economic ills of the free world does not lie in one nation's making pensioners of other nations."

And so on—with the subsequent sharply contrasting performance in the very best Roosevelt-Harry Hopkins tradition.

* * *

What Motivation?

The implications of such continuing and bi-partisan contrast between advance statement of basic principle and later performance are really not at all simple or clear. Surely their significance transcends mere journalistic *tour de force*, or even the exigencies of political expediency.

Particularly in the fiscal sphere does the display of inconsistency seem to stem from the Executive's undergoing of an over-all change of principle and philosophy during the transition to office. After his nomination at Chicago, Governor Roosevelt secured his brush-up on monetary and fiscal intricacies from Professor H. Parker Willis, Carter Glass' technician in the founding of the Federal Reserve System and the inflexible spokesmen of the nation's hard money protagonists. And Candidate Roosevelt's selection of Willis from this school of thought definitely followed his own careful predelictions, not any maneuvering by his brain-trusting recruiting officer of the time, Raymond Moley.

What, then, did cause the subsequent in-office change, in Roosevelt as in Eisenhower, in philosophy from frugality to passion for ever-bigger government with the accompanying spending, on both the international and national level?

Bland ascription to political demagoguery is insufficient; it does not, for example, give proper weight to the component of sincerity pre-Election. Nor, as now, to a President's newly-acquired political pursuit through the barring of a third term.

Does the explanation lie in the lust for power; in the furnishing of a bureaucratic satisfaction; or perhaps a phenomenon just to be written off as the result of inscrutable psychological complexities?

The Special Involvement of Peace

The demonstration of contradictions between the "before-and-after" Presidential statements are no doubt sensational and journalistically devastating. But insofar as they are concerned with international affairs, they take on implications of a more serious nature.

Whereas previously Mr. Eisenhower saw over-spending as a threat to peace—"I do know this. We can't afford what we're spending and stay strong enough to lead the world toward peace"[9]—now, in complete contradiction, he "Calls High Taxes Price Of Lasting Peace, Links Budget to Peace."[10]

Is it spending or is it thrift that obstructs the peace? If he does not stick to one conclusion here, peace is indeed being exploited as a phony fiscal issue.

8 In a speech before the Washington Conference of the Advertising Council, April 3, 1957.
9 In Paterson, N. J., Oct. 16, 1952.
10 Headlines, N. Y. Times, April 3, 1957.

Donald Moffat V.-P. Of Aubrey Lanston

CHICAGO, Ill. — Aubrey G. Lanston & Co. Incorporated, specialists in United States Government and Federal Agency securities, announced that Donald L. Moffat has become associated with the firm as Vice-President in charge of the Chicago office, 231 South La Salle Street. Mr. Moffat was formerly an officer of C. F. Childs & Co.

Sign Documents Covering Offering of European Coal and Steel Community

Rene Mayer, President of the High Authority of the European Coal and Steel Community and former Prime Minister of France (seated, center) at signing of documents covering the first public offering of the Community's securities in the United States. The signing took place on April 8 at the offices of Kuhn, Loeb & Co., investment banking firm, 30 Wall Street, New York City, which with The First Boston Corporation and Lazard Freres & Co. headed the underwriting group that offered $35,000,000 bonds and notes of the Community on April 9. Seated, left, are Heinz Potthoff, member of the High Authority, and John M. Schiff, partner in Kuhn, Loeb & Co. Standing from left, are: Paul de Louvrier, director of the High Authority's finance division; Hans Skribanowitz, deputy director of the finance division; Edward Townsend, Vice-President of The First Boston Corporation; and Andre Meyer, partner of Lazard Freres & Co.

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Investor Policy and Philosophy In Face of Long Run Inflation

By JULIUS GRODINSKY*
Professor of Finance
The Wharton School of Finance and Commerce
University of Pennsylvania

Our longer, uninterrupted inflationary trend period is attributed to labor costs and increasing demands made upon government by Wharton School Finance Professor in discussing effect of inflation on investment policies. Dr. Grodinsky lists unique inflationary problems investors should consider.

Inflationary forces have been operative since 1939. This is the longest period in American history to record a continued uninterrupted inflationary trend. Previous inflations usually followed military hostilities. The inflations were stopped by deflationary forces in the form of business depressions. Previous inflations were almost entirely monetary in character; the price rise was associated with increases in the supply of money.

Julius Grodinsky

The current inflation began in an orthodox way with heavy increases in the supply of money particularly in the war years between 1941 and 1945. Thereafter the supply of money was not increased. Indeed, the supply in relationship to the demand as reflected in national product and national income declined. The price level, nevertheless, continued to rise. The inflationary forces in the last decade reflected primarily increases in the price of labor. The inflation has continued both under Democratic and Republican administrations. The inflation was initiated by Roosevelt; accentuated by Truman and tolerated by Eisenhower.

The other factor, second only to the increase in labor costs, is the increasing demands made upon the Federal Government by an increasingly large number of sections of the population. These groups come from the ranks of the farmers, businessmen, state and city governments, schools, veterans, unemployed, retired folks, among others. Congressmen and Senators champion for economy in general, and even more vigorously for local Federally-financed improvements, including shipping and shipbuilding, cane sugar and beet sugar, builders—both of residential structures and rental facilities, and numerous businessmen who, adversely affected by competition, demand tariffs and import quotas.

*From a talk by Dr. Grodinsky before the Pennsylvania Bankers Association Trust Division Conference, Harrisburg, April 5, 1957.

What Investors Must Assume

These novel inflationary forces cannot be controlled by the monetary authorities. These new influences have been insidiously introduced into the national economy. These cannot be so insidiously exorcised. Investors must assume that they will remain indefinitely for as long a period as the human mind dares to predict in this uncertain world.

Concurrently with the progress of these inflationary factors, there has also occurred a rapid expansion in plant and equipment. This program has been financed largely by the use of depreciation allowances and reinvested earnings. The percentage of earnings paid in dividends during the postwar years has been considerably below previous experience in times of prosperity. There has thus developed both a rapid increase in costs and in the supply of goods.

Industries which under these conditions have over-expanded, which have a productive capacity in excess of current buying power are in an unenviable condition. Their fate is more dangerous than in a period of stabler and declining prices. The over-expanded industry can no longer reduce wage rates. Its costs are more inflexible than in depression.

Over-expansion is likely to occur in growth as well as in non-growth industries. In the former, however, the demand will, in the course of time, catch up with the increasing supply. In the latter, in the non-growth industries, the excessive supply is likely to last for a long time, and perhaps indefinitely.

To investors and investment officers, the inflationary-deflationary-new style-new deal economy presents a number of unique problems. Growth alone in terms of potential increase in sales is becoming an inadequate base for investment values. Some of these problems are presented herewith.

Unique Problems

First, high labor cost industries should be avoided.

Second, high labor-cost industries, faced with the possibility of rapid sales increase and susceptible to mechanization thereby reducing labor costs afford good investment opportunities. The mechanization of the coal industry is an example.

Third, every industry because of heavy investments in plant and equipment is potentially liable to over-expansion.

Fourth, over-expansion in static or declining industries is serious, almost fatal, to the creation of investment values: e.g., street railways, leather, cotton and woolen textiles, railroad freight cars.

Fifth, plant and equipment expansion in the growing industries is essential. Without expansion there is no growth. Over-expansion in a growing industry leads to a decline in the price-earnings ratios in the common stocks of such industries. In the course of time, however, continued expansion of demand will absorb the productive capacity.

Sixth, over-expansion in growth industries may be accompanied by heavy declines in selling prices of goods and services, and in profits. Examples are afforded by television sets, rayon staple and aluminum extrusions.

Seventh, some over-expanded growing industries can control their selling prices. They can prevent price wars. For example, automobile manufacturing and farm equipment. Other over-expanded growing industries cannot prevent such price wars. For example, television sets and domestic appliances.

Eighth, the substantial widespread rise in personal incomes has aided in retarding the cumulative character of deflationary-depression inducing influences. In terms of growth industries, these higher personal incomes are reflected in a growing list of new, expanding and prosperous consumer goods and consumer service industries.

Thus, investment policies and investment philosophy must take account of the simultaneous unfolding of inflationary and deflationary forces.

Continued from page 2

The Security I Like Best

mer months temperatures were far below those of the preceding year, adversely affecting earnings. Finally, circumstances in several foreign countries brought on currency restrictions which, in turn, prevented bottlers there from receiving normal shipments of concentrate. Thus, while sales rose from $89 million in 1955 to $97 million in 1956, profits declined from $1.60 per share in 1955 to $1.50 in the latest year.

Since a three-year labor contract was signed, it may be anticipated that 1957 will witness no disturbances in that direction. No similar exchange difficulties are foreseen at present, and it would be reasonable to anticipate more normal weather. Add to this a 9% concentrate price increase instituted March 1, and a continued expansion of bottling facilities, and one may readily anticipate new highs in both sales and earnings in 1957. Although earnings for the first quarter, seasonally the least important, are expected to be only about in line with last year, in my opinion, a figure of $2.00 per share for 1957 earnings appears easily possible. The company maintains a characteristically strong financial position, with what is, in my opinion, a slightly excessive cash position. Capitalization is sound, the 5,918,655 shares of common being preceded by only little more than $3 million of long-term obligations. On this basis I would anticipate liberal dividend treatment. Over the past five years, dividends have averaged about 60% of earnings, with 67% being so disbursed last year. Should my earnings forecast come to pass and should the board of directors be inclined to continue to favor the shareholders with a liberal dividend policy, one might look for a dividend rate of between $1.20 and $1.40 before the year-end. Over the longer term, I can visualize further growth in sales, earnings, and dividends. On this basis, the shares, recently available around 22½, in my opinion, appear speculatively most attractive.

From Washington Ahead of the News

By CARLISLE BARGERON

For sheer persistence this correspondent takes his hat off to Senator Homer Capehart of Indiana. For 10 years he has been fighting almost single-handedly to have foreign economic aid separated from military aid and put on a loan basis. Now Secretary of State Dulles has come out for it. As a result, this step in the right direction will probably be taken at this session of Congress.

Carlisle Bargeron

It is not a case, however, of enlightenment having come to the Secretary. It is about the only way the foreign economic aid program can be saved. From the mail members of Congress are receiving the country is pretty well fed up on it.

But the Indiana Senator deserves credit for his long fight to put some sense into the give-away program which was supposed to end after the rehabilitation of Western Europe but which has gone on and on in the guise of developing backward countries so they will resist Communism. Capehart's attitude has been that he wants to resist Communism but he doesn't think we command any respect from people to whom we just give money outright. He wants the money to be loaned for worthwhile projects on reasonable terms. He wants the loans to be repaid in hard currency by those countries which are able to do it. From the undeveloped countries he is willing to take soft currency with which we can buy their strategic materials. He wants the program to be carried out in conjunction with the Export-Import Bank and the World Bank. This is apparently Dulles' plan now.

Capehart's opponent in last Fall's campaign sought to ridicule his plan. Regardless of whether the money is a gift or a loan, he contended, we aren't going to get the money back. Well, a lot of lenders do not get their money back but in such cases the borrower doesn't get any more money. Very likely there will be a lot of money which we won't get back under the economic aid program but we will get interest on the money until the borrower defaults and the fantastic programs which have been dreamed up by our professional spenders will be reduced. The projects will have to have some merit. It is doubtful if the new approach will mean much reduction in Congress' appropriation for this year's economic aid, but it means that at long last we are getting down to earth and giving some consideration to the taxpayers' pocketbook.

It would seem to mean, too, that while we accept the dubious mantle of world leader, we do not intend to follow in the footsteps of the British and French who in their exercise of this leadership used to pass out gold willy-nilly to dissolute leaders of other countries. Certainly, we have been moving that way and there is still the glaring fact that the Eisenhower Administration has been given $200,000,000 to pass out in the Middle East. But now that the rest of the give-away program is to be harnessed, or put on a business-like basis, maybe this will be the last of this kind of money the Administration will get.

I like to see Senator Capehart finally bring the Administration around to his way of thinking in this matter. He has taken a lot of abuse from the Eastern press. He has been labelled contemptuously as an isolationist and reactionary because of his views.

The facts are that he is neither. He was opposed to our entering World Wars I and II, notwithstanding he served in the former but we got into the wars nevertheless and his attitude has not been to hark back to those mistakes but to deal with the situation that now confronts us. He made a fortune out of business, out of salesmanship. He is a very sound and able man and it is my judgment that in his third term he will command increasing national attention and respect.

REPORT OF CONDITION OF

Colonial Trust Company

of New York, N. Y., a member of the Federal Reserve System, at the close of business on March 14, 1957, published in accordance with a call made by the Federal Reserve bank of this district pursuant to the provisions of the Federal Reserve Act.

ASSETS	
Cash, balances with other banks, including reserve balance, and cash items in process of collection	$17,912,353.55
United States Government obligations, direct	18,429,509.26
Obligations of States and political subdivisions	1,726,436.99
Other bonds, notes, and debentures	1,296,567.24
Federal Reserve Bank stock	126,000.00
Loans and discounts (including $4,157.38 overdrafts)	33,733,779.71
Bank premises owned $256,870.92, furniture and fixtures $189,096.89	445,967.81
Customers' liability to this bank on acceptance outstanding	415,366.28
Other assets	483,210.33
TOTAL ASSETS	$74,569,191.17
LIABILITIES	
Demand deposits of individuals, partnerships, and corporations	$49,092,154.84
Time deposits of individuals, partnerships, and corporations	3,258,921.84
Deposits of United States Government (including postal savings)	396,323.79
Deposits of States and political subdivisions	1,025,000.00
Deposits of banks	12,870,268.96
Other deposits (certified and officers' checks, etc.)	1,374,255.85
TOTAL DEPOSITS $68,016,925.23	
Acceptances executed by or for account of this bank and outstanding	464,878.75
Other liabilities	389,467.35
TOTAL LIABILITIES	$68,871,271.38
CAPITAL ACCOUNTS	
Capital *	$2,500,000.00
Surplus	2,700,000.00
Undivided profits	335,628.79
Reserves (and retirement account for preferred capital)	162,291.00
TOTAL CAPITAL ACCOUNTS	$5,697,919.79
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$74,569,191.17

*This bank's capital consists of: capital notes and debentures $1,000,000 and common stock with total par value of $1,500,000.

MEMORANDA	
Assets pledged or assigned to secure liabilities and for other purposes	$3,737,366.59

I, Charles F. Bailey, Vice-President of the above named bank, hereby certify that the above statement is true to the best of my knowledge and belief.

CHARLES F. BAILEY

Correct—Attest:
Frank S. Beebe
E. F. Kinkead
John S. Everts
} Directors

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NEW ISSUE

$70,000,000

JACKSONVILLE EXPRESSWAY AUTHORITY

(JACKSONVILLE, FLORIDA)

Expressway Revenue Bonds, Series 1957

Dated January 1, 1957 Due each July 1, as shown below

Principal of coupon bonds and semi-annual interest (January 1 and July 1) on coupon bonds payable at the Guaranty Trust Company of New York, New York City, or at The Barnett National Bank of Jacksonville, Jacksonville, Florida. Principal of registered bonds payable at the office of the Guaranty Trust Company of New York, Trustee, or The Barnett National Bank of Jacksonville, Co-Trustee under the Trust Indenture. Coupon bonds in the denomination of $1,000, convertible into fully registered bonds without coupons in the denominations of $1,000 or multiples thereof. Coupon bonds and fully registered bonds are interchangeable as provided in the Trust Indenture.

These Bonds may be redeemed prior to maturity, on 30 days' published notice, in part (in inverse order of maturity) by operation of the Bond Redemption Fund on any interest date on or after July 1, 1960, or as a whole from any moneys that may be made available for such purpose at any time on or after July 1, 1967, at the following prices and accrued interest to the date fixed for redemption:

Period	Redemption Price % — For Bond Redemption Fund	Redemption Price % — Otherwise
July 1, 1960 to and including June 30, 1964	103	—
July 1, 1964 " " " June 30, 1967	102½	—
July 1, 1967 " " " June 30, 1970	102	104
July 1, 1970 " " " June 30, 1973	101½	103½
July 1, 1973 " " " June 30, 1976	101	103
July 1, 1976 " " " June 30, 1978	100½	102½
July 1, 1978 " " " June 30, 1980	100	102
July 1, 1980 " " " June 30, 1982	100	101
July 1, 1982 and thereafter	100	100

Interest Exempt, in the opinion of Bond Counsel, from all present Federal Income Taxes.

The Act provides that the Bonds, their transfer and any income therefrom (including any profit made on the sale thereof) are exempt from taxation within the State of Florida.

GUARANTY TRUST COMPANY OF NEW YORK, NEW YORK CITY, *Trustee*

THE BARNETT NATIONAL BANK OF JACKSONVILLE, JACKSONVILLE, FLORIDA, *Co-Trustee*

AMOUNTS, MATURITIES, COUPON RATES AND PRICES

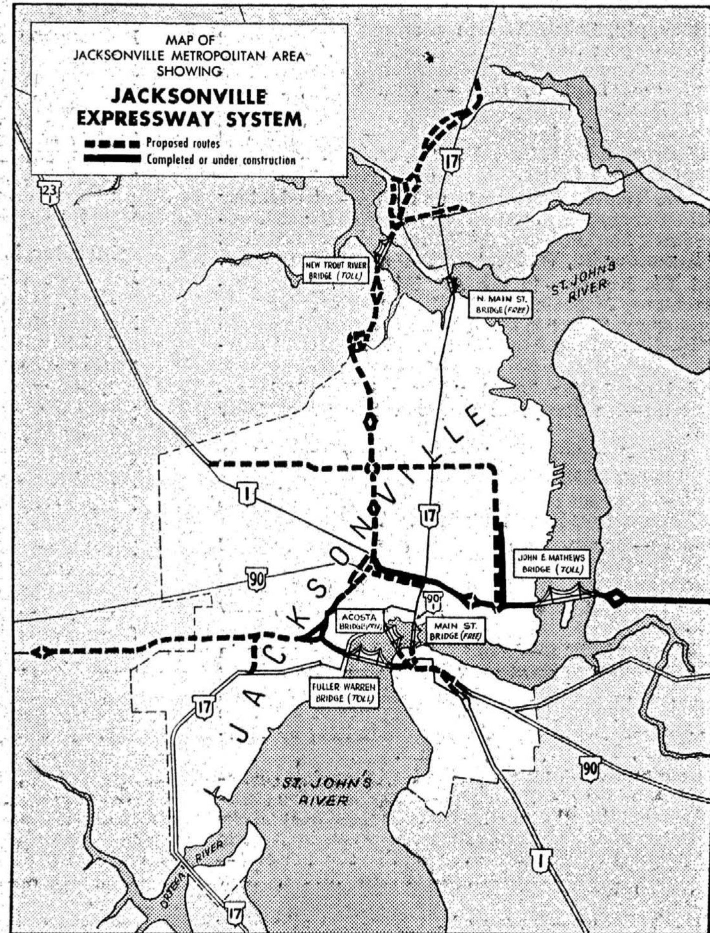
$10,000,000 Serial Bonds

Amount	Due	Coupon Rate	Price or Yield	Amount	Due	Coupon Rate	Price or Yield
$100,000	1961	3¾%	3.20%	$ 600,000	1970	3.90%	100
100,000	1962	3¾	3.30	700,000	1971	3.90	100
200,000	1963	3¾	3.40	800,000	1972	4	3.95%
200,000	1964	3¾	3.50	900,000	1973	4	3.95
300,000	1965	3¾	3.60	1,000,000	1974	4	100
300,000	1966	3¾	3.70	1,100,000	1975	4	100
400,000	1967	3¾	100	1,200,000	1976	4	100
400,000	1968	3.90	3.80	1,200,000	1977	4	100
500,000	1969	3.90	3.85				

$60,000,000 4¼% Term Bonds Due 1992

Price 99½% to yield approximately 4.28% to maturity

(Accrued interest to be added)



These Bonds are to be issued under and secured by the terms of a Trust Indenture, dated as of January 1, 1957, and pursuant to Chapter 29,996, Laws of Florida, 1955 for the purpose of refunding certain outstanding bonds issued for the construction of the Jacksonville Expressway System and to provide funds for the extension of said Expressway System as presently constructed. In the opinion of Bond Counsel, the Bonds are a special obligation of the Jacksonville Expressway Authority, payable solely from rentals consisting of the Toll Receipts and Gasoline Tax Funds pledged for their payment in the manner provided in the above-mentioned Trust Indenture. The Bonds and the interest payable thereon will not constitute a debt of the State of Florida or of any political subdivision thereof, or a pledge of the credit or taxing power of the State of Florida or of any political subdivision thereof.

These Bonds are offered for delivery when, as and if issued and received by us and subject to the approval of legality by Messrs. Caldwell, Marshall, Trimble & Mitchell, New York City, and Patterson, Freeman, Richardson and Watson, Jacksonville, Florida, Bond Counsel to the Authority. William H. Rogers, Jacksonville, Florida, General Counsel to the Authority, will approve all legal proceedings on behalf of the Authority. It is expected that Bonds in definitive form will be available for delivery on or about May 1, 1957.

Offering of these Bonds is made only by means of the Official Statement, copies of which may be obtained in any State from only such of the underwriters, including the undersigned, as may legally offer these Bonds in such State.

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April 10, 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's Treasure House of Minerals and Oils—Introductory 10-issue trial subscription to "Stock Market News and Comment"—$5—Stock Market News & Comment, Ltd., Securities Advisor, 80 Richmond St., W., No. "E," Toronto, Ont., Canada.

Equity Capital Via Rights — In the April issue of "The Exchange"—Exchange Magazine, 11 Wall Street, New York 5, N. Y.—10c per copy; $1 per year. Also in the April issue are articles on "Shell" and the Suez Canal, and "Appetite" common stocks.

Investment Advisory Letter for Tax Exempt Foundations—Monthly bulletin—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Investors Aid 1957—Brochure on investment program—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

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

Low Priced Stocks—Survey with particular reference to **ABC Vending, Clevite Corporation, Consolidated Foods, Marine Midland, Northern States Power and Petroleum Corporation of America** — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Mining Stock Reorganizations—Booklet listing 990 changes in names obtained from records of over 10,000 Canadian mining companies which have been formed to engage either in the search for or development of mineral ore bodies of one type or another—Draper Dobie and Company Limited, 25 Adelaide Street, West, Toronto, Ont., Canada.

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.

Shaping America's Future—Survey of corporations allocating expenditures for research and development—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Stock Splits and Comments on Trading Ranges—Study—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Treasury Series F & G Savings Notes—Bulletin—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

* * *

Allied Laboratories, Inc.—Memorandum—Barret, Fitch, North & Co., 1006 Baltimore Avenue, Kansas City 5, Mo.

American Insurance Company—Analysis—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a comparison of operating results of **New York City Bank Stocks** for the first quarter of 1957.

Bank Building Corporation of America — Analysis — Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo.

Black, Sivalls & Bryson, Inc.—Analysis—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Also available is a comparative tabulation of **Public Utility Common Stocks.**

Carborundum Co.—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Chesapeake & Ohio Railway—Annual report, with a 24-page pictorial report of two "Chessie" stockholders who made a tour of the 5,100 mile system—Chesapeake & Ohio Railway, 3809 Terminal Tower, Cleveland 1, Ohio.

Chicago & Northwestern Railway Co. — Analysis — Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Colorado Oil & Gas Company—Bulletin—Webber-Simpson & Company, 208 South La Salle Street, Chicago 4, Ill.

Corn Products Refining Company—Analysis—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y.

Curtis Publishing Co.—Analysis—Abraham & Co., 120 Broadway, New York 5, N. Y.

Douglas Aircraft—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Douglas & Lomason—Report—Dept. CH4-11, General Investing Corp., 80 Wall Street, New York 5, N. Y.

El Paso Natural Gas Company—Annual report—El Paso Natural Gas Company, El Paso, Tex.

Federal Oil Co.—Memorandum—Berry & Co., 240 West Front Street, Plainfield, N. J.

Georgia Pacific Corp.—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Pittsburgh Metallurgical.**

Insurance Company of North America—Analysis—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Marmon Herrington Company—Analysis—Swift, Henke & Co., 135 South La Salle Street, Chicago 3, Ill.

Miles Laboratories, Inc.—Analysis—R. S. Dickson & Co., Wilder Building, Charlotte, N. C.

National Tank Company — Analysis — Schneider, Bernet & Hickman, Inc., Southwestern Life Building, Dallas 1, Tex.

Old Line Life Insurance Company of America—Analysis—Sanford & Company, Russ Building, San Francisco 4, Calif.

Pacific Gamble Robinson Co.—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Penn-Texas Corporation — Annual report — Secretary, Penn-Texas Corporation, 745 Fifth Avenue, New York 22, N. Y.

Reynolds Metals—Bulletin—Ross, Lyon & Co., Inc., 487 Broadway, New York 13, N. Y.

Standard Tube Company—Analysis—R. C. O'Donnell & Company, Penobscot Building, Detroit 26, Mich.

Texas Gulf Sulphur Company—Analysis—First Boston Corporation, 100 Broadway, New York 5, N. Y.

Western Natural Gas—Analysis—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

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Citrus Industry's Success—A Lesson for Surplus Crops

By ROGER W. BABSON

The Florida citrus industry's immense success is hailed by financial analyst Babson to illustrate what cooperative action, research and advertising can accomplish without subsidies or price guarantees. Asks why cannot the farmers do the same thing with their surplus corn, wheat, cotton and other products.

When a very small boy I remember my father driving his horse and buggy to Salem, 15 miles away, to get an orange for his very sick aunt. Those were the days when no Christmas was complete unless we found an orange in the toe of the stocking which we hung by the fireside before going to bed on Christmas Eve. I remember later one orange was given by the public school principal as a reward for having perfect attendance for the entire school year.

Roger W. Babson

In 1900 the entire State of Florida produced only 1,000,000 boxes of oranges. In 1923, when I first came to Florida, production was only 10,000,000 boxes. This year it will be 95,000,000 or 100,000,000 boxes. With babies continuing to be given orange juice as their first food and with continued heavy advertising, nothing can stop the demand for orange juice. Furthermore, there have been great improvements and developments in the industry.

When I first came to Florida winters only, "whole fruit" was shipped out of the state and sold. Then, about 25 years ago, the cooperatives were developed and some orange juice was then canned. This, however, always had a little bitter taste. Some 10 years ago the **"frozen concentrate"** was invented. This gives exactly the same taste as the fresh juice and has greatly increased the consumption of orange juice as well as the health of the entire nation.

Most orange juice is drunk just before breakfast. This means that the frozen concentrate must be mixed with water and thoroughly melted some 10 minutes before serving. This has caused a growing demand for a new product known as "chilled" orange juice. As soon as this juice is squeezed from the orange it is stored and transported to the large cities of the North in refrigerated trucks at about 40° temperature, so that the juice holds its perfect flavor. It is then put in paper cartons and delivered by the dairy companies along with the morning milk. As a result, the housewife can lie in bed 10 minutes longer! This is taking like wild fire.

Although citrus fruits can be safely raised in only a small part of Florida and the United States, yet there is competition between Florida, Texas, Arizona and especially California. The latter state, however, is growing so fast that orange groves are becoming more valuable as home sites and citrus production is decreasing.

All of this competition results in constantly improved quality and in keeping the price within the reach of all families. Hence, with the constant growth in population, demand will continue to increase. But North America is not the only market for citrus juices. Foreign governments are also recognizing their great health value.

The English Government is buying the juice in a super-concentrated non-refrigerated form, like molasses, and distributing it to its babies to supplement a small supply received from Spain, Italy, and other Mediterranean sources. To get good products, however, these countries must import phosphate and other fertilizer chemicals, most of which come from Florida close by the center of the Florida citrus industry. This gives Florida an advantage over all the world.

I, however, am not telling this story about the citrus industry just to boom Florida. I am telling it to show what a group of farmers can do by uniting in cooperatives and getting the help of research and advertising. The citrus industry has never had subsidies or price guarantees. It has fought its own battles without any limiting of acreage or government loans on surplus crops.

Why cannot the farmers of our central west and south do the same thing with their surplus corn, wheat, cotton, and other products? Henry Ford once said to me: "When the farmers wake up and quit crying on Uncle Sam's shoulders they can find a great use and market for their products as raw materials in industry." Agriculture needs a great leader like Henry Ford and the national advertising which the humble citrus growers of Florida are giving their products.

DEPENDABLE MARKETS

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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.

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Air Conditioning Growth Is Just Commencing

By CLOUD WAMPLER*

Chairman of the Board, Carrier Corporation

Despite 60-fold increase in two decades, Carrier Chairman Wampler opines "air conditioning is still on the lower reaches of its growth curve . . . [and] the ripe markets of the future will undoubtedly make current records appear small by comparison." After describing the sheer economic necessity of air conditioning for industry and government, and its bright residential potential, indicative of its stature as a major industry, the author comments on the twin problems of tight money and inflation. Believes "stop spending" is not the only answer to the tight money situation and the "utter necessity of combatting inflation."

Air conditioning encompasses much more than cooling alone. Air conditioning is the cleansing and circulation of air; it is ventilation and it is the control of humidity and of temperature which, of course, includes heating.

Cloud Wampler

In the majority of our markets air conditioning is accepted as *an economic necessity.* Not as a luxury nor a "frill," but as a key ingredient for profit. In market after market, the question today is not *whether* to install air conditioning but, rather, *which* is the *proper equipment* to do the job?

To a large extent this broad acceptance has been a postwar phenomenon. Prior to World War II the industry had proved its economic worth in those industrial establishments where air conditioning was installed to improve or even make possible a production process. And air conditioning for comfort began to appear about that same time as a means of attracting more customers to department stores and theaters.

It was in the thirties that the ground-work was being laid for the postwar expansion of markets. New equipment and new systems were being designed for new applications. Industrial and commercial establishments were beginning to use comfort air conditioning as a means of increasing employee efficiency and, thereby, profits.

War's Impact

The war itself had an immeasurable impact on the industry. About 80% of our output during that period consisted either of special military designs or of conventional air conditioning products used directly in the defense effort. The experience of thousands of military personnel and civilians with air conditioning in structures like the Pentagon and in blackout plants throughout the country served as a proving ground and helped pave the way for our postwar advances.

These advances can be illustrated in more concrete terms with some sales volume figures. In 1936 the industry sold $48 million worth of products at consumer prices. By 1956 annual sales on the same basis had increased to $3.2 billion—including heating installations allied to air conditioning—a 6,000% increase during the two decades.

You may be interested in the types of products included in those 1956 industry retail sales figures. Here they are: Applied or built-up systems, $1,048,000,000; room air conditioners, $426 million; self-contained equipment, $215 million; residential systems, $262 million; heating equipment adaptable to air conditioning, $638 million and all other, $575 million.

I would like to emphasize the significance of the applied or built-up systems. These are the installations assembled specifically—job-engineered if you will—*to meet the particular air conditioning requirements of the structures for which they are designed.* Such systems are used almost universally for the complete air conditioning of larger buildings, whether this takes place at the time of construction or later.

Business Volume

These facts will help explain why—at more than $1 billion in volume—this category currently is the largest single segment of the air conditioning industry.

By way of contrast, the total spent in 1956 for these applied or built-up systems was greater than that spent on room air conditioners, self-contained equipment and year-round residential systems combined.

Going back to 1936, there were only two markets—theaters and retail stores—where more than 1% of the structures were air conditioned. We now estimate that 90% of all theaters, 35% of all motels, 27% of class A commercial office buildings, 15 to 20% of hotel guest rooms and about the same percentage of retail stores are air conditioned. And more than 50% of the hospitals in the country have at least partial air conditioning.

I think it safe to say that our postwar sales trend has been amazing. The typical industry growth pattern, as you may know, is something like this: There is first a long period of germination during which products and distribution systems are perfected. The curve then rises rapidly as market acceptance accelerates. Finally the line stabilizes at a level dictated by certain forces—in our case by new construction and replacement.

Air conditioning, despite its 60-fold volume increase in two decades, is still on the lower reaches of its growth curve. Although air conditioning today *seems* to be everywhere, the ripe markets of the future will undoubtedly make last year's record appear small by comparison. I would estimate that total industry sales at retail, including heating systems adaptable to air conditioning, will reach $5 billion in 1961.

If a non-air-conditioned building is operated at a competitive disadvantage today—and it is—what dimensions will that problem attain five years hence? All of us at the present time would prefer to patronize an air-conditioned restaurant or theater. Tomorrow your employees will find non-air-conditioned offices unacceptable. The trend is inevitable.

I stress office buildings because they have played a vital role in the postwar expansion of our industry. Since 1945, virtually every such major structure erected has included central year-round air conditioning. And this, by sheer economic necessity, has made air conditioning a definite requirement for existing first class office buildings.

We have formulated a rule of thumb which seems to operate in this manner: Whenever air conditioned office space in a city reaches a level of from 18 to 20%, the remaining office buildings must also air condition in order to maintain Class A status.

New York City is a good example of this rule in operation. Since the end of World War II, 71 large multi-story structures with nearly 23 million square feet of air conditioned space have been constructed. The critical level of 18% was reached about four years ago. And within the last four years 24 major existing office buildings have installed year-round systems, adding another 10 million square feet.

In Dallas and Houston, for example, the cycle has been completed. There, all major existing office buildings have been air conditioned. In fact, this applies to Class A space in most large metropolitan areas below the Mason-Dixie Line.

In Philadelphia the critical point has been reached and conversion to year-round air conditioning in existing buildings has begun. Chicago and Cincinnati are also close to the break-through level. And other cities are moving up fast.

Competitive Importance

This trend is important—and let me emphasize—important to both of us. It has become increasingly apparent that the *more* people personally experience air conditioning, the *more* they want it. Now, each year in increasing numbers, they are spending a larger portion of their time in an air conditioned environment—stores, theaters, planes, trains, buses, hotels and offices—just to name a few.

Each of these markets influences the others in the sense that a person who works in an air

Continued on page 43

*An address by Mr. Wampler before the Government-Industry Air-Conditioning Symposium, Washington, D. C., April 3, 1957.

$27,410,000

New Issues

New Housing Authority Bonds

Secured under the provisions of United States Housing Act of 1937, as amended

By Act of Congress, these Bonds and Interest thereon are ". . . Exempt from all Taxation now or hereafter imposed by the United States."

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The Public Housing Administration, a Federal agency, unconditionally agrees to contribute, in not more than forty annual installments, sums sufficient to assure payment of principal and interest on these Bonds. The faith of the United States is solemnly pledged to the payment of all the annual contributions contracted by the Public Housing Administration under the authority of the United States Housing Act of 1937, as amended.

These Bonds are offered, subject to prior sale before or after appearance of this advertisement, for delivery when, as and if issued and received by us and subject to the approval of legality by recognized bond counsel.

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1958	2.00%	2.00%
1959	2.10	2.10
1960	2.15	2.20
1961	2.20	2.25
1962	2.25	2.30
1963	2.30	2.35
1964	2.35	2.40
1965	2.40	2.45
1966	2.40	2.50
1967	2.45	2.50
1968	2.45	2.55
1969-70	2.50	2.60
1971-72	2.55	2.65
1973-74	2.60	2.70
1975-76	2.65	2.75
1977-78	2.70	2.80
1979	2.75	2.80
1980	2.75	2.85
1981-82	2.80	2.85
1983	2.80	2.90
1984-85	2.85	2.90
1986	2.85	2.95
1987-88	100 (price)	2.95
1989	100 (price)	100 (price)
1990-92	2.90	100 (price)
1993-96	2.95	

(Accrued interest to be added)

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April 11, 1957.

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Federal Reserve Bank of St. Louis

A Dynamic Program for Mutual Savings Banking

By AUGUST IHLEFELD*
President, Savings Bank Trust Company, New York City

Mr. Ihlefeld calls attention to the acute shortage of savings now developing, coincident with the nation's greatly expanding volume of investment resulting from technological advances, accelerated population growth, and rising living standards. Cites present intensified competition for savings, including efforts by commercial banks, which he regards as permanent. Urges savings banks to include attractive rate of return, convenience, and merchandising, in program to maintain their position.

We live in a dynamic economy that undergoes continuous and drastic change.

Financial institutions can prosper and grow in such an economy only by energetic and effective action in adapting their policies, programs, and operations to new conditions and to new needs. This is particularly true of a specialized institution like a mutual savings bank, which does not carry on as wide a variety of activities as do commercial banks, for example. If savings banks should fail to maintain their position of leadership in providing savings account service, they cannot count upon other activities to sustain their role in the economy.

August Ihlefeld

There are two things savings bank managements can do to safeguard the position of their institutions in our dynamic economy.

First, they can study economic and financial changes, especially as they relate to savings and investment, to appraise their probable effects upon savings banking.

Secondly, they can formulate policies and programs that will enable their institutions to continue to prosper and grow in the face of these expected developments.

I would like to discuss some of the basic economic trends that could profoundly affect the future of savings and savings banking. Then I shall suggest a dynamic program that would help mutual savings banking to cope with the new conditions that loom ahead.

*An address by Mr. Ihlefeld before the Trustees Meeting of Group 111 New York State Mutual Savings Banks, Albany, N. Y., April 3, 1957.

A Chronic Shortage of Savings

The most basic economic trend affecting savings banking today is the acute shortage of savings that has developed, a condition which could prove chronic in the era that lies ahead.

Great technological advances in industry, more rapid population growth and rising living standards have caused a great expansion in the volume of new investment that is going on in the American economy. The Department of Commerce computes each year the value of such new investment in private construction, business and agriculture. Gross private domestic investment, as this figure is called, reached a peak of over $65 billion in 1956. This was almost $5 billion more than in the year before, $17 billion more than in 1954 and nearly two and one-half times as large as it was a decade earlier.

New investment must be financed mainly out of savings, if we are to keep our economy healthy and stable. The only alternative is to finance it with commercial bank credit. But a rapid expansion of bank loans undermines the stability of the economy by swelling the money supply, and because subsequent pressure for repayment can precipitate a recession.

Savings have lagged far behind the upsurge in new investment. The savings flowing into thrift institutions, including life insurance companies, were actually a little less in 1954 and 1955 than in 1956. Since 1946, such institutional savings have increased some 52%, whereas gross private domestic investment is about 140% larger.

The fact is that the American people have not wanted to hold down consumption expenditures and so lift their savings to a level adequate to finance the greatly increased volume of new investment. The inevitable result has been an acute shortage of savings that could well continue, although varying in intensity from time to time due to fluctuations that are inevitable in a free economy.

Effects on Savings Banking

A chronic shortage of savings intensifies competition for the savings that are available.

The shortage of savings has already forced up substantially the price paid for the use of savings—the rate of interest. Savings today earn the highest rates of return that we have witnessed in almost a quarter of a century.

These high interest rates reflect the keen competition that has developed among borrowers for funds to finance their greatly enlarged investment requirements. Home owners, businesses and public bodies vie with each other in offering to pay substantially higher interest rates in order to obtain the funds they want.

Keener competition for available funds among borrowers, in turn, leads to intensified competition to attract savings among thrift institutions. Thrift institutions are the intermediaries in our capital market who act both for savers and borrowers. On behalf of the savers, they seek to invest new savings on the most attractive terms available. On behalf of the borrowers, they seek to attract all the savings needed. When savings are in short supply, as is now the case, thrift institutions actively compete with each other to attract more savings so that they can invest them at the higher rates of return that are being offered.

Competition from Commercial Banks

The most significant aspect of this development has been the aggressive entry of commercial banks into the competition to attract savings. In periods when a surplus of savings exists, as in the 1930's and 1940's, most commercial banks do not seek savings accounts aggressively. But when, as now, an acute shortage of loanable funds exists and interest rates are high, savings deposits become much more profitable to commercial banks and they compete for them actively. That explains why commercial banks have obtained the authority to raise the interest rate paid on savings deposits to a maximum of 3%. Commercial banks throughout the country have stepped up the rate paid on savings accounts, some to the new maximum of 3%.

In 1956, commercial banks accounted for a little less than 25% of the year's increase in savings and other time deposits and accounts in banks and savings and loan associations. A decade before, commercial banks had accounted for well over half the annual rise. Many commercial banks are now launching an effort to regain a leading place for themselves in providing this service.

Some suggest that the current drive for savings deposits among commercial banks will not be sustained. They reason that these institutions will become indifferent to savings accounts once again whenever interest rates decline. This is by no means certain if higher interest rates are going to persist, except for brief periods of business recession. Once commercial bank managements become convinced that interest rates are going to hold at a high average level over the years and that the savings shortage is going to be prolonged, the determination to attract more savings deposits could become an established feature of management policy.

There may be a parallel between the attitude of commercial banks towards savings accounts and what it has been towards consumer lending. For many years, commercial banks were content to leave instalment financing and other types of consumer lending to sales finance and consumer loan companies that specialize in extending such credit. Finally, attracted by the higher rates paid on such loans, commercial banks decided to enter the field aggressively, with the result that they are now the largest factor in consumer lending. In the same way, once convinced they can realize profits from such service over the long run, commercial banks may continue indefinitely as more aggressive competitors for savings accounts.

The shortage of savings thus promises to bring keener competition among financial institutions for savings accounts. Being more numerous and having many more branches than savings banks, commercial banks can offer intense competition. At the same time, savings and loan associations, obtaining higher yields on their mortgage portfolios, will also continue to be aggressive competitors for available savings.

Confronted with such intensified competition, savings banks are not going to be complacent. They will want to utilize fully the advantages they possess to maintain their growth in the face of intensified rivalry for deposits. But it is going to take hard thinking and hard work to attain this goal.

Savings banks, we know from experience, can continue to attract deposits in the face of keener competition by paying an adequate rate of return, by making it more convenient for depositors to do business with them, and by merchandising their services aggressively. All three factors—rate, convenience and merchandising—will have to be included in a program that is going to prove adequate in the period of intensified rivalry for savings that we can all foresee ahead.

The Quest for More Adequate Returns

To pay adequate rates of return to their depositors, savings banks must be unremitting in their search for high quality assets which afford better yields.

The process of gradual enlargement of the legal investment framework for savings banks will doubtless continue as new opportunities become available. In our dynamic economy I can foresee increasing opportunities for the profitable employment of savings as businesses and public bodies, as well as homeowners, call on the capital market to finance their requirements.

In the analysis and appraisal of new investment opportunities, economic research can play an important part. And I can envision the role of investment officers becoming increasingly important in the persistent quest for sound assets that will provide the earnings to permit payment of competitively effective rates of dividends at all times.

The Rate of Dividend

The rate of dividend a savings bank can pay depends upon not only the quality and diversification of its assets but also upon liquidity needs, expenses of operations, and additions made to surplus accounts.

With two-thirds of deposits now invested in first grade mortgages and with high grade corporate bonds being acquired at attractive yields, savings banks have taken effective steps to improve earnings, and thus their ability to pay a fully competitive rate on savings deposits. With over 30% of their deposits in cash, short term securities, and United States Government obligations, they maintain a high degree of liquidity. Moreover, savings banks enjoy the lowest unit cost of operation of any institution offering savings account service.

The extent to which dividend rates can be raised to meet future competition will thus depend mainly upon the third consideration — maintaining adequate surplus. If substantial annual additions to surplus accounts are to be made, ability to liberalize dividend payments will be correspondingly limited.

Since the question of surplus ratios is bound to play a key role in the formulation of savings bank dividend policies, it is very important that all concerned with the future of savings banking reexamine current notions critically and objectively. Mistaken surplus policies can have serious adverse consequences for the industry.

Surplus Ratios

In commercial banking, there has been a considerable change in attitude towards capital ratios among both managements and regulatory authorities during the past two decades.

Before World War II, a ratio of capital funds to deposits of 1:10, that is, a capital ratio of 10%, was regarded as a desirable minimum. This standard was abandoned during World War II, however, as the great expansion of deposits incident to the war was not accompanied by any material expansion in capital funds. The ratio of caiptal funds to deposits of the commercial banking system dropped almost to 5% at the end of the war. Yet, it was evident at thet ime that the nation's banking system had never been stronger. Holdings of cash and government securities at the end of 1945 were over 80% of the deposits of commercial banks.

That experience made it clear that the conventional ratio of capital funds to deposits was an inaccurate and misleading measure of the strength of a bank. High capital ratios in the early 1930's were accompanied by widespread failures among commercial banks. Low capital ratios in the 1940's characterized an impregnable commercial banking system. Clearly the quality of assets, not the ratio of capital funds to deposit liabilities, determines the relative strength of banks.

As a result, the adequacy of commercial bank capital is now usually measured by the ratio of capital funds to that portion of the deposits that is invested in risk assets. If we include government - underwritten mortgages, along with United States Government securities and cash, among non-risk assets, the ratio of capital funds to "deposits at risk" of the commercial banks of the country was 17% at the end of 1956. The comparable surplus ratio for the mutual savings banks of the country was 30%, and for savings and loan associations 12%.

Mutual savings banks, alone among the thrift institutions of the country, still maintain an average ratio of surplus and reserves to deposits of very close to 10%. This strong surplus ratio is gratifying. At the same time, it must be recognized that, if through growth and through payment of liberal dividend rates, the surplus ratio is not fully maintained at this level in the future, savings banks could remain by far the strongest group of thrift institutions in the country, so far as relative capital ratios are concerned.

Last year, the deposits of the mutual savings banks of the country increased by 6.5% and their surplus accounts by 4.6%. As a result, a slight decline occurred in the average ratio of surplus funds to deposit liabilities. But with a ratio of surplus to deposits at risk of 30%, there is no reason why this trend should cause any concern.

Savings Bank Dividend Policy

A realistic dividend policy for mutual savings banks at any one time must take into account not only the surplus position of these institutions but also the competitive situation which confronts them.

Fundamentally, the maximum dividend that a savings bank can maintain is determined by its earnings, after expenses. A savings bank will not and should not pay out to depositors more than its current income. On the other

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hand dividend policy should not be rigidly based on the notion that all earnings after certain preconceived additions to surplus and reserves belong to depositors and should be paid out as earned—a notion that has been fostered by imposition of the Federal corporation income tax on mutual savings banks. Dividend policy needs to be flexible.

When competitive conditions do not require savings banks to pay out liberal dividends, it is prudent to make substantial additions to surplus accounts. This was the case during the 1940's, when the savings banks of the country added a billion dollars to surplus accounts because relatively low rates paid on savings by commercial banks lessened competitive pressure for savings accounts. Thanks to these large additions to surplus accounts, the savings banks placed themselves in position to set liberal dividend rates subsequently whenever competitive considerations would make this desirable.

When savings banks can hope to preserve their competitive position in the savings field only through liberalizing dividend payments, a larger proportion of income can justifiably be paid out in dividends. Again, preconceived notions on minimum amounts that ought to be added to surplus accounts should not be the controlling factor. It is to be expected, rather, that at certain times additions to surplus could prove disappointingly small for a period.

At times it is in the public interest for savings banks to liberalize dividend payments to ameliorate a shortage of savings. Additions to surplus accounts would then be correspondingly reduced. This is the situation today, characterized by an acute shortage of savings and intensification of commercial bank competition.

In any circumstances, undivided profits would be drawn upon very rarely and only temporarily to stabilize a bank's dividend rate. It would be justifiable only when the causes of inadequate earnings are quite temporary, as when the full benefits of higher yielding investments are not yet reflected in earnings.

Investment income of savings banks tends to rise relatively slowly in a period of higher interest rates because the long-term character of their assets slows reinvestment. By the same token, investment income should decline relatively slowly when interest rates drop. A timely reduction of dividend rates under a flexible dividend policy would thus permit "catching up" on additions to surplus and reserve accounts in a period of falling interest rates.

At the present time, the ratio of surplus funds to deposits at risk becomes a valuable guide in determining how far dividend payments can be liberalized in relation to earnings. So long as that ratio is maintained substantially over 20%, failure of surplus to expand as rapidly as deposits need not cause concern.

Convenience for Depositors

Payment of a relatively attractive dividend rate to depositors is one way by which savings banks can safeguard their place in an economy marked by a chronic shortage of savings and intensified competition to attract savings deposits by commercial banks.

Equally important, experience has demonstrated, is the convenience to depositors of savings bank facilities and service. As people enjoy more leisure, they become less patient with banking service that consumes too much of their time and energy.

When our population was centered in the hubs and along major routes of transportation coming out of the hubs of cities, savings banks needed few branches to serve the communities in which they were located. But now that population has shifted all around the periphery of our cities and is scattered over large suburban areas, a growing proportion of the people find it difficult and time consuming to do business in savings banks limited to one or a very few offices in congested urban centers.

The solution of the problem of keeping savings bank service convenient may well be the opening of deposit windows in places where people congregate, such as shopping centers, railway stations and the like. It may also involve the opening of a number of small branches at low capital cost, instead of one or two large and costly ones, to serve newer suburban communities. Banking by mail, periodic pick-up of deposits from factories and huge office buildings and similar procedures, may help make savings bank service highly attractive because of its convenience, as well as its safety and the satisfactory rate of return paid on deposit balances.

Savings banks are severely hampered in adapting their services to the convenience of depositors by statutory restrictions upon branch and other powers. Needless restrictions that prevent savings institutions from performing their job of stimulating and encouraging savings are obsolete in an era when the shortage of savings has become the chief bottleneck to economic expansion. This is why savings bankers have evolved programs for making their services more convenient for depositors, and have urged the legislature to make the requisite changes in the law to enable them to carry out such a program.

Merchandising and Promotion

In a society where so many new and highly effective techniques are being used to promote consumer spending and personal borrowing, savings institutions cannot afford to be passive.

It is the obligation of thrift institutions to utilize to their full extent modern methods of advertising, publicity and merchandising to sell savings service to our people. Actually, thrift should be the easiest of all services to sell. At a time when our people are made security-minded by social security and pension plans, the great advantages of a completely liquid savings account, available on demand and yet paying a substantial rate of return, make savings service a highly salable product.

Savings banks have made great advances in the past generation in streamlining and modernizing their merchandising policies. But new techniques and new media for reaching the public are being exploited constantly by those who sell products and services. We must be alert to make sure at all times that our own merchandising methods reflect new ideas and methods, adequate for popularizing savings service in a dynamic economy.

Conclusion

Our expanding economy gives rise to intense competition for savings. Commercial banks, in particular, are now embarked upon a determined effort to attract more savings deposits because they believe they can lend out and invest such deposits at substantial profit to themselves.

I am confidently hopeful however that savings banks will maintain a leading position among thrift institutions, for there are a number of paths they can take in pursuit of their sound objectives.

Savings banks can and will continue to take steps, justified by the needs of our economy, to enlarge the legal investment framework so as to open up wider fields for the profitable and safe investment of their depositors' funds.

Savings banks have the capacity to maintain attractive rates of dividend without downgrading asset quality or losing the benefits of diversification, while maintaining appropriate liquidity and adequate surpluses.

Much can and will be done by the savings banks to make their services more available and convenient to the public and to adapt to the sale of savings bank service aggressive merchandising methods and the best advertising and publicity practices of present-day distribution.

By these measures the relative position of savings banks in the field of thrift will not only be conserved but strengthened further.

Through a dynamic program of this kind, energetically, forcefully and skillfully pursued, savings banking should give as good an account of itself in the future as it has in the past.

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Outlook for Metal Consumption in Backward and Developed Areas

By GEORGE H. CLEAVER*
Market Editor, "Engineering & Mining Journal"

Prominent metal market editor's world-wide outlook study for metal mining and refining industries foresees great growth. Mr. Cleaver offers projections which show per capita use of metals in many countries will rise more rapidly than the U.S.A. in recent years, and attributes this to: spread of ideas today, government emphasis on industrialization, social upheavals reducing sharp difference in living standards, and increasing trade regionalism. Surmises underdeveloped countries may increase copper consumption from 3.9 million short tons in 1955 to 9.8 in 1985 and 11.6 in 1990, and expects aluminum consumption will double every 10 or 15 years.

Recently many people have been pointing out the wide variation in per capita metal consumption in various parts of the world. The implication usually is there will be some catching up on the part of those areas in which metal consumption is now very low. This will mean pressure on metal resources, high prices and accelerated exploration and development.

George H. Cleaver

The reasonableness of the idea that under-developed areas will narrow the gap in per capita metals consumption or at least expand consumption rapidly, usually has been left to our imagination in discussions of metal consumption. I have explored this idea and I shall give you the results. Some interesting economic developments in connection with metals consumption outside the "backward" areas deserve some comment also.

This discussion will, of course, be largely speculative—any consideration relative even to such tentative forecasts as I shall make involves judgment of matters to which only uncertain weights can be attached. But such speculation is always made—from speculation comes a realization of the sort of data needed in order to arrive at more certain answers. Successful investigation is largely a history of successive speculations—so I feel no hesitancy in speculating.

There is no need that we define "consumption" with great precision. Two definitions are most common—one is the amount of metal actually used by the final consumer in things he uses plus metal in machinery and equipment used up by industry. But in the metal industries consumption is often thought of as the metal used by mills and foundries in articles they produce—in this concept the metal is one or more times removed from the final user. In some areas the difference is great. In the long run it is the final consumption definition that is most significant.

Some Conclusions

A number of provisional conclusions follow from this investigation. With great increases in metal consumption lower grades of ore are likely to be mined and prices are likely to rise. In the long run the price is equal to the highest cost—higher cost mines cannot continue to operate. But some high grade ores will continue to be mined—in fact there are large ore bodies now known that will probably be producing high grade ore for several decades. It is quite possible costs and profits in metal mining will vary even more widely than at present. Firms that own high grade ores may make profits before taxes several times their cost. Many people now think of 30c a pound as the "normal" price for copper. A normal price of 50c or a 60c a pound 15 or 20 years from now would not surprise me, assuming no general price inflation. Any price inflation would need to be added to this. Some copper now can probably be produced at 12c or 13c a pound—this bottom may not rise nearly so much as the top.

For the equipment industries the implications are especially interesting. Great increases in the consumption of metals, lower grade ores and increasing labor costs probably mean a manifold increase in the use of mining equipment. Much more equipment per ton of metal will be required unless revolutionary techniques are discovered.

The demand for mining and metallurgical engineers will be even greater than it is now, though technicians may be used in greater number than now. The scarcity of well-trained engineers may be further aggravated by the present anti-intellectual trend in secondary schools—a trend that has crept into some of our colleges.

Variation in Per Capita Metal Consumption

I shall give you a few statistics indicative of the wide variation in metal consumption. These do not refer to the final consumer—they show, in pounds per person in 1955, copper used by the fabricating industries.

United Kingdom	24
United States	20
Germany	17.5
France	10
Japan	3
Africa	.25
Asia, except Japan	.04
Europe	8.5
World	3.2

These would need to be modified considerably in order to show metal consumed by final consumers. They would need to be modified less to show metal used by consumers plus that used up as plant and equipment in making products. Doubtless the U.K., a heavy exporter of manufactured products, would show lower per capita consumption, as would Germany. (Allowances for imports and exports are included only in part in the above statistics.) Such adjustments would not alter significantly the conclusion that metal consumption varied by perhaps 100 times from the higher to the lower areas. Variations in lead and zinc consumption are also very large. We might get a conception of this situation if we were to assume world per capita consumption reached the level of the U. S. Then copper consumption would be about 24-million tons instead of about 3.8 million tons. Lead would be about 15 million tons rather than 2.3 million and zinc about 19 million tons instead of 3 million. (These data are based mainly on statistics published by the American Bureau of Metals Statistics and population figures from the United Nations Yearbook.)

I do not expect to see consumption of copper, lead and zinc reach these levels. But the figures do give us a frame of reference in thinking about potentials. Data for other metals also show a very wide spread in per capita consumption.

There are a number of devices we can use in estimating future metal consumption in the underdeveloped areas. (1) We can make projections of recent trends. (2) We can make estimates of the plane of living in these areas and from these estimate metal consumption. (3) We can apply change factors derived from areas that were under-developed relative to Europe and the U. S. and which have moved forward rapidly. Japan is probably the best example of this. (4) We can make estimates from a combination of these three methods. For Asia outside of Japan, and much of South America, using Japan as a model is reasonable in getting a first approximation of future consumption. Africa is more heterogeneous than Asia and South America and treating it as a unit might lead to greater errors.

Using this method for the under-developed areas, with some modification, and projections based mainly on the past 25 years for the other areas, and assuming population increases based on the past 25 years, I get the following estimates for copper consumption in millions of short tons:

1955	3.9
1965	4.7
1970	5.4
1975	6.4
1980	7.6
1985	9.8
1990	11.6

The 1965 estimate is very close to that used by Mr. Roy H. Glover, Chairman of the Anaconda Co., in a recent speech.

The greater rate of increase from 1980 to 1990 indicates the accelerating development of the presently "backward" areas. By 1990 there may be some let-down in this increase.

These figures represent consumption mainly of new copper. In the past few decades the proportion of secondary copper to new copper has not changed greatly; the same is true of zinc. But secondary lead has become an increasing proportion of the total. With lower grade ores being mined a greater proportion of secondary metal may be used. But much of the cost of secondary metal is labor cost in collecting old scrap so secondary costs may rise even more than primary. Also, with rapidly expanding consumption a lower proportion of metal in use at any time becomes scrap. When consumption levels off scrap tends to catch up.

I am not entranced by such estimates of future consumption. But the assumptions on which they are based are reasonable. The difficult question is whether new methods and materials will displace metals in the period about which we are concerned. Probably most displacement of any metal will be by other metals with little change in the total for all metals. Perhaps "displacement" is not the significant question. The more appropriate question may be —what metals and other materials will be used in the new products.

In the case of aluminum nearly all the world was under-developed a few decades ago. I have not used any of these devices for aluminum. Many analysts believe aluminum consumption will double every 10 or 15 years—this seems reasonable to me. It will make some inroads in products that can be made of other metals — but those other metals will be used for products which could be made of aluminum.

Raw Materials Relatively Less Important

One trend should be pointed out in connection with metal consumption — for each percentage unit increase in industrial production metal use increases by less than a percentage unit. I have examined this situation in an unpublished paper. The basic reason is that the things we use are becoming more complex. The amount of fabricating through which a pound of metal goes before it reaches the final consumer is now much greater than in earlier years. The intricacies of 2,000 pounds of metal transportation equipment are much greater now than 10 or 20 years ago. The same is true of other uses—consumer appliances, communication equipment, building equipment and machinery. Examination of national income data show, as the above idea would suggest, that mining and smelting of metals is becoming a decreasing proportion of national income. But in absolute terms it is increasing. Continuance of this trend of greater complexity is uncertain. Greater emphasis is now put on design simplicity. No direct recognition of these matters is included in my figures.

Government

Notice needs to be taken of the position of government. The basic economic function of government is the same for developed and underdeveloped areas. It must provide rules of the game, essentially a set of laws that permit a person or firm to have confidence that contracts will be met, that a firm will not directly interfere with the operations of another, and that property will be protected. It needs to provide a stable monetary system. Its responsibility for education is now getting more recognition.

But there are differences — in highly developed areas there are more people and firms with initiative nearly always watching for economic opportunities. It is the job of government not to restrict this. In the less developed areas people are much less prepared to take advantage of economic opportunity and it is often necessary for government to take a hand. In many cases government needs to work with foreign industry. When there are insufficient private funds available to finance a project of optimum size, government financing and perhaps direction may be in order. This is more likely to exist in underdeveloped areas. The United States also has been giving some aid in this connection. One of the major problems of underdeveloped countries is to convince areas with surplus capital that that capital can be safely invested.

Restrictions on the standard of living have been characteristic of countries in which industrial development and metal consumption have advanced from a primitive to a rather high level. This was true in Japan. The people shared little in its advance from late in the 19th century. It is also true of the U.S.S.R. It will probably be less true in India and perhaps China and probably other areas. Restrictions on living standards permit a larger part of the national product to be put to work as productive equipment and plant. It encourages more rapid expansion of output as long as full employment of labor and other resources is maintained. Recognition of this fact requires that we modify the use of Japan as a model for estimating increases in metal consumption in underdeveloped areas. But by how much? And is it possible China can resist the demands of its people for an increasing standard of living? It certainly can, compared with India and other countries. But recent events suggest the Communist world can no longer get away with the treatment of its people in the pattern of the U.S.S.R. the past 30 years.

In the Western world a somewhat analogous situation is developing. The natural and proper attempt of organized labor to get an ever increasing income may be operating to reduce both income and output. Some writers refer to this as the "laboristic economy." In some cases deliberate attempts are made to restrict productivity in order to raise wages.

The above discussion indicates we are not accepting uncritically the notion metal consumption will increase in underdeveloped areas at a rate as high as it did in Japan from the late 19th century to the 1920's and the 1930's. But there is considerable evidence to support the view it may increase at a rate of the same general magnitude as in Japan.

Only on the most general level can we group all of the underdeveloped areas. Of the factors I shall discuss in no areas will all of them apply to the same extent. The more backward areas of Europe have different problems from Africa and South America. And Asia, Communist and non-Communist, has some perhaps unique problems.

Factors Encouraging Greater Metal Consumption

Let us look at some of the evidence that supports the view metal consumption will rise rapidly.

(1) The ease and speed with which new (and old) ideas travel has had, and will have an increasing importance on the standard of living and on metal consumption in all parts of the world. Metal consumption may increase without an increase in the standard of living but there is little chance the standard of living will increase without an increase in metal consumption. In some cases the matters I discuss work toward increases in the standard of living and thus metal consumption. In others the connection is direct.

The ease with which knowledge spreads is complex but we can point out some interesting aspects. Knowledge of how other people live—and do not live, the Hollywood stuff — has been diffused into many backward and semi-backward areas. The effect of American movies on parts of Asia, Africa, South America and even Europe is an example of this. The modern ease of communications creates a desire for a higher material existence by suggesting to people who do not have it that others do.

We must not get the idea that the rest of the world is contemptuous of the U. S. material welfare. There has been a lot of balderdash written and spoken to this effect but much of it is sour grapes. In their more serious moments intelligent people outside the U. S., in Europe and the underdeveloped regions, admit a higher level of material welfare is their most pressing problem. This is especially true of those areas in which occasionally a taste of modern living is found. This does not deny there are and will continue to be sharp differences in how people use their worldly goods. The differences in use within any country, including the U. S., will be greater than that between countries. But the drive to get more material wealth is increasing.

The spread of ideas is not being left to chance. Even during the period when Greece was the center of the world efforts were made to import and export ideas. But now more than ever attempts are made to accelerate the diffusion of information encouraging the development of higher levels of industrial and agricultural production. An example of this stares us in the face. Seventy-five years ago Japan was a greatly underdeveloped country as far as in-

*An address by Mr. Cleaver before the Annual Meeting of the Mining, Metallurgical and Petroleum Institute, New Orleans, La.

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dustrial production and metal consumption was concerned.

Japan became aware of her industrial inadequacy and sent groups abroad in order to learn how to remedy it. Today, when it is much easier, this is done by other countries.

Cold War

The diffusion of industrial and cultural ideas is furthered by the competitive struggle between the Western world and the U.S.S.R. and its satellites. Both the U.S.A. and the U.S.S.R. are putting much effort, equipment, money and many people into influencing other countries. Much of this takes the form of attempting to raise living standards. The aid recently offered India for constructing a steel plant by the U.S.S.R. and the U.S.A. is an example of this struggle. The Marshall Plan and its successors were all aimed in this direction.

The U. S. International Cooperation Administration is bringing to the U. S. from many countries groups of officials from government, industry and labor organizations to study our industrial methods and other matters concerning our way of life. Fifty years ago a country wanting such instruction usually had much trouble getting it. In most cases it had to use its own funds to pay for it. With few exceptions it took the initiative itself and made many mistakes along the way. Often the most useful doors were closed. But now the U.S.A. and to some extent the U.S.S.R. are aggressively selling the idea abroad. It is difficult to measure the effect of this but those of us who have lectured these groups know they were often made up of alert and aggressive people who gave every indication of benefiting by their stay in America.

Dispersion of knowledge on the possibility of a higher standard of living and of better industrial techniques is not due solely to government programs. Private industry also plays a part. Industry in the U. S. is constantly looking for new areas in which to invest. It also likes to maintain some control of the resulting operations. The great copper developments in Chile, Peru and Africa are indicative of this. When U. S. industry now moves into an undeveloped area—it was not always so—the consumption level of the inhabitants working for it jumps up quickly. The effect on the rest of the population is obvious—and sometimes not appreciated.

Government Stress On Industry

(2) An effective industrial machine has become more obviously important in recent years. Owing to the almost constant threat of war and invasion governments have put emphasis on industrial development. Attempts to make the country less dependent on a few industries—attempts to diversity—have usually led to aid to heavy industry. Government aid of many kinds has been the result.

This has not necessarily led to an increase in the standard of living or even an increase in total national income. Undoubtedly it has often diverted labor and other resources from industries in which the country had a natural advantage into industries in which it had a natural disadvantage. Generally, government alteration of industrial activity, whether by the direct methods of the Soviets or the more subtle methods of the West, leads to a net decrease in national income. In those cases in which it results in the use of unemployed resources this may not be the case.

Whether national income rose or fell, this government activity often lead to increased output of heavy equipment and other metal using products. The effect has been a rise in the use of metals. This government activity may slacken in some countries but in others it will not.

(3) The social upheavals throughout the world have been destroying the sharp class distinctions from which even the U. S. has not been entirely free. On these distinctions in many countries the wide differences in living standards were justified. As they decline and disappear the masses of people move toward the creation, as in the U. S., of a mass market. In many countries this market is a long way off but in others it may be closer than we might at first think. With the break away from class traditions comes a willingness to change much else in the mode of living. The automobile is becoming a possibility for the lower middle class of Europe. The skilled worker in some countries is now the owner of a car. The less skilled workers may have cars in a decade or less. The refrigerator, electric washer and internal plumbing are on the way. As they arrive metal consumption will rise rapidly.

Greater Regional Trade

(4) The breakdown of barriers to international trade is one of the most inportant factors contributing to metal consumption. A good example is the European Coal and Steel Community. Six countries, France, Germany, Italy, Belgium, the Netherlands and Luxemburg joined together to help themselves by reducing the impediments to enlarging their markets. In about four years output of steel in the group rose about a third and trade in iron and steel across their boundaries rose about two and a half times.

What government restrictions to trade have been to Europe can be imagined if we assume the U. S. were actually a number of countries each with extensive and high import duties. If metal plants in Ohio had to pay high import duties to get enough fluorspar from Illinois or Kentucky, or iron ore from Minnesota—then we would understand more fully the situation in Europe. If metal from Ohio plants could be exported to Iowa only if a high duty were paid by the Iowa buyer we would be approaching the European problem. The U. S. is a large free trade area.

The organization for European Economic Cooperation is attempting to reduce and eliminate the extensive European barriers to larger markets. Success will mean a decided increase in European and world metal consumption.

The trend of government restrictions on free enterprise is mixed. Some countries show signs of moving backwards. But for the world as a whole progress is being made. People are beginning to think they should not deny themselves the advantages to be gained from permitting others to work for them for very low wages—even when those low wage workers live in another country. And these low wage workers are in turn probably benefitted else they would do some other work that would pay them a higher wage. And what is true for workers is also true for owners of other resources. If someone in Africa is willing to let the French buy resources cheaply the French may be foolish not to accept them. It is again the old matter of division of labor. The notion is equally applicable to other resources. Will industry be permitted to develop along natural lines, along the lines that will permit each country to produce those products for which it has advantages?

In closing let me point out, you may be tempted to sell the metals short in the short run, but it might be wise to be long on metals in the long run.

Bankers Southern Inc. To Be Formed in Ky.

LOUISVILLE, Ky. — Bankers Southern, Inc., a new investment firm, will be formed in May, to act as a wholesaler of securities of banks located in 14 southern States and in the municipal bonds of those States. Offices will be located in the Kentucky Home Life Building.

Thomas Graham

Principals of the new firm will be Thomas Graham, President of the Bankers Bond Co., Inc.; W. Howard Hopkin, Charles E. Stoll and A. Shelby Winstead.

Form Capitol Underwriting

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Capitol Underwriting Co. has been formed with offices in the University Building to engage in a securities business. Officers are Arthur P. Warner, President and Charles L. Wendt, Secretary-Treasurer.

William Hewitt to Address Urban Club

BROOKLYN, N. Y. — William Hewitt of Merrill Lynch, Pierce, Fenner & Beane, will address the April 16 meeting of the Urban Club on "The Stock Market and Investment As a Reflection of the Economy Between 1929 and the Present Time." A question and answer period will follow.

The meeting will be held at the Brooklyn Woman's Club, 114 Pierrepont Street. Mrs. LeRoy Sherman Edwards, President of the group, will preside.

Forms Wright Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

SANTA ANA, Calif.—James J. Wright has formed the Wright Investment Company with offices at 822 North Boardway to engage in a securities business.

Form Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Investors Investment Corporation has been formed with offices at 28 North Marengo Avenue to engage in a securities business. Officers are Robert E. Peckham, President, and B. L. Peckham, Treasurer.

Joins Nance Investment

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Leo D. Bartelme, Jr. has become associated with Nance Investment Co., 417 South Hill Street. He was formerly with First California Company.

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

535,148 Shares

The Babcock & Wilcox Company

Capital Stock

($9.00 Par Value)

Rights, evidenced by subscription warrants, to subscribe for these shares have been issued by the Company to the holders of its Capital Stock, which rights will expire at 3:30 P.M., New York Time, on April 22, 1957, as more fully set forth in the Prospectus.

Subscription Price $35 a Share

The several underwriters may offer shares of Capital Stock at prices not less than the Subscription Price set forth above (less, in the case of sales to dealers, the concession allowed to dealers) and not more than either the last sale or current offering price on the New York Stock Exchange, whichever is greater, plus an amount equal to the applicable New York Stock Exchange commission.

Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer these Shares in compliance with the securities laws of the respective States.

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April 9, 1957.

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Consumer Instalment Credit and Public Policy

By A. L. MILLS, JR.*

Member, Board of Governors of the Federal Reserve System

Mr. Mills, Reserve Board member who supervised currently released comprehensive staff study on consumer instalment credit, holds general controls now used to tighten money and credit supply are more consistent with the principles of a free market than are direct controls. Holds economically successful operation of peacetime consumer credit controls under a standby authority would demand infallible judgment on the part of those charged with the responsibility for appraising the need and choosing the time for their imposition. After weighing various pros and cons, concludes that in search for "the greatest good of the greatest many" consumer instalment credit "has its fitting place of honor."

"The greatest good of the greatest many" is the goal of an enlightened democratic society. The economic supports to the material achievement of this goal are production and consumption. The space between production and consumption is filled by markets which must first supply the units of production, whose output must then be transferred by market processes to the units of consumption. As consumption is the ultimate end of production, the market for consumer goods outranks in importance that for producers' goods, at least in a sociological sense. Put in another way, the consumer is king, but as consumers are also a factor in production, a harmonious relationship between all factors of production and consumption is essential to the smooth absorption at the consumer level of the national output. Economic research teaches all too well that a lasting imbalance in either production or consumption seriously interferes with the maximum satisfaction of consumer wants.

A. L. Mills, Jr.

Purpose of the Reserve Board's Study

The purpose of the study of consumer instalment credit that the Board of Governors of the Federal Reserve System undertook at the direction of President Eisenhower is to provide an historical and factual basis for determining whether consumer instalment credit under some conditions becomes an unstabilizing economic influence which, if not controlled, exaggerates market movements in ways that can lead to cyclical disturbances inimical to "the greatest good of the greatest many." If the answer is yes, the next question raised is: To what form of control should consumer instalment credit be subjected?

Credit can be defined as the grant of the cash means for immediately acquiring and utilizing some desired goods or services whose acquisition would otherwise have to be deferred until the cost had been accumulated from saving. Consumer instalment credit fits this definition and, furthermore, is a built-in savings device through which the payment of the credit leaves the debtor in clear possession of whatever consumer goods had been added to his pleasure and convenience from the time of their acquisition. There are good grounds to state that consumer instalment credit adds to the material comfort and convenience of the American people and by doing so contributes to a rising standard of living. Also, as it can be said that a high standard of living bears a relationship to the economies of mass production and distribution, there is little doubt but that consumer instalment credit plays a major part in expanding the markets on which mass production depends.

An example of this theme is the role of instalment credit, both consumer and real estate mortgage credit, in facilitating the present vast migration to the suburbs of city dwellers who retain their urban employment but choose a suburban way of living. This mass movement to the suburbs is an evolution of immense and still somewhat incalculable sociological and economic significance. It is enough to say that instalment credit has been a major factor in meeting the housing and transportation needs connected with the present liking for suburban life. Moreover, to the extent that the physical burdens of family life have been lightened by the use of household appliances acquired on consumer instalment credit, new impetus has been given to our national productive forces by the time thus freed for fruitful application elsewhere and from the psychological benefits attributed to greater leisure.

If, indeed, there is so much to be said in favor of consumer instalment credit, what are the arguments calling for its control? Except for the period between Sept. 20, 1948 and June 30, 1949, the imposition of consumer instalment credit controls has been associated with a national emergency.

The first of these emergencies goes back to the threat of war when on Aug. 9, 1941, President Roosevelt issued an Executive Order controlling consumer instalment credit, which had as its chief objectives: (a) to facilitate the transfer of productive resources to defense industries; (b) to assist in curbing unwarranted price advances which tend to result when the supply of consumers' durable goods is curtailed without corresponding curtailment of demand; (c) to assist in restraining general inflationary tendencies; (d) to aid in creating a postwar backlog for consumers' durable goods; and (e) to restrain the development of a consumer debt structure that would repress effective demand for goods and services in the post-defense period.

In the light of World War II experience with controls over consumer instalment credit, similar reasoning properly led to their reimposition on the occasion of the Korean War emergency. On this occasion, controls were in effect by Act of Congress from Sept. 18, 1950 until May 7, 1952.

Experience with consumer credit controls during these two periods of wartime emergency generally justified the purposes for which they were specifically evoked. However, during the World War II period that the controls were in force, individual incomes rose and liquid assets in the hands of the public increased rapidly as consumers, in being deprived of a normal opportunity for acquiring consumers' durable goods, came into possession of large holdings of cash and readily convertible U. S. Savings Bonds through a species of forced savings. In effect, this added liquidity in the hands of the public denoted a repressed inflation which erupted into unusually heavy demands for consumers' durable goods as soon as the controls were lifted.

The Korean War period had somewhat similar effects in that public holdings of liquid assets increased again. On this occasion, not so much as the result of the actual curtailment of access to consumer goods as occurred in World War II, but because of the continuation of fiscal and monetary policies and practices that fostered a monetization of the national debt and thereby unleashed an inflationary inspired demand for consumer goods.

With respect to the interwar period, the inflationary reflex to the termination of World War II was an upward movement of prices that was closely related to the unsatisfied demand for automobiles and other consumers' durable goods. These demands were initially asserted through the application of the liquid assets accumulated during the control period, and were later augmented by the use of consumer instalment credit as consumer propensities to spend were contagiously excited following the suspension of consumer credit controls on Nov. 1, 1947. In upshot, the inflationary impact of these unleashed demands caused official alarm and a special session of Congress was called which, as of Sept. 20, 1948, reimposed consumer credit controls as a curb on their unsettling economic influence.

This period of control over consumer instalment credit lasted until June 30, 1949. This was the first and only time that consumer credit controls have been imposed as a purely peacetime measure to subdue inflationary pressures which, for that matter, might possibly have been overcome by means of general credit controls if their use had not been precluded by the ruling fiscal and monetary policies of that period. Even so, this experience may be a persuasive reason to some of those who favor legislation vesting standby authority in the hands of a Federal administrative body to impose such selective controls whenever the growth of consumer instalment credit is judged to be an unstabilizing economic influence.

To summarize, consumer credit controls are an essential weapon in the armory of emergency controls, as has been recognized from experience with their use during World War II and the Korean War. However, equally good reasons for their peacetime use are open to question in the light of historic analysis which reveals that the origin of every alarming increase in the outstanding volume of consumer instalment credit can be found in a previous period of high public liquidity induced by contemporary fiscal and monetary policies. It is, therefore, logical to conclude that economically undesirable fluctuations in the volume of consumer instalment credit can best be prevented, and the peacetime emergency use of selective credit controls avoided, by following fiscal and monetary policies that do not foster an undue degree of public liquidity.

The period of rapid growth in consumer instalment credit that paced the business revival that followed the recession of 1953-1954 deserves special comment. This was exclusively a peacetime phenomenon but, in common with its wartime precursors, had its roots in a high degree of economic liquidity. In this instance, the reappearance of substantial holdings of liquid assets in the hands of the public was the result of the conscious efforts of monetary policy makers to increase the liquidity of the commercial banking system as a means of stimulating a revival of economic activity. These efforts met with conspicuous success but, along with the effects of the 1954 reduction in Federal income taxes, are charged with having overstimulated the economy in that a psychological attitude of confidence was developed which spread beyond the application of presently available liquid assets to business and personal uses into an economically unstabilizing growth in the volume of consumer instalment credit. It is then argued that under such a condition general credit controls cannot work quickly enough and that, therefore, selective credit controls are the most appropriate means for correcting what are presumed to be the harmful consequences of so rapid a growth in the volume of consumer instalment credit.

The logic of this course of reasoning is impressive, but does not dispose of the fact that actions to forestall excessive economic liquidity probably afford the most effective means for avoiding any necessity for imposing selective controls over consumer instalment credit in peacetime.

Where such advance measures have not been, or cannot be, adequately taken, leaves for solution the problem of preventing a potentially excessive use of consumer credit from becoming an unstabilizing economic influence. The solution of this problem requires a judgment whether the peacetime imposition of consumer credit controls under a standby authority contains elements that are self-defeating in effect and, if so, whether the objectives sought after cannot better be attained through the use of general credit controls.

To understand better the problem, it is necessary to point out that consumer credit has its marginal influence on the markets that span the gap between production and consumption and which, as has been mentioned, are so essential to that "greatest good of the greatest many." Therefore, inasmuch as consumer instalment credit has so great an impact on consumer markets, a sudden major expansion in its volume generates a far-reaching and stimulating influence both on producer and consumer markets. It is this almost explosive market influence which consumer credit has exerted at times that has properly aroused the concern of economists and government officials. As has also been mentioned, a marked expansion of consumer credit is not necessarily connected with a shift from emergency to normal conditions, but is also related to "consumer attitudes," as is witnessed by the increase in consumer credit that accompanied more optimistic consumer sentiment following the 1953-1954 recession.

As regards the market influence of rapid expansion or contraction in the volume of consumer credit,

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*An address by Mr. Mills before the National Consumer Credit Conference for 1957, Denver, Col., March 25, 1957.

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

NEW ISSUE April 11, 1957

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Consumer Credit and Government

By DR. GROVER W. ENSLEY*

Executive Director, Joint Economic Committee
United States Congress

Top Congressional Economist postulates Governmental concern over consumer credit's "leading and amplifying" force in the business cycle, and explains why he prefers general credit controls even though they do not act with the same promptness and dispatch as selective controls. Should selective controls become imperative, Dr. Ensley recommends leaving it to Congress to determine when and how it is to be used.

We have listened to a thoughtful paper by Federal Reserve Governor A. L. Mills, Jr., based upon a year of study by his organization. As is well known, the Federal Reserve Board, at the request of the President, has just concluded a monumental report on consumer instalment credit. I have not had time to more than thumb through the pages of these volumes, although our staff was briefed periodically on the progress of the study by the Federal Reserve staff.

Grover W. Ensley

Before I take up specific points in Mr. Mills' paper, let me make a general point. I liked his emphasis on "the greatest good of the greatest many." This has meant in the United States, as Mr. Mills says, that "the consumer is king." The consumer exercises this fundamental prerogative in the free market and at the ballot box. This doctrine, so basic to our democratic enterprise system, makes a discussion of the role of consumer credit always very appropriate.

I had the opportunity to travel in Soviet Russia last fall. You can be sure that the consumer is not king there. No such thing as consumer credit exists and no discussion of this important consumer instrumentality occurs since emphasis is placed on heavy industry and the military. Increasing consumption and raising living levels of the people are no more than a residual item in the long-term planning of the Kremlin dictators. The average individual there has no choice either in the market or at the ballot box.

(1) Aggregate credit and debt as they affect aggregate spending levels in the economy are of concern to the Federal Government.

While individual transactions involving consumer credit are essentially private matters, the Federal Government is interested in the effect of changes in the total amount of debt being undertaken, repaid, and outstanding at any one time. Such changes may have a decided impact upon employment levels and economic stability.

From the standpoint of the government's interest in aggregate spending, consumer credit, which is the subject of this particular Conference, is only one aspect of a larger problem. As the Joint Economic Committee over a year ago pointed out in connection with the President's request for the Federal Reserve study, consumer and instalment credit are an integral part of the modern debt structure. They can scarcely be viewed apart from government, corporate, and private debt and monetary policy as a whole. I make this point at this time because of the almost universal belief that a comprehensive study and review of monetary and credit policy is needed. The President has recommended such a broad study, as have Congressional committees, associations, and leading citizens. The importance of consumer credit as a large and dynamic part of the whole credit structure need, however, scarcely be argued.

Mr. Mills (p. 10) has noted what he calls the "fact" that "major fluctuations in the volume of outstanding consumer credit contain unstabilizing economic influences . . ." He notes elsewhere (p. 7) that at times consumer instalment credit has been an "almost explosive market influence" and (p. 8) that consumer credit cannot only overreach itself by borrowing from the future, but may also engender the expansion of productive capacity that may later prove to be redundant.

While we have scarcely had time to analyze the study of consumer instalment credit just completed by the Board of Governors, in a qualified way it apparently documents our expectations on this score (Part 1, Volume 1, p. 233). "Consumer instalment credit," the report says, "has often been a factor in changes in the level of business activity, but it has not been the principal cause of such changes. . . . Although not the principal factor in any cycle, consumer credit has been both a leading and an amplifying force in economic fluctuations. . . . The major influence of instalment credit has been to add fuel to booms; it has less often been an aggravating factor during recessions."

Certainly any element in the economy which can be thus characterized as a "leading and amplifying force" adding "fuel to booms" deserves the attention of all, including the Federal Government. The Federal Government, it will be remembered, is pledged, under the Employment Act of 1946, to use all of its facilities and prestige to promote economic stability and growth within the framework of the free competitive enterprise system.

(2) General credit controls are to be preferred.

Given the need for governmental concern, our attitude as to the precise kind of regulation of consumer and instalment credit which will be most appropriate depends upon whether consumer debt and spending can be adequately reached through the familiar forms of general monetary controls.

We would all be prepared, I believe, to accept Mr. Mills' obser-

Continued on page 33

*An address by Dr. Ensley before the National Consumer Credit Conference for 1957, University of Denver, March 25, 1957. The views expressed are his own and do not necessarily represent the views of the Joint Economic Committee or individual members of that Committee.

Federal Reserve Credit Study—No Case for Selective Controls

By SIDNEY E. ROLFE*

Economist C. I. T. Financial Corporation

C. I. T. head economist agrees with Federal Reserve Governor Mills on preferableness of general monetary controls, and its ability to control effectively quantity of credit, but looks a little differently on the problem of credit-quality in stating it is the industry's responsibility to keep credit on a sound and safe level. Concludes that so long as we honor a free market "in terms of institutional arrangements and laws, as well as theory, there is no case for selective controls, short of a war emergency"; finds the study confirms the effectives of general controls, and detects in the study long-range bullish views for the economy and credit industry.

Governor A. L. Mills, Jr. of the Board of Governors of the Federal Reserve System, was, I understand, one of the major directors of the Federal Reserve consumer credit study. Out of his great experience in the fields of banking and credit, out of his personal perspicacity, and out of his knowledge of the facts as determined by the study, he has distilled for a series of observations of the utmost importance to those in the industry and to the nation generally. We are all grateful to Governor Mills for sharing his observations with us today.

Sidney Rolfe

General Monetary Controls Preferable

First, and foremost, among Governor Mills' observations is what I take to be his basic conclusion: that reliance on general monetary controls rather than on direct selective controls is the preferable path, because it is "more consistent with the principles of a free market."

Those engaged in the granting of consumer instalment credit will find themselves heartily endorsing the views just expressed by Governor Mills. They substantiate and express with greatest clarity and the highest degree of sound eco-

Continued on page 32

*An address by Dr. Rolfe at the National Consumer Credit Conference for 1957, March 25, 1957, Denver, Colorado.

The securities listed below are being offered as a secondary distribution by the undersigned.

Not a New Issue April 9, 1957

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THE MARKET . . . AND YOU

By WALLACE STREETE

Industrial stocks continued to work through the overhead congestion this week after breaking out of a long trading range on the upside the week before.

* * *

Progress in some key areas was a bit labored and the markets generally were highly selective. But this was in line with expectations since a heavy supply of stock was known to be available in the area up to 500 for the industrial average.

Sensational Lukens

Lukens Steel rounded out its recent gyrations by being one of the skyrockets. The issue had been a wonder issue on strength on unofficial estimates of earnings of $15 to $20 on the present shares this year. But it turned to some sharp losses a week ago when the company's president said earnings should be "at least equal to if not better" than last year's average which figured out to $1.97 a quarter. The actual results for the first quarter were $3.53 or an annual rate of $17. The earlier estimate was then described as a "conservative view."

* * *

In any event, the fall and rise in hopes forced trading suspensions in the stock both on the selling that followed the "conservative view" and on the buying when the actual results were announced. Through it all the stock that sold below $46 earlier this year worked above $76 making it one of the best acting issues on the year so far. It tripled in price last year prior to splitting.

* * *

Aircrafts were able to show some favor, including Douglas which is something of the blue chip of the group. Unlike some of the other companies that are almost wholly dependent on defense work, Douglas' two billion backlog is about half government and half commercial. If the 1957 earnings figure out around the $10 figure generally expected, the stock is available at around eight-times earnings, which is one of the more conservative of such ratios in a quality issue.

Interesting Chemicals

Du Pont was back in favor which was a distinctly new note, the specific reason being its upturn in earnings on record quarterly sales disclosed at the annual meeting. Some of the other chemicals that were snagged in a profit squeeze last year were also reporting better prospects. Union Carbide, however, was slightly in doubt when projections of a 15% increase in earnings had to be qualified because one of its important divisions ran into strike trouble.

* * *

Olin Mathieson which, apparently, is still in the process of developing fully the benefits of its vast expansion, is forging ahead in the sales department but so far has merely kept earnings steady. The issue does have one facet not common to chemical issues generally — a yield that was around 4½. For the big names of the industry this is a yield of around 1% more than the "norm."

* * *

Sperry Rand is interesting in another growth group — that of electronics and computers—that hasn't been any market miracle. The costs of expansion plus the fact that the company was still in the process of digesting the Sperry Corp.-Remington Rand merger of mid-1955 has kept earnings relatively steady although with more stock outstanding the reports indicate a decline in the per-share figure. The company has been steadily broadening its vista, however, and progress seems assured eventually.

* * *

For a quality issue with a solid yield of around 5% and a pattern of earnings that have been nudging higher but with persistance, there is Corn Products which is constantly adding to the already long list of products it serves to many industries. Some of the later ones could be important in such diverse fields as brewing and foundry work, as well as new consumer products. Internally the company has been concentrating on cost-cutting. Its market life has been an uneventful one. In fact the issue held inside a three-point range so far this year until its recent upside breakout.

* * *

Georgia-Pacific Corp., which was no stranger to spirited market action last year when it was busily acquiring various timber holdings, has also been mundane recently. It held in a range of less than three points so far this year and also was prominent in extending the range recently on the top side. The company's timber holdings are rated at about a tenth of the nation's supply. Unlike plywood companies without timber reserves, Georgia is in position to roll up sizable profits from cutting timber and is actively expanding into paper and pulp fields. Its work in the housing line is modest so the decline in housing starts is not too much of a factor.

Rails Still Laggard

Rails were still mostly laggard although there was a chill thrown over the list momentarily when the Supreme Court ruled that certain land grants to carriers did not carry mineral rights with them. However, it appears that most of the oil-rich roads get their production from other lands than the ones involved in this right-of-way picture.

* * *

The long antipathy to the rails means that they now offer some of the larger yields around, up to 7½% in a stalwart like Illinois Central and better than 7% in Great Northern.

* * *

Great Northern has the rather enviable distinction of being the only transcontinental line that never went through bankruptcy and in some of the technical measurements stands out as an above-average road, notably in bringing a larger percentage of gross down to net. The glamor in Great Northern is provided by the unusually exhaustive studies being made of possibilities in a merger with Northern Pacific. The two already participate in several joint ventures, including the profitable Chicago, Burlington & Quincy.

High-Yielding "Cancerous" Tobaccos

Similarly, the tobaccos which have been repeatedly driven down by various cancer scares, are also in the high-yield bracket, ranging up to 7½% in Liggett & Myers and around 6½% in American Tobacco despite progress being made at least in sales from all the new filter demand.

* * *

Air Reduction has been progressing slowly marketwise, both because of management optimism over the possibilities for better results this year and broad hints that dividend liberality is in the making. Estimated earnings for the first quarter are being projected at a slight increase, but this is expected to be the low period for the year.

* * *

With the business situation still a bit cloudy, there was a marked preference in many quarters for the more defensive utility shares. Some of these have been laggard by normal barometers. Duquesne Light, for instance, has been available recently at well above 5% yield despite the fact that its pioneering nuclear power plant is rapidly getting to the point where test operations will start. Currently, this is expected by mid-year.

[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.]

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Award to Latshaw By Univ. of Mo.

KANSAS CITY, Mo.—John Latshaw, partner of E. F. Hutton and Company, was one of three men selected by the staff and the Alumni Association of the University of Missouri to receive a Certificate of Merit Award as a distinguished alumnus. He is a 1942 graduate.

John Latshaw

The awards were presented recently at the University of Missouri, in Columbia, Mo., by the Business and Public Administration School. They were the first such awards to be presented since the school was organized in 1914. The three receiving the awards were selected from the many thousands of past graduates.

Mr. Latshaw is a life-long resident of Kansas City and was the only present Missouri resident to receive the award. His citation reads as follows: "Presented to John Latshaw for outstanding achievement and meritorious service in business and public administration. This citation presented by the University of Missouri as an indication of its pride in an alumnus who exemplifies the ideals and leadership so necessary in the preservation of American Society."

Others receiving the awards were: O. M. Scott, President, The Service Bureau Corporation of New York, a wholly owned subsidiary of International Business Machines, class of 1938, and Fred. V. Gardner, Milwaukee, President of the Smith Steel Foundry Company, head of Fred V. Gardner Associates, a management consultant firm and also author of several books on accounting, class of 1928.

With Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Andrew S. Messick, Jr. is now with Walston & Co., Inc., 231 South La Salle Street. He was formerly with Mitchell Hutchins & Co.

With Overton & Co.

(Special to THE FINANCIAL CHRONICLE)

CORONADO, Calif. — Rene G. Pollard is with J. A. Overton & Co., 1134 Orange Avenue.

Werner Baer

Werner Baer of Bache & Co. passed away April 7 at the age of 49.

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Guaranty Trust "Survey" Reports Business Conditions Are Reassuring

New York bank finds available business reports are reassuring since they do not show significant indications for existing weaknesses to spread.

Several segments of the economy warrant close attention, according to the April issue of Guaranty Trust Company of New York's monthly business and economic review, in order to anticipate changing business direction.

The *Guaranty Survey* points out that, "on the whole, the business reports which have become available during the past month are reassuring. They reveal that most over-all indices are still at or near records levels, and they fail to disclose any significant tendency for existing weaknesses to spread.

"Industrial production in February showed no change from its January level, according to the Federal Reserve Board, whereas many analysts had anticipated that conservative inventory policies might occasion some decline. Similarly, over-all retail trade for the month equaled the large January volume, buttressed by a continued record flow of incomes. And employment, which had caused some concern by falling off more than seasonally in January, registered an impressive rise in February.

"Weekly data for the early part of March indicate that this pattern of approximate stability has continued. It is true that steel production, whose movements are so highly publicized, has lost some additional ground, but there have been offsetting improvements in such areas as paperboard and lumber production. Thus, the indications are that aggregate indices for March, when they become available, will once again show only fractional change.

"The emergence of a stable business situation has been accompanied by growing signs that inflationary pressures are abating. There is no longer any marked tendecy for prices to advance in a general way in primary markets. Instead, the so-called sensitive price indices have moved more or less horizontally over the past month.

Sentiment Has Aided

"This stability of business, and more specifically the failure of weaknesses to spread, seems to have bolstered sentiment to some degree. The uneasiness which characterized security markets earlier this year is no longer particularly in evidence. Instead, security markets have been quiet, with values drifting more or less sidewise in light trading.

"Sentiment may have been improved also by certain survey data pertaining to the longer term which became available during the past month. The government, for example, released the results of a survey of businessmen's capital spending plans for 1957, which suggest that there is a general inclination to continue such spending at high rates throughout most of the year. These findings are significant, because there had been considerable expectation that this type of spending might undergo a rather sharp decline in the latter months of 1957.

"Relatively gratifying also were the results of a survey of consumer spending intentions for 1957 made public by the Federal Reserve Board last month. These point to a continuing large volume, though probably not a spectacular volume, of consumer purchases over the remainder of the year. Of course, while these survey data for both business and consumer spending are encouraging as far as they go, it must be appreciated that trends in these areas are subject to change with the passage of time.

Key Areas To Be Watched

"In looking for signs of a changing pattern of general business over the next several months, there are several segments of the economy which would seem to warrant especially close attention. First of all, there is the automobile industry. The combined production by all companies so far this year has been maintained at slightly higher levels than in the comparable period of 1956, but the failure of sales to run ahead of last year's pace—at least through February—has raised doubts as to whether this favorable relationship can be maintained. The spring period should resolve this uncertainty, and the outcome, whatever it is, will inevitably have an important influence on general business.

"Secondly, developments in the steel industry will be particularly significant. The present consensus is that the downtrend in production here is largely the result of inventory adjustments by steel users (including automobile companies) and that by and large these adjustments are likely to be completed by May, with the consequence that the steel operating rate will stabilize by that time. If this stabilization should fail to materialize, the impact on general sentiment would almost certainly be unsettling.

"Third, the trend of general business inventories will be especially interesting over the next several months. By January of this year, the rate of inventory accumulation had dropped off sharply from the average rate for 1956, without, as was noted above, affecting the rate of industrial production to a marked extent. If industrial production holds up similarly well over the next several months in the face of a continuing cautious inventory policy, such experience would be very encouraging, since it would testify to the resiliency of the economy. Finally, it will be important to note whether the downtrend in residential construction activity, which is now of some two years' duration, will be arrested.

"It will also be interesting to see how far Congress goes between now and its summer adjournment in cutting the Administration's appropriation requests. The outcome will not necessarily have much impact on business activity immediately, in view of the large backlog of spending authority which the Administration has, but it could be of some importance later if reductions are substantial. If big cuts are made, the complacent assumption that expanding Federal spending will continue as a certain prop for general business into the indefinite future will have to be reexamined."

With Stewart, Eubanks

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Leo A. Costello is now affiliated with Stewart, Eubanks, Meyerson & Co., 216 Montgomery Street, members of the Pacific Coast Stock Exchange. He was previously with Edwin D. Berl & Sons.

Joins Colorado Inv.

(Special to The Financial Chronicle)

DENVER, Colo. — Wilson B. Lee and John A. Neill are now affiliated with Colorado Investment Co., Inc., 509 Seventeenth Street. Mr. Lee was formerly with Greenberg, Strong & Co.

General Economic Conditions— Now and in the Future

By CHARLES T. BRODERICK*

Chief Economist, Lehman Brothers, New York City

Lehman Brothers chief economist perceives rising business level for remainder of 1957, corporate profits keeping pace with rising G. N. P. and labor-paced rising prices creeping perpetually.

While there has been a temporary lull in the economy during the past few months, a rising level of business activity during the balance of the year is in prospect. This is not to say that each and every industry will boom. Ours is a massive economy and, because it is so large and diverse, adjustments or recessions may take place in several areas without any adverse effect on the total economy. Witness what happened last year. Automobiles and housing, our two biggest consumer industries, experienced production declines of 27% and 16% respectively, yet the gross national product expanded by almost 6%. We will probably suffer setbacks in several industries this year, but it is our belief that we can take these rolling adjustments in stride. The gross national product will probably rise about 4-5% in 1957 above 1956.

Charles T. Broderick

Creeping Prices

On the subject of the long-term price outlook, this country is faced with perpetual creeping inflation. While the erosion of the dollar is a dreadful thing to contemplate, we are powerless to stop it. The reason we are helpless is because the price trend is virtually dictated by a powerful labor movement.

The chief determinant of price is unit labor costs. Where wage increases are granted which exceed productivity gains, unit labor costs rise and prices inexorably follow suit. Since an annual growth in manufacturing productivity of 3-3½% is probable and since most industrial unions are likely to continue to win wage concessions of 5% or so a year, it is quite reasonable to anticipate that the difference of 1-2% will be reflected in annual price appreciation.

With regard to the current "squeeze" on corporate profits, much of it is imaginary. This does not mean that very many corporations and quite a few industries aren't being squeezed by rigid prices and mounting labor costs. Indeed, this is unfortunately so in far too many instances. However, if one extends his inquiry into American corporations as a whole, the case for an increasing squeeze on corporate profits falls flat on its face.

Profits Keep Pace

In the first place, pre-tax corporate profits were higher in the fourth quarter of last year than in any one of the first three quarters. Secondly, such profits were slightly higher, not lower, for 1956 as a whole than for 1955, just as the over-all economy was slightly larger last year than the year before. Thirdly, examination of the comparative behavior of manufacturers' selling prices and unit labor costs indicates a perfectly parallel behavior on the part of prices and costs throughout 1955 and 1956. This is only another way of saying that the pricing policies of manufacturers immediately reflected the upward pressure of labor costs during the past two years.

To summarize, if the gross national product grows about 4 to 5% from 1956 to 1957, as I expect, corporate profits before taxes should also show a slight gain. Of course this is only another way of saying that corporate profit margins ought to remain reasonably constant in 1957 as compared with the previous year.

*From a talk by Mr. Broderick before the Central States Group, Investment Bankers Association of America, Chicago, March 27, 1957.

Henry Wingate Dir. Of J. P. Morgan Co.

Election of Henry S. Wingate as a member of the board of directors of J. P. Morgan & Co. Incorporated, 23 Wall Street, New York City, was announced by Henry C. Alexander, Chairman.

Mr. Wingate is President of The International Nickel Company of Canada, Limited. He is also a director of American Radiator and Standard Sanitary Corporation and of the Bank of Montreal, and a trustee of the Seamen's Bank for Savings.

James Kyle Adds

(Special to The Financial Chronicle)

SAN DIEGO, Calif. — Stanley Wierzbicki has been added to the staff of James Kyle Company, 1904 Rosecrans Street.

With A. R. Nowell

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Alfred J. Lacoste is now affiliated with A. R. Nowell & Co., 400 Montgomery Street.

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SOUTHERN RAILWAY COMPANY

Sixty-Third Annual Report for the Year Ended December 31, 1956

March 27, 1957.

To the Stockholders of

SOUTHERN RAILWAY COMPANY:

The fact that the year 1956 was another good one for your railway, despite increasing wages and costs of all kinds, demonstrates the improved earning capacity of your Company. Your management believes that satisfactory results will continue to be produced during 1957.

This year, particularly, the owners of the Company can help its future by supporting legislation intended to grant railroads greater freedom to compete for business on a more equitable basis. We believe the aim of our government officials and the public generally should be for the country to have the most adequate, comprehensive transportation system obtainable at the lowest possible cost.

The loyal support of our employees is gratefully acknowledged.

The report on the following pages, for the year ended December 31, 1956, has been approved by our Board of Directors for presentation to our stockholders at the annual meeting in Richmond, Virginia, on May 21, 1957.

Sincerely,

HARRY A. DEBUTTS,
President.

REVIEW OF 1956

Net Income

Southern provided for all its taxes, bills and other charges in 1956 and ended the year with a net income of $38,871,606.

Net income for each of the past five years and equivalent earnings per share of Common Stock (computed after provision of $3,000,000 each year as dividends on Preferred Stock) were:

	Net Income After Takes and Charges	Earnings Per Share of Common Stock After Preferred Stock Dividends*
1952	$27,834,916	$3.82
1953	33,190,325	4.65
1954	26,262,681	3.58
1955	37,993,249	5.39
1956	38,871,606	5.52

*Figures adjusted for stock splits of June 1953 and June 1956.

Revenues and Expenses

Operating Revenues in 1956 were $275,385,491, or $1,527,923 less than in 1955, but exceeding the operating revenues in any other year in the Company's history. Freight revenues amounted to $240,961,999, passenger revenues to $14,337,404, mail revenue to $10,113,945.

Business handled in 1956, as compared with 1955 and 1954, was:

	1956	1955	1954
Tons of freight moved	69,134,507	67,200,420	58,626,459
Average distance moved	222 miles	229 miles	225 miles
Ton miles	15 billion	15 billion	13 billion
Average revenue per ton mile	1.570 cents	1.568 cents	1.609 cents
Number of passengers	1,602,854	1,953,422	2,231,324
Average journey	300 miles	267 miles	245 miles
Passenger miles	482 million	523 million	548 million
Average revenue per passenger mile	2.972 cents	2.831 cents	2.825 cents

Operating expenses continued to be affected by the upward climb of wages and costs of materials and were higher by $7,833,923, an increase of 4.33% over 1955.

Taxes

Railway tax accruals for 1956 were $36,891,614, a decrease of $4,276,573 from the previous year. Amortization deductions were larger. There were also adjustments of prior year tax accruals as a result of the disposition of items in controversy with the Internal Revenue Service. In addition, there were substantial retirements of capital assets as a result of improvement in operations—principally retirements, reflected in the Company's accounts as increased rental charges, of a lessor company's property incident to the installation of centralized traffic control north of Atlanta.

Tax accruals were equivalent to 13.40¢ out of each dollar of gross revenue. Taxes for 1956 amounted to $5.68 per share of Common Stock and thus were greater than the net earnings of $5.52 per share after charges, taxes and preferred dividends.

Rapid amortization on certain capital investments made in aid of national defense, while not chargeable to regular depreciation under Interstate Commerce Commission regulations was allowable in computing federal income taxes and effected a reduction in such taxes of $5,227,771. This was equivalent to about 81¢ per share of Common Stock.

Net Railway Operating Income

Net railway operating income for 1956 was $45,691,368. This represents what was left of operating revenues after deduction of all operating expenses, taxes, and equipment and joint facility rents. In 1955, net railway operating income was $48,430,035. It was $34,557,054 in 1954.

Ratios

The ratios for 1956 of the several subdivisions of operating expenses, taxes, and equipment and joint facility rents, expressed in the number of cents out of each dollar of revenue, are shown in this table with corresponding ratios for the two preceding years:

	1956	1955	1954
Transportation	31.15¢	30.26¢	31.91¢
Maintenance of Way	13.33¢	12.57¢	14.20¢
Mainenance of Equipment	17.18¢	16.58¢	17.68¢
Traffic Expenses	1.93¢	1.73¢	2.01¢
General Expenses	4.26¢	3.51¢	4.04¢
Incidental Expenses	0.73¢	0.72¢	0.86¢
Totals	68.58¢	65.37¢	70.70¢
Taxes	13.40¢	14.87¢	13.63¢
Equipment and Joint Facility Rents	1.43¢	2.27¢	1.80¢
Grand Totals	83.41¢	82.51¢	86.13¢

Fixed charges in 1956 were covered 4.08 times as compared with 3.84 times in 1955 and 2.95 times in 1954.

There remained for fixed charges, for maturities of debt, for capital and corporate needs and for the owners, 16.59¢ out of each dollar of 1956 operating revenues, as compared with 17.49¢ in 1955 and 13.87¢ in 1954.

Dividends

During 1956, dividends of 5% on the Preferred Stock were continued in the total amount of $3,000,000 for the year. Payments were 62.5¢ per share in March and June on the then $50 par value stock. Payments were 25¢ per share in September and December on the new $20 par value shares resulting from a two and one-half for one stock split recommended by the Board of Directors and approved by the stockholders at their regular annual meeting in May 1956.

Dividends of $1.00 per share on the old Common Stock were paid in March and June and dividends of 50¢ per share on each share of the new Common Stock were paid in September and December, all out of the surplus net earnings of 1955 after providing for the 5% preferred dividend. There was also paid on the old Common Stock, on February 15, 1956, an extra dividend of $2.00 per share out of the surplus net earnings of 1955.

Total dividends per share of Common Stock paid in 1956, on the basis of the number of shares outstanding after the split, amounted to $2.60 during the year, all paid out of surplus net earnings of 1955. On a similar basis, Common Stock dividends in 1955 amounted to $1.60 and in 1954 to $1.40.

After provision was made for dividends amounting to $3,000,000, or 5% on the Preferred Stock, a quarterly dividend of $4,543,700, or 70¢ a share, on the Common Stock was declared on January 22, 1957, out of surplus net earnings of 1956. This dividend was paid March 15, 1957, to stockholders of record February 15, 1957.

Operations

Operations were conducted with continuing economy and efficiency in 1956. While there was no increase in gross revenue in 1956 to assist in providing for a substantial increase in wage rates, the recognized indices of performance show that the Company continues to rank well among the leaders of the railroad industry.

The proportion of gross revenues carried through to net railway operating income before federal income taxes amounted to 23.51% in 1956, as compared with 26.13% in 1955 and 21.09% in 1954.

The cost of transportation ratio for 1956 was 31.15% as compared with 30.26% in 1955 and 31.91% in 1954.

The Company's operating ratio for 1956, which is the ratio of operating expenses to operating revenues, was 68.58% compared with 65.37% in 1955 and 70.70% in 1954.

Industrial Development

1956 was one of the best years in our history for industrial growth. It was a particularly good year from the standpoint of major developments, not only in new plants but in expansions of existing industries as well. The System gained 116 new industries and 128 large distribution warehouses; additions were made to 179 existing plants. Total investment in the 423 projects amounted to $710,542,800, and jobs were created for approximately 26,218 workers. Gross revenue of about $17,000,000 annually is estimated to accrue to the System from these projects.

The trend toward greater diversification in manufacturing continued with notable gains being made in the production of primary and fabricated metals, building materials, textiles, paper, and chemicals.

The substantial investment in construetion and equipment exceeds that for all previous years except 1952 when expenditures passed the billion-dollar mark. However, in that year the Federal Government accounted for 60% of the aggregate figure whereas the outlay in 1956 was almost entirely private capital with the Government contributing only about 9% of the total to double the capacity of a coal-burning steam power plant served exclusively by the Southern.

The Company is actively furthering its program of acquiring desirable properties for industrial development in and contiguous to the fast-growing towns and cities in the territory it serves in the South.

Capital Improvements

Continuing improvements to the Company's plant are being made through the expenditure of capital funds for new and modern facilities. Among these is the $15,000,000 new Inman Yard at Atlanta, Georgia, on which substantial progress was made during the year. Additional expenditures were made in modernizing roadway and equipment maintenance and accounting procedures. Work is also under way on the installation of centralized traffic control on the line running north from Atlanta. Charges to the capital account for road property were $17,510,850, gross, in 1956.

New Equipment

During 1956, the Company received and put into service—

615—70-ton hopper cars
70—70-ton side-door hopper cars
60—53'6" 70-ton flat cars
15—65'6" 70-ton gondola cars
1—Diesel locomotive

the cost of which was $6,085,561 of which $885,446 was paid from the Company's treasury. The remainder was financed through conditional sales agreements. In addition, $1,880,927 was spent on additions and betterments to equipment. Thus gross charges to the capital account for equipment were $7,966,488 in 1956.

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SOUTHERN RAILWAY (Continued)

Deliveries on substantial orders of additional equipment were delayed until 1957 because of the 1956 steel strike. In 1957 there have been or will be delivered new equipment estimated to cost approximately $13,850,000 and consisting of:

1050—50-ton 50'6" box cars
200—70-ton steel hopper cars
103—50-ton auto parts cars (and contained equipment)

This equipment is being financed through the sale of equipment trust notes payable in 20 equal semi-annual installments with 20% of the cost of the equipment paid from the Company's treasury on delivery.

In addition, 5 gondola cars will be delivered in 1957 at a cost of $49,000 which will be paid from the Company's treasury.

Approximately 26,000 new freight cars will have been put into service since the end of World War II with the receipt of this equipment in 1957, while substantial additional equipment has also been received by the Company's affiliates. Costing about $140,000,000, these new freight cars constitute approximately 50% of the System's entire ownership of freight cars.

Equipment Obligations

Equipment obligations outstanding at the end of the year amounted to $75,513,255 as compared with $86,482,460 at the end of 1955 and $75,489,165 at the end of 1954.

With the sale of the additional equipment trust notes in 1957, installments of equipment debt payments due in 1957 will amount to $10,011,955. This will be offset as to the effect on cash by depreciation, exclusive of rapid amortization, chargeable to operating expenses in the amount of approximately $12,443,278.

New Rail

During 1956, 39,840 net tons, or 171.48 miles, of new rail were laid as compared with 40,766 net tons, or 175.55 miles, in 1955 and 33,627 net tons, or 146.12 miles, in 1954. The Company has ordered 34,160 net tons of new rail for the year 1957.

Florida East Coast

In March, 1956, the Company and Seaboard Air Line Railroad Company joined with St. Joe Paper Company and other bondholders of Florida East Coast Railway in promulgating and filing with the Interstate Commerce Commission a plan of reorganization of Florida East Coast whereunder that company, when reorganized, would be owned by St. Joe Paper Company and the other bondholders.

In August, 1956, the Company and Seaboard Air Line Railroad Company filed with the Interstate Commerce Commission a joint offer to acquire a majority of the stock in the reorganized Florida East Coast Railway Company from St. Joe Paper Company and the other present bondholders, in the event the Commission approved the plan referred to above. Should this joint offer finally be accepted, the cost to the Company would be not more than $12,500,000 and not less than $8,400,000, depending on the number of shares acquired. No final decision is expected in the near future.

Use in 1956 of the Company's Financial Resources

In addition to meeting all of its current expenses, taxes and fixed payments, the Company paid the following substantial items during the year from its treasury cash:

(1) It provided for the maturity of $32,803,000 remaining principal amount of the Company's development and general mortgage bonds. It provided for payment at maturity and cancellation of $7,463,000 principal amount of the East Tennessee, Virginia and Georgia bonds. These payments completed the Company's obligations under these two issues which in 1940 amounted to a total outstanding liability of $124,103,000.

With these payments, the Company maintained its record of never having defaulted on an obligation.

(2) For payments for capital improvements to road and structures, the Company spent $16,629,426; for equipment, $13,903,814, consisting of $10,969,205 of equipment obligation installments, and $2,934,609 for new equipment and additions and betterments to equipment. Combined, these capital expenditures came to $30,533,240 in 1956, compared with $22,556,208 in 1955 and $21,321,996 in 1954.

(3) Dividend payments in 1956 were $19,876,600, as compared with $13,385,600 in 1955 and $12,087,400 in 1954.

(4) The Company directly, or through advances to its real estate subsidiary, expended $7,706,500 for the acquisition and construction of new industrial facilities to produce income to the Company.

Net Funded Debt and Fixed Charges

The Company's fixed charges, as defined by the Interstate Commerce Commission (less charges on the Company's bonds held by a subsidiary and income from securities of its Leasehold Estates owned by the Company), were at the annual rate of approximately $10,648,000 on December 31, 1956, as compared with $11,810,000 at the end of 1955. These totals exclude charges on the Company's bonds held by a subsidiary.

The all-time high for the Company's net fixed charges was approximately $18,000,000 in 1930, to be serviced out of gross revenue at that time of $118,868,608. The current figure of $10,648,000 not only shows a reduction of more than 40% from the all-time high of fixed charges but the reduced amount is payable out of gross revenue which for the last five years has averaged $269,643,070.

The current net fixed charges are equivalent to 3.87% of the 1956 gross revenues, as compared with 4.26% in 1955 and 4.93% in 1954. Fixed charges were equivalent to more than 15% of gross revenue in 1930.

The debt of the Company outstanding in the hands of the public at December 31, 1956, amounted to $125,926,500 of Funded Debt, as compared with $166,995,500 of such debt at December 31, 1955, and $75,513,255 of Equipment Obligations, as compared with $86,482,460 of such obligations at the end of the previous year. Payments and accruals for interest, rent for leased lines, Equipment Obligation maturities and Sinking Fund payments to be provided in the year 1957 amounted to approximately $22,700,000, as compared with $23,166,778 for the year 1956.

OF GENERAL INTEREST TO THE STOCKHOLDERS

Rates and Fares

The Interstate Commerce Commission granted the railroads a general increase in freight rates of 6%, subject to certain maxima, effective March 7, 1956. The Commission also authorized an increase of 5% in inter-territorial freight rates, subject to certain maxima, effective December 28, 1956, and the same increase in intra-territorial freight rates subject again to maxima, effective February 23, 1957.

The railroads were authorized to increase passenger fares 5% effective May 15, 1956, and an additional 5%, effective February 20, 1957.

Railway Mail Pay

In 1956 the railroads operating in Southern territory sought from the Interstate Commerce Commission an increase of 15% in railway mail pay rates. The Post Office Department is opposing the request. A hearing was held in January, 1957, but no decision has yet been announced.

Express Rates

Express rates and charges, with certain exceptions, were increased 7% effective March 20, 1956. A further increase of 4% became effective December 27, 1956. The Railway Express Agency is now applying for an additional increase of 15%.

Labor Relations

During the year the 1955 wage requests of Yardmasters, Train Dispatchers, Mechanical Department Foremen, Dining Car Cooks and Waiters, and Train Porters were disposed of through national negotiation. Benefits obtained by these employees under these settlements resulted in increased cost of approximately $306,000 per annum for the Company.

The Non-Operating Employees' 1956 wage requests were disposed of through national negotiation by a three-year contract providing for an increase of 10¢ per hour effective November 1, 1956, an additional increase of 7¢ per hour effective November 1, 1957, and a further increase of 7¢ per hour effective November 1, 1958, and a cost-of-living adjustment at six months intervals of 1¢ per hour for each half point increase in the Consumer Price Index, beginning May 1, 1957. In addition to the wage increases, the dependents of employees are provided health and welfare coverage at a cost equivalent to 2½¢ per hour. This three-year contract contains a moratorium clause which precludes any other general wage increases during the three-year period November 1, 1956, to November 1, 1959.

The 1956 wage requests of Dining Car Cooks and Waiters and Mechanical Department Foremen were disposed of in negotiation on the property on the same basis as the national settlement with the Non-Operating Employees.

The Firemen's 1956 wage request was disposed of through national negotiation by an agreement providing for an increase of 10¢ per hour for Road Firemen and 16¢ per hour for Yard Firemen, Hostlers and Hostler Helpers, effective November 1, 1956, an additional increase of 7¢ per hour effective November 1, 1957, and a further increase of 7¢ per hour effective November 1, 1958, and a cost-of-living adjustment at six months intervals of 1¢ per hour for each half point increase in the Consumer Price Index, beginning May 1, 1957. The three-year contract contains a moratorium clause precluding any other general wage increases during the three-year period November 1, 1956, to November 1, 1959.

Benefits obtained by the employees under these settlements of 1956 wage increase demands will result in increased cost of approximately $4,500,000 per annum for the Company for the first year, approximately $2,500,000 additional for the second year, and additional increase in the same amount for the third year, exclusive of any benefits obtained as result of an increase in the Consumer Price Index.

At the close of the year, still pending were requests for wage increases for Engineers, Conductors, Trainmen, Train Dispatchers, Yardmasters and Train Porters.

Movement of Highway Trailers by Rail (Piggy Back)

Much interest has been shown by the railroad industry in various arrangements for the movement of highway trailers over the rail lines. The Company has made a thorough analysis of the various proposals and of actual operations so far undertaken. While interest continues and further studies will be made from time to time, it has not yet been determined that any of the various proposals would represent an economical and profitable operation over the Company's lines at this time.

Agricultural and Livestock Development

There has been a steady increase in the number of small farms in the Southern's area for some years and a recent study revealed that two out of three of the nation's part-time farmers are located in the South. This has a real significance for the future of our territory; experience has shown that the part-time farmer makes an excellent industrial worker and both industry and agriculture stand to benefit from the steadily growing small farm population.

Crop production throughout our territory during the year was generally good. The abundant peach crops in

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SOUTHERN RAILWAY (Concluded)

Georgia and South Carolina led to substantial new plantings and additional acreages have been allotted for orchard purposes in 1957.

1956 was the best year of record for plantings of tree farms, more acreage than ever before being so utilized by commercial and smaller land owners alike.

There was a marked increase in the plantings of grain and other forage crops, further emphasizing the importance of our section in livestock production. The South held its own in the production of beef cattle and hogs. Georgia again led all states as the number one broiler producer. There was considerable increase in sheep population, particularly in Mississippi, Alabama, Georgia and South Carolina.

Looking Ahead

Problems affecting the entire railroad industry are receiving constant attention. Solutions for some of these problems require governmental action and representations are being made before the administration and the present session of the 85th Congress on the important subjects of:

(1) The federal excise tax on transportation should be repealed. It was imposed during World War II as a temporary expedient and is not now producing net tax revenues to the government. This tax is easily avoided by diverting traffic from the common carriers to private carriage. The diversion is substantial and it has been estimated that $25 million of additional gross income would be realized by the System should this tax be repealed.

(2) The President's Cabinet Committee has recommended legislation that would enable the railroads to reduce rates to meet competition from other modes of transportation. This would save the public money in transportation charges. It would also effectively terminate artificial, uneconomic diversions of traffic from the partially-used, privately-owned, limited-access, heavy-duty rail highways to the already overcrowded, publicly-financed automotive highways. These proposals are being actively sponsored before Congress.

(3) The location of the necessary additional public highways is of critical importance. If such highways are located too near the private rail highways, opportunity for industrial development, using either rail or highway, or both, is effectively and permanently destroyed.

Solution to these problems, for which your interest and support are earnestly solicited, would be of very substantial benefit to your Company.

Financial Results for the Year

	In 1956	In 1955	In 1954
The Company received from freight, passenger and miscellaneous operations a total revenue of	$275,385,491	$276,913,414	$249,079,701
The cost of maintaining the property and of operating the railroad was	188,863,555	181,029,631	176,101,146
Leaving a balance from railroad operations of	$86,521,936	$95,883,783	$72,978,555
Federal, state and local taxes required	36,891,614	41,168,187	33,937,887
Leaving a balance of	$49,630,322	$54,715,596	$39,040,668
The Company paid to other companies for hire of equipment and use of joint facilities in excess of the amount received by it from those sources	3,938,954	6,285,561	4,483,614
Leaving an income from railway operations of	$45,691,368	$48,430,035	$34,557,054
Other income derived from investments in stocks and bonds and miscellaneous items was	6,048,543	6,340,419	5,432,574
Making a total income of	$51,739,911	$54,770,454	$39,989,628
Interest on funded debt and equipment obligations, rents paid for leased railroads and miscellaneous deductions totaled	12,868,305	16,777,205	13,726,947
Resulting in a net income of	$38,871,606	$37,993,249	$26,262,681

ADVERTISEMENT

Financial Position at the End of the Year

	On December 31		
	1956	1955	1954
The Company had investments in land, railroad tracks, terminal facilities, shops, locomotives, freight and passenger cars and other fixed property of	$749,339,162	$730,228,696	$708,135,074
Less: Depreciation, amortization, donations and grants, and acquisition adjustments	139,373,431	129,900,420	122,578,014
	$609,965,731	$600,328,276	$585,557,060
In addition the Company had investments in stocks, bonds and notes of affiliated companies and other investments carried at	107,122,499	111,683,468	98,164,283
Sinking fund for redemption of bonds	3,994	151,313	151,500
Total investments	$717,092,224	$712,163,057	$683,872,843
The Company had cash and special deposits amounting to	$26,848,559	$32,174,140	$31,679,261
And temporary investments in marketable Securities	31,114,595	79,177,325	71,859,779
Other railroad companies and others owed the Company	19,408,916	[illegible]	18,216,778
The Company had on hand fuel, rails, ties, bridge material and other supplies necessary for keeping road and equipment in good order	10,907,200	8,836,310	11,288,211
Deferred assets and unadjusted debits, including items owed to but not yet available to the Company	6,428,091	5,212,436	4,193,152
The Assets of the Company totaled	$811,799.585	$856,148,885	$821,110.024
The Company owed for materials, supplies, wages and balances to other railroad companies, and interest, dividends and rents accrued but not yet due	$36,008,601	$33,452,688	$29,607,557
Taxes accrued but not due	37,785,989	46,029,477	40,092,566
Operating Reserves	5,088,397	4,580,172	3,846,058
Depreciation of road and equipment leased from other Companies	5,242,471	5,183,724	4,642,825
Deferred liabilities, including items due to others, but not yet adjusted	11,650.588	12.600,528	7,707,729
The total of these liabilities, credits and reserves was	$95.776.046	$101,846,589	$85.896,735
After deducting these items from the total assets there remained, for the capitalization of the Company, net assets of	$716.023.539	$754.302,296	$735.213,289
The capitalization of the Company consisted of the following:			
Funded Debt, including bonds, equipment obligations, etc.	$214.632,717	$271,809,565	$277,048,270
Preferred Stock	60,000,000	60,000,000	60,000,000
Common Stock	129,820,000	129,820,000	129,820,000
Making a total capitalization of	$404,452,717	$461,629,565	$466,868,270
After deducting this capitalization from net assets there remained a surplus, largely invested in the property, of	$311,570,822	$292,672,731	$268,345,019

OUR CORPORATE CREED

To develop the territory and to foster faith in the South, its people and its opportunities;

To furnish safe, economical and adequate railroad transportation in the territory where the "Southern Serves the South";

To treat fairly and kindly the men and women whose work keeps the railroad going;

To pay a fair return to the owners of the property.

Britain and European Free Trade

By PAUL EINZIG

Problems devolving from Britain's limited entrance into the European Common Market plan can not be easily dismissed, according to Economist Einzig, nor satisfactory offsetting safeguards be readily erected. Writer believes the liberal 12 to 17 year interim period should provide sufficient time to evolve a formula to cushion the economic shock.

LONDON, Eng.—When the British Government committed itself to the principle of a limited participation in the European Common Market scheme, very few people realized the highly complicated nature of the problems that the decision would raise. Now that the subject has been under detailed examination for some time by the government and by industrial organizations, the difficulties that will have to be faced are becoming increasingly evident. This does not mean that there is any likelihood of a reversal of the decision. Both Mr. Macmillan and his Chancellor of the Exchequer, Mr. Thorneycroft, are firmly committed to it. But it is a long way from the acceptance of the principle to the announcement of the definite formula, and when it will be announced it is likely to be surrounded by many "ifs" and "buts."

Dr. Paul Einzig

The most important of all the major headaches caused by the scheme is the last-minute decision of the Messina Powers to include overseas territories in the scheme. That decision has made it necessary for the British Government to engage in lengthy and involved consultations, not only with the Commonwealth Governments but also with all the Colonial Governments which, as far as economic matters are concerned are very far from being subservient tools of the Colonial Office in London. The answers received vary widely according to whether or not the country concerned is anxious to press ahead with ambitious industrialization schemes. As a result of the emergence of conflict of interests, the British attitude is now in the melting pot.

Nor has the government an easy task on the domestic front. The industries which stand to benefit by access to a large free trade area are of course enthusiastic about the idea. But many other industries feel that they would not be able to face Continental competition in the domestic market.

It is true, the maximum reduction of existing tariffs will only be 10% by the end of the first four years and 20% by the end of the second four years. Not until the end of 12 years—which period is liable to be extended to 17 years—will the scheme begin to produce its full effect, for better or for worse. But in the case of some industries the margin of advantage over Continental competition is so narrow that even a reduction of the protective tariff by 10% would open the floodgates for competing imports. So the industrialists concerned cannot indulge in the dubious comforting thought that "in the long run we are all dead."

Protection Pressures

The government is likely to be subject to strong pressure in favor of safeguards. One of the spheres in which such pressure is likely to manifest itself is in respect of the determination of what kinds of goods are to benefit by the scheme. All domestic products—apart from agricultural products as far as Britain is concerned—come under it. But if their production necessitates raw materials or semi-products imported from non-participating countries then it is necessary to fix the percentage limit beyond which the finished product do not equalify for the benefits of the arrangement. If the goods are merely processed in a member country and the processing merely adds a small percentage to its value they will have to be excluded.

But what maximum percentage should be fixed? If it is fixed too high it would reduce the scope of the schemes. If it fixed too low it would mean that non-participating countries would stand to benefit without reciprocity.

Industries which hope to be able to penetrate into the Continental markets want the percentage fixed as low as possible, so that their goods produced with the aid of imported materials should not be excluded. On the other hand, industries which are on the defensive against Continental imports would like the percentage to be fixed as high as possible. The possibility of fixing a number of different percentages for various classes of goods cannot be ruled out. In any event there is bound to be some hard bargaining between the participating governments on this point.

Industries which are on the defensive are likely to mobilize all their influence to secure some form of protection or compensation for the disadvantages they are liable to suffer through Britain's adherence to the

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scheme. There are bound to be demands for "feather-bedding" both by employers and employees in such industries. Yet the basic object of the Common Market scheme is precisely the elimination of inefficient industries in all participating countries, so that everything within the Free Trade Area should be produced wherever it can be produced at the lowest cost. Unless high-cost producers can be eliminated no real benefit could be derived from the scheme.

In the case of Britain in particular, amidst the prevailing scarcity of manpower, unless the firms which are unable to compete with their Continental rivals close down there would be no manpower available to enable the efficient firm to expand their output sufficiently to take advantage of the new possibilities of exporting to the continent.

Devices Suggested

To bolster up inefficient firms against the natural effect of the scheme would defeat the object of the scheme. Yet it is of no use to argue that in order to make an omelette we simply must break some eggs: the prospective "eggs" cannot be expected to appreciate the argument. There are, it is true, vague suggestions of setting up some compensation fund into which the firms benefiting by the scheme would have to pay a levy, and the proceeds of which would be allotted to the victims of the scheme. But the difficulties of devising and operating such a scheme even to the extent of achieving some minimum degree of rough justice appear to be insurmountable.

The adoption of a flexible sterling is another device suggested. No doubt a reduction of the exchange value of sterling would help to bolster up the inefficient industries, and it would also increase the driving force of the efficient industries. But amidst conditions prevailing in Britain, wages would soon catch up with the depreciation of sterling, and the "shot in the arm" of depreciation would have to be repeated in too frequent intervals. In any case, to the extent to which the device would bring relief, it would defeat the basic object of the Common Market Scheme. What is the use of eliminating customs barriers if they are replaced by barriers represented by a progressive depreciation of sterling?

It would be politically impossible for any British Government today to contemplate wholesale bankruptcy and wholesale unemployment in the inefficient industries in the sacred name of "*laisser faire*." So something will have to be done to mitigate the effect of the Common Market scheme, even if it means a reduction of its desired beneficial effects. The fact that its application will be spread over a period of between 12 and 17 years should give ample time and opportunity to cushioning the shock, but much depends on the initial formula which will have to be elaborated in the very near future.

Pacific Coast Secs. Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — James O. Chaffers, Jr. is now with Pacific Coast Securities Company, 9201 Wilshire Boulevard.

With Wilson, Johnson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Bernard Feshbach is with Wilson, Johnson & Higgins, 300 Montgomery Street.

John M. Flynn Adds

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif. — Andrew Dal Pozzo has been added to the staff of John M. Flynn and Company, 9 La Arcada Court.

Morgan Stanley Group Underwrite Babcock & Wilcox Stock Offering

The Babcock & Wilcox Co. is issuing to the holders of its capital stock rights to subscribe at $35 a share for 535,148 shares of additional capital stock at the rate of one share for each 10 shares held of record at the close of business on April 5, 1957. The subscription offer will expire at 3:30 p.m. (EST) on April 22, 1957. A group of investment firms headed by Morgan Stanley & Co. will underwrite the offering and purchase from the company any unsubscribed shares.

Proceeds of the sale will be added to the general funds of the company and will be available for anticipated capital expenditures and to finance increased inventories and accounts receivable. The company has under consideration capital expenditures of $36,000,000 during the two-year period 1957-1958.

The company is one of the largest suppliers in the United States of steam generating equipment for public utility power plants, industrial power and process plants and for marine service. The company is one of the largest producers of "specialty" tubing made of alloy, stainless and carbon steels. Since 1945, the company has participated in the development of the use of atomic energy. The company is presently acting as the prime contractor for the atomic power portion of the atomic energy power plant of Consolidated Edison Company of New York, Inc. The company also produces insulating firebrick and special refractory materials.

The company reported sales of $281,485,168 for 1956 compared with $233,291,460 in 1955. Unfilled orders at the end of 1956 totaled $427,228,000. Net income for 1956 was $14,080,981, equal to $2.63 a share, compared with $13,486,717 or $2.52 a share in 1955.

The company declared $1 a share in cash dividends and a 4% stock dividend in 1956, compared with $1 per share and 5% in stock in 1955. On April 1, 1957, the company paid a dividend of 25 cents. The stock was split three-for-one in 1956.

To education's three "R's" now add *driver training*

Public school behind-the-wheel courses teach driving dexterity

NEW YORK, N.Y.—Next time you growl "Teen-ager!" at a reckless driver—think twice, won't you?

Think of the magnificent job so many of our schools are doing these days in student driver education. Studies have shown reductions of 50% or more in accidents and traffic violations involving the trained young driver compared to the non-trained driver in the same age group.

Here, *provably*, is a project finding such ready acceptance the nation over that we may well see—in our own lifetime—an entire generation of teen-age drivers as schooled in safe driving as they are in education's traditional three "R's."

Driver Education Fast Spreading

A pioneer in promoting skilled driver instruction programs in our schools as far back as the '30's is Dr. Herbert J. Stack, Director, Center for Safety Education, New York University.

"Don't blame the automobile for our accident rate," says Dr. Stack. "Faulty driving behavior, violations of regulations, bad driving practices —excessive speed and improper passing—these are the basic causes of 70-80% of our accidents."

In the past 10 years some six million teen-agers have received official courses in instruction as part of their high school education, particularly instruction in *good driver attitudes*. In a sense of social responsibility. In consideration for others when behind the wheel.

Last year, more than a million youngsters, and some 78,000 in public adult schools, participated. At least 15 million more will be so trained in the next 10 years. Over 80% of schools participating provide both classroom instruction and practice driving. New car dealers provided 9,253 cars (valued at almost $21,000,000) for high school training programs in 1955-56.

Also, seven states now provide financial aid to schools to help defray education costs. Insurance rates are reduced for students passing the courses. Grants from manufacturers

and businesses of various kinds have further helped to boost the program.

A crusade? Driver education is fast becoming one! Where it counts most, too—with the brand-new drivers of today's superlatively engineered automobiles, the manufacturers of which are ceaselessly striving to make driving ever easier, safer.

National's Role

We at National Steel take a profound interest in the vital contributions of school driver instruction projects, because of our special pride in the great contributions of the automobile to the health and prosperity of our people and our nation. For National Steel, through three of its major divisions—Great Lakes Steel at Detroit, Michigan, Weirton Steel at Weirton, West Virginia, and The Hanna Furnace Corporation at Buffalo, New York—is an important supplier of the steel and iron used by automobile manufacturers.

Our constant goal—through research and cooperation with the automobile industry—is to make better and better steel for still greater safety, strength and economy in the cars and trucks of today and tomorrow.

SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE

Great Lakes Steel Corporation • Weirton Steel Company • Stran-Steel Corporation • Hanna Iron Ore Company • National Steel Products Company • The Hanna Furnace Corporation • National Mines Corporation

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Practicality of Leasing Plants

By GEORGE W. WARNECKE*

President, George W. Warnecke & Co.

Leading mortgage financier suggests use of a leasing plan for new plant construction and expansion as the answer to tight money's deterrence to industrial expansion. A leased plant on a net, net basis, Mr. Warnecke explains, allows full control of the plant and its usages exactly as though it were owned by the firm; rental becomes a complete offset against earned income; long term debt is not reflected in the balance sheet; and firm's equity money that would have been invested is free for company operation.

The subject of industrial plant financing is of paramount importance in rapidly expanding industrial areas. All of the planning, detailed programing and blueprints of the architects, engineers and management itself are of the greatest value; however, they cannot be put in effect without the needed financing. Financing of industrial plant expansion, therefore, goes to the very heart of the economy.

George W. Warnecke

Since I understand many are also directly concerned with expanding municipal services let me add that the following remarks will apply equally as well to municipal plant expansions such as court houses, welfare buildings, schools, city halls, fire houses, and the like.

All of you undoubtedly have heard of the so-called tight money situation. At the very start I think we should have some self-evident truths restated. First, the total amount of money available today is the same as, and even slightly greater than, that which was available in 1956. Second, money seeks the highest yield consistent with the upmost safety. What has happened is that the demand for money has increased, consequently the lender-investors such as ourselves have the opportunity to be more selective in the avenues in which that money is put to work. Quite naturally the avenues that will be chosen are those which hold the greatest safety consistent with the highest yield on the money invested.

Coping With Tight Money

Now to apply this to our own particular problems in the industrial plant financing field. One of those acceptable avenues of investment which has increasingly found favor is in leasing plants to industry. Industry today has accepted the fact that for a considerable section of industry generally it is more practical to lease plants than own them outright. This, I know, is at variance with the thinking of old-style industrial management on that score. No longer is there a stigma attached to a company that is renting its plants rather than owning them.

Industry has discovered that there are a number of advantages to that type of an operation. First, the money represented by the cost of the plant becomes free working capital which can be put to work in the activities of the concern itself and turned over many more times a year at a total yearly earning basis much beyond the 4½ to 5½ or 6% which it would represent if it were invested in the plant. In the present tight money market this is particularly attractive. You may say perhaps that a good portion of that investment in the plant could be borrowed on a trust deed but when that is done there is a change in the balance sheet of the corporation. A long term debt is established, a debt which commercial banks always like to point out when the question of short term bank loans comes up. You might also mention where a plant is not owned the offsetting depreciation factor is lost. This, of course, is important where there are allowable quick write-offs but where that condition does not exist it is of decreasing importance.

As a counterpart to an owned plant we have the leased plant on a net, net basis where the concern has full control of the plant and its usage the same as if it were owned; however, there are certain advantages. For one, the rental is a complete offset against earned income. Two, there are no long term debts reflected in the balance sheet. Three, the equity money that would have been invested in the plant is free cash to be used in the operation of the company itself.

Going About It

Now how does one go about having a plant made available on a lease basis. The inception of the planning and the initial architectural design are the same as if the plant were being built by the concern itself. At that stage an organization, such as our own, is approached to determine if we would be prepared to cooperate with management in making such a plant available. Assuming that we are in agreement our staff architects and engineers work out with your own the final plans. Where required we arrange for an option on an acceptable site. Then on the basis of these plans and site cost a rental is agreed upon, final leases are drawn and signed. We are now ready to begin construction and, subject to your own architect's continuing inspection, complete that construction and give you what is known as "A Key Job."

The terms of these leases vary but usually the initial period covered is 20 to 30 years with renewal periods in steps of five years each for a total of 40 to 50 years as the tenant requires. The rental for the plant is based on interest on the money invested and the complete amortization of the cost of the plant over the initial term of the lease. Rental rates are either on a constant payment pattern or on a high-low basis. In this latter instance the rental is fixed at a fairly high figure for the early years of the lease and at a lower rate thereafter. This is done because we can amortize the investment at a fairly rapid rate in the early years when the industrial firm can project its earnings potentials with a reasonable degree of accuracy. In the later years of the lease with the rental reductions the industrial firm may be in a more competitive market and may have good need for a lower overhead cost.

Interest Cost

The yearly rent, of course, will vary with the interest which is set up to cover the use of the money involved. That interest runs anywhere from 4½ to 6% depending upon the type of business, reputation of the management, historical earnings record, overall credit standing and probably future of the tenant company. All of these leases are on a net, net basis which means that the tenant is responsible for the payment of the real estate taxes, insurance premiums, and the upkeep of the plant in its entirety.

The size of these leased operations run anywhere from $500,000 on up to $20,000,000. The area covered, as I stated previously, is from coast to coast.

At this point let me suggest that a careful selection of the proposed landlord is most important. The money investment by the investor is not the only factor to be considered.

* * *

Obviously, if the industrial firm should go to long term lenders it would lack the background and knowledge of which of these pools of money would be interested and on the best terms. Also, their loan would represent but a one-shot consideration on the part of the lender, whereas we are continually feeding the lender a volume of business. . . . From all of this you can see that financing only covers a part of the overall picture and you can judge for yourself as to the importance of having the right landlord relationship.

This is a tight money market with a demand for funds outstripping the supply. The consequence is extreme competition for the investment dollar with lender-investors unable to cover all of the financing requests presented to them. This means that those plants which will be financed will be those that not only fully meet the requirements of the investor as to credit but enjoy top grade location and are attractive from every angle. For that type of investment opportunity I can assure you that funds in a very considerable volume are available.

*An address by Mr. Warnecke before the Los Angeles Chamber of Commerce.

Gordon Tuttle With J. Barth & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Gordon B. Tuttle has become associated with J. Barth & Co., 3323 Wilshire Boulevard. Mr. Tuttle was formerly in the trading department of Gross, Rogers & Co. Prior thereto he was an officer of Edgerton, Wykoff & Co.

G. B. Tuttle

Carroll Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — George J. Holz has been added to the staff of Carroll & Co., Denver Club Building.

With Investment Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John W. Brennan is now connected with Investment Service Co., First National Bank Building.

Two With McCormick

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Rupert M. Adams and Victor G. Scheer have been added to the staff of McCormick & Company, 3761 Wilshire Boulevard.

Joins Dean Witter

(Special to THE FINANCIAL CHRONICLE)

MODESTO, Calif. — Linus W. Long is now with Dean Witter & Co. He was previously with the local office of Walston & Co., Inc.

Purchasing Agents Optimistic

Resurgent business activity, following a 1957 first quarter "floating plateau," is looked forward to by purchasing executives in their April report.

A "floating plateau" may best describe general business conditions during the first quarter of 1957, according to the composite opinion of purchasing agents who comprise the N.A.P.A. Business Survey Committee, whose Chairman is Chester F. Ogden, Manager of Purchases, The Detroit Edison Company, Detroit, Mich. Both production and new orders have varied little in these first three months, each having been pushed up or down by only a few percentage points from the position they held on Jan. 1. Purchasing executives, in their April report, look with more optimism toward the spring quarter, as more favorable weather stimulates industrial and home construction and other outdoor work.

Earlier predictions, that 1957 will be a test year for inventories and prices, are becoming a reality. The upward price spiral is being arrested, as buyers stiffen their resistance to higher costs. Inventory paring remains in evidence as slightly lower stocks of unworked materials are reported again this month.

Employment remains high and purchasing executives expect it to rise slightly during the next three months. Lead time on production and MRO items is about as short as can be expected and still assure uninterrupted production schedules. Material availability is good, with the few notable exceptions that have been with us for some time.

This month's special question asked purchasing executives for a reappraisal of their company's 1957 planned capital expenditures, in light of their present evaluation of business conditions. Forty per cent reported that they now expect their company's expenditures will be greater than in 1956, 26% the same and 34% less. In general, there is little evidence of any reduction in plans and most of the downward reports indicate that programs are being stretched out in time rather than reduced in size.

Commodity Prices

The generally adequate supply of materials and increased buyer resistance to higher prices have apparently resulted in a slackening of the upward price movement that has prevailed in recent months.

While only 12% report over-all prices are lower, this is a greater number reporting reduced prices than at any time since May, 1954. However, with the rise in steel prices (due to the change in extras), large steel buyers, of course, continue to report an upward movement.

Over-all, however, there are clear indications that the competitive price situation, which had been predicted by purchasing executives for 1957, has arrived on many items.

Inventories

Purchasing executives continue to be especially alert to the need for maintaining proper inventory levels.

There is slight evidence of some effort to reduce stocks on hand, particularly where sales volume has not come up to expectations. Generally, however, there is little change from last month and there are practically no instances of efforts to increase inventories as protection against possible higher prices.

Employment

February reflected another month with practically no change in the employment situation. Since the first of the year, there has been less than a 5% change either up or down in the reports from the committee members. Those saying employment is better this month climbed 1%, to 18%. Those showing employment as down dropped from 17% to 16%.

Buying Policy

Buyers of production materials show some evidence of a willingness to lengthen lead time slightly. Some 44% are now in the 60-day range, with a corresponding drop from 30% in February to 24% this month in those reporting in the 30-day range. Expectantly, many look for a spring upturn in business, as contrasted to the status quo situation that has prevailed since the first of the year. No change of any significance is noted in lead time on MRO purchases while better availability of capital items and in-shop schedules has somewhat shortened lead time on these purchases.

Specific Commodity Changes

Although not much price activity is reported either way this month, their is more downward activity than has been reported in many months. Items in short supply are also much more limited.

On the up side are: Some steel items, pig iron, titanium dioxide, cellophane, coal, oil and paints.

On the down side are: Aluminum extrusions, brass, copper, lumber, steel scrap and polyethylenes.

In short supply are: Nickel, steel plates, pipe and structurals and stainless steel.

Boston Inv. Club to Hear Eliot Janeway

BOSTON, Mass.—Eliot Janeway, President of Janeway Publishing and Research Corp., will be the speaker at the monthly meeting of the Boston Investment Club to be held at the Boston Yacht Club, Rowe's Wharf, on Tues., Apr. 16, at 5:15 p.m.

Eliot Janeway

Mr. Janeway, whose firm publishes "Janeway's Trend Analysis" and "Janeway's Applications Service," is widely known as a speaker and writer on economic affairs with special emphasis on the role played by Defense and the international situation in determining the United States Business trend.

Formerly associated with Time, Inc. as business editor of "Time" magazine and a special writer for "Life" and "Fortune," he has also written extensively for the "Harvard Business Review," "The Christian Science Monitor" and the New York "Times." Noted for his somewhat unorthodox economic views and unblushing bullishness, Mr. Janeway's talk is entitled "1957's Buying Opportunity."

With Joseph Mellen

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Harrison R. Johnson is now connected with Joseph, Mellen & Miller, Inc., Union Commerce Building, members of the Midwest Stock Exchange.

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Annual Report for 1956
NORFOLK and WESTERN RAILWAY

General Offices • Roanoke, Virginia

During 1956, business activity continued to expand and, despite a month-long strike in the steel industry and the impact of substantial wage increases, Norfolk and Western set a number of important new records, including—

Volume of freight business handled, measured by revenue ton miles, rose 8 per cent over 1948, the previous record year—

Receipts from all sources were $254 million, up from $223 million in 1955, the former peak —

Earnings on Common Stock were $7.39 a share, 11 cents above the record set in 1929 —

all reflecting in important part the benefits derived from our postwar improvement program.

Capital expenditures in 1956 aggregated $62 million, which was 70 per cent more than the amount spent for such improvements in any prior year. During the year, we acquired 4,823 freight cars — more than any other railroad — at a cost of $37.5 million, and 42 Diesel-electric locomotive units at a cost of $7.6 million.

Beginning in December, the quarterly dividend rate on Common Stock was 90 cents, increased from 75 cents a share, thus placing it on an annual basis of $3.60 instead of $3.00.

N&W BRIEFS

	1956	1955	1954	1953	1952
Earnings per share of Common Stock	$7.39	$6.70	$4.52	$4.83	$5.05
Taxes per share of Common Stock	$8.07	$7.88	$4.89	$6.59	$7.03
Dividends paid per share:					
Adjustment Preferred Stock	$1.00	$1.00	$1.00	$1.00	$1.00
Common Stock	$3.75	$3.75	$3.50	$3.50	$3.50
Taxes (millions)	$45.4	$44.3	$27.5	$37.1	$39.6
Expenditures for Property and Equipment acquisitions and improvements (millions)	$62.0	$16.4	$17.7	$32.4	$28.8
Debt Outstanding (millions)	$35.8	$35.8	$35.8	$35.8	$35.8
Times Fixed Interest Charges Earned	30.68	27.97	19.24	20.60	20.25
Number of Share Owners	31,312	32,372	31,818	31,022	29,500
Bituminous Coal Tonnage (million tons)	58.0	51.7	40.1	45.5	46.5
Other Tonnage (million tons)	19.2	18.7	16.2	18.2	17.7
Average Revenue per ton carried one mile (cents)	1.006	0.980	1.038	1.050	1.025
Gross ton miles per freight train hour	79,182	77,547	72,670	71,991	68,820
Miles of road operated	2,129	2,128	2,134	2,135	2,135

CONDENSED INCOME STATEMENT

	1956	1955		Increase or Decrease	Per Cent
REVENUES AND OTHER INCOME:					
Freight—Bituminous Coal	$152,544,453	$124,766,364	Inc.	$27,778,089	22
Other	72,516,813	70,738,346	Inc.	1,778,467	3
Passenger	3,538,371	3,706,167	Dec.	167,796	5
Mail, Express and Miscellaneous	11,063,334	9,680,286	Inc.	1,383,048	14
Total Railway Operating Revenues	239,662,971	208,891,163	Inc.	30,771,808	15
Rent Income—Equipment and Joint Facilities—Net	11,947,152	11,999,718	Dec.	52,566	
Other Income—Net	2,602,980	2,221,037	Inc.	381,943	17
Totals	254,213,103	223,111,918	Inc.	31,101,185	14
EXPENSES AND OTHER CHARGES:					
Way and Structures—Repairs and Maintenance	31,347,510	25,272,080	Inc.	6,075,430	24
Equipment—Repairs and Maintenance	49,379,984	41,778,644	Inc.	7,601,340	18
Transportation—Operations	70,430,515	60,309,071	Inc.	10,121,444	17
Other Expenses	13,759,693	11,359,891	Inc.	2,399,802	21
Total Railway Operating Expenses	164,917,702	138,719,686	Inc.	26,198,016	19
Taxes Other than Federal Income (See Note)	16,001,876	13,829,953	Inc.	2,171,923	16
Interest on Funded Debt	1,431,668	1,431,668			
Totals	182,351,246	153,981,307	Inc.	28,369,939	18
EARNINGS BEFORE FEDERAL INCOME TAXES	71,861,857	69,130,611	Inc.	2,731,246	4
Federal Income Taxes (See Note)	29,375,000	30,500,000	Dec.	1,125,000	4
NET INCOME	42,486,857	38,630,611	Inc.	3,856,246	10
DIVIDENDS ON ADJUSTMENT PREFERRED STOCK	909,608	909,608			
	*41,577,249	37,721,003	Inc.	3,856,246	10
SINKING AND OTHER RESERVE FUNDS—APPROPRIATIONS	420,876	420,876			
BALANCE	41,156,373	37,300,127	Inc.	3,856,246	10

*Equivalent to $7.39 per share of Common Stock, compared with $6.70 in 1955.

NOTE: Total taxes of $45,377,000 were equivalent to $8.07 per share of Common Stock, compared with $7.88 in 1955.

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Continued from first page

The Stock Market Ahead

in 1957. Secondly, the more professional approach means that a fear psychosis as regards the market as a whole need not feed on itself as in prewar years. The mercurial, at times irrational, short-term speculator plays a much smaller part in the scheme of things. Thirdly, our new economic know-how has brought about individual corrections which have kept most stocks in tune with their realities—depressing as they may be.

Above all, our new-found knowledge may have resulted in a new concept of Security analysis—that of attraction based on residual values, rather than positive dynamics. And the proof is at hand via the recent advances in stocks of companies that operate in industries whose outlook is under considerable suspicion.

No Univac

At best, security analysis is an intuitive business. There is no univac in Wall Street, nor will there ever be one — for prices are made as much by psychology as by statistics. But something new has been added to the analysts' maxim that over-valuation and under-valuation represents an area rather than a precise point. And that "something" new probably stems from a number of considerations:

(1) Our analytical senses have been sharpened during the past 10 years.

(2) Idle capital tends to consume itself, with result that there is keener competition for a good idea than ever before.

(3) The second oldest profession in the world at times may be quiescent but it will never disappear.

(4) Our complex industrial society means that many companies have outside interests which can be sustaining influences when their major lines are undergoing test.

Proof that my concept of residual value is practical can be found on many fronts. How else, for example, can one justify strength in the copper stocks at a time when consumption and production are declining—when 1957 earnings will be well below last year's record-breaking results? The answer, as I see it, is quite simple: Even on the basis of this year's possible earnings, most of the leading copper stocks had discounted the industry recession and were selling on a basis where their going concern values were interesting. All that was required was a "spark" which would support the hope that the 30¢ copper price level could be maintained. That spark came recently.

To take another illustration, how can one justify strength in the TV stocks at a time when set production is declining — inventories are high — the market is saturated—and first half earnings will be poor? Here, too, the answer is relatively simple: The TV manufacturers "got religion"—cut back production at a time when retail demand was high—and previously burdensome set inventories have been largely corrected. Furthermore, few businesses have as bright an ultimate sales potential in light of the facts that: (1) The steady withdrawal of marginal producers is increasing the share of the set market held by those who remain in business. (2) At some point, color TV will become a commercial reality and obsolete some 40-odd million black and white sets now in use.

Individual Divergence

In a word, sophisticated markets can mean many things—not the least of which is the fact that all stocks will not record their lows at the same time. More specifically, the process of individual issue self-correction tends to give the composite price level a much firmer foundation than is suggested by the averages. It's ridiculous to talk about a coming bear market to the holders of aluminum, airline, paper or textile stocks. They've already had it! Secondly, this is an era where generalizations can be misleading. The building industry outlook is unsatisfactory — but Flintkote is forecasting higher sales and earnings in 1957. The aluminum stocks are paying the price of last year's over-popularity—yet, Aluminium, Ltd. is flirting with its record high. The case for the rails is feeble—but there are positive dynamics in Denver & Rio Grande.

All this not meant to infer that a new, full-fledged bull market has started. Far from it! The case for caution today is quite persuasive. Rather, the point of this discussion is three-fold (1) The correct answer seldom is simple or obvious. One plus one do not always make two in the stock market. (2) Fact that a bull market has ended doesn't necessarily mean that a classical bear market, a la 1929-32 or 1937-38, is inevitable. (3) There is no direct correlation between the stock market and business activity. Note the facts that the 1953-54 recession ended a year after the last bull market had started. . . . Business was on a plateau in 1951-52 but the stock market was rising.

Contradictions, the Keynote

These contradictory observations bring to light the fact that contradictions have been the keynote of 1957. The FRB index of production is on a plateau—but individual industry deterioration is obvious. The Administration fears inflation, but Wall Street's ulcers—and mine, too — are activated by the daily deflationary evidence. Consequently, a close examination of the debits and credits is imperative.

The Liability Side

On the liability side of the stock market balance sheet, the following factors come to mind:

(1) Throughout these Fabulous Fifties, the common stock idea achieved greater popularity and respectability. Result is, that price-times-earnings ratios rose along with earnings. Now, however, the concept that everyone should own common stocks is being tested and digested. Past gains are being consolidated. In the process, some popularity will be lost — and price-times-earnings ratios will decline.

(2) There is more competition for equity money than at any time in recent years. In part, this reflects industry's demands for new capital via the common stock route. It also, however, reflects the fact that bonds and preferred stocks are returning to their rightful and larger share of the portfolio dollar. There is less inclination to place an entire portfolio in common stocks. The issue balance will be more in keeping with those of earlier years.

(3) In line with the foregoing, the trend of common stock yields is upward. For one thing, the era of cheap and vast credit which gave rise to low yields is over. Secondly, there now is less widespread assurance of sustained future earnings growth — another past incentive to accept low yields.

(4) Confidence has deteriorated, in industry as well as financial circles. And confidence helps make stock prices. The reasons are many—a lack of leadership in the Free World, uneasiness regarding the domestic business outlook, the fact that the nation's financial liquidity has lessened. All represent a barrier to a long-sustained advance.

(5) At best, the business trend is flat—which means that aggregate corporate earnings and dividends will not improve in 1957. The environment is not bullish on all stocks—at all times—and this is the fuel required for a classical bull market.

(6) Perhaps the best that can be said about the business trend is that there is uneasy stability. Beneath the surface, the bias is downward—for really bright spots are few, and the apologies are many. There are supports, but few stimulants.

(7) In a word, the 1953-56 bull market ran out of time and money. And it will take time and money to bring about a new solid base. A year was required to correct both the 1953-54 and 1948-49 business recessions.

The Plusses

On the asset side of the stock market's balance sheet, a number of defensive considerations can be found:

(1) Each of the previous postwar pauses for refreshment were completed without cataclysmic declines—and, I emphasize, on a relatively high level. In other words, they were painful but not shattering.

(2) Fact that the trend of price-time-earnings ratios is downward does not mean a return to the much lower yardsticks of common stock evaluation that prevailed after World War II. There is greater basic stability to corporate earning power and these are sophisticated markets.

(3) Similarly, fact that the trend of common stock yields is upward does not mean a return to the levels which prevailed in earlier years. For one thing, the bull market in bonds is likely to continue—and this, in time, will have a constructive impact on equity prices. Secondly, a new concept of common stock evaluation is slowly developing — and that concept places emphasis on the capital appreciation potential rather than immediate return.

(4) This need not be a long drawn out readjustment. Tax reduction may be front page news in 1958—the road building boom which has been slow in getting started should then be a stimulant—and new industries are gaining momentum.

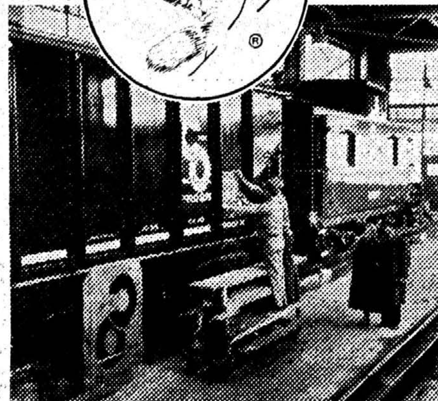
(5) Above all, there are many "plusses" peculiar to the present era which impact a latent resiliency. You know them—but they are worth repeating, for we in finance have become "economic hypochondriacs" — if not "economic psychopaths":

(a) Excess capacity is a normal condition in our economy. It's frightening chiefly to the marginal or inefficient producer.

(b) This is the first era in history of carefully planned and aggressive research to develop new products which create new markets. Net result is that our technological progress is at a faster pace than ever before. Scientific progress now is measured in terms of years rather than centuries.

(c) This also is the first era in history of scientific business management. The professional manager operates on a long, rather

WHAT MAKES CHESSIE'S



In addition to outside purchases, C&O builds many of its freight cars. Here Shop Superintendent J. G. Rayburn shows Mrs. Loutsch the final stenciling step.

In Railroad YMCA at Russell, Ky., Shareowner Price (right) talks with t employee-shareowners, Freight Conductor Arnold M. Smith (left) a Transportation Clerk Bert W. Harris. Many C&O men and women part pate in employee stock purchase plan.

Shareowner Loutsch, near Flint, Mich., looks over new tracks to serve gigantic auto body plant. 98 new industries located on C&O in 1956, over 1,000 in the last ten years.

At Newport News, Va., C&O's Atlantic port, Mr. Price insp the new coal export pier, just completed. Almost half of overs export coal is handled here. He also saw the new $8 million p designed to unload 60 tons of import ore per minute.

At The Greenbrier, Chesapeake and Ohio's magnificent resort hotel in West Virginia, Mrs. Price (center) joins her husband and Mrs. Loutsch.

In the Cleveland headquarters they see the new electronic computer which, among other things, makes out theirs and 90,000 other quarterly dividend checks in half a day.

At the end of their trip they talk over their ob vations with Chesapeake & Ohio Board Chair Cyrus Eaton (second from left) and Presi Walter Tuohy.

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than short term, basis — and this may soften the business cycle.

Even more important, our economy has a wider and broader base than ever before in history. Contrast today's prominence of the aluminum, drug, natural gas or plastic businesses with their minor importance 10 years ago. So many industries now contribute to our over-all economic health, that individual corrections need not topple over the apple cart. In the past, when the economy was so much smaller, individual industry readjustments had an exaggerated impact on the over-all trend.

(e) The vast social and economic changes of the past 20 years have brought about an entirely different consumer buying attitude. Pension Plans, the billions distributed annually in social security, the new concept of guaranteed annual wage increases, all mean greater underlying stability. Further, our income has been redistributed into the hands of those who proportionately spend the most.

(f) The building industry is an excellent illustration of the change that has occurred. Residential construction undoubtedly will decline further this year. But the drop probably will not be cataclysmic. People are marrying younger, having more children, and moving around more than ever before. The suburban "explosion" is still a potent force.

This reassuring recitation points up the $64,000 Question which faces us today, namely: Has the economy outgrown the business cycle as it was formerly known? On the evidence available in April 1957, the question can't be answered with a flat "yes" or "no." We're groping for a new base—and the best which might be said is that the current lull is preventing abuses which could have plagued us. In other words, the adjustment is orderly. A more definite answer will be at hand by the Fall; this is when the die will be cast. This also may be when the market as a whole will take its next major clue.

Trading Range May Hold

Meanwhile, it's quite possible that the first quarter trading range in the averages will hold into the summer months. For one thing, it will take more positive evidence of really rapid, over-all deterioration to encourage widespread liquidation. We seem to have successfully completed the first psychological readjustment to a different pattern than was so widely anticipated at the year-end. Secondly, there is still a possibility of a belated Spring business upturn. Inventories are low in a great many lines—copper, aluminum, steel, rayon. And a number of businesses seasonally pick-up this time of the year. Plywood orders, for example, are increasing despite the slower pace of residential building.

In a word, April, 1957, is a time for both a little Prudence and Patience. It's not a time to attempt to be a hero—nor is it wise to be an ostrich. Rather, it's a time when flexibility and unorthodox policy will be most rewarding. For example, although cash has a place in every portfolio, this doesn't mean "run for the hills." Rather, it merely reflects the fact that the short term trader temporarily has a greater advantage than the long-term buyer—that there are opportunities in bonds as well as stocks. This has become a hit and run ball game where willingness to move with the tide is most important . . . where the key to success is concentration, not diversification . . . where generalities have to be avoided.

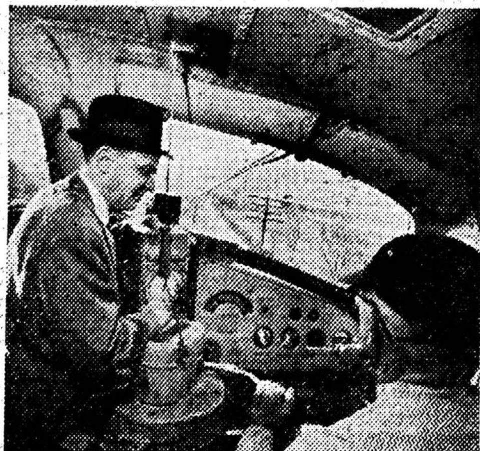
The springboard for a significant, new, over-all advance is not at hand. But there is a basis on which to enthuse about individual situations—and this is a year of private bull and private bear markets. It's a year when the question "What do you think of the Market?" may be on its way to becoming as passe as hoop skirts. This is where that question belongs—for people buy stocks not the market. It's a year when the field of choice is narrower, when the problems are greater. But it's a year when there are opportunities for those who are flexible. The stock market is no different than life itself: It does not offer security—but it does offer opportunity: "There is none so blind as they that *won't* see."

AILROAD GROW? *One of a series telling what Chesapeake and Ohio is doing to make this a bigger, better railroad.*

Two Chessie shareowners see for themselves

Two typical Chesapeake and Ohio shareowners, unknown to C&O management except through letters expressing interest in "their" railroad's affairs, recently were invited to tour the 5,100 mile system and make a report to Chessie's 90,000 shareowners. Here are a few highlights of their trips:

Mrs. Genevieve Loutsch, a Chicago office manager and owner of 50 shares, hears about electronic railroading from John Charters, Trainmaster at Grand Rapids. She says: "As a shareowner, I am confident my investment is secure in the hands of these forward-looking specialists who manage the Chesapeake and Ohio Railway".

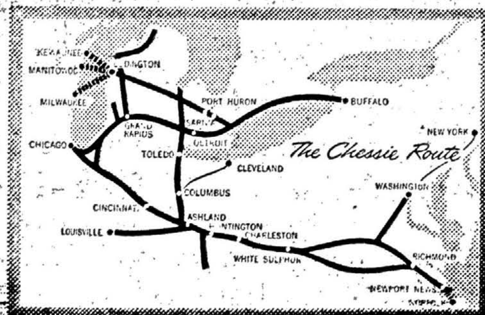


C. Grattan Price, Jr. of Harrisonburg, Va., an insurance agent and owner of 100 shares, rides in locomotive cab of fast merchandise freight train with Engineer Ott Foster. Shareowner Price writes: "My trip has been an eye-opener. I have seen a magnificent property, superbly maintained, and efficiently operated. I am absolutely convinced that 'Chessie's' brightest years lie ahead".

A 24 page pictorial report of where these two shareholders went and what they saw has been mailed to all shareholders along with the annual report for 1956—again Chessie's Best Year. If you would like a copy of both, write to:

Chesapeake and Ohio Railway

3800 TERMINAL TOWER, CLEVELAND 1, OHIO



European Coal & Steel Community Securities Offered Publicly

The first public offering in the United States of securities of the European Coal and Steel Community, established in 1951 by a formal treaty among Belgium, France, West Germany, Italy, Luxembourg and the Netherlands, was made on Tuesday (April 9) by a group of underwriters headed by Kuhn, Loeb & Co., The First Boston Corp. and Lazard Freres & Co.

The offering comprises (a) $25,000,000 High Authority of the European Coal and Steel Community 5½% secured bonds dated April 1, 1957 and due April 1, 1975 and (b) $10,000,000 of 5% serial secured notes due April 1, 1960-1962, inclusive.

The bonds and notes are priced at 100% and accrued interest.

The High Authority has agreed to redeem the bonds, at par, in 13 substantially equal annual installments beginning in 1963. The Authority also has the right, at its option, to redeem annually beginning in 1963, an additional principal amount of the bonds not exceeding the amount of the mandatory redemption payment. The bonds will be redeemable at the election of the High Authority on and after April 1, 1967 at prices ranging from 104% to 100%.

By the Treaty of 1951 the six member countries ceded to the Community sovereign powers in the coal and steel areas of their economies. The purpose of the Community is to contribute to the expansion of the economy, the increase of employment and the improvement of the standard of living in the member countries through the creation of a common market for the two commodities which are basic to all modern industrial economies — coal and steel. The Community is one of the world's major coal and steel producing areas. In 1956 enterprises in the Community produced 57,000,000 metric tons of crude steel and 249,000,000 metric tons of coal, or a production of these commodities of about one-half that of the United States. Within the common market of the Community there are no longer any national customs frontiers, currency frontiers or railroad frontiers for coal, coke, iron, ore, scrap or steel.

The High Authority is also responsible for facilitating, within the Community, the financing of capital investment programs of coal and steel enterprises designed to improve productivity and increase production. The major part of the proceeds from the securities offered will be used to make loans to such enterprises for the construction and modernization of facilities for the production of coal, coke, iron and steel, with special attention given to the financing of installations which will reduce the consumption of scrap in the Community.

To procure the capital necessary to attainment of its objectives, the High Authority is empowered to make a levy of not more than 1% annually on the coal and steel produced by Community enterprises, and is also empowered to borrow funds. The full 1% rate of levy has not been applied but has ranged from 0.5% in the first six months of 1953 to a high of 0.9% thereafter until June 30, 1955. Since Jan. 1, 1956 the rate has been 0.45%. Taxable value of Community products subject to the levy approximated $7.4 billion in 1956.

The interest and principal payments of the enterprises on loans made to them by the High Authority are fixed to cover the High Authority's debt service on its own obligations. However, a large portion of the levy has been set aside in a guaranty fund in order to cover, if necessary, interest and principal payments on the High Authority's obligations. The guaranty fund consists at present of the equivalent of $100,000,000.

As of Dec. 31, 1956 the High Authority has granted 93 loans to 73 enterprises in an aggregate amount of $136,920,000, the average amount of the individual loans being about $1,470,000. Of the total loans granted, $129,060,000 were made from funds borrowed by the High Authority. In addition, the High Authority has earned $7,860,000 from interest on its bank deposits which interest earnings have also been loaned to enterprises in the community.

The High Authority's outstanding obligations amount to the equivalent of approximately $129,000,000. These comprise $100,000,000 borrowed in 1954 from the U. S. Government through the Export-Import Bank on 3⅞% secured notes due 1979; the equivalent of about $12,000,000 of 4¼% secured notes offered for public subscription in Switzerland in July, 1956, and $17,000,000 borrowed on secured notes from banks in Belgium, Germany, Luxembourg and the Saar. All of the High Authority's borrowings are made pursuant to and equally secured by an Act of Pledge entered into by the High Authority with the Bank for International Settlements in Basle, Switzerland, which holds, as depositary, the loans made by the High Authority to the enterprises.

Detroit Bond Club Summer Outing

DETROIT, Mich. — The Bond Club of Detroit will hold its annual summer outing on Tuesday, June 11, at the Orchard Lake Country Club in suburban Detroit. It will be attended by close to 200 members of the banking and financial industry, along with out of town guests.

Joins Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif. — Stuart L. Brown has joined the staff of Walston & Co., Inc., 210 East 1st Street. He was formerly with J. A. Hogle & Co. and Morgan & Co.

Raymond Hornby Opens

(Special to THE FINANCIAL CHRONICLE)

SAN RAFAEL, Cal.—Raymond Hornby, Jr., is engaging in a securities business from offices at 975 Grand Avenue. He was formerly with Hooker & Fay.

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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

CHEMICAL CORN EXCHANGE BANK OF NEW YORK

	Mar. 31, '57	Dec. 31, '56
	$	$
Total resources	3,013,186,784	3,069,835,285
Deposits	2,693,727,839	2,759,771,057
Cash and due from banks	790,789,422	748,721,867
U. S. Govt. security holdgs.	417,719,257	462,379,450
Loans & discts.	1,447,130,909	1,482,564,788
Undiv. profits	33,497,510	31,025,851

* * *

GUARANTY TRUST COMPANY OF NEW YORK

	Mar. 31, '57	Dec. 31, '56
	$	$
Total resources	2,935,550,025	3,054,658,959
Deposits	2,484,511,333	2,542,690,186
Cash and due from banks	668,973,388	592,861,934
U. S. Govt. security holdgs.	580,522,949	688,044,650
Loans & discts.	1,526,533,434	1,573,333,375
Undiv. profits	90,015,193	107,269,602

* * *

BANKERS TRUST COMPANY, NEW YORK

	Mar. 31, '57	Dec. 31, '56
	$	$
Total resources	2,687,729,689	2,820,864,484
Deposits	2,363,906,001	2,484,079,904
Cash and due from banks	641,959,999	805,071,721
U. S. Govt. security holdgs.	460,315,450	421,619,195
Loans & discts.	1,462,394,216	1,469,234,944
Undiv. profits	55,220,545	52,519,334

* * *

THE HANOVER BANK, NEW YORK

	Mar. 31, '57	Dec. 31, '56
	$	$
Total resources	1,818,215,534	1,859,364,034
Deposits	1,611,063,452	1,653,975,284
Cash and due from banks	475,482,817	516,514,858
U. S. Govt. security holdgs.	316,032,106	315,625,158
Loans & discts.	904,109,926	911,313,367
Undiv. profits	23,117,434	22,617,196

* * *

FEDERATION BANK AND TRUST COMPANY, NEW YORK

	Mar. 31, '57	Dec. 31, '56
	$	$
Total resources	100,440,301	102,595,509
Deposits	91,421,431	93,585,040
Cash and due from banks	16,039,977	17,134,059
U. S. Govt. security holdings	27,615,532	27,625,016
Loans & discounts	44,269,456	46,511,687
Undivided profits	802,445	874,813

* * *

COLONIAL TRUST COMPANY, NEW YORK

	Mar. 14, '57	Sept. 26, '56
Total resources	$74,569,191	$72,486,799
Deposits	68,016,925	66,110,185
Cash and due from banks	17,912,354	18,419,910
U. S. Govt. security holdings	18,429,509	16,472,206
Loans & discounts	33,733,780	32,611,552
Undivided profits	335,629	636,868

* * *

Ralph S. Stillman, President of **the Grace National Bank of New York,** announced today appointment of Michael Sieniawski as Special Representative in Brazil with offices in Sao Paulo and Rio de Janeiro. The main office will be in Sao Paulo.

Mr. Sieniawski was previously a Vice-President of the **Irving Trust Company** in charge of operations in Latin America, Spain and Portugal.

He was previously associated with the **Chemical Corn Exchange Bank** and the **Bank of the Manhattan Company.**

* * *

Joseph C. Broadus, Bob T. H. Hulsey, and Robert J. Pollock have been appointed Vice-Presidents of the **Chase Manhattan Bank, New York,** George Champion, President, announced on April 8. Formerly Assistant Vice-Presidents, Mr. Broadus and Mr. Hulsey are in the petroleum department and Mr. Pollock is in the personnel administration division.

Mr. Broadus, who joined the bank in 1934, was appointed an Assistant Cashier in 1946 and promoted to Assistant Vice-President in 1951. Mr. Hulsey came to the bank as a petroleum engineer in 1949, was appointed an Assistant Cashier in 1951 and advanced to Assistant Vice-President in 1954. Mr. Pollock has 30 years' service. He was appointed to the official staff in 1951 as an Assistant Cashier and promoted to Assistant Vice-President in 1953.

New Assistant Vice-Presidents are Albert C. Bossert, George J. Gansel, Harold D. Hammar, Joseph J. O'Brien, and John A. Pell.

* * *

Robert Hayden Matson, Vice-President of **The First National City Bank of New York,** died on April 5 at the age of 59.

Mr. Matson began his banking career in 1920 with **Guaranty Bank & Trust Co. of Memphis.** He served with **Union Planters National Bank & Trust Co. of Memphis** from 1925 to 1929.

In 1929 he joined the First National City Bank as an Assistant Cashier. He was appointed a Vice-President in 1945.

* * *

Four division heads of **The Bank of New York** have been appointed to the newly established rank of Executive Vice-President, it was announced by Albert C. Simmonds, Jr., President.

Charles M. Bliss, head of the Trust Department for the past eight years, was appointed a Vice-President in 1942. A specialist in investment work, he was previously in charge of the Investment Counsel Department.

Donald M. Elliman is Vice-President in charge of branch activities in the midtown area. His office is at the Fifth Avenue Bank Office, which will soon return to its historic corner with enlarged quarters in the almost completed The Bank of New York Building on Fifth Avenue at 44th to 45th Streets.

H. O. Eversmann, head of the Banking Department, began his career in the bank's Credit Department in 1920, and was appointed a Vice-President in 1945.

Roderick McRae, head of the Investment Department, joined the bank in 1930 and has been continuously engaged in economic studies and securities analysis. He became a Vice-President in 1942.

* * *

The election of Henry S. Wingate as a director of J. P. Morgan & Co., Inc., New York, has been announced. Mr. Wingate is a director of the **Bank of Montreal,** and a trustee of the **Seamen's Bank for Savings.**

* * *

Alfred S. Mills, President of **The Bank for Savings in the City of New York,** announces the opening Monday, April 8 of a new branch office at Lexington Avenue and 78th Street.

One hundred and thirty-eight years ago The Bank for Savings pioneered the savings bank idea in New York State. Today, with assets of $485,000,000, it serves over 200,000 depositors. Interest is paid from day of deposit, compounded four times a year. The latest dividend 3% a year.

Mr. Jay H. Pease, Assistant Vice-President, is Manager of the new office.

* * *

The National Bank of Viet Nam, central bank for the new Indo-Chinese Republic, opened an office at 67 Wall Street, New York. Sui Kien Thanh, a former employee of the Viet Nam Ministry of Finance, is in charge.

* * *

State Bank of Suffolk, Bay Shore, N. Y. has received approval from the Superintendent of Banks of New York State to open a Summer office at Ocean Beach, Fire Island, Long Island, according to an announcement by Albert J. Gowan, President. The Ocean Beach facility is the sixth State Bank office in Suffolk County.

It is anticipated that the office will open about the first or second week in May.

* * *

The Citizens National Bank of Netcong, N. J. increased its common capital stock from $50,000 to $200,000 by a stock dividend and from $200,000 to $275,000 by the sale of new stock, effective March 29. (2,750 shares, par value $100.)

* * *

The common capital stock of **The First National Bank and Trust Company of Paulsboro, N. J.** was increased from $150,000 to $250,000 by a stock dividend effective March 27. (10,000 shares, par value $25.)

* * *

James H. von Frank has been named Assistant Vice-President of the **Peoples Trust Company of Bergen County, Hackensack, N. J.** with duties as Manager of the Main and Essex Street office in Hackensack. Announcement of von Frank's appointment was made by Cesar J. Bertheau, President of Peoples Trust Company.

Mr. von Frank takes charge of the local office in place of Cyril J. Mason, who retired recently after 45 years of service with the institution.

Prior to joining Peoples Trust this year, Mr. von Frank served as Assistant Secretary in the 510 Fifth Avenue office of the **Manufacturers Trust Company of New York.**

* * *

Tradesmen's Bank and Trust Company, Philadelphia, Pa., opened a new branch office at 150 W. Chelten Avenue on April 8, it has been announced by James M. Large, President. The bank, replaces Tradesmen's office at 5614 Germantown Avenue.

* * *

Directors of **Provident Trust Company of Philadelphia** on April 4 declared a regular quarterly dividend of 65 cents a share and in addition an adjusting dividend of 10 cents a share, both payable April 25, to stockholders, of record April 15.

The adjusting dividend represents a pro rata apportionment to May 1, 1957, of the extra dividend paid last year.

* * *

SOCIETY FOR SAVINGS IN THE CITY OF CLEVELAND, OHIO

	Mar. 31, '57	Dec. 31, '56
	$	$
Total resources	327,381,784	329,029,086
Deposits	293,855,836	297,960,150
Cash and due from banks	19,756,826	18,520,307
U. S. Govt. security holdings	82,692,837	90,821,362
Loans & discounts	185,540,797	185,557,268

* * *

By the sale of new stock, the common capital stock of **The Guaranty National Bank of Huntington, W. Va.** was increased from $400,000 to $500,000, effective March 27. (10,000 shares, par value $50.)

* * *

The City National Bank of Charleston, Charleston, Kanawha County, W. Va., was issued a charter on March 26. The President is D. C. Shonk and the Cashier Paul N. Downs. The bank has a capital of $350,000 and a surplus of $210,000.

* * *

THE NATIONAL BANK OF DETROIT, MICHIGAN

	Mar. 31, '57	Dec. 31, '56
Total resources	1,944,640,693	2,008,624,029
Deposits	1,752,136,620	1,854,252,502
Cash and due from banks	438,779,828	417,375,487
U. S. Government security holdings	611,035,747	698,873,563
Loans and discounts	719,678,251	722,285,016
Undiv. profits	17,733,061	16,134,476

* * *

The common capital stock of the **Broadway National Bank of Nashville, Tenn.** was increased from $500,000 to $750,000 by a stock dividend effective March 29. (30,000 shares, par value $25.)

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The short-term government market continues to be very active even though money is not as plentiful for the purchase of these securities as it was recently. There is, nonetheless, a sizable demand around for them, especially Treasury bills. Corporations, private pension funds and certain deposit institutions are reportedly the principal buyers of the most liquid government obligations.

The long-term Treasury market is not active, very thin and still in a narrow trading range, because it is waiting for news on bond which will eventually be offered to owners of the maturing F and G savings bonds. Also, the competition that government securities are getting from corporate and tax-exempt bonds does not seem to forecast an expansion in the market for Treasury bonds until they are put on a more attractive yield basis or the non-government issues move up in price. A refunding operation will soon again be confronting the Treasury, with the May 15 1⅝% the next one to be taken care of. A short-term obligation will most likely be used again this time.

Market Awaits Terms of "F" and "G" Refunding Issue

The government bond market continues to mark time because it is waiting for the terms of the security which it expects will be offered to the holders of the F and G savings bonds that are maturing in 1957. The belief that a long-term marketable government bond will be made available to holders of the aforementioned securities is based on this week's announcement by Treasury officials that a bond with a maturity probably longer than 12 years will be offered to them sometime next month. The Treasury definitely stated that there would be no offer made this month to holders of these bonds, thus putting to rest rumors that an announcement was imminent.

The time when the anticipated offer will be made by the Treasury to the owners of the F and G savings bonds seems to have been narrowed down to about the early part of next month, probably to coincide with the refunding announcement. It will be a good thing for the money market when the Treasury makes the offer so it can adjust to the new conditions. In other words, let's get it settled and out of the way and, the sooner the better, seems to be the attitude of the financial district.

Reopening of 3¼s of 1983 Rumored

There are opinions around that there might even be a new 3¼% bond or a reopening of the 3¼s due 1978/83, as the way in which the F and G savings bonds could be taken care of. Present quotations for the 3¼% bond show a yield of less than 3½%, but the Treasury could set the price at a level which would give a return of 3.50%. The 1978/83 bond is not a large one and another billion to a billion and a half dollars added to it would not make it too sizable and out of proportion with the other more distant maturities of governments.

The reopening of the 3¼s, according to other money market followers, might be on a somewhat less than a "best efforts" basis, and the owners of the maturing F and G bonds could take it or leave it, with those that did not make the exchange being paid off in cash. The reason for this kind of an opinion is that not a few holders of these savings bonds appear to be too much interested in the more favorable yield which they can obtain at this time outside of government securities.

Rate in Excess of 3½% Seen Necessary

If this is true, and there is evidence to that effect, then the Treasury is not going to be able to make an exchange offer which will be attractive to them unless they put out a bond with a coupon considerably in excess of 3½%. The corporate and tax-exempt bonds which are now available in the market give yields so much in excess of government bonds, that owners of the F and G savings bonds in many instances continue to swop the Treasuries for the non-government obligations. This appears to be the one big obstacle in the path of a successful offer by the Treasury to the savings bond holders. That is, unless the government wants to meet this competition and indications are that this will not be done.

Convertible 12-Month Issue Suggested

There are also suggestions that a convertible obligation be used by the Treasury in taking care of the maturing F and G bonds. It is reported that this idea embodies the offering of a one-year certificate, with the privilege of conversion into a 20 year-3⅜% or 3½% bond during the life of the 12-months obligations. It was pointed out that if such an offer were to be made, for cash, in the amount of $5 billion to $6 billion, the proceeds would be used to pay off F and G's and the 1⅝s of May 15 as they mature. The followers of this idea believe such an issue would have a favorable influence on both the short- and long-term government market.

Ronald L. Voss

Ronald L. Voss, Vice-President of Cumberland Securities Corporation, Nashville, Tennessee, died at the age of 58 following a heart attack. An authority in the field of municipal bonds, he was one of the organizers in 1931, with T. H. Mitchell and Carry Payne, of Cumberland Securities.

Through the donation of Mr. Voss, one of his eyes was used in a corneal transplant for a woman who had been blind for 26 years. The other eye was flown to New York to be used through the Eye Bank for Sight Restoration for another similar operation.

G. E. T. Investors

(Special to THE FINANCIAL CHRONICLE)

LAKEWOOD, Colo. — G. E. T. Investors, Inc. has been formed with offices at 1950 Taft Drive to engage in a securities business. Officers are George E. Tollefson, Jr., President; G. E. Tollefson, Vice-President; and Clyde E. Richmond, Jr., Secretary-Treasurer.

With Field & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oregon—Kathleen M. Evans has joined the staff of Field & Co., Inc. Cascade Building.

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NYSE Board of Govs. Nominees Announced

James Crane Kellogg, 3rd, was renominated to serve a second one-year term as Chairman of the Board of Governors of the New York Stock Exchange. He is the senior partner in the specialist firm of Spear, Leeds & Kellogg.

J. C. Kellogg, III

Four new Governors were nominated for 3-year terms, two from New York City, one from Boston and one from Los Angeles. They are: Earle W. English of Merrill Lynch, Pierce, Fenner & Beane and William E. Hutton of W. E. Hutton & Co., both from New York; Horrace W. Frost of Tucker, Anthony & R. L. Day of Boston; and Lloyd C. Young of Lester, Ryons & Co. of Los Angeles.

Mr. Kellogg, 41 years old, has been a Governor of the Exchange since 1950. He was named Vice-Chairman in 1954 and was elected Chairman in 1956. He started his career in the brokerage business as a telephone clerk on the trading floor and was admitted to Stock Exchange membership in July, 1936, when he was 21 years old.

Mr. Kellogg is a Commissioner of The Port of New York Authority and Vice-Chairman of the Authority's Finance Committee. He is a director of the City Federal Savings & Loan Association and the Central Home Trust Company, President and director of J. C. Kellogg & Sons, President of the J. C. Kellogg Foundation (an organization devoted to medical research), and a director of Maymount Co. He is a trustee of the Bay Head (N. J.) Chapel and Westminster Presbyterian Church.

Mr. Kellogg lives with his wife Betty at 42 Aberdeen Road, Elizabeth, N. J. They have four children: James Crane, Peter Pittenhouse, Richard Irwin and Morris Woodruff.

The Nominating Committee, headed by H. Van Brunt McKeever of Goodbody & Co., also renominated five Governors for three-year terms: Jacob Bleibtreu of Abraham & Co. (New York City); Elmer M. Bloch of Cahill & Bloch (New York City); Robert P. Boylan at Wagner, Stott & Co. (New York City); Roscoe C. Ingalls of Ingalls & Snyder (New York City); and Joseph M. Scribner of Singer, Deane & Scribner (Pittsburgh).

Total membership of the Board is 33. Elections will be held May 13.

Renominated to be trustees of the Gratuity Fund, which pays death benefits to the families of deceased members of the Exchange were John Rutherfurd of John Rutherfurd & Co. and John K. Starkweather of Starkweather & Co.

The 1957 Nominating Committee also proposed the following to serve on the 1958 Committee:

Edward F. Becker, McDonnell & Co.; Arthur C. Briggs, Delafield & Delafield; Phillip W. Brown, Smith, Barney & Co.; Edwin H. Crandell, Blair S. Williams & Co.; George R. Kantzler, E. F. Hutton & Co.; John J. Phelan, Nash & Co.; Emil J. Roth, E. J. Roth & Co.; Edwin H. Stern, E. H. Stern & Co.; and George H. Walker, G. H. Walker & Co.

In addition to Mr. McKeever, the 1957 Nominating Committee includes: Austin Brown of Dean Witter & Co.; James F. Burns Jr., Harris, Upham & Co.; Harry C. Clifford, Kidder, Peabody & Co.; Benjamin Einhorn, Astor & Ross; George M. L. LaBranche Jr., LaBranche & Wood; John R. McLaughlin, Neuberger & Berman; Joseph G. Osborne, Hayden, Stone & Co.; and William F. Stafford, Stafford & Co.

A. S. E. Realty Assoc. Elected Officers

At the annual meeting of the stockholders of American Stock Exchange Realty Associates, Inc., David U. Page and James R. Dyer were elected directors to serve for one year. Officers elected were David U. Page, President, Frederick J. Roth, Vice-President and Christopher Hengeveld, Jr., Secretary-Treasurer. Joseph R. Mayer was appointed Assistant Treasurer for the ensuing year.

Bankers Offer Sears Roebuck Acceptance 4⅝% Debentures

A nation-wide syndicate managed by Goldman, Sachs & Co., Halsey, Stuart & Co. Inc. and Lehman Brothers yesterday (April 10) placed on the market $25,000,000 of 4⅝% subordinated debentures due May 1, 1977 of Sears Roebuck Acceptance Corp. The debentures were priced at 99% and accrued interest to yield 4.70% to maturity.

The debentures are not redeemable prior to May 1, 1967. On and after that date, they may be redeemed at the option of the company at their face amount and accrued interest.

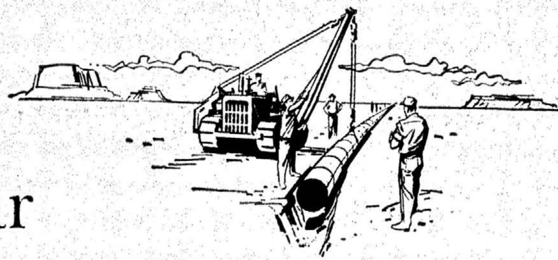
Sears Roebuck Acceptance Corp. was organized last November as a wholly-owned subsidiary of Sears, Roebuck and Co., the world's largest general retail merchandising organization. In March, 1957, Sears increased its equity investment in the Acceptance Corp. from $35,000,000 to $50,000,000.

Proceeds from the offering will be used to purchase customer installment receivables from Sears, Roebuck and Co. under arrangements similar to those under which Sears has sold receivables to banks since 1937. On Jan. 31, 1957, Sears' outstanding installment receivables, arising from credit sales totaled $1,039,128,814 in 8,857,764 accounts. Total sales of Sears, Roebuck and Co. were over $3.5 billion during the fiscal year ended Jan. 31, 1957. Sears Roebuck & Co. operates 11 mail order plants, 717 retail stores and more than 750 catalog sales offices throughout the United States, its territories and possessions.

New S. F. Exch. Member

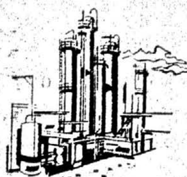
SAN FRANCISCO, Calif.—Ronald E. Kaehler, President, announced the election of Samuel L. Shapiro to membership in the San Francisco Division of Pacific Coast Stock Exchange.

Mr. Shapiro is a general partner in the firm of Samuel L. Shapiro & Co., with offices in Bayonne, N. J.



Energy needs soar IN FAST-GROWING WEST

*El Paso sets new records in serving western markets** **1956**



In 1956, the nine Western and Southwestern states now served by El Paso Natural Gas Company and its subsidiary companies reached record levels of prosperity. Population increased by almost one million persons. Per capita income was at an all-time high. New businesses and industries sprang into existence.

This brought soaring demands for energy — and foreshadowed far greater requirements in the future.

In 1956, El Paso Natural Gas Company set new records in meeting Western needs. More important, it took positive steps to enable it to serve this growing market in the future.

Looking to the future, El Paso—

- Constructed and placed in service approximately two-thirds of an additional system capacity of 450 million cubic feet per day, authorized by the Federal Power Commission in late 1955.
- Contracted to deliver an additional 435 million cubic feet of natural gas per day to Western customers. Upon completion of expansion programs required under these preliminary agreements, El Paso will have a delivery capacity somewhat in excess of three billion cubic feet of gas per day.
- Obtained access — through acquisition (completed in early 1957) of Pacific Northwest Pipeline Corporation — to the proven and potential sources of natural gas that can be economically delivered to markets served by the entire system.
- Consolidated its position in oil production, refining and marketing, and established bases for participation in petrochemical production.

HIGHLIGHTS

	1956	1955
Operating Revenues	$221,515,546	$179,451,092
Net Income (After Income Taxes)	$ 26,736,242*	$ 19,031,211*
Preferred Dividends	$ 4,039,940	$ 3,858,271
Balance for Common Stock	$ 22,696,302	$ 15,172,940
Number of Common Stock Shares Outstanding	10,770,170	9,935,720**
Earnings per Common Stock Share	$ 2.11	$ 1.53**

*After provision for possible rate refund.
**Giving effect to two-for-one stock split of December, 1956.

For copies of El Paso's 1956 Annual Report to Stockholders, write El Paso Natural Gas Company, El Paso, Texas

* *The Western market served by El Paso Natural Gas Company and its subsidiaries includes California, West Texas, Arizona, Idaho, Nevada, New Mexico, Oregon, Utah and Washington.*

EL PASO NATURAL GAS COMPANY

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Bond Club Field Day To Be Held June 7

The annual Field Day of The Bond Club of New York will be held this year on Friday, June 7, it was announced by Robert J. Lewis, of Estabrook & Co., president of the club. This year's event will be the 33rd outing for the Bond Club and will take place at The Sleepy Hollow Country Club, Scarborough, N. Y.

Blancke Noyes

Blancke Noyes, Hemphill, Noyes & Co., has been named Field Day Chairman this year. He will be assisted by four general chairmen—Harold H. Sherburne, Bacon, Whipple & Co.; John W. Callaghan, Goldman, Sachs & Co.; Orland K. Zeugner, Stone & Webster Securities Corporation and William R. Caldwell, The First Boston Corporation.

Thirteen committees have been appointed to supervise the sports, entertainment and other activities at the outing. Heading these committees are the following chairmen:

Attendance—Gustave A. Alexisson, Granbery, Marache & Co.

Arrangements—Joseph O. Rutter, Rutter & Co.

Bawl Street Journal—Robert L. Harter, The First Boston Corporation.

Circulation—Wells Laud-Brown, Bankers Trust Company.

Entertainment—Maitland T. Ijams, W. C. Langley & Co.

Food and Beverage—Richard N. Rand, Rand & Co.

Golf — William H. Todd, II, Kuhn, Loeb & Co.

Horseshoe—Norman W. Stewart, F. S. Smithers & Co.

Publicity—William H. Long, Jr., Doremus & Company.

Special Features—Ernest W. Borkland, Jr., Tucker, Anthony & R. L. Day.

Stock Exchange—Brittin C. Eustis, Spencer Trask & Co.

Tennis—Dudley F. Cates, Kidder, Peabody & Co.

Trophy—Frank L. Mansell, Blyth & Co., Inc.

NATIONAL BANK of INDIA, LIMITED

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Branches in India, Pakistan, Ceylon, Burma, Aden, Kenya, Tanganyika, Uganda, Zanzibar, and Somaliland Protectorate.
Authorized Capital____£4,562,500
Paid-Up Capital______£2,851,562
Reserve Fund________£3,104,687
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Trusteeships and Executorships also undertaken

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Specialists in Bank Stocks

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Apart from income from investments that, in a great majority of cases, is the source of fire and casualty insurance company cash dividends to stockholders, these companies also report gains and losses in their investments. There are two components here: first, the gains or losses realized on assets that were sold during a given period; secondly, the mark-up or mark-down to either market or convention values of the assets on the books at a given date.

This space previously discussed the tremendous gains reported in 1955 and the first half of 1956, these gains having been the result of the bull market in those periods. But just as a bull market will inflate the values of insurance company equity holdings, a downturn will be reflected in lower asset figures, and this is what resulted in the full year 1956.

It will be readily realized what a large bloc holding of duPont common stock would do to asset valuations when we learn that duPont sold at an all-time high of a fraction under 250, and it is now selling at about 180. There are plenty of instances in which the shrinkage in asset values from 1955 to 1956 was 75% or even more. Nor is this confined to equity holdings alone, for a number of units that utilize fixed income media to a large degree also turned in quite unfavorable reports in this respect.

This facet of insurance company results, along with the continuing high fire and other losses, makes it hard for this writer to find justification for the better prices that we have seen for a number of the fire stocks in recent weeks. Efforts to interest insurance investment officers in adding to their portfolios often are met with the reply, "We aren't buying a thing as we have no money; it's all being used to pay underwriting losses." While, of course, this is said facetiously, nevertheless there is more than a little truth in it, for the losses have been at an all-time high, and they must be paid.

Indeed, underwriting losses have been of such size that they have interfered somewhat with new investing by fire companies. Long-term, of course, insurance companies benefit from these swings in portfolio valuations. Insurance companies invest mainly in the better grade equities where the corporation mortality rate is low. Hence, each new major high in equities is higher than the preceding high, and, usually, the lows are successively higher. In any case, there could never be any concerted jettisoning of large bloc holdings as the markets could not absorb them, so the insurance companies are left with large holdings on which valuation shrinkage can be of serious proportions.

Indeed, so serious were conditions after the 1929 market crash that the state supervisory authorities permitted insurance companies to employ "convention values" for their assets. These were fictitious, and set high enough to keep some companies solvent that otherwise would have gone under.

The accompanying table gives the investment gain or loss for 1955 and 1956. The data are not consolidated, and besides the annual mark-up or mark-down of assets on the books at the year-end, it includes realized profits and losses on assets sold.

	—Investment Gains or	Losses—
	1955	1956
Aetna Casualty	$17,111,000	$5,676,000
Aetna Insurance	8,490,000	1,253,000
Continental Insurance	47,546,000	22,876,000
Fidelity & Deposit	3,066,000	325,000
Fidelity Phenix	46,165,000	26,085,000
Fire Association	4,845,000	—2,278,000
Great American Insurance	19,400,000	4,620,000
National Union Fire	3,142,000	201,000
Northern Insurance	3,125,000	427,000
Phoenix Insurance	13,112,000	2,932,000
Springfield Fire	5,883,000	1,831,000
American Insurance	8,447,000	3,269,000
Continental Casualty	11,367,000	12,530,000
Fireman's Fund	12,260,000	228,000
General Insurance Seattle	8,102,000	—65,000
*Glens Falls	4,474,000	1,309,000
National Fire	4,082,000	1,745,000
Security, New Haven	369,000	330,000
Standard Accident	1,974,000	709,000
American Surety	1,068,000	67,000
Bankers & Shippers	922,000	150,000
Boston Insurance	5,375,000	664,000
Federal Insurance	7,908,000	1,518,000
Firemen's, Newark	13,328,000	—6,598,000
Hartford Fire	52,797,000	2,627,000
Home Insurance	31,507,000	5,060,000
Insurance Co. of No. America	64,819,000	19,259,000
Maryland Casualty	5,619,000	130,000
Massachusetts Bonding	1,168,000	—561,000
Pacific Fire	1,406,000	243,000
Providence Washington	665,000	—1,072,000
U. S. Fidelity & Guaranty	8,118,000	175,000
United States Fire	5,784,000	1,749,000

*Consolidated data.

The use of consolidated material probably would affect the result but little as a fleet management usually adheres to the same investment policy for all of the companies under it.

Fabian Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Reuben Greenspoon has been added to the staff of Fabian & Company, 9500 Santa Monica Boulevard. He was previously with Mutual Fund Associates, Inc.

Two With J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Eli Baker and Martin C. Guley have joined the staff of J. A. Hogle & Co., 507 West Sixth Street. Mr. Baker was previously with Lloyd Arnold & Co.

First Boston-Morgan Stanley Group Offers $125,000,000 Aluminum Company Of Canada Debentures

An investment banking group managed jointly by The First Boston Corporation and Morgan Stanley & Co. offered publicly yesterday (April 10) $125,000,000 of Aluminum Co. of Canada, Ltd. 4½% sinking fund debentures, due 1980, at 102% to yield 4.36%. Interest and principal will be payable in U. S. dollars.

The debentures will be non-refundable for a period of 10 years at a lower interest cost to the company. They are redeemable at the option of the company at general redemption prices ranging from 107½% for those redeemed prior to April 1, 1958; to 100% for those redeemed on or after April 1, 1979; and at sinking fund redemption prices ranging from 101.90% on April 1, 1960 and at decreasing prices thereafter to 100% for those retired on April 1, 1979. One hundred percent of the issue will be retired through the sinking fund by maturity.

Application is being made for the listing of the debentures on the New York Stock Exchange. A portion of the debentures will be available for delayed delivery, with the company paying a commitment fee to the date of such delivery.

Net proceeds from the sale of the debentures will be used by the company to retire outstanding bank borrowings, aggregating $63,000,000 in U. S. funds, and the balance will be added to general funds to be used for corporate purposes, including working capital requirements and expenditures in connection with the company's construction program which is expected to cost about $350,000,000 during the period 1957 to 1960.

Alcan, the principal subsidiary of Aluminium Limited, currently ranks as the world's second largest producer of aluminum ingot. On the basis of its announced expansion plans and those of competitors, it expects to have the world's largest aluminum ingot production capacity in 1960.

Alcan owns in Canada extensive alumina producing facilities, five large hydroelectric power stations, five primary aluminum smelters and four fabricating plants. Through its wholly-owned subsidiaries, it operates bauxite mines and a plant for the treatment of bauxite ore in British Guiana, dock and trans-shipment facilities in Trinidad, and a fluorspar mine, shipping terminals and railway, storage and construction facilities in Canada, and a shipping line.

During 1956, consolidated net sales and operating revenues of the company amounted to $355,553,000 and net income of $45,321,000, compared with consolidated net sales and operating revenues of $307,701,000 and net income of $41,161,000 in 1955.

$70,000,000 Jacksonville Expressway Revenue Bonds Offered to Investors

Smith, Barney & Co. and Pierce, Carrison, Wulbern, Inc. Head Underwriting Group

Public offering of $70,000,000 Jacksonville, Fla., Expressway Authority revenue bonds was made April 9 by a nationwide underwriting group of 157 members headed by Smith, Barney & Co. and Pierce, Carrison, Wulbern, Inc.

The offering consists of $60,000,000 of 4¼% term bonds due July 1, 1992 and $10,000,000 of 3¾%, 3.90% and 4% serial bonds due July 1, 1961-1977, inclusive.

The term bonds are being offered at 99½% and accrued interest, to yield approximately 4.28%. The serial bonds are scaled from a yield of 3.20% to approximately 4%.

Of the net proceeds from the sale of the bonds, $23,700,000 will be applied to retirement of all of the Expressway's outstanding revenue bonds, and the balance of the funds will be used to finance construction of extensions to the present Expressway, first opened to traffic in 1953. The primary extensions, which include construction of a third toll bridge, will be largely completed and placed in operation by July 1, 1959, and the entire project is scheduled for completion by July 1, 1960. The State Road Department is contributing a total of over $17,000,000 to the cost of construction and, in addition will operate and maintain the entire Expressway. Principal Expressway routes are parts of the Federal System of Interstate Highways.

The bonds will be payable from toll bridge receipts and gasoline tax funds. Earnings available for debt service in the past year were more than sufficient to pay interest on the bonds. It is estimated that revenues from these sources available for debt service on the bonds just offered will amount to $4,570,000 in the fiscal year 1960-1961, with an annual increase thereafter to $8,180,000 beginning in the fiscal year 1979-80. Debt service according to projections, will be earned 1.50 times in the 1960-61 fiscal year and up to more than 1.80 times in later years, averaging 1.70 times over the life of the bonds.

Interest on the bonds is exempt from all present Federal income taxes.

The bonds will be redeemable in part prior to maturity by operation of a bond redemption fund on or after July 1, 1960 at prices ranging from 103% to 100%. The bonds also may be redeemed as a whole on or after July 1, 1967 at prices ranging from 104% to 100%.

L. M. Krohn Director

Lewis M. Krohn, manager, Corporate Underwriting Department, Ira Haupt & Co., New York City, has been elected to the Board of Directors of the Knox Corporation, Thomson, Ga., manufacturers of prefabricated homes and house trailers. Before joining Ira Haupt & Co. six years ago, Mr. Krohn was associated with Lehman Brothers.

Forest B. Wetzel With I. M. Simon & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Forest B. Wetzel has become associated with I. M. Simon & Co., 315 North 4th Street, members of the New York and Midwest Stock Exchanges. He was formerly an officer of Bankers Bond & Securities Co. with which he had been associated for many years. Prior thereto he conducted his own investment business in St. Louis.

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Public Utility Securities

By OWEN ELY

Kentucky Utilities provides electricity to a population of 566,-000 in the Blue Grass region of Kentucky and the coal mining areas in the southern part of the state. Old Dominion Power, a subsidiary, supplies electricity in three counties in southwestern Virginia. The mining of bituminous coal and agriculture (corn, livestock and tobacco) are the principal activities in the territory. Mines account for about 12% of revenues, other industrial and commercial business 11%, commercial 23%, residential-rural 38% and sales to other utilities 16%.

Lexington with a present estimated metropolitan population of 122,000 is the largest city served by the company. About two years ago the city initiated a campaign to make the community more attractive to industry. Since that time five new industries have selected Lexington, and one a location nearby in the county. It is estimated that these six new industries will employ some 11,000 people with payrolls approximating $45 million annually. The present Lexington load of 40,-000 kw is expected to increase 50% by 1960, and the number of residential and commercial customers should increase by about one-third each. This expansion in Lexington is typical of what is happening on a smaller scale in scores of Kentucky communities served by the company, who are now actively promoting community development.

During the past 10 years 217 new industries have located in the company's territory and 105 existing industries expanded their operations. The greatest industrial expansion occurred in 1956, with 32 new industries moving in and 11 existing industries expanding. This expansion created an estimated 13,950 new jobs and $55,-800,000 in annual payrolls. It included International Business Machines' new $20 million electric typewriter plant, and Square D's $4,500,000 manufacturing plant and research laboratory, now under construction in Lexington. Other new industries announcing plants in Kentucky recently are General Electric, Metal & Thermit, Bundy Tubing and Dixie Cup.

Kentucky Utilities kwh sales have increased from 764 million in 1947 to 2,148,000,000 in 1954, a gain of 181%, but receded to 1,957,000,000 in 1956 due to loss of the power sales to EEI and OVEC after these companies (which service the AEC) completed their own huge power plants. Excluding this abnormal factor sales have increased 156% since 1947 in a steady upward trend. Electric revenues made a somewhat similar showing, increasing from $17 million in 1947 to $37 million last year, a gain of 118%. Share earnings increased from $1.01 to $2.13 in 1954 (with an interim dip in 1951), but in 1955 dropped to $2.05 due to the loss of the EEI-OVEC business, regaining the $2.13 level in 1956. Dividends have increased from 80c in 1948 to $1.28 currently and the price of the stock nearly tripled — from 10 to nearly 30 during 1949-55.

The company about a decade ago had 10 small plants and had to buy power; now they have 420,000 kw capacity compared with last November's peak of 390,000 kw, and there is also about 80,000 kw purchased power available, making a reserve of 17%. When the company's newest generating station goes into commercial operation about May 1, virtually all of the company's generation will come from power plants built since the war—smaller, less efficient plants will be used only for standby and peaking purposes. Since 1947, fuel costs per million Btu have decreased from 22.2c to 19.9c and fuel cost per kwh has dropped from 4.97 mills to 2.46 mills. Btu per kwh have decreased from 22,406 to 12,403.

The company expects to spend $72 million for new construction in the four years 1957-60, of which $39 million would be new money. It expects to complete its 1957 program with $4 million in temporary bank loans but expects to sell about $17 million in bonds and common stock in 1958.

President Watt has indicated that the company may decide to ask for a rate increase in a few weeks. The company has never had a rate increase before in its 45-year history but the indicated rate of return is showing a downward trend due to higher fuel costs, etc., and currently is only about 4.75% on a "fair value" rate base. It is expected that, without a rate increase, share earnings for this year may decline to about $2.06 vs. last year's $2.13, and next year's probable equity financing would dilute share earnings.

Louisville Gas & Electric has already asked for an increase. West Kentucky Gas was recently allowed a return of 6½%, it is understood, due to emergency conditions.

Kentucky Utilities is currently selling around 26 in the Over-the-Counter Market and pays $1.28 to yield 4.9%. Dividend payout of 60% is somewhat on the low side, and the stock sells at 12.2 times 1956 earnings compared with an industry average of 14.3.

Federal Land Banks Offer 3⅞%-4% Bonds

The 12 Federal Land Banks yesterday (April 10) offered publicly $78,000,000 of 3⅞% bonds due May 1, 1958, and $125,000,000 of 4% bonds due May 1, 1962. Both issues, being offered at 100%, are noncallable. These new consolidated bonds will be dated May 1, 1957.

Offering was made through the banks' fiscal agent, John T. Knox, 130 William St., New York City, with the assistance of a nationwide dealer and banker group. Proceeds from the financing will be used to redeem $170,000,000 of 3.30% bonds maturing May 1, 1957, to repay borrowings from commercial banks, and for lending operations.

The Federal Land Banks make long-term loans to farmers through 1,100 national farm loan associations on the security of first mortgages. These local associations, owned entirely by farmers, in turn own all of the stock of the Federal Land Banks. Farmers have about $102 million invested in the banks, which have accumulated reserves and surplus of $266,000,000.

Chicago Invest. Women To Hear G. Slattery

CHICAGO, Ill.—The Investment Women of Chicago will meet at a dinner meeting on Wednesday, April 17, at the Chicago Bar Association. "Civil Defense and Fire Prevention" will be topic of guest speaker Gerald Slattery, Fire Chief.

Gaston F. Balme

Gaston F. Balme passed away April 8 at the age of 69. Mr. Balme, prior to his retirement, was associated with G. E. Barrett, a New York investment firm.

First Boston Group Offers Texas Gulf Sulphur Secondary

The First Boston Corp. and associates on April 8 made a secondary offering of 1,200,759 shares of Texas Gulf Sulphur Co., capital stock at $28⅞ per share. The stock represents the entire direct holdings of Gulf Oil Corporation which will receive the net proceeds of the offering.

Texas Gulf Sulphur Co., with total book assets at the end of 1956 of $125,879,000, is the world's largest producer of native sulphur. In only four of the past 30 years, 1933, 1939, 1943 and 1954, has it accounted for less than 50% of domestic output.

Texas Gulf produces sulphur from Boling Dome, Spindletop and Moss Bluff, all in Texas, and began operations on a Mexican dome in February 1957. Three of these four domes have been discovered since World War II as a result of its exploration program. In addition, Texas Gulf has discovered two other domes which it plans to develop, and has taken leases on two off-shore locations in the Gulf of Mexico. The company recovers sulphur from sour natural gas, has an agreement with International Nickel Company Limited to operate pilot plants to investigate processes to reclaim sulphur from refinery and smelter gases and is actively exploring for sulphur and sulphur-bearing ores in New Brunswick, Alaska and in various other parts of the world.

The company has reported a profit in each year since it began operation in 1919. In 1956, gross revenues of the company amounted to $84,573,000 and net income to $28,136,000, compared with $93,589,000 and $32,356,000 respectively in 1955. Rising depreciation and amortization provisions and lower profit margins in recent years reflect both larger capital outlays and higher operating costs of the new domes now being developed and mined. In addition, 1956 results were affected by sharply higher exploration expenses—over $1,500,000 higher than 1955, after taxes—and by lower profits from foreign sales resulting from lower volume and the reduced export prices which became effective midway through the year.

Texas Gulf has never omitted a quarterly dividend since the initial payment in 1921, and dividends paid through March 15, 1957 have totaled $391,707,500. In 1955 and 1956, dividend payments were $2 per share. The company's capital structure consists of 10,020,000 shares of capital stock, its only outstanding security; for many years it has had no debt.

Phila. Secs. Ass'n Announce Outing

PHILADELPHIA, Pa.—The annual outing of the Philadelphia Securities Association will be held on Friday, June 21, 1957, at the Overbrook Golf Club, Ithan, Pa.

Yates Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CARMEL, Calif. — Richard C. Eldred has become affiliated with George V. Yates & Co., Jorgenson Building.

Joins J. A. Overton

(Special to THE FINANCIAL CHRONICLE)

CORONADO, Calif.—David R. Wallace has become affiliated with J. A. Overton & Co., 1134 Orange Avenue.

With H. Carroll

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph Simpson, Jr. has become connected with H. Carroll & Co. He was formerly with Aronson & Co. and Sterlin Securities Co.

With Cradock Secs.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harvey F. Hanna has become associated with Cradock Securities Limited.

For 27th Consecutive Year Mountain Fuel Supply Co. Sets New High Records in Utah-Wyoming Area

Operations of Mountain Fuel Supply Co. in 1956 reached new highs, with marked improvement over 1955.

Number of customers increased from 126,081 in 1955 to 135,665 in 1956 or 7.6%. For the same period gas sales increased to 65.925 billion cubic feet compared with 59.218 billion cubic feet sold in 1955, or 11.3%.

Volume of gas run through the Company's system in 1956 was more than double the volume of six years ago and more than three times the volume of ten years ago.

Brief Comparison 1956-1955

	1956	1955
Total assets (depreciated basis)	$73,913,112	$69,032,138
Total revenues	24,335,808	22,502,983
Net income	3,631,295	3,293,656
Net income per share	1.66 (on 2,188,891.4 shares)	1.59 (on 2,076,584.4 shares)
Dividends	1.20	1.10
Number of stockholders	12,449	11,498

The Company owns and operates 94 miles of gathering lines, 470 miles of transmission lines, 2,112 miles of distribution mains and 702 miles of customer service lines. System capacity is 291 million cubic feet per day.

Dividends have been paid continuously by the Company since 1935. Present dividend rate is $.30 per share a quarter. Listed on the Pittsburgh Stock Exchange.

Copy of Annual Report will be sent on request.

MOUNTAIN FUEL SUPPLY CO.

Serving 73 Communities in the Salt Lake City - Ogden - Provo area of Utah and southwestern Wyoming.

General Office: 36 South State Street Salt Lake City 10, Utah

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Continued from first page

As We See It

the engineers and all the rest (except the wage earner of course) have it within their power to provide all this for the wage earner, and will be required to do so. The "we" of the first statement is quite evidently not the "we" of the second.

One large question in this whole business has to do with whether the "we" of the first statement can in point of fact provide all this if the "we" of the second simply demands it without turning a hand to help provide it. The unions have been pressing their luck a good deal in recent years. They may well obtained or very nearly obtained all that they can from industry without taking any effective and responsible part in promoting production. Notwithstanding the magic of science and technology, of management and diligence, further real advance by labor may require an altered attitude and policy on the part of the unions and of the men toward their part in improving production rates.

What Is Fair About It?

It ought to be, but may well not be, a work of supererogation to ask once again what the basis is in reason, logic or ordinary fairness for an apportionment of all gains in output to the wage earner who in no way concerns himself with production advances. Of course, the unions and many others, some of whom ought to know better, have a good deal to say about "productivity"—by which is meant merely output per hour per worker—and to cite somewhat doubtful statistics to prove that it is on the increase. This, so they say, lays a basis for higher wages. It should be clear to a wayfaring man that this reasoning carries a complete *non sequitur*. Rarely does the average wage earner have anything at all to do with higher output per hour of work. More often it is the other way round, management being under the necessity of finding ways and means of moving ahead despite impediments placed in his path by the wage earner.

The unvarnished truth of the matter is that the unions are determined to wring from the traffic the last farthing that it will bear, and are over-optimistic as to what that is. What makes that fact ominous is the circumstance that wage earners have been encouraged to organize themselves into a tight monopoly and to demand many privileges not ordinarily permitted to any other element in the population. Doubtless business generally is operated on the principle of charging what the traffic will bear, but it must face a competition which definitely relates what the traffic will bear to some reasonable relation to costs—that is to the level of efficiency attained in producing. Where such competition does not exist and cannot in the nature of the case exist in any very practical form—assuming there are such cases—extensive controls and regulation are the common practice.

This determination to reap what and where they have not sown and will not sow is unfortunately in evidence in other spheres today in a degree not generally realized perhaps. One of the most glaring examples of it is found today—if we may speak with complete candor—in the case of Britain. The authorities in that country say that the nation can not bear the cost of conventional armament and at the same time live as it is determined to live at home. It will therefore reduce its ordinary defense organization and depend in the future upon the most expensive of all types of defense, and thus be able to release men to private industry to supply the consumer. The answer is, of course, that the United States of America will be permitted to bear the expense, or much of it, of the sort of pushbutton preparedness that is now contemplated. Britain seems to regard herself as being in a geographical position where this country dare not fail to defend her—and she intends to cash in on that circumstance. Of course, whether or not Britain can or can not do this or that for itself depends largely on how hard the rank and file of the people of that country are willing to try. It is naturally much easier to let George do it.

And, Egypt Too

Perhaps much the same could be said of the present policy and program of the Egyptians with respect to the Suez Canal. That waterway was but in part supplied by nature. Most of it, and all of it as a feasible route, is man made. Egypt had nothing to do with its construction and has contributed nothing to its operations. It lies in Egyptian territory, though, and its rulers—with the encouragement of the Kremlin — intend to take all the traffic will bear. It must, of course, be admitted that such behavior as this is not without precedent in world politics. Such things have often happened in international relations—and cases could easily be cited where hands were overplayed and valuable assets became largely worthless.

Such a thing could also happen to our own labor unions, but more important is the effect such overreaching must have upon us all whether we are involved in the controversy or not. It is bad enough to have the labor monopoly simply take what by rights belongs to other elements in the population. It is still worse to have its efforts to take it kill the goose that lays the golden egg. Of course advocates of higher and ever higher wages for less work make full use of the old fallacy that to pay the wage earner more than he really earns stimulates business and helps all of us, but we may pass that one by now that it has grown so timeworn. Mr. Reuther and the others would do well to think again.

Continued from page 14

Consumer Instalment Credit and Public Policy

it is argued that a market overstimulated by the use of consumer credit cannot only overreach itself by borrowing from the future, but may also engender the expansion of a productive capacity that may later prove to be redundant. In such an event, consumer credit becomes an unsettling economic influence whose adverse effects are aggravated by the obvious fact that the extension of consumer credit involves the assumption of a debt burden by its users, whose service may involve both individual and collective difficulties upon the advent of unfavorable economic conditions.

For example, if it were possible to trace the onset of a business recession to a contraction in the volume of consumer credit, it might be revealed that the narrowing markets incident to a reduced use of consumer credit had in turn brought about lower industrial production schedules and reduced employment. At the same time, this contractive process would be further aggravated by a spirit of caution which would deter prospective users of consumer credit from incurring debt while others would apply their efforts to liquidating their outstanding obligations.

However, generally favorable experience with the use of consumer credit, plus a demonstrated capacity for general credit controls to influence movements in its volume, indicates that the economically depressing elements potentially inherent in wide fluctuations in the volume of consumer credit may not be a matter of serious concern. Therefore, searching thought and examination should be given to the objections sometimes raised by granting any Federal administrative body discretionary standby authority to impose selective credit controls.

As regards such objections, it is usually admitted that selective consumer credit controls represent an interference with individual spending habits and commercial sales practices that is not warranted except in exceptional circumstances. Also, it is known from experience that the enforcement of consumer credit controls poses difficult administrative problems except under emergency conditions when the populace is willing to accept the discipline of controls from patriotic reasons.

Furthermore, the economically successful operation of peacetime controls over consumer credit under a standby authority would demand infallible judgment on the part of those charged with the responsibility for appraising the need and choosing the time for their imposition. Although it is claimed that public awareness of the existence of authority to impose consumer credit controls would of itself serve as a moderating influence to prevent the overexpansion of consumer credit, either concern in that regard might unnecessarily deter constructive industrial and commercial programs or else, if consumer credit controls were summarily imposed after annual programming had been embarked upon, the disruptive effects on manufacturing schedules, inventories, and wholesale and retail sales might be serious.

The widespread opposition to consumer credit controls that has been voiced by industrial, commercial, and financial groups supports the position frequently taken that the imposition of consumer credit controls, except in times of crisis, could so upset the normal processes of production, distribution, and consumption as to take from rather than add to "the greatest good of the greatest many."

But to set out the problems and difficulties attendant to a peacetime imposition of consumer credit controls cannot hide the fact that major fluctuations in the volume of outstanding consumer credit contain unstabilizing economic influences that must be restrained. How appropriate restraint can be exercised suggests that it is not consumer credit alone, but the entire scheme of credit, that requires scrutiny.

Consumer credit as a constructive and dynamic factor in maintaining and raising our standard of living has already been adverted to, as has been the strength of its influence in broadening our markets and reaping the benefits of mass production. But what has been said of the good and bad qualities of consumer credit can also be said in more of less degree of other types of credit, which intimates that general credit controls may offer as appropriate a means for restraining any excess in the use of consumer credit as do selective controls.

Fundamentally, the total use of credit depends on the supply available in the hands of credit-granting institutions and how it will then be allocated among its claimants. Many considerations enter into the process of credit allocation, but all revolve around the principle that by and large a free market is a better vehicle for its allocation than a controlled market. However, the working of a free market is bound to be affected by the temper of the times, and thus it is that when consumer propensities to spend are attracted to any particular field of personal expenditure, it is a sequel that the use of consumer credit will also expand in that field and may, by a multiplier process, result in an overexpansion of some form of consumer credit.

Furthermore, as a previous period of rising public liquidity has been held to be the source of a subsequent sudden and rapid increase in the volume of consumer credit, it follows that if consumer credit controls were summarily imposed without a simultaneous reduction in the total supply of credit, the amount of credit forced out of the consumer credit sector might then rush into some other sector of credit. The consequences could conceivably become as economically disturbing as those that were believed to have justified imposing controls over consumer credit.

In the light, therefore, of these considerations, reliance on general credit controls for restraining any overexpansion of consumer credit under normal conditions looms as an alternative instrument of credit control and as one more consistent with the principles of a free market than are selective controls.

Effectiveness of General Controls

It is granted that general credit controls cannot act with the same promptness and dispatch in restraining the growth of consumer credit as can selective credit controls. On the other hand, there is presumptive evidence that over a period of time they are effective. A juncture in the state of the consumer mind when mass enthusiasm leads to a vast upsurge in the desire to apply consumer credit to the purchase of desired goods is the background against which general credit controls must exert their influence. Prior to that time, existing and new credit-granting units will have been drawn magnetically into the market for the satisfaction of such desires. Not only consumer credit, but all kinds of credit, expand in this type of economic setting and in the process, the pressure of an increasing demand is exerted on the available supply of credit.

Then, because the effect of general credit controls is to restrict the expansion of credit, their restraining influence becomes progressively greater as the total volume of credit expands and bears with especial weight on the commercial banks which are the most dynamic force in the area of credit-granting institutions. What is more, commercial banks are the most important single factor in the extension of consumer credit, accounting directly and indirectly for more than one-half of the total volume of funds that eventually are lodged in consumer credit paper. Considering the dominant role played by commercial banks in the field of consumer credit and their companion responsibility to serve simultaneously a myriad of other needs for credit, it becomes apparent that the impact of general credit controls on the credit-granting activities of commercial banks is far-reaching and especially so at a time when they are being employed vigorously. This is because the effectiveness of general credit controls increases with the expansion in the volume of credit it is sought to restrain, but with a pervasiveness throughout the general structure of credit that does not forcibly interrupt whatever expansion of credit is appropriate to the healthy growth of a dynamic economy.

Besides their leading role in the field of consumer credit, commercial banks, as has been mentioned, have diverse responsibilities for the extension of credit that also run parallel to an even superior responsibility to be prepared to meet the withdrawal requirements of their depositors. These responsibilities, in combination, demand that bank managements arrange the distribution of their resources at their disposal

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so as best to meet the claims for credit pressed upon them and at the same time to maintain the degree of liquidity essential to the fulfillment of their deposit obligations. This is an art whose peak of perfection is expressed most capably when the expansion of credit is being vigorously subjected to the influence of general credit controls. And it is in the consciously determined distribution of banking resources that general credit controls reach their maximum of efficiency.

In illustration of the manner in which commercial banks distribute their loanable resources, their holdings of consumer instalment paper increased by $1,081,000,000 for the year ended Dec. 31, 1956, as compared to an increase of $1,805,000,000 for the year ended Dec. 31, 1955. Taking full account of a major slowdown in the rate of increase in holdings of automobile paper, the slower over-all growth in holdings of consumer instalment paper during 1956, which was another year of intense demand for commercial bank credit, reflects both the pressure exerted by general credit controls on the commercial banks to allocate their available supplies of credit among their most deserving claimants, and the necessity at a time of falling liquidity to accomplish whatever arrangement of resources was most consistent with the character of their deposit liabilities.

General Controls' 1956 Success

Broadly speaking, the effects of general credit controls in 1956 were compatible with the objectives sought after, as seen through the credit activities of the commercial banks, which witnessed a slowing down in the growth of their holdings of consumer instalment paper at the same time that credit extended in other directions contributed to enlargement of the nation's productive capacity and thereby to the potential relief of the heavy demands made on the supply of essential commodities and materials.

In short, the unfettered allocation of banking resources played a vital part in achieving the sort of rolling adjustment in our national economic activity that is looked upon more and more as the prerequisite of a stable economy operating at a high level of activity, and which in 1955 and 1956 shifted concentration on the production of consumers' durable goods into concentration on the production of producers' goods.

Lest it be thought that the place of commercial banks in the scheme of consumer credit expansion and control has been raised too high, the reminder is necessary that as the supplier of over half of the volume of funds that finds its way into consumer credit, commercial banks have a decisive voice in the allocation of consumer credit. Thus, it is also true that as general credit controls operate directly through the mechanism of the commercial banks, their effects reach through the banks to their customers, and especially to those customers who in turn look to bank credit as their source for making consumer credit advances. The secondary influence of general credit controls on the sales finance companies which operate extensively with commercial bank credit is a case in point. But of still more importance is the influence of general credit controls on the marginal type of bank borrower that is the last to be drawn into the extensive use of bank credit at a time of high economic activity and the first to be forced out as the effectiveness of the controls strengthens. The pressure exerted by general credit controls on these marginal operators to a considerable degree measures their restraining influence on the total expansion of consumer instalment credit.

In brief, although experience indicates that general credit controls eventually exert timely restraint over the growth of consumer credit, it is acknowledged that in doing so the free market process of allocating the available supply of credit at a time of an active demand for credit may not serve the credit needs of all claimants. Judging, however, from the continued growth in the total amount of all types of member bank loans during this past year, which came to $7,310,000,000, and analysis of its uses, most needs, both small and large, have been met, even though delays have occurred, and where difficulties were encountered existing specialized credit-granting institutions have given assistance. Whether the use in 1955 and 1956 of the cruder instrument of selective credit controls to restrain the growth of consumer credit would have been more beneficial to an economy operating under forced draft than the use of general credit controls cannot be answered.

"Is It Goods?"

Lastly, in our thesis of "the greatest good of the greatest many" comes the question: Is consumer credit really good for the greatest many? Collectively, the answer "yes" has already been given, in the contention that the use of consumer credit has been beneficial to our high standard of living.

A less positive answer can be given to the case of the individual user of consumer credit. It is estimated that about 30 million households, or three-fifths of all households in the United States, owe some form of consumer debt. An estimated 13 million households owe debt for more than one purpose. Mortgage debt is the most common obligation but nearly one-half of all households are in debt for autos, household equipment, or other nonmortgage purposes. Acquisition and possession of the physical assets for which these obligations were assumed have, as has been stated previously, added to the convenience, comfort and efficiency of the American people. In so doing, however, consumer instalment credit is recognized to be a leading and amplifying force in economic fluctuations and to have contributed to and intensified inflationary pressures in boom periods.

In that connection, the growth of consumer instalment credit from a total outstanding of $2,462,000,000 in 1945 to $31,552,000,000 at the end of 1956 gives cause to ponder what might be the reverse effects on the economy if an unfavorable change in business conditions should curtail the expansive economic influence of consumer instalment credit proportionately to a reduction in personal incomes and a consequent lowered ability for users of consumer instalment credit to take on similar new obligations because the burden of servicing their existing obligations was growing heavier. Lacking previous experience with any serious development of this kind, it is impossible to answer this question categorically.

However, as in the opinion of competent observers, consumer instalment credit has been a less aggravating factor during recessions than an inflationary factor during boom periods, there are grounds to believe that the effects of such a situation might not be as direful as sometimes supposed. In support of this view, it is cited that the use of consumer instalment credit does not represent expenditures separate and apart from the run-of-the-mill type of household expenditures, but in reality substitutes for many such expenditures. For example, mortgage and related payments on homes may be regarded as an alternative to rent; outlays for a washing machine and dryer take the place, to some extent, of payments to a laundry establishment; while the ownership of television sets replaces, in some degree, admissions to theatres and sports arenas.

On the premise, therefore, that the end use of many essential consumer expenditures has been provided for previously through the application of consumer instalment credit, a reduction in personal incomes should not be expected to have as abrupt and harsh an impact on the general level of essential consumer household expenditures as might have been the case in years gone by when consumer credit was not used as extensively.

Granted that it is reassuring to feel that consumer instalment credit contains qualities that tend to offset some of the potentially depressing economic effects of a reduction in the level of personal incomes, economic vulnerability from that direction cannot be dismissed out of hand for the hard fact remains that in 1956 payments on instalment debt took 12.9% of consumers' disposable incomes. The claims for debt service over other uses of personal incomes are, therefore, always to be reckoned with when discussing the possible results of a downward movement of personal incomes.

Even so, recent experience gives hope that future shifts in the nation's economic activities will also be of the rolling adjustment type that redirects many primary factors of production and consumption without materially altering the total level of economic activity. In that event, the high rate of turnover in consumer instalment credit should serve to counteract the possibility that the weight of instalment payments against reduced personal incomes will exert cumulatively depressing effects on consumer purchasing power. Encouraging to that view is the fact that the existence of consumer instalment credit is concentrated in the younger elements of society whose job and income security, and consequently their debt-paying ability, is better assured than may be of the older elements who, on the other hand, have tended to free themselves from the burden of debt along with the passage of years.

To say that the constant employment of consumer credit by the younger generation is more harmful, in making it callous to a respect for debt obligations, than it is helpful in easing the path of its living habits, seems to be denied by payment records, which have been good. To criticize the use of consumer instalment credit from the vantage point of those whose youthful debts are behind them, ignores the imponderable fact that as times marches on, evolution in the use of credit marches with it from a present into a future that it is folly to attempt to predict will or will not serve "the greatest good of the greatest many."

But it is not enough to look at what might be termed these global aspects of consumer instalment credit. The quality of the individual obligations must also be viewed. Where instances in the rapid growth in the outstanding volume of consumer instalment credit have been associated with periods of economic booms, investigation has identified these same periods with a deterioration in the quality of consumer obligations, as competition and the hectic excitement of the boom have led to a lowering of down payments and an extension of maturities. However, if it is a demonstrable fact that booms have their origins in earlier periods notable for a high degree of economic liquidity, and if it can be conceded that the problems incident to excessive public liquidity can be prevented through properly conceived fiscal and monetary policies, quality problems with respect to consumer instalment credit obligations are less likely to arise.

Moreover, even should history be repeated and consumer instalment credit again become suspect as being a potentially unstabilizing economic force, I am sure everyone will agree that in our search for "the greatest good of the greatest many" consumer instalment credit has its fitting place of honor.

With Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. Lyndon H. Osmundson is now with Francis I. du Pont & Co., Statler Center. He was formerly with J. Logan & Co.

Joins Hemphill, Noyes

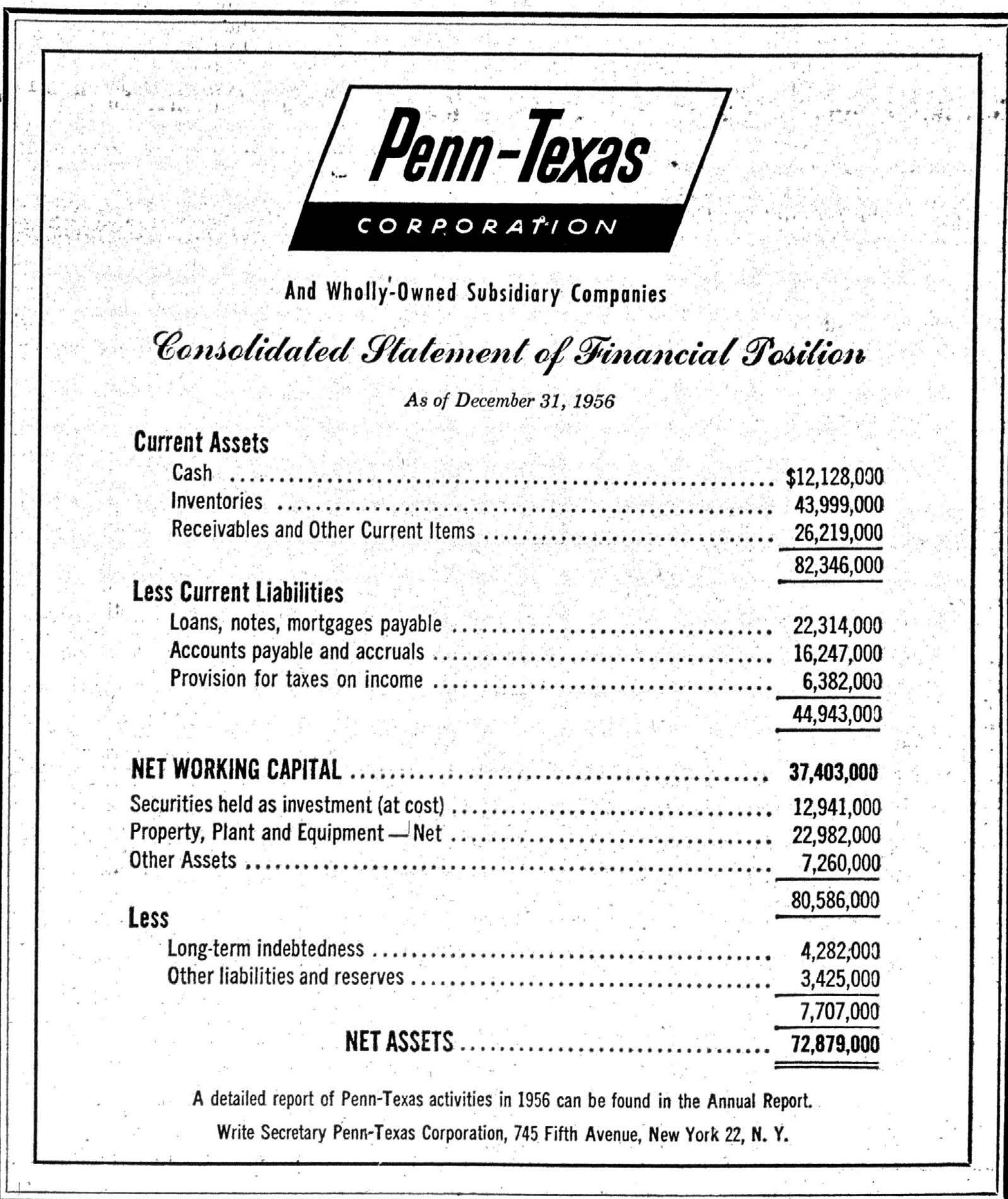
(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George M. Maxwell is now connected with Hemphill, Noyes & Co., 628 West Sixth Street.

Goodbody Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John J. Bergin has become affiliated with Goodbody & Co., 140 Federal St. He was previously with Schirmer, Atherton & Co.



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Electricity and Progress

greatest in the world. The reason for this is that in America there is a strong incentive to save. This incentive is provided by the free enterprise system which gives every citizen the right to go into business for himself or to join other people in going into a mutual business, which is in effect what a person does when he buys a share of corporate stock. Not many countries in the world offer their citizens this right.

It is this right to save and to invest the fruits of saving into an enterprise that has enabled America to develop the machines, tools and factories which have resulted in this high standard of living that we enjoy. In some other countries, where the capital for industrial development must come from only one source — taxes — public sentiment is often against industrial development because it is going to cost the citizens money which they would rather use for something else. Thus we find for example that in England today, electric power is in short supply. The power business is being strangled by lack of capital with which to expand and meet the need for power.

In America, practically everyone saves. Every person who buys an insurance policy, participates in a union trust fund or a retirement plan, or has a bank account is a saver. Much of the money he has saved through these various means later shows up as a new tool or a part of a machine somewhere in industrial America. That tool or machine can then start to produce goods for us to enjoy. The money used by power companies to build generating plants and other facilities comes from these sources. About 60% of the bonds issued by power companies are owned by insurance companies, which used the money entrusted to them by their policyholders to buy these securities.

About 50% of the cost of the power company facilities comes from the sale of bonds. A bond is simply an agreement to borrow a specific sum of money which is to be returned at a later date to the saver. While the money is used, interest is paid on it. It is the safest form of security, since it is secured by a mortgage on the property.

About 15% of the money is obtained through the sale of preferred stock. This stock usually pays a lower rate of return than common stock, but it is a relatively safer investment than common shares because it carries with it such advantages as a prior right to dividends or a prior claim on the assets of the company.

The remaining 35% is financed by the common stockholders equity. The common stock is a pure ownership certificate, and the holders of these shares have all the benefits and assume the risks of owning the company. If the company has a loss, they are the first to suffer. If the business should fail, they would take the greatest loss. On the other hand, the advantages of this type of ownership are that if the value of the company's assets should increase, the value of the shares will also increase; if the company's earnings increase, the return to the savers will also increase.

This statement of methods of obtaining new money in our business may seem elementary to most of you and I have mentioned it here to emphasize that with regard to all the different kinds of securities which we have we must present a favorable investment for our lenders since whether or not they invest is wholly their choice. Under the free enterprise system forced investment is impossible.

The industry has been successful in its operations and for this reason has enjoyed very favorable consideration from the public. Its rapid expansion has been rightly interpreted as a healthy growth carrying with it earnings which support the additional investment. The prospects for further expansion of business at rates fair to both consumer and investor seem clear as far as we can see now. The spectacular growth of the industry, with its rates for service to the public only slightly more than the lowest of historical record has been due in a large measure to the continuously expanding use of electricity and the many and continuing technical accomplishments, credit for which is due to the efforts of many who are present here. Our prospects for the future depend greatly on your continued efforts.

Satisfied, Supervised Service

In our service areas and among the customer groups we serve, the people are generally satisfied with our service. Our rates and our service are supervised and regulated by the various state regulatory bodies and wholesale rates in interstate commerce by the Federal Power Commission. Under their supervision, the public is protected against possible misuse of our advantage of serving areas as a sole supplier.

Federal public power is essentially a minority issue—by that I mean that it is espoused by a small group—well organized, it must be admitted. This group consists of a hard core of public power protagonists who have, we are convinced, the erroneous notion that a government can operate a commercial business economically.

We have just come through a national election and some of the public power group are saying that its results vindicated the expansion of plans for public power. I do not believe this. I am no political analyst, but I have been around a few years and have talked to many people and I believe that the great majority of voters are conservative at heart and will never fall for the socialistic power programs if they become acquainted with the sad record of government in business, and then are given a real opportunity to express their views.

Let us look at public power for a moment. Public power utilizes the same kinds of equipment and operating methods as do we. It has the same technical advantage. Now let us look at the advantages it has that we do not possess and whether they are real. First, there is the tremendous tax advantage. The Federal Power agencies pay either little or no taxes. The investor-owned utility industry pays taxes in the neighborhood of 24% of gross earnings; or, if we relate taxes to invested capital, then our taxes represent 5½% per year of plant investment. These tax payments go not only to the Federal Government, which takes the largest share, but also to the state and local governments including the public schools.

The second seeming advantage which public power has is its ability to finance itself in ways not open to free enterprise. Generally the Federal projects are financed by direct appropriations from Congress, representing taxpayers' money. Many of the Federal projects, when they do calculate an interest return on the cost, use a rate as low as 2½%—a rate that does not carry a return to the Federal Government equal to that paid on governmental savings bonds and is nowhere near comparable to the return which the citizen would expect from investments made of his own free will on his own account.

Neither of these tremendous advantages enjoyed by government power is a benefit to the economy of the nation. They are simply arbitrary subsidies which, on the face of it, permit public power projects to charge less for their service than free enterprise, which stands on its own feet.

Here's an interesting comment in this connection. Let us assume that free enterprise is investing a million dollars in a new utility facility, on which it will pay in taxes the average for the nation of 24% on annual gross revenue, or 5½% per year on plant investment. This means an increase in revenue of $55,000 a year to the tax collector. If the Federal Government invests the million dollars in the same facility, paying no taxes, it may make a bookkeeping entry as to cost of its investment of, let's say, 2½% per year. The Federal Government then, will figure on charging itself about 2½% on its investment, or $25,000 per year for the use of the taxpayers' million dollars. Compare this with the $55,000 per year, which goes directly to the tax collector when the property is financed by investors.

In order to see what the combined advantages of public power are we should note that if we take the tax requirements of the investor-owned utility at the national average of 5.5% on investment capital and add to it a return of 6% on investment, we obtain a requirement of taxes and return of 11.5% on the investment. In the case of government or public power, there is no tax component worth mentioning and the interest component on the use of the taxpayers' money is about 2½%. This 2½% represents all that the Federal Government assumes for taxes and return (including, of course, no Federal taxes). Thus it can be seen that an investor-owned utility lies under the burden of obtaining an annual amount equal to 9% of its capital investment in excess of the charges that the Government assumes. Evaluated in terms of gross revenues at an average ratio of 4⅓ to 1, this percentage becomes approximately 39%. If, therefore, an investor-owned company were able to operate without taxes and with money provided at the government rate, it could reduce its rates 39%. Conversely, a public power project, if it were required to measure up to the costs incurred by the investor-owned utility, would have costs 64% higher. Obviously, the apparently rosy picture which public power presents to some people would be dissipated by such a requirement.

Preference Clause

I wish to point out that the Preference Clause is tantamount to a foreclosure of participation of the customers of an investor-owned company from receiving any part of the subsidies accorded public power because their distributing agent is prevented from buying government power on a permanent basis. The Preference Clause any way you analyze it, seems contrary to the American sense of fair play. The recipients of the preference are agencies which make no contribution to the Federal Treasury. You can re-phrase the Preference Clause without distortion by stating that only those agencies which pay no Federal taxes are accorded preference in the purchase of a government-supported product. It is as if a manufacturer were to say, "We will not trade with those who support us but only with those who do not support us." Someday I hope Congress will revise this illogical clause.

In my discussion and comparison of public power with our investor-owned companies, I do not imply any criticism of the people who run America's public power bodies nor of the 20% of the Americans who receive their power from such sources. As long as the law of the land provides for operation in this manner, they should not be subject to criticism for taking advantage of their privileges. I do criticize the public policy which has given rise to a certain amount of unfairness. I do not like our customers to be discriminated against as against customers served by public power. Public power customers, in all fairness, should assume the same burdens in their electric schedules as our customers assume.

Regardless of differences over policy, there is an over-riding consideration which impels us all to put those differences aside and work together to keep America strong and great. There is plenty of work for all hands. We have come a long way in the past, but our future promises even greater things than our predecessors had dreamed of.

Acting Together

Each individual can make a substantial contribution. It is because of millions upon millions of individual contributions to our national development that we have reached the enviable position we hold today. Each of us must continue to do all he can; each must see to it that nothing he does imposes an extra burden on his brother. Each should carry his own weight and more.

This requires a national rededication to the philosophy of individual initiative and individual responsibility which has made our nation what it is to day. It requires that we take every opportunity to do things for ourselves instead of asking our government to carry our load.

Our nation was born under that philosophy, the philosophy which holds that government was designed to govern—to maintain law and order and to settle disputes. We have been turning from that path, and our trend is toward a form of government under which our every problem is solved for us by the government. This is not as it was in the beginning, nor is it as it should be. Our present direction is measured by the size of the recently proposed budget, which prompted Secretary of the Treasury Humphrey to say:

"Congress enacts laws that start with the public. The public, various groups of the public—and it is getting so more and more—keep turning to the Federal Government for everything in the world to be taken care of. Whenever anybody gets into a little bit of trouble he immediately runs to Washington and asks for something to be done about it. It adds to the cost of government and that adds to the taxes . . ."

We who live in, work with, and support this economy—and by that I mean every citizen of America—are the only ones who can redirect the course we are following. It is therefore up to us, each and every one of us, to use our American ingenuity today as we have used it in the past, to build for ourselves and for our posterity a greater America.

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Federal Reserve Credit Study—No Case for Selective Controls

nomic analyses the contentions which our industry has been making less effectively for many years. The report by Mr. George Bailey, Part III of the consumer credit study, showed the overwhelming sentiment of the industry in favor of this view. Its support by a Governor of the System, one most familiar with this area, is indeed reason for gratification.

If I may be permitted to digress for a moment from Governor Mills' observations to the body of the study itself, there are some interesting observations on the question of the **effectiveness** of general monetary controls on the instalment industry.

The pro-selective control argument in the past has run something like this: general controls press on the quantity of bank reserves and the price of money. However, instalment sales companies will always get money; they don't care about its price, since they can always pass price rises on to the consumer.

However, in the body of the study is some very interesting evidence which questions this. That part of the study directed by Mr. Eliot Swan of the San Francisco Federal Reserve Bank examined the question of effectiveness of general controls and came to no clear conclusion. A paper by Mr. Don Jacobs, in Part II of the study concludes, however, that general controls did affect the source of funds for finance companies, in some cases altering the source of funds, in other cases limiting the amount, or both effects.

But this is one blade of the shears; if money must be obtained elsewhere (e.g. in the long market if it is obtained at all) because of general controls, is it still not true that the additional costs of borrowing may be passed on? The answer is in a crescendoing negative. Let us remember that instalment credit rate regulation is now established in some 15 or 18 states, including New York, California, Ohio and most of the larger states. Further, the adoption of rate regulation by all states is a fair prospect.

These two factors—the evidence of the effectiveness of general controls, and state rate regulation which caps the passing of interest charges to the consumer—seem to me to destroy the main theoretical argument for direct instalment credit controls.

It could also be argued that in a free, peace-time economy, the goal of production is consumption. If consumers are willing to have funds drawn into instalment credit from other uses, that satisfies the "greatest good for the greatest number" criterion for social policy; this policy criterion alone should argue against direct controls. But it has not yet satisfied our persistent critics, who seem to honor a free market only in its absence. Therefore, I am pointing out that in terms of institutional arrangments and laws, as well as in theory, there is no case for selective controls, short of a war emergency.

The Quantity and Quality of Credit

Returning to Governor Mills' paper, the second point to which I would like to allude deals with his comments on the quantity and quality of instalment credit.

Governor Mills concludes that use of general monetary and fiscal policies is the only correct way of preserving economic stability and counteracting inflationary and deflationary excesses. The growth of credit has in the past been associated not only with normal economic growth, but, as Mr. Mills notes, the spurts of credit have been associated with monetary and fiscal policies which created excess economic liquidity. The credit rise following the recession of 1953-54 "had its roots in a high degree of economic liquidity," which was the result of deliberate

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policy. At other times, particularly 1948-50, it was less deliberate, the result in this period of pre-Accord policies which shackled the Federal Reserve.

In short, credit fluctuation is in large measure a result of, and not a cause of, changes in income stemming from more powerful forces. I agree wholeheartedly that control of income through the monetary and fiscal mechanism is the best way not only of controlling instalment credit, but also of assuring that any growth factor — credit, productivity, or population — will be a national asset and not become a national tragedy.

We agree that the quantity of instalment credit can and should be effectively controlled, as part of the general monetary scheme. We do not know, as Mr. Mills implies, just how high instalment credit can rise, but so long as it is in harmony with our whole credit structure, we have little to fear from the actual size of instalment credit outstanding.

If I may again digress to the study, several papers in it, notably Mr. Tobin's in Part II and others, have substantiated our view that the consumer himself regulates the quantity of credit wisely. In the press story of the study, some insight on the likely growth of instalment credit was noted: "Consumer credit may grow by 5-6% a year, more slowly than in the recent past, but probably more rapidly than consumers' income will rise. By 1965, families may be putting 13 to 14% of their spendable income into instalment buying, as against 11% in the last two years and 7% in 1940."[1]

While these views are bullish for the industry, they are happily also good news for the economy as a whole.

Divergence on Quality Views

Turning now to the quality of credit, I would diverge somewhat from Mr. Mills' views, in emphasis but not in fact. Governor Mills notes "the quality of individual obligations must also be viewed . . . investigation has identified the same periods (of boom) with a deterioration in the quality of consumer obligations, as competition and the hectic excitement of the boom have led to a lowering of downpayments and an extension of maturities."

Thus the periods of credit growth have also been periods of declining quality. Governor Mills implies that if the government controls booms via monetary and fiscal controls, the quality of credit will automatically not deteriorate.

Governor Mills is a kindly man. I know that from personal contact. I would look at the problem of quality a little differently. If the government keeps its part of the bargain and manages the quantity of credit through free market forces, it becomes the industry's responsibility to see that the quality of credit is continued on a sound and safe level. This is not only a public duty but, as experience teaches, the granter who ignores the question of quality will inevitably suffer penalizing losses in the long run.

Keeping sound terms is a matter of will, more than an automatic response to stable conditions, which will of course help. Digressing again to the study, Dr. Moore's contribution in Part II has shown how, in past depressions, those companies which have permitted quality deterioration have taken terrible losses. I commend his work to you. Perhaps the research workers in this industry have been remiss in not defining quality — sound terms — more accurately for the industry. In any event, it is a subject to which we must all pay more attention in the future.

Understanding the Monetary Mechanism

The final point I would like to raise lies, strictly speaking, outside the scope of Mr. Mills' paper. But I think it is the most important part of his commentary. He has shown us very clearly the relation between general monetary controls, the type we prefer, and other facets of our problems. It seems to me that we as an industry, or as companies, would be remiss in our duties as citizens and as corporate managers if we did not strive to understand the workings of monetary policy in the U. S. Obviously, the success of the Federal Reserve — our money managers—depends on the intelligent appreciation of their views and problems by the nation's businesses. We cannot effectively support the Federal Reserve System unless we understand and appreciate its nature and its workings. Understanding of such a complex mechanism is not easy, or to be gained overnight. But at the same time it is not impossible either, especially by people who deal in money daily, and who have been astute enough in the space of one generation to build an industry—the instalment credit industry—which has changed the face of the nation, raising its living standards beyond the most Utopian dreams of earlier dreamers.

1 N. Y. Herald Tribune, 3-20-57, p. 8.

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Consumer Credit and Government

vation (p. 12) that general credit controls cannot be expected to act with the same promptness and dispatch in restraining the growth of consumer credit as can selective credit controls.

But that leaves us with the question, apart from timing, of how much reliance we can, or dare, put in general controls for reaching the specific field at all. Unfortunately, but perhaps understandably, the consumer credit study just completed apparently leaves this most important question largely unanswered. No exact general conclusion, we are told (Part I, Volume I, p. 285), can be drawn from the evidence of this special study on "whether the response of the consumer instalment credit area as a whole to changes in credit conditions and, in particular, to general monetary restraint, is sufficient either in degree or in timing to facilitate a national economic policy directed toward sustained high and rising levels of activity without inflation."

Some response at the "wholesale level," as evidenced by the availability of funds to intermediaries and consumer credit departments of banks is indicated. Response at the "retail level," we are told, is less easy to document, although some tendency for interest charges to rise and for standards of credit worthiness to stiffen were noted. In the period covered by the board's study, demand forces, the report concludes, were apparently so strong as to dominate actual credit developments and consequently little of the response is visible in the statistics covering the period.

Relatively Insensitive

Consumer credit is so intimately related to consumer demand, and over the years has proven so generally profitable to lenders, that it may well be relatively insensitive to tightened monetary and credit conditions. After all, consumer demand for new and popular durables is rather more influenced by levels of disposable personal income and by subjective and institutional factors than it is by the more or less obscured financing costs involved in deciding to buy now rather than later. Since selling is, moreover, the vital driving force in most American business, vendors are likely to be reluctant to pass on to the purchaser any rise in costs of money.

Selective controls, on the other hand, are objectionable in that they transfer from the market to government, control over the exercise of consumers' choices. If all personal consumption were equally affected by any given shift in consumer credit terms, one might regard the effects of direct control as similar to that of a broadly based income tax. To the extent, however, that some types of consumption are significantly affected while others are not, direct controls are rather more like a highly selective and discriminatory system of excises. It is possible, therefore, that consumer credit regulation might in some cases affect economic stability but at the cost of artificial distortion in our economic processes. To that extent it would have very questionable economic effects in a free enterprise economy, relying generally on the market mechanism to allocate resources; politically it is contrary to our system of free individual choices.

This being the case, and in spite of the evidence that the response of consumer credit to general monetary controls may be delayed and diffused, we are better off to stay with the uncertainties than to rush into direct interferences which are recognizably objectionable.

(3) If authority for selective controls is desirable, the Congress should determine when and how it is to be used.

If selective intervention in private and personal affairs is to be undertaken, it should be done only upon the authority of the people's representatives—that is to say, the Congress itself.

Direct government controls upon the terms and conditions of consumer credit involve a very real and serious intervention in private affairs.

While it is sometimes argued that greater administrative flexibility in tax and expenditure policy might be desirable, the fact is that the Congress is quite capable and has demonstrated its capacity to act in such important matters as adjusting taxes to further the objectives of the Employment Act. The delegation of standby authority to an administrative agency to invoke instalment credit controls is not at the moment necessary in my judgment. It would be desirable that this authority be left with the Congress, to be delegated only when, as, and if the need seriously arises. Congress, under its Constitutional authority, may be expected—and trusted—to act if the need for intervention in private decisions be clear.

With Ervin Stein

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Geraldine L. Epperson has been added to the staff of Ervin E. Stein Investment Company, 1414 Broadway.

Joins Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Ronald Dimengo has joined the staff of Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—James N. Jackson is now with Merrill Lynch, Pierce, Fenner & Beane, 216 Superior Avenue, Northeast.

Securities Salesman's Corner

By JOHN DUTTON

Know How!

People often ask me, or write in to this column and inquire if there is some good book they can read that explains the art of security salesmanship. Unfortunately, I do not know of any recent work on this subject and there has been only a limited amount of educational material published on the "technique of selling securities." The Investment Bankers' Association offers material that deals with the acquisition of knowledge that is needed if a salesman is to abide by the rules and regulations of the governing bodies; also courses in security analysis and data which deal with the fundamentals of investment. But the ways and means of prospecting, of building customer confidence, of servicing accounts, and of SELLING out in the investment market itself, are for the most part still a matter of obtaining guidance either from an experienced sales director in an individual firm, or by trial and error as practiced by most security salesmen when they enter this business.

This Is a Business for Individualists

For those fortunate young men who are now taking training courses with the more progressive member investment banking firms and dealer organizations I would counsel them to obtain all the information regarding the methodology of investment that their courses make available to them. There is nothing more helpful in obtaining the confidence which is necessary in order to establish the proper relationship with your investor clients than a sound foundation of knowledge. The power that will come to you when you understand investment analysis, trading techniques, underwriting procedure, money and credit, the underlying factors which create the changes in the volume of business in our economy, valuation of securities, timing of purchases and sales, and all the host of other data and material which you should eventually be able to analyze with assurance, will enable you to sell with confidence.

Unless you are a strong personality with the will power and the character to initiate personal relationships on the most intimate and confidential level, all this information will help you only to the most modest degree. You may have a bent for investment analysis and you might also be more than successful in handling your own investment account, but unless you have the urge to carry a message of helpfulness and personal service to many individuals you will not find the going very much to your liking as a securities salesman.

There is a definite procedure that will bring you success in prospecting for clients. Likewise there is a method of obtaining interviews on a favorable basis at a time that is suitable to your prospective customer. There is a method of obtaining confidence so that you can eventually acquire not only a man's investment list but also a knowledge of his family obligations, his business needs, his likes and dislikes, and his plans for the future. (You don't sell this way by picking up a telephone and making a "hot pitch" concerning some speculative good thing, that kind of selling never was a part of the investment business as it was practiced by reputable investment firms even back in the '20s pre-SEC, and I can back it up because I was there and saw it and lived it.)

Then you learn by doing. You learn when to talk and when to listen. You learn how to simplify an offering of an investment where you boil it down to the interesting meat of the proposition and you give it straight, concisely and with emphasis where it belongs. I sometimes wonder how some of the new people who have gone into the Mutual Fund business have been able to do so much business with the meagre amount of real training in investment salesmanship many of them have had. Yet they make up for their lack of skill in many instances by their industrious pursuit of business.

If you have a desire to learn more every day about investments, and you can teach yourself how to become more proficient as an advisor and counsellor salesman, then you are in the right business. But if you don't have the independence to carve out your own little niche in the investment world then you had better think twice about selling securities as a career. The ABC's are there but in most cases you will have to work out the alphabet yourself.

Greater Importance of Ceramics Noted

Increased importance of ceramics in atomic, electronic, aircraft and chemical industries is predicted by Gladding, McBean & Co. Pres.

The ceramics industry is becoming an increasingly important factor in the atomic and electronic age, The Security Analysts of San Francisco were told by C. W. Planje, President of Gladding, McBean & Co., the West's largest ceramics firm. Mr. Planje pointed out that ceramic products are being manufactured and developed to meet the more exacting requirements of the electronic, aircraft and chemical industries. These specifications would include but not be limited to resistance to elevated temperatures and abrasion, close size tolerances and dielectric strengths. He stated that ceramic bodies composed of alumina, zirconia, titania and magnesia are being utilized by the aircraft industry in increasing amounts and that considerable experimentation had been conducted on the use of ceramic surfaces in missile and aircraft structure. Ceramics and "cermets," shapes formed by sintering powdered metals with ceramics, are providing a means by which the increasing temperature, abrasion and thermal shock requirements of the future can be met.

Carl H. Pforzheimer

Carl H. Pforzheimer passed away April 4 at the age of 78 following a short illness.

Mr. Pforzheimer, a well-known bibliophile and civic leader, was senior partner of Carl H. Pforzheimer & Co. of New York.

F. S. Yantis Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Frederick M. Seidell has become associated with F. S. Yantis & Co., Incorporated, members of the Midwest Stock Exchange.

Hooper-Kimball Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Howard W. Lotz is now with Hooper-Kimball, Inc., 59 Congress Street.

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Plant and Equipment Outlook

better and no worse than the actual investment in plant and equipment that will give them substance.

Still another area in which both production capacity and productivity are of great long-range importance is the relative economic strength of the United States and the Communist Bloc. The Communist Bloc has a considerable edge on us in population, but the capacity and efficiency of United States industry gives us a big economic edge. It behooves us to hold that edge.

It is fashionable, and sometimes useful, to speak of plant and equipment expenditures in terms of national totals, but in fact these totals are made up of a great many bits and pieces—a new machine tool here, a new plant there, a new product or process somewhere else. Each of these separate expenditures is based on a reasonable expectation of achieving a profit. Take away the expectation of profit and most of the expenditures will disappear, too, as the 1930's well demonstrated.

During the boom in plant and equipment expenditures in 1955 and 1956, the expectation of profits was apparently very good, judged both in terms of the willingness of companies to invest funds and of stock market behavior in the same period. In recent months, however, there has been growing concern over narrowing profit margins in a number of industries, and a number of straws in the wind indicate that the capital goods boom of the past two years is topping out.

Two Approaches

There are two approaches to appraising the demand of business for plant and equipment that have proved useful in the past, and it may be well to see what they imply for 1957. Oversimplifying both of them enough to get at the central idea, one says that businesses generally will invest in plant and equipment just about all the funds they can; the other says that businesses buy plant and equipment only if they need it, and the buying slacks off when temporary excess capacity develops. There is some merit in both arguments, and some statistical evidence supporting both. There is also some reason to think that the two approaches may be somewhat inconsistent in 1957 and 1958.

Regarding the first argument, that the supply of available funds is the controlling factor, there has been a striking parallel for more than a quarter of a century between expenditures for construction and equipment and the internal flow of business funds. This internal flow of funds combines retained earnings with capital consumption allowances of business (primarily depreciation). The outstanding feature of this internal flow of funds in the past 10 years, since the end of World War II, has been the rapid increase in annual accruals for depreciation. In 1946 business depreciation charges in the Gross National Product accounts ran just over $10 billion; in 1956 they were about $30 billion. This represents, in the short span of 10 years, an increase of $20 billion in the annual flow of funds available for capital expenditures and other business purposes, and the growth still continues. The same rise in costs of plant and equipment that has made depreciation accruals inadequate to replace original investments as they wear out has resulted in much larger accruals on the great volume of new plant and equipment installed at the higher price levels of recent years. This has been helped along by the rapid amortization certificates of the Korean War period and the liberalized depreciation provisions of the 1954 Revenue Act.

As a result of this marked rise in depreciation accruals, both retained earnings and new security issues are coming to play a reduced part in financing total expenditures for plant and equipment, granted that both are still important. There is considerable informed opinion that expects retained earnings in 1957 to be less than in 1956. The continuing rise in depreciation accruals, however, is likely to neutralize this decline, so that the total flow of internal funds in 1957 is likely to remain at least at the 1956 level, and probably higher.

Rising Internal Funds

Despite this great increase in recent years in the flow of internal business funds available for plant and equipment expenditures, the booming investment of late 1955 and 1956 rose even faster. A considerable portion of the heavy pressure for investment funds and for bank loans in 1956 resulted from this excess of capital expenditures over the internal funds of business. Interestingly enough, much the same thing happened on a smaller scale in 1953, when interest rates also rose. There is room for speculation that, granted a levelling off or some reversal in the capital expenditure boom, a continued rise in internal funds may ease the pressure on financial markets and interest rates, although plenty of claimants are probably waiting for slightly lower rates.

It is both easy and dangerous to press this broad statistical comparison too far. For one thing, all of us know of companies that differ from the general trend, either by going heavily into debt or by accumulating cash. Hence we know that the total statistics reflect offsetting errors that may not always stay offsetting. For another, the available statistics on internal funds and on expenditures don't cover exactly the same group of businesses, nor do they cover quite the right activities on either the income or expenditure side to permit a tight logical analysis. Nonetheless, they are adequate to demonstrate the main points: that the flow of internal funds to support capital expenditures has increased greatly, and that this rise in the supply of internal funds is likely to continue.

While it is reasonable to expect business managements to reinvest internal funds in new plant and equipment when capacity in their industries is inadequate to meet market demands, it is quite another story if excess capacity develops and operations fall below a desirable rate of capacity. For one thing, it is common for profit margins to fall with the operating rate, so that further investment loses some of its attractiveness with the prospect of lower earnings. For another, additional capacity under such circumstances carries with it the threat of disorganized markets and cut-throat pricing practices.

Proper Timing

Probably an economist should not be talking about excess capacity; he is supposed to believe that human wants are insatiable. But regardless of human wants in total, the market demand for a particular product is not necessarily insatiable at all at a profitable price. A good many producers of lumber and plywood, for example, are finding their markets quite satiable during the current slump in residential building. The proper timing of investment in plant and equipment is still most important.

Here in the West, a classic and unfortunate example of poor investment timing has been the softwood plywood industry. From the end of 1954, when new housing starts were running at an annual rate of 1,400,000 units, to the present, with housing starts down more than one-third to an annual rate of 910,000, capacity to produce Douglas Fir plywood has been increased by more than 40%, and actual production has been increased by 25%. As a direct result, unfilled order files melted away, and the price of the most-quoted 1/4" plywood dropped from a peak of $87 to a low of $67 per thousand square feet. As you can well imagine, the profits of many operators disappeared, and shutdowns or reduced work weeks have become general. The main rays of hope are the fact that plywood is still a growth industry in terms of increasing usage, and the prospect of an eventual upturn in residential building, which will bring long-wanted relief to the suffering industry.

There are other examples of "too much too soon" in the forest products industries. For example, if all the announced expansions for the next three years in insulation board and hardboard are carried out, they will equal a normal five to eight years' growth in markets. And if all the announced West Coast projects to produce pulp and paperboard are carried through on schedule, including Canadian projects, they will considerably exceed the most optimistic projections of near-term growth in West Coast markets.

It is most difficult to find a proper policy to follow in such a situation. Customers are clearly entitled to keen enough competition to weed out the least efficient producers and maintain high competitive standards of quality and service. At the same time, blind, uninformed expansion that results in profitless production and a disorderly market is of lasting advantage to no one. A course that is tempered with judgment and the best possible information, is urgently needed when serious excesses of capacity threaten to develop.

Breathing Spell Ahead?

Returning to the general outlook, past statistical evidence indicates that when total industrial production or new orders rise past about 85% of capacity, new orders for plant and equipment generally spurt. Later as expansion programs are completed and the spread between production and capacity widens, orders for plant and equipment are generally reduced. We have been through the first situation in the past year or two, and we may well be coming to the breathing spell that characteristically follows.

This does not necessarily mean at all that we are in for a headlong plunge. The base of replacement spending for worn and obsolete plant and equipment is far higher than in past slumps. New products resulting from accelerated research and development will require new plants for their production. Growing geographic areas present new opportunities, and the necessity to increase efficiency as an offset to steadily-rising wage rates will continue to require new plant and equipment spending.

Nonetheless, some inconsistency does seem to be developing between the optimistic flow-of-funds approach and the gloomier need-for-expansion approach. The flow of funds was never great enough to support the boom levels of capital investment in 1956, but a broad sideways movement for a year or two would be enough to bring investment back in line with prospects for depreciation and retained earnings. Such a sideways move would probably be enough to take the pressure off financial markets.

The need-for-expansion approach, however, suggests something more than a mere levelling-off at the boom levels of 1956. The recent levelling-off in production, with capacity still increasing, suggests some subsiding of the demand for plant and equipment.

What Leading Studies Show

Probably the most direct evidence is the comparision of capital goods (i.e., producers' equipment) orders and production from a leading economic service. This shows that capital goods orders reached their peak in mid-1956, and have since followed a mild downward trend. Meanwhile, production of capital goods increased sharply to an apparent peak late in 1956 that was higher than incoming orders. This suggests that production and shipments of capital goods will probably decline from their late-1956 peak to whatever level the combination of backlogs and incoming orders will support.

Next, information compiled by The Conference Board and published by "Newsweek" indicates that the backlog of uncommitted funds to support future orders has declined, at least for the 1,000 largest manufacturing corporations, and that this decline also occurred from a peak in the second quarter of 1956.

Third, McGraw-Hill's post-election survey of intended capital expenditures showed that corporations were planning to spend for plant and equipment in 1957 about 11% more than in 1956. A later Department of Commerce-SEC survey indicates a 6.5% increase. Inasmuch as the annual rate of capital expenditures by the *beginning* of 1957 was already above the 1956 average, this is tantamount to a levelling-out of capital expenditures through 1957 at about the starting rate, or to a later decline offsetting any further increase early in 1957. Quarterly survey estimates by the SEC and the Department of Commerce indicate a continuation of the rise into the second quarter, but the expected 1957 total is less than the projected rate in the second quarter.

No Cataclysmic Drop Ahead

Although the evidence indicates that we are around a peak in business demand for plant and equipment, there is little evidence of any cataclysmic drop ahead. There are some reasons for expecting greater caution and hesitancy. For one thing, managements in a number of industries are beginning to feel that capacity is expanding faster than markets, and the timing of expansion plans is getting a careful look. For another, companies which plan to borrow to finance expansions may well find prudence in delay if they suspect that an easing of tight money and high interest rates is in the offing.

Basically, however, the funds available from depreciation accruals and retained earnings will continue to increase, providing a rising base for future plant and equipment expenditures even through a period of some decline in production and income. A larger population, higher living standards and larger markets do lie ahead of us, as do opportunities in new regional markets, new products and new processes, plus expenditures for replacement alone that will exceed total plant and equipment spending of the prewar years.

Summary

Three statements summarize the outlook for business demand for plant and equipment. First, plant and equipment expenditures for 1957 as a whole will probably be higher than for 1956 as a whole, and a new all-time record. Second, the direction of plant and equipment spending will probably turn down, so that 1957 will end below its highest quarterly rate. Finally, after one to two years of a slower pace of expansion another rise is likely to begin, carrying eventually to new peak levels.

Continued from page 4

The State of Trade and Industry

ance with the usual seasonal pattern, Dun & Bradstreet, Inc., reports. The number of new charters issued last month amounted to 12,075, a decline of 17% from January's all-time peak of 14,632. Compared with a year ago, there were about 3% fewer new incorporations this February.

Notwithstanding February's decline, the number of new incorporations for the first two months of the year reached 26,707, a record level, surpassing the year-ago high of 25,866 by 3%. This year's two-month total was 13% higher than the 23,560 incorporations recorded in the first two months of postwar 1946.

Steel Output Set to Yield 91.0% of Capacity This Week

Prices of metalworking industrial products will edge upward 4% to 5% in the second half, "Steel" magazine reported on Monday of this week. The metalworking weekly said that boosts will be common but less severe and more sporadic than they were in 1956.

It pointed out that component and equipment manufacturers are pretty much dependent upon what steel does. When steel goes up, so will their prices. A $5 to $6 a ton rise in the base price of steel is expected around midyear. Scheduled wage increases add to the pressure for a price upsurge, it stated.

First to feel the steel price hike will be makers of components, such as castings, stampings, gears, fasteners and electrical equipment.

Metalworking equipment prices will fluctuate less than those of components during the remainder of 1957. Makers have large inventories of steel and can absorb costs better. Look for delayed equipment price rises in early 1958.

The publication declared that labor expenses which along with soaring costs of coal, coke and pig iron are causing the steel hike, affect most firms' pricing outlook for the rest of the year.

It said that except for a little flurry of buying to beat the mid-year steel price increase, demand for steel the remainder of the year should be about in line with supply. The reasons are that consumers see no need to build large inventories and the steel industry has expanded its capacity.

The publication said that most consumers are enjoying quick deliveries of steel. Products that have continued in tight supply, heavy plates and structural shapes, show signs of easing but still need considerable lead time for delivery.

The second quarter began with the steel industry at its slowest pace this year, but it still was above 90% of capacity.

The easing in steel production continues to push down the price of steel scrap. In the week ended April 3, "Steel's" price composite on steelmaking scrap was $45 a gross ton, a decline of $2.67 from that of the preceding week. A year ago, the com-

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posite was $54.17. The publication's composite on base prices of steel remained at $139.71 a net ton.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steel-making capacity for the entire industry will be an average of 91.0% of capacity for the week beginning April 8, 1957, equivalent to 2,328,000 tons of ingot and steel for castings, as compared with 90.6% of capacity, and 2,319,000 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 93.8% and production 2,401,000 tons. A year ago the actual weekly production was placed at 2,483,000 tons or 100.9%. The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Eased Further the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, April 6, 1957, was estimated at 11,693,000,000 kwh., according to the Edison Electric Institute. This represented a slight decline below the preceding week.

The past week's output decreased 1,000,000 kwh. below that of the previous week; it increased 847,000,000 kwh. or 7.8% above the comparable 1956 week and 2,060,000,000 kwh. over the week ended April 9, 1955.

Car Loadings Rose 1.3% Above Prior Week But Were 4.1% Below Like 1956 Period

Loadings of revenue freight for the week ended March 30, 1957, advanced by 9,089 cars or 1.3% above the preceding week, the Association of American Railroads reports.

Loadings for the week ended March 30, 1957, totaled 694,922 cars, a decline of 30,046 cars, or 4.1% under the corresponding 1956 week, but an increase of 40,161 cars, or 6.1% above the corresponding week in 1955.

U. S. Automotive Output Showed Improvement in The Latest Week

Automotive output for the latest week ended April 5, 1957, according to "Ward's Automotive Reports," moved forward the past week.

Last week the industry assembled an estimated 132,532 cars, compared with 130,233 in the previous week. The past week's production total of cars and trucks amounted to 156,694 units, or an increase of 3,982 units above that of the preceding week's output, states "Ward's."

Last week the agency reported there were 24,162 trucks made in the United States. This compared with 22,479 in the previous week and 24,308 a year ago.

Last week's car output rose above that of the previous week by 2,299 cars, while truck output advanced by 1,683 vehicles during the week. In the corresponding week last year 133,223 cars and 24,308 trucks were assembled.

Canadian output last week was placed at 8,835 cars and 1,791 trucks. In the previous week Dominion plants built 9,484 cars and 1,955 trucks, and for the comparable 1956 week, 11,114 cars and 2,222 trucks.

Business Failures Continue to Decline

Commercial and industrial failures fell to 231 in the week ended April 4 from 290 in the preceding week, Dun & Bradstreet, Inc., reported. Declining for the second consecutive week, the toll was the lowest since the first week in January, but it remained above the 217 a year ago and the 211 in 1955. Failures were 22% less numerous than in the comparable week of pre-war 1939 when 295 occurred.

Casualties involving liabilities of $5,000 or more declined to 204 from 247 in the previous week, but exceeded slightly the 192 of this size last year. Among small failures with liabilities under $5,000, there was a dip to 27 from 43 a week ago, but they remained above the comparable 1956 total of 25. Twenty-three of the failing businesses had liabilities in excess of $100,000, as against 27 last week.

Fewer failures occurred in all industry and trade groups, with the retailing toll down to 111 from 141 and manufacturing to 37 from 55. Milder dips prevailed in wholesale trade, construction and commercial service. However, retail and service casualties continued above the similar 1956 level and wholesaling held even. Only manufacturing and construction failures dipped below a year ago.

Seven of the nine major geographic regions reported declines during the week. The toll in the Pacific States dropped to 52 from 81, in the Middle Atlantic to 79 from 100 and in the East North Central to 29 from 40. Milder decreases occurred in four other areas, while New England and East South Central failures rose slightly. Five regions had more casualties than in the similar week a year ago, while four regions had tolls below the 1956 level.

Wholesale Food Price Index Declined Somewhat But Was 3.5% Above Year Ago

The wholesale food price index, compiled by Dun & Bradstreet, Inc., fell slightly to $6.17 on April 3 from the 1957 high of $6.22 of the preceding week. This was 3.5% higher than the $5.96 of a year ago.

Commodities quoted higher were wheat, rye, beef, lard, cocoa and eggs. Lower in price were milk, flour, corn, oats, barley, hams, butter, cottonseed oil, tea, steers, hogs and lambs.

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 Scores Fresh New Low for 1957

The sag in commodity prices was reflected in a decline in the Dun & Bradstreet daily wholesale commodity price index. Falling to another new low for the year so far, the index reached 287.67 (1930-1932=100) on April 1; this compares with 289.10 a week earlier and 288.71 a year ago.

The prices for such diverse commodities as flour, potatoes, steel scrap, leather and rubber dropped below the prior week's levels, contrasting with the upswing in the prices for cocoa, tin and some grains and textiles.

While grain prices moved somewhat erratically, they averaged higher than a week ago. The improvement in the Winter wheat crop prospects, due to continued moisture in the drier areas, resulted in a decline in wheat futures prices, although cash prices remained firm.

The news that Yugoslavia will be in the market for 11,090,000 to 15,000,000 bushels of red wheat in the coming week helped to strengthen red wheat prices.

Volume in grain futures on the Chicago Board of Trade dropped off noticeably last week. Average daily purchases of grain and soybean futures fell to 37,000,000 bushels, compared with 50,000,000 a week earlier and about 56,000,000 bushels in the four-day week a year ago. The largest decline in trading volume compared with a week ago occurred in wheat, contrasting with a slight gain in purchases of soybeans.

There were scattered orders for soft wheat flours, but flour buying generally was slow. A noticeable advance in cocoa prices the past week resulted largely from the upward movement in foreign markets. While sugar trading slackened considerably, there was little change in prices.

Heavy hog receipts continued to depress hog prices, which trailed along at the lowest levels since last June. Trading in steers and lambs was generally slow, with prices off slightly. While lard futures prices advanced slightly, buying was restricted by weakness in vegetable oils. Lard stocks at the end of February were at 112,000,000 pounds, compared with 210,000,000 pounds a year ago.

Cotton futures prices gained slightly the past week. Active futures contracts on the New York Cotton Exchange closed from 5 cents to $1.80 a bale higher than last week, with the best gains registered for the more distant months, reflecting the expectation that the 1957 loan rate may be above the previously announced guaranteed minimum for the coming season.

Cotton exports last week were estimated at 248,000 bales, compared with 203,000 bales in the previous week and 74,000 bales a year ago.

Total cotton exports for the season through March 26 were estimated at 5,516,000 bales, about five times as large as in the corresponding period of last year.

Contrasting with the sluggishness in recent weeks, trading in cotton print cloths increased. But volume in other kinds of cotton gray cloths remained slow.

Trade Volume Spurred in Latest Week by Easter Promotions and Spring Weather

Easter sales promotions and some Spring weather were accompanied by an upsurge last week in consumer spending. With the 1957 Easter still three weeks ahead of us total retail volume was only moderately below that of last year, the 1956 pre-Easter week. Women shoppers were interested in Spring coats, suits and dresses, but fashion accessories and men's clothing did not fare so well.

Both outdoor and upholstered merchandise sold well in furniture stores. There was a moderate pick-up in sales of draperies, floor coverings and linens.

Purchases of major appliances and television sets were unchanged, still running well below last year.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 6% to 2% below a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England —9 to —5; Middle Atlantic and West North Central —7 to —3; East North Central —6 to —2; South Atlantic and Mountain —5 to —1; East South Central and West South Central —4 to 0 and Pacific Coast —11 to —7%.

Increased bookings in some Western markets boosted wholesale volume in woolens the past week and prices were firm.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended March 30, 1957, decreased 8% from the like period last year. In the preceding week, March 23, 1957, an increase of 1% was reported. For the four weeks ended March 30, 1957, a decrease of 4% was recorded. For the period Jan. 1, 1957 to March 30, 1957, no change was indicated above that of 1956.

Retail trade volume in New York City the past week rose 5% to 10% above the comparable period a year ago. Easter lines such as millinery, men's, women's and children's wear and accessories tended to increase the week's sales volume, according to trade observers.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended March 30, 1957 declined 6% below that of the like period of last year. In the preceding week, March 23, 1957, an increase of 15% was reported. For the four weeks ending March 30, 1957 a loss of 1% was registered. For the period of Jan. 1, 1957 to March 30, 1957 the index recorded a rise of 3% above that of the corresponding period in 1956.

First National City and Halsey, Stuart Group Offer New Housing Bds.

The First National City Bank of New York and Halsey, Stuart & Co. Inc. are joint managers of an underwriting syndicate which was the high bidder for $27,410,000 of $36,135,000 New Housing Authority Bonds which were sold at competitive bidding on April 10 by six local public agencies located in five states and Puerto Rico.

The group won two issues — $17,375,000 of St. Louis, Missouri, Housing Authority Bonds, due Aug. 1, 1958 to 1996, inclusive, and $10,035,000 of Puerto Rico Housing Authority Bonds, maturing June 1, 1958 to 1992, inclusive. For the St. Louis bonds the group bid 100.219 for a 2⅞% coupon, and for the Puerto Rico bonds the bid was 100.9299 for a 3% coupon.

The St. Louis bonds are being reoffered at prices to yield from 2% to 2.95%, while the Puerto Rico bonds are scaled from a yield of 2% to a dollar price of par.

The bonds will be callable 10 years from their date at 104% and accrued interest, and thereafter at decreasing prices.

The bonds of each issue will be secured by a first pledge of annual contributions unconditionally payable under an Annual Contributions Contract between the Public Housing Administration and the local public agency issuing the bonds. The contributions will be payable in an amount which together with other funds of the local public agency will be sufficient to pay the principal and interest on the bonds when due. The United States Housing Act of 1937, as amended, solemnly pledges the faith of the United States to the payment of the annual contributions by the Public Housing Administration.

Interest on the bonds is exempt from Federal income taxes. The bonds are legal for savings banks in New York and certain other states, except that the bonds of the Puerto Rico Agency are not legal investments for trust funds in New York State.

Proceeds from the bonds will be used by the local agencies to repay advances made by the PHA or to retire temporary loans from others than the PHA, and the remainder will be used to meet the costs of the housing projects.

The offering group includes — Merrill Lynch, Pierce, Fenner & Beane; Eastman Dillon, Union Securities & Co.; F. Smithers & Co.; Ira Haupt & Co.; National State Bank, Newark.

With Kostman, Inc.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Berni I. Singer is now with Kostman, Inc., 215 West Seventh Street.

Joins Marache Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — G. B. Webb is now with Marache, Dofflemyre & Co., 634 South Spring Street.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Milton G. Borcherding has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Joins F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Charles H. Fuller has joined the staff of Francis I. du Pont & Co., 208 South La Salle Street.

John Gardner

John Gardner, partner in Schirmer, Atherton & Co., passed away on April 1.

Form Cortlandt Inv.

Cortlandt Investing Corporation has been formed with offices at 135 Broadway, New York City to engage in a securities business. Melvin Cantor is a principal in the firm.

Mid America Inv. Formed

SPRINGFIELD, Mo.—Mid America Investors has been formed with officers at 1828 East Sunshine St. E. S. Broaddus is a principal of the firm.

Adams Opens Office

(Special to THE FINANCIAL CHRONICLE)

NEWPORT BEACH, Cal.—Jack Adams is now engaging in a securities business from offices at 3201 West Coast Highway.

Herbert W. Briggs

Herbert W. Briggs passed away April 2 at the age of 75. Mr. Briggs formerly headed his own investment firm and later became a public utilities finance consultant.

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Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Adams-Phillips, Inc.
Feb. 20 (letter of notification) 5,000 shares of common stock (par $20) to be offered to stockholders, officers, directors and employees for a period of 10 days, the unsold portion to be offered publicly. **Price**—$21 per share. **Proceeds** — For purchase of additional autos and for working capital. **Office** — 10 S. Craig Ave., Pasadena, Calif. **Underwriter**—Pasadena Corp., Pasadena, Calif.

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.

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 Hardware Corp., New Britain, Conn.**
April 8 filed 118,000 shares of common stock (par $12.50) to be offered in exchange for common stock and class B common stock of Kwikset Locks, Inc., at the rate of one share of American Hardware for each two Kwikset common shares and 55,500 American Hardware common shares for 150,000 shares of Kwikset class B common stock. The offer is conditioned upon its acceptance of not less than 85% of the issued and outstanding Kwikset common and class B common shares.

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.

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.**
March 15 filed 535,148 shares of capital stock (par $9) being 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**—$35 per share. **Proceeds** — For capital expenditures and to finance increased inventories and accounts receivable. **Underwriter**—Morgan Stanley & Co., New York.

★ **Barber's Super Markets, Inc., Albuquerque, N. M.**
March 25 (letter of notification) 16,000 shares of common stock (par $10). **Price**—$12 per share. **Proceeds**—For expansion program. **Underwriters** — Quinn & Co., Albuquerque, N. M.; and Wm. H. Tegtmeyer & Co., Chicago, Ill.

Beautilite Co.
Dec. 28 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For partial payment for plant site; partial payment of obligation to Memorial Inc. and for working capital. **Office**—4718 W. 18th St., Houston, Tex. **Underwriter**—Benjamin & Co., Houston, Tex.

● **Berkshire Gas Co.**
March 8 (letter of notification) 18,700 shares of common stock (par $10) being offered to common stockholders of record April 1 on the basis of one new share for each 5¼ shares held (with an oversubscription privilege); rights to expire on April 29, 1957. **Price** — $14.50 per share. **Proceeds**—To retire an outstanding debt. **Office**—20 Elm St., Pittsfield, Mass. **Underwriter**—None.

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) (4/24)**
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.

● **Brockton Edison Co.**
March 12 (letter of notification) 478 shares of capital stock (par $25) being 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.

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.

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.

★ **Chrysler Corp.**
April 4 filed 391,560 shares of common stock (par $25) to be offered for subscription under the company's Stock Option Plan for Salaried Officers and Key Employees.

★ **Cincinnati Gas & Electric Co. (5/7)**
April 4 filed $25,000,000 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.; 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** — Tentatively scheduled for May 7.

★ **Clark Oil & Refining Corp.**
March 22 (letter of notification) 5,000 shares of common stock (par $1). **Price** — At market (estimated at about $20 per share). **Proceeds**—To Emory T. Clark, President of company. **Office**—8530 W. National Ave., West Allis, Wis. **Underwriter**—Loewi & Co., Inc., Milwaukee, Wis.

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.

★ **Commerce & Industry, Inc., Boston, Mass.**
March 27 (letter of notification) 7,000 shares of 7% non-cumulative participating preferred stock (par $5) to be offered in exchange for 350 shares of preferred stock (par $100) of Sea Products Corp. on the basis of 20 shares of Commerce & Industry for each Sea Products preferred share; also 25,710 shares of 7% non-cumulative participating senior common stock to be issued in exchange for an equal amount of Sea Products common stock on a share-for-share basis. Holders of Sea Products common stock consenting to the exchange will be given the right to purchase two shares of junior common stock at its par value of one cent for each share of Sea Products common stock exchanged. **Proceeds**—For working capital. **Office**—31 State St., Boston, Mass. **Underwriter**—None.

Commonwealth Investment Corp.
Jan. 14 filed 499,400 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For working capital to expand company's business and operations. **Office**—Sioux Falls, S. D. **Underwriter**—None.

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 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 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.

★ **Dixon Home Telephone Co., Dixon, Ill.**
April 8 filed 14,692 shares of common stock represented by voting trust certificates. **Voting Trustees**—Richard S. Durkes (a director of company) and six others.

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★ Electric Auto-Lite Co.
April 4 filed 75,000 shares of common stock ($5) to be offered for subscription under the company's Stock Option Plan for officers and key employees.

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.

● Flexible Tubing Corp., Guilford, Conn. (4/17)
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.

Ford Gum & Machine Co., Inc.
Dec. 18 (letter of notification) $250,000 of 6% first mortgage bonds due 1962 to 1967, inclusive. **Price**—100% of principal amount. **Proceeds**—For machinery and working capital. **Office**—Hoag and Newton Sts., Akron, N. Y. **Business**—Manufacturing chewing gum and self-service machines. **Underwriter**—None.

Fruit Juices, Inc.
Dec. 3 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For working capital. **Office** — 1115 South Washington St., Marion, Ind. **Underwriter**—Sterling Securities Co., Los Angeles, Calif.

General Aniline & Film Corp., New York (5/13)
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney Geenral of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); 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.

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

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NEW ISSUE CALENDAR

April 11 (Thursday)
Mississippi Power Co.______Bonds
(Bids 11 a.m. EST) $6,000,000

April 12 (Friday)
Shop Rite Foods, Inc.______Common
(First Southwest Co. and Minor, Mee & Co.) $172,500
Shumway Uranium Mining Corp.______Common
(Winslow, Cohu & Stetson) $250,000
Wrigley Properties, Inc.______Common
(Offering to security holders of ACF-Wrigley Stores, Inc. —underwritten by Allen & Co.) 2,069,150 shares

April 15 (Monday)
Berks County Trust Co.______Common
(Offering to stockholders) 28,611 shares
Iowa Southern Utilities Co.______Common
(The First Boston Corp.) 75,000 shares
Nyvatex Oil Corp.______Common
(Milton D. Blauner & Co., Inc.) $225,000
Pepsi-Cola Mokan Bottlers, Inc.______Common
(G. F. Church & Co.) $300,000
United States Leasing Corp.______Common
(Schwabacher & Co.) 800,000 shares

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) $4,260,000
Florida Steel Corp.______Common
(McDonald & Co. and Kidder, Peabody & Co.) 300,000 shares
Lincoln Telephone & Telegraph Co.______Common
(Offering to stockholders—underwritten by Dean Witter & Co.) 63,750 shares
Stevens Markets, Inc.______Class A common
(R. S. Dickson & Co., Inc.) 100,000 shares
Western Nuclear Corp.______Debentures & Common
(Bosworth, Sullivan & Co.) $404,400

April 17 (Wednesday)
Flexible Tubing Corp.______Bonds
(P. W. Brooks & Co. Inc.) $600,000
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) $20,000,000
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 18 (Thursday)
Roxbury Carpet Co.______Common
(Paine, Webber, Jackson & Curtis) 175,000 shares

April 22 (Monday)
Hartfield Stores, Inc.______Common
(Van Alstyne, Noel & Co. and Johnston, Lemon & Co.) 200,000 shares
Herold Radio & Electronics Corp.______Preferred
(Amos Treat & Co., Inc.) $800,000
Supercrete, Ltd.______Debentures
(Straus, Blosser & McDowell) $1,000,000
Swartwout Co.______Common
(McDonnell & Co.) 30,000 shares
Tex-Tube, Inc.______Preferred & Common
(Moroney, Beissner & Co.) 50,000 preferred shares and 50,000 common shares
United Artists Corp.______Debentures & Common
(F. Eberstadt & Co.) $10,000,000 of debentures and 350,000 shares of common stock

April 23 (Tuesday)
Kidde (Walter) & Co., Inc.______Debentures
(Shields & Co.) $3,000,000
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

April 24 (Wednesday)
British Columbia (Province of)______Debentures
(Morgan Stanley & Co.; Harris & Partners Ltd., Inc.; and Burns Bros. & Denton, Inc.) $45,000,000
Cascade Natural Gas Corp.______Common
(Offering to stockholders—underwritten by White, Weld & Co.) 226,820 shares
Houston Oil Field Material Co., Inc.______Common
(Shearson, Hammill & Co. and Underwood, Neuhaus & Co.) 200,000 shares
Lone Star Gas Co.______Debentures
(The First Boston Corp.) $30,000,000
National Lithium Corp.______Common
(Gearhart & Otis, Inc.) $3,900,000
Northern Natural Gas Co.______Debentures
(Blyth & Co., Inc.) $30,000,000

April 25 (Thursday)
Illinois Central RR.______Equip. Trust Ctfs.
(Bids to be invited) about $9,600,000

April 29 (Monday)
Associated Truck Lines, Inc.______Class A common
(Cruttenden, Podesta & Co.) 125,000 shares
Lake Lauzon Mines, Ltd.______Common
(Steven Randall & Co., Inc.) $300,000

April 30 (Tuesday)
KLM Royal Dutch Airlines______Common
(Smith, Barney & Co. and The First Boston Corp.) 250,000 shs.

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
El Paso Electric Co.______Common
(Offering to stockholders—Stone & Webster Securities Corp. may be dealer-manager) 119,522 shares

May 8 (Wednesday)
Potomac Edison Co.______Bonds
(Bids noon EDT) $14,000,000
Wabash RR.______Equip. Trust Ctfs.
(Bids to be invited) $6,165,000

May 9 (Thursday)
Alabama Power Co.______Bonds
(Bids 11 a.m. EDT) $14,500,000
Baltimore & Ohio RR.______Equip. Trust Ctfs.
(Bids to be invited) $3,585,000

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.______Preferred
(Bids to be invited) $2,000,000
El Paso Electric Co.______Bonds
(Bids 11 a.m. EDT) about $6,500,000
Indiana Harbor Belt RR.______Bonds
(Bids to be invited) $8,125,000
Paul Hesse 3-D Arts, Inc.______Common
(Reilly, Hoffman & Sweeney, Inc.) $300,000

May 16 (Thursday)
Alabama Great Southern RR.______Equip. Trust Ctfs.
(Bids to be invited) about $3,000,000
Northern Pacific Ry.______Equip. Trust Ctfs.
(Bids to be invited) $6,000,000 to $8,000,000
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) $2,550,000

May 28 (Tuesday)
Community Public Service Co.______Bonds
(Bids 11 a.m. EDT) $3,000,000
National Fuel Gas Co.______Debentures
(Bids 11:30 a.m. EDT) $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 9 (Tuesday)
Wisconsin Telephone Co.______Debentures
(Bids to be invited) $30,000,000

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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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

★ **Hartfield Stores, Inc., Los Angeles, Calif. (4/22-26)**
April 4 filed 200,000 shares of common stock (par $1). **Price**—$9 per share. **Proceeds**—To selling stockholders. **Underwriters**—Van Alstyne, Noel & Co., New York; and Johnston, Lemon & C., Washington, D. C.

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.

★ **Hicks-C. Q. S. Photo Service, Inc.**
March 13 (letter of notification) 900 shares of cumulative preferred stock (no par). **Price** — $50 per share. **Proceeds**—For developing and processing photographic film, and for working capital. **Office**—1054-31st Street, N. W., Washington, D. C. **Underwriter**—None.

Holly Corp., New York
Jan. 25 filed 406,638 shares of 50-cent convertible preferred stock, series A (par $5) and 2,476,116 shares of common stock (par 60 cents), of which all of the preferred and 763,011.3 shares of common stock are to be offered in exchange for Mount Vernon Co. preferred and common stock on the basis of one Holly series A share for each of the 406,638 shares of Mount Vernon preferred stock and 2½ shares of Holly common stock for each of the 305,204.52 shares of Mount Vernon common stock. Of the remainder, 210,000 Holly common shares are to be offered to certain holders of 35,000 shares of Van Dorn Iron Works Co. common stock on a six-for-one basis; 38,333 Holly common shares will be offered to certain finders, 60,000 shares to certain vendors of property; 1,016,595 shares will be reserved against conversion of preferred stock; and the remaining 388,176 are to be reserved for possible issuance at a future date in exchange for 64,696 shares of Van Dorn Iron Works common stock. **Underwriter**—None.

Holy Land Import Corp., Houston, Texas
Feb. 27 (letter of notification) 100,000 shares of common stock. **Price**—At par ($3 per share). **Proceeds**—For inventory, working capital, etc. **Underwriter**—Benjamin & Co., Houston, Tex.

Houston Lighting & Power Co.
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. (4/24)**
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.

International Bank of Washington, D. C.
Sept. 28 filed $1,000,000 of time certificates, series B, C and D. **Price**—At 100% of principal amount. **Proceeds**—For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

International Capital Corp., Des Moines, Iowa
Nov. 29 filed 370,000 shares of common stock (par 10 cents), of which 185,000 shares are to be offered by The Equity Corp. on a share-for-share basis in exchange for Equity Corp. common stock, and the remaining 185,000 shares by Financial General Corp. on a basis of 1⅔ shares of International common stock in exchange for one share of Financial common stock. Equity and Financial are to receive the 185,000 shares each of International common stock in exchange for all the outstanding shares of common stock of Investors Financial Corp. and Group Equities, Inc. International has been informed that 142,000 shares of Equity common owned by Fremont Corp. will be tendered in acceptance of the Equity exchange offer. **Underwriter**—None.

International Duplex Corp., San Francisco, Calif.
Dec. 21 filed 500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To equip and establish five super launderettes and for working capital. **Underwriters**—Names to be supplied by amendment.

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; rights expire on June 10. **Price** — $21 per share. **Proceeds**—For working capital. **Underwriter** —None.

● **Interstate Holding Corp.**
March 8 (letter of notification) approximately 129 units, each consisting of 100 shares of class A common stock and 100 shares of class B common stock. **Price**—$1,501 per unit. **Proceeds** — To acquire real property and for working capital. **Office**—315 Angelus, Memphis 12, Tenn. **Underwriter**—None.

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 Southern Utilities Co. (4/15-16)**
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.

★ **Jones & Laughlin Steel Corp.**
April 8 filed 125,447 shares of common stock to be offered under company's Stock Option Plan to certain officers and other key employees; and 13,975 shares now held in the company's treasury as a deferred rewards fund for certain officers (to be sold from time to time upon the retirement of such officers).

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.

★ **Kidde (Walter) & Co., Inc., Belleville, N. J. (4/23)**
April 3 filed $3,000,000 of convertible subordinated debentures due April 15, 1972. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for general corporate purposes. **Business**—Manufacture and sale of aircraft accessories, fire protection equipment, etc. **Underwriter**—Shields & Co., New York.

★ **KLM Royal Dutch Airlines (4/30)**
April 8 filed 400,630 shares of common stock (par 100 Dutch Guilders—$26.32 each), of which 250,000 shares are to be offered publicly in the American market and 150,630 shares will be made available for sale on the Amsterdam Stock Exchange. **Price**—To be supplied by amendment. **Proceeds**—For flight equipment and ground facilities and other general corporate purposes. **Underwriters** — Smith, Barney & Co. and The First Boston Corp. in the United States; and Heldring & Pierson, Pierson & Co. and the Netherlands Trading Society, in the Netherlands.

★ **Laclede Gas Co., St. Louis, Mo. (5/1)**
April 4 filed $10,000,000 of first mortgage bonds due May 1, 1982. **Proceeds**—To repay bank loans and for construction program. **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.

● **Lake Lauzon Mines Ltd., Toronto, Can. (4/29-30)**
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.

★ **Lang Co., Inc., Salt Lake City, Utah**
April 9 filed 73,199 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for working capital. **Underwriters** —Lee Higginson Corp., New York; and J. A. Hogle & Co., Salt Lake City, Utah.

● **Laura Exploration Co., Inc.**
Feb. 28 (letter of notification) 3,000 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For mining expenses. **Address**—P. O. Box 63, Arnett, Okla. **Underwriter**—None.

Leslie Productions, Inc.
Jan. 14 (letter of notification) 30,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For special building, equipment and for working capital. **Office** —Columbia, S. C. **Underwriter**—Alester G. Furman Co., Inc., Greenville, S. C.

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.

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 Fund, Inc., Dallas, Texas**
April 9 filed 125,000 shares each of Lone Star Balanced Income Fund, Lone Star Insurance Growth Fund and Lone Star Industrial Growth Fund; also $3,000,000 of systematic investment plan certificates of All States Management Co., investment adviser and distributor for Lone Star Fund, the proceeds of the sale of which will be invested in the Lone Star Industrial Growth Fund shares.

● **Lone Star Gas Co. (4/24)**
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.

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 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** — Expected to be $5 per share. **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

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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 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 Fuel Gas Co. (5/28)**
April 4 filed $15,000,000 of sinking fund debentures due 1982. **Proceeds**—Together with bank loans, to be used to repay bank loans of certain subsidiaries and for expansion program 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. (EDT) on May 28.

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.

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 England Electric System**
Dec. 3 filed 819,000 shares of common stock (par $1) to be offered in exchange for capital stock of Lynn Gas & Electric Co. on the basis of two NEES shares for each Lynn share. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co., both of Boston, Mass. Postponed temporarily.

● **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. Statement effective April 1.

★ **Northern Natural Gas Co. (4/24)**
April 3 filed $30,000,000 of sinking fund debentures due Nov. 1, 1976. **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Blyth & Co., San Francisco and New York.

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. (4/15-16)**
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.**
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. **Offering**—Expected today (April 11).

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. (5/5)**
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.

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. (5/8)**
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 up to noon (EDT) on May 8.

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. (4/17-18)**
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. (4/17-18)**
March 15 filed $20,000,000 of subordinated debentures due 1985 and 800,000 shares of common stock (par $1) to be offered in units of $100 of debentures and 4 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.

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.

● **Roberts Co., Sanford, N. C.**
Feb. 28 filed 190,000 shares of common stock (par $1), of which 150,000 shares are to be sold for account of company and 40,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — To reduce outstanding obligations and for working capital. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Expected today (April 11).

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. (4/18)**
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.

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).

● **Security Savings Life Insurance Co.**
March 21 (letter of notification) 60,000 shares of non-assessable common stock (par $1) being offered to stockholders of record April 5 on the basis of one new share for each two shares held (with an oversubscription privilege); rights to expire about April 20. **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. (4/12)**
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., Albuquerque, N. M.

● **Shumway Uranium Mining Co. (4/12)**
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.

★ **Socony Mobil Oil Co., Inc.**
April 10 filed $19,440,000 of interests in the company's Employees' Savings Plan, together with 360,000 shares of capital stock (par $15) which may be acquired pursuant to said plan.

● **Southeastern Public Service Co.**
March 15 filed 92,500 shares of common stock (par 10 cents), being offered for subscription by common stockholders of record April 3, 1957, on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on April 23. **Price**—$11.25 per share. **Proceeds** — For investments in subsidiaries and other corporate purposes. **Underwriter** — Bioren & Co., New York and Philadelphia, Pa.

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 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.

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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. (4/22-26)
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. **Office** — St. Boniface, Canada. **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.

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 (4/22-26)
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.

★ Thompson Products, Inc.
April 8 filed 125,000 shares of common stock (par $5) to be offered for subscription under the company's 1951 and 1956 Stock Option Plans for officers and key employees of the company and its subsidiaries.

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.

★ Trans Empire Oils Ltd., Calgary, Alberta, Canada
April 9 filed 436,291 shares of common stock (par $1.25) to be offered for subscription by common stockholders of record March 28, 1957 at the rate of one new share for each six shares held. **Price**—$2.50 per share (Canadian). **Proceeds**—For capital expenditures and expenditures for exploration activities; also for other general corporate purposes. **Underwriter**—None.

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. Statement to be withdrawn.

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.

● United Artists Corp., New York (4/22-25)
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 (4/22-25)
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.
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. (4/15-19)
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. (4/16)
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.

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.

● Wrigley Properties, Inc. (4/12)
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

★ Acme Steel Co.
March 22 the company announced that it plans to retire bank loans ($15,000,000 at Dec. 31, 1956) out of the proceeds of new long-term financing in 1957. On Sept. 19, last year, a public offering of 400,000 shares of common stock was made through Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane and associates.

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 Great Southern RR. (5/16)
Bids are tentatively expected to be received by the company on May 16 for the purchase from it of about $3,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 European Scurities Co.
March 12 it was announced stockholders will vote April 24 on increasing the authorized capitalization from 600,000 shares (consisting of 500,000 common shares and 100,000 preferred shares) to 1,000,000 common shares, without par value. It is probable that additional common stock will be offered to common stockholders during the current year. **Underwriters**—Dominick & Dominick in United States; and Pictet & Cie, in Switzerland. Latter owned of record, but not beneficially, on March 1, 1957, 380,532 of the 459,379 common shares outstanding.

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.
April 9, Bayard L. England, President, announced that later this year the company will probably issue about $5,000,000 of convertible 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. (5/9)
Bids are expected to be received by the company on or about May 9 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.

★ Berks County Trust Co., Reading, Pa. (4/15)
April 2 it was announced Bank plans to offer to its stockholders of record April 8, 1957 the right to subscribe

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on or before May 15, 1957 for 28,611 additional shares of capital stock (par $5) on the basis of one new share for each 20 shares held. **Price**—$24.50 per share. **Proceeds**—To increase capital and surplus.

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.

★ Bridgeport Gas Co.
April 8 it was reported company plans an offering of additional common stock to its common stockholders during the first half of this year. **Proceeds**—To pay off bank loans (amounting to $700,000 at Dec. 31, 1956). **Underwriters** — Smith, Ramsay & Co. Inc., Bridgeport, Conn.; and Chas. W. Scranton & Co., New Haven, Conn.

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.
March 15, Frank H. Coughlin, President, announced that the new money requirements for 1957 are estimated at $10,000,000 and that the company contemplates the sale of an issue of convertible debentures early in 1957 and an issue of first mortgage bonds during the latter months of the year. **Underwriter**—In 1954, a convertible debenture offering was underwritten by Kidder, Peabody & Co. Last bond issue was placed privately through Kidder, Peabody & Co. and White, Weld & Co.

● Central Maine Power Co.
March 30 W. F. Wyman, President, announced that the company plans to issue and sell sometime in the second quarter of 1957 $18,000,000 of first and general mortgage bonds. **Proceeds**—To repay bank loans ($10,500,000 at Dec. 31, 1956) and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. 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.

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.

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.

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.

★ Community Public Service Co. (5/28)
March 28 it was announced company plans to issue and sell $3,000,000 first mortgage bonds due 1987. **Proceeds**—To refund bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Blair & Co. Incorporated. **Bids**—Expected to be received up to 11 a.m. (EDT) on May 28. **Registration**—Planned for April 25.

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.

★ Eastern Gas & Fuel Associates
April 3 it was announced company may need additional capital of between $25,000,000 and $35,000,000 during the next two years. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co., and Kidder, Peabody & Co. (jointly).

El Paso Electric Co. (5/7)
Feb. 26 it was reported company plans to offer to its common stockholders of record about May 7, 1957 the right to subscribe on or before May 21 for 119,522 additional shares of common stock (par $5) on the basis of one new share for each 15 shares held (probably with an oversubscription privilege). **Proceeds** — To reduce bank loans and for new construction. **Dealer-Manager**—Stone & Webster Securities Corp., New York, acted as dealer-manager for common stock offering last year.

El Paso Electric Co. (5/15)
Feb. 26 it was reported company plans to issue and sell about $6,500,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster Securities Corp.; Equitable Securities Corp.; Kidder, Peabody & Co., Shields & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on May 15.

★ El Paso Electric Co. (5/15)
April 8 it was reported company plans the sale of 20,000 additional shares of preferred stock (no par). **Proceeds**—About $2,000,000, to be used for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co.; White, Weld & Co., and Shields & 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)
March 29 it was announced 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.

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 Central RR. (4/25)
Bids may be received by this company on April 25 for the purchase from it of about $9,600,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

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★ Indiana Harbor Belt RR. (5/15)
Bids are tentatively expected to be received by this company on May 15 for the purchase from it of $8,125,000 first mortgage bonds due 1982. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ International Utilities Corp.
March 15 it was announced stockholders will vote April 17 on approving an increase in the authorized common stock from 2,500,000 to 4,000,000 shares (par $5). **Underwriter** — Butcher & Sherrerd, Philadelphia, Pa., handled last equity financing.

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 Gas & Electric Co.
April 1 it was reported company now expects to issue and sell in the second quarter of 1957 $11,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Glore, Forgan & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Eastman Dillon, Union Securities & Co., and White, Weld & Co. (jointly); Dean Witter & Co.; Lehman Brothers; Equitable Securities Corp.; Blyth & Co., Inc.

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.

★ Iowa Southern Utilities Co.
April 2 it was announced company plans to issue and sell $5,000,000 of first mortgage bonds later this year. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; White, Weld & Co.; Lehman Brothers, and Bear, Stearns & Co. (jointly) Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Dean Witter & Co.

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.

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 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.

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 Pacific Ry. (5/16)
Bids are tentatively expected to be received by this company on May 16 for the purchase from it of between $6,000,000 and $8,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 (probably privately), 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.

★ Pennsylvania RR.
Bids are tentatively expected to be received by the company some time in May for the purchase from it of $1,740,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Pepsi-Cola Mokan Bottlers, Inc. (4/15)
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.

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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 $2,550,000 equipment trust certificates, due semi-annually, from July 1, 1957, to Jan. 1, 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Seaboard Air Line RR.**
April 8 it was reported company may issue some additional equipment trust certificates, the proceeds of which are to cover part of the cost of about $19,200,000 of new equipment which it now has on order. Probable bidders: Halsey Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

TMT Trailer Ferry, Inc.
March 20 it was reported corporation is considering public financing of about $4,000,000 convertible debentures through Ira Haupt & Co., New York. **Financial Adviser**—Salomon Bros. & Hutzler, New York.

★ **Trans World Airlines, Inc.**
April 2 it was announced stockholders on April 25 will vote on approving an offering to stockholders of approximately $37,000,000 subordinated notes or debentures convertible into common stock. The new securities will probably be offered at the rate of $100 of notes or debentures for each nine shares of stock held. Hughes Tool Co., owner of 74.2% of the TWA outstanding common stock will purchase any securities not subscribed for by minority stockholders. **Proceeds**—To pay in part the conditional sales contract covering 33 Lockheed aircraft. **Underwriter**—None.

U. S. A. Fund, Ltd. (Canada)
Feb. 25 it was reported that this Fund plans to offer $15,000,000 of capital stock. **Underwriter**—Kidder, Peabody & Co., New York. **Offering** — Expected in early Spring.

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.

★ **Wabash RR. (5/7)**
Bids are tentatively scheduled to be received by the company on May 7 for the purchase from it of $6,165,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ **Washington Water Power Co.**
April 1, K. M. Robinson, President, stated that the company will probably market an issue of first mortgage bonds by June 30. **Proceeds** — To carry out 1957 expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman, Dillon, Union Securities & Co.; and Lehman Brothers (jointly); Blyth & Co., Inc.; Smith, Barney & Co., and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly).

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.

★ **Wisconsin Telephone Co. (7/9)**
April 3 it was announced company plans to issue and sell $30,000,000 of 35-year debentures due 1992. **Proceeds**— For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received at 195 Broadway, New York, N. Y., on July 9.

Continued from page 9

Air Conditioning Growth Is Just Commencing

conditioned office will naturally prefer an air conditioned hotel. And so, as more places become air conditioned, inevitably a greater number of people will experience its benefits and act accordingly—whether it involves a job location, a shopping area or the selection of a home.

To put this thought in a nutshell, those who compete for manpower or consumer dollars will do so at an increasing disadvantage without air conditioning.

As a matter of fact, I strongly suspect that in this era of clerical shortages, air conditioning right here in Washington is attracting employees from non-air-conditioned buildings.

Having spent a considerable part of my life in the financial world, I am acutely aware of the economic motivation behind a decision to install a central air conditioning system. I know that the decision is not made primarily because an air conditioned environment is pleasant. No chief executive officer could justify the expenditure on that basis alone. His decision must be predicated on a dollars-and-cents payoff.

The problems faced by the Federal Government in this respect are no different than those faced by private industry and commerce. You have, first, the enormous task of recruiting and training manpower. Then, with a heavy investment in a trained labor force, you can't afford to lose it. And finally, you have a budget, and costs are rising and taxpayers are pleading for relief.

As a direct result of air conditioning a structure, the economic returns come in the form of lower labor turnover, less expensive recruitment, fewer employee errors, less time lost and a higher level of output. *These represent the pay-off.*

As far back as 1938, to take one example, Paul G. Heidman, then Superintendent of Buildings for the Detroit Edison Company, reported a 50% increase in work output over the previous summer after its Drafting and Surveying Bureau moved into an air conditioned office.

Do you remember the heat wave that struck Washington in the summer of 1953? Day after day, Federal employees were sent home early and I have a pretty good idea of their working efficiency long before they were released. With no intent to be sadistic—really—I examined some clippings from our files. On the second of August the "Washington Star" reported, "More than 25,000 employees were allowed to leave work yesterday between 1 and 4:30 p.m." And the next day: "More than 13,000 had been excused before 2:30 p.m. and the movement was still in progress." To some degree this story is repeated year after year.

Believe me, many people are paying for air conditioning even though they don't themselves have it!

Turning now to private industry, I recall a survey of 75 manufacturing plants by a New Jersey industrial designer which showed that a typical employer lost $108 per man per year from the effect of hot weather if his plant were not air conditioned. And Sylvania Electric, Inc., on the basis of records kept in its Shawnee, Oklahoma, plant, has informed us that in addition to significant decreases in absenteeism and labor turnover, the productivity gain in summer per employee was 7% following installation of air conditioning. Another industrial concern claims a 16% increase, but its records were not as reliable as those of Sylvania.

Operation Cost

What does it cost to own and operate air conditioning? About five years ago, the former Commissioner of Public Buildings, Mr. W. E. Reynolds, made a study which showed that if employees save seven minutes of effective time out of a total of 480 minutes in a workday, the employer can break even on air conditioning. Incidentally, seven minutes is about two trips to the water cooler.

Mr. Reynolds' estimates are in line with our own. We have found that the average annual cost of owning and operating an air conditioning system in an office building runs from $60 to $70 per employee. To offset this would require a very small increase in employee efficiency—1 to 2%.

I pointed out that the problems of government with respect to manpower are in general no different than those confronting private business. The Defense Department, however, undoubtedly has a recruitment and turnover situation somewhat different than the other agencies. Technicians are expensive to train and, as you know, there is rather hot bidding for their services.

I understand, for instance, that the cost of training a single pilot ranges from $80,000 to half a million dollars, depending upon the complexity of the aircraft, and about $15,000 is required to train an ordinary airman in the enlisted ranks. Obviously, that makes turnover plenty expensive.

The government has completed a number of physiological psychological and clinical studies showing the effect of comfortably cool working and living conditions upon military personnel. These have invariably pointed to the superior performance of men quartered in air-conditioned surroundings.

This is obviously related to residential air conditioning, an important factor in the recent growth of our industry. Let me describe the trend.

In 1952 the industry sold about 15,000 central systems for new and existing homes. In 1956 we estimate that about 175,000 central air conditioners were installed. And at an average of four members to a family, about 700,000 new and enthusiastic salesmen were thereby created.

Home Potential

This year I think the industry will sell about a quarter million central systems for homes. Assuming one million housing starts annually, this means that air conditioning will be installed in about one out of every eight *new* dwellings constructed, plus another 125,000 in existing homes.

By 1961, central air conditioning will be going into one out of every three new residences. And in ten years—one out of two. These are national figures and the proportion will be higher in the warmer states. Currently, in the South 43% of all homes costing $30,000 and over are air conditioned.

It is self-evident, I submit, that a house built today without air conditioning will suffer a price disadvantage upon resale 10 years hence. And it is equally clear that air conditioning is well on the road to becoming as much a part of the American way of life as central heating.

Three With Mt. States

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Jerry E. Jump, Ben F. Lofflin and Thomas P. Walsh have become connected with Mountain States Securities Corporation, Denver Club Building.

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Wellington Fund Dirs.

PHILADELPHIA, Pa. — Stockholders of Wellington Fund at the annual meeting in Philadelphia have elected two new directors to the board, in addition to reelecting the 11 present directors of the fund.

The two new directors are Harold M. Cole, partner of Cole, Grimes, Friedman & Deitz, attorneys of New York City, and Andrew B. Young, partner of Stradley, Ronon, Stevens & Young, attorneys of Philadelphia.

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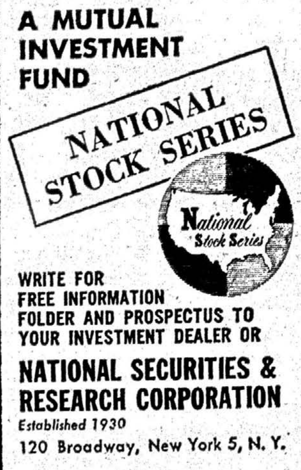

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By ROBERT R. RICH

National Revises '57 Forecast Upward

Four months ago, National Securities & Research Corp. made its forecast for business this year, as is its annual custom. The forecast then predicted this would be a record year.

Now, the group's economists have revised their 1957 forecast sharply upward. Among important changes, they now believe the Gross National Product this year will be $435 billion instead of the $430 billion originally forecast. Last year, the Gross National Product, sum of all goods and services produced, was $412 billion. National now predicts personal income will amount to $343 billion instead of the originally forecast $337 billion, and that disposable income—personal income after taxes—will be $301 billion instead of the predicted $297 billion.

Estimates of manufacturers' sales were revised upward from $340 billion to $346 billion, and manufacturers new orders, from $341 billion to $346 billion.

Business inventories were cut downward from $91.5 billion to $90.6 billion, as were manufacturers' unfilled orders, from $63.5 billion to $62.4 billion.

Economists cut their forecast of employment from 67.1 million to 66.3 million, and stepped up their prediction of unemployment from 2.6 million to 2.9 million.

The consumers' price level is expected to reach 119.2 instead of 119 (1947-'49=100). For 1956, it amounted to 116.2.

Auto production this year is expected to total 6.3 million units, and domestic auto sales, 6.1 million, compared with 5.85 million last year.

The prediction of $22 billion corporate profits for this year was not changed, but dividends paid out were revised down from $12.7 billion to $12.5 billion. This compares with $12 billion last year. It would still be a record.

Corporate securities' new offerings were increased in the forecast from $11.5 billion to $12.2 billion. Responsible for this revision upward is a change in bond and note offerings from $8.3 to $9 billion.

National expects a reduction in the national debt of $1.7 billion from last year's level of $276 billion.

Selected Reports Portfolio Changes

Selected American Shares, open-end investment company with total net assets of $62,715,629 as of March 31, made important adjustments in its investment holdings in the first quarter of 1957.

Newcomers to the portfolio were 5,000 shares of Bethlehem Steel, 10,000 Combustion Engineering, 4,000 Dresser Industries, 10,000 National Dairy, 6,200 Remington Arms.

Increases in prior stock holdings included 1,000 Aluminium Ltd., 1,000 Amerada, 1,850 American Natural Gas, 3,700 Columbia Broadcasting, 4,200 Commercial Credit, 13,000 Ford Motor, 3,000 General American Transportation, 9,900 Gulf Oil, 12,900 International Telephone & Telegraph, 5,000 Kroger, 7,000 Merck, 2,960 National Lead, 5,000 Northern Indiana Public Service, 9,000 Public Service of Indiana, 1,600 Skelly Oil, 12,500 Socony-Mobil, 5,000 Standard Oil of New Jersey, 3,000 Sunbeam Corp., 5,000 Tennessee Gas Transmission, 2,000 Thompson Products, and 7,000 West Penn Electric.

Eliminated from the portfolio were 5,000 American Airlines, 3,000 Atlantic Coast Line, 2,400 Bendix Aviation, 20,000 Boeing Airplane, 6,000 Borg-Warner, 12,500 Douglas Aircraft, 10,200 Eastern Airlines, 2,000 Firestone, 18,900 General Motors, 3,000 Kansas City Southern Railroad, 2,870 National Gypsum, 5,000 Sinclair Oil, 10,000 United Air Lines, and 7,700 U. S. Rubber.

Reductions in prior holdings included sales of 3,000 Aluminum Co. of America, 2,700 Crown Zellerbach, 5,000 Grand Union, 6,713 International Paper, 6,850 Mead Corp., 5,200 Monsanto, 9,800 Phillips Petroleum, 6,000 Radio Corp. of America, 5,000 Standard Oil of Indiana, 4,600 United Aircraft, and 7,000 U. S. Gypsum.

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Bullock Sees Great Canadian Growth

Net assets of Canadian Fund, Inc., on March 29, 1957 amounted to $42,834,254 compared with $38,359,078 at the end of the mutual fund's fiscal year on Nov. 30, 1956, which was a record year-end figure, Hugh Bullock, President, told shareholders at the annual meeting this week.

These gains reflect two factors primarily, Mr. Bullock said, a continued investor interest in the Canadian securities markets and good securities selection, competent management and the advantage of a well-informed, active board of directors.

The growth of Canada shows no signs of slackening, Mr. Bullock told the shareholders.

Notwithstanding the tremendous advances in the Canadian economy is the postwar years, the outlook for the longer-term expansion appears to be most favorable.

Quoting a Canadian Government study which projected the economic development of the country for the next 25 years, Mr. Bullock said that among the startling projections was that the Gross National Product of Canada, the value of all goods and services produced, would increase from its present level of approximately $30 billion per year to $76.1 billion in 1980—roughly three times the 1955 rate.

These figures are even more startling, he said, when it is realized that Canada, despite its relatively small population, is already first among the nations of the world in the production of nickel, asbestos and newsprint and second in aluminum, zinc, uranium and hydro-electric power.

In iron ore production, Canada has made brilliant progress, he stated, producing over 22 million tons in 1956, whereas 10 years ago there was a negligible production of iron ore in that country.

Canadian Fund proposes to invest its money in the securities of industries and corporations which are believed to be able to participate profitably in this Canadian growth, Mr. Bullock told the shareholders. Except for temporary reserves in Canadian and U. S. Government securities, all of the assets of the company at this time are invested in securities of Canadian corporations, mostly common stocks.

Delaware Income Fund Reveals First Portfolio

The new Delaware Income Fund has begun investing proceeds from the sale of shares first offered to the public last month.

Initial investments include common stock positions in the following companies: Allied Stores, Allied Mills, Allis Chalmers, American Tobacco, American Viscose, Anaconda, Best Foods, E. W. Bliss, Budd Company, Canada Dry, Chesapeake & Ohio, Colgate-Palmolive, California Water & Telephone, Eastern Utilities Associates, Gimbel Brothers, Great Northern Railway, Green (H. L.), Greyhound, Gulf Mobile & Ohio, Illinois Central, Kennecott, Liggett & Myers, Lerner Stores, Marshall Field, National Steel, New England T. & T., New York, Chicago & St. Louis, Niagara Mohawk, Phelps Dodge, Pullman, Chicago, Rock Island & Pacific, Simmons, Southern Railway, United Fruit, Walworth, Western Auto, and Wrigley. J. I. Case and Byer (A. M.) preferred were also purchased for the portfolio.

According to a statement by chairman D. Moreau Barringer, the Fund will pay its first dividend next month. However, he pointed out, since newly acquired holdings cannot be expected to yield a full quarter-year's return, the distribution will be "only a token, and not indicative of the size of later payments." The August dividend is expected to be more substantial.

Mr. Barringer then clarified the new Fund's investment policy. "I've heard some questions raised," he said, "as to whether Delaware Income Fund, because of its name and announced policy of emphasizing high income, is to be a so-called 'balanced fund,' or is to confine its investments to common stocks, or to any other class of security. The answer in each case is 'no.' It will be a fully-managed fund," he went on, "with a management free to vary the proportions of any class of security as seems most promising—just like Delaware Fund. At the present time," he concluded, "we have only a small proportion in prior securities, but when we think a larger investment in bonds or preferred stocks is to the shareholders' best interests, we are free to make it."

Delaware Income Fund is nationally distributed by Delaware Distributors, Inc., national distributors of the $47 million Delaware Fund.

Paul Manheim Director

Paul E. Manheim, a partner in Lehman Brothers and a Vice-President and director of The Lehman Corporation, the investment company, was elected to Western Union's board of directors at the annual meeting of the telegraph company.

Mr. Manheim is Chairman of the board of the Vertientes-Camaguey Sugar Company, and a director of General Sugar Estates, and Cuban Sugar Plantations, Inc.

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Lehman Assets Dip In Period To $228 Million

A total net asset value of $228,273,514, equivalent to $24.67 per share, was announced jointly by Robert Lehman, President, and Monroe C. Gutman, Chairman of the Executive Committee, in The Lehman Corporation's report for its first quarter ended March 31, 1957. At the end of the preceding quarter, the net asset value of the portfolio amounted to $233,789,214, equivalent to $25.26 per share.

Common stocks comprised 95.1% of the corporation's net asset value at the end of the quarter, with U. S. Government bonds and net cash items of $8,245,222, representing 3.6% of net asset value. Bonds and preferred stocks made up .2% of net asset value, and miscellaneous investments the remaining 1.1%. At the end of the preceding quarter, Dec. 31, 1956, common stock comprised 95.5% of the corporation's net asset value and U. S. Governments and net cash items of $7,013,256 represented 3.0%.

Among new additions to the portfolio during the first quarter were: 12,000 shares of Metals & Controls Corporation, and 3,400 shares of Minneapolis-Honeywell.

Purchases which increased portfolio holdings were: 8,300 shares of Florida Power Corp. for a total of 10,100 shares held in the portfolio; 20,000 shares of Dome Exploration (W.) Ltd. for a total of 60,000 shares held; 5,000 shares of Bristol-Myers for a total of 25,000 shares held; 5,450 shares of Houston Light & Power for a total of 21,200 shares held; 2,275 shares of American Potash & Chemical for a total of 10,000 shares held; 5,000 shares of International Nickel Ltd. for a total of 20,000 shares held; and 10,000 shares of American Gas & Electric for a total of 20,000 shares held.

Portfolio eliminations included: 10,000 shares of Phelps Dodge Corp.; 6,700 shares of Johnson & Johnson; 15,000 shares of Southwestern Public Service; 12,000 shares of Capital Airlines; 20,000 shares of Visking Corporation; 6,000 shares of Geco Mines, Ltd.; 5,000 shares of Sutherland Paper; 5,000 shares of Smith - Kline - French Laboratories, and 4,500 shares of Owens-Illinois Glass Co. —4% convertible preferred.

Among portfolio reductions were: 4,800 shares of British Petroleum Ltd. leaving 20,200 shares in the portfolio; 4,300 shares of Ohio Edison leaving 5,700 shares; 5,900 shares of Pennsylvania Power & Light leaving 41,800 shares; and 9,300 shares of West Penn Electric leaving 56,700 shares in the portfolio.

Oil and gas continued to be the corporation's largest single category of investment with the $69,841,940 invested in the industry representing 30.5% of the corporation's net asset value. The next two largest investment categories were public utilities with $28,607,286 of investments representing 16.8% of net asset value, and metals and mining with $24,208,073 of investments representing 10.6% of net assets.

Celebrates 25 Years

James H. Elliot has been awarded an engraved Longines watch on the 25th Anniversary of his association with Distributors Group, Inc., 63 Wall Street, New York, N. Y. Mr. Elliot, who becomes the sixth to qualify for this award, is Assistant Secretary of the Company.

Petschek Director

Charles I. Petschek of the investment banking firm of Kuhn, Loeb & Co. has been elected a Director and Secretary of Overseas Air Equipment Corporation, aircraft leasing company.

Green, Ellis Branch

STATE COLLEGE, Pa.—Green Ellis & Anderson have opened a branch office at 135 South Frazier Street under the direction of Edward B. Mulligan, III.

With Mountain States

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Frank E. Amole is now affiliated with Mountain States Securities Corporation, Denver Club Building. He was formerly with Colorado Management Corp.

Plourde Appointed By Nat'l Secs. Research

The appointment of Joseph C. Plourde as manager of the Public Utilities Division of National Securities & Research Corporation was announced by Henry J. Simonson, Jr., President. National Securities & Research Corp. is sponsor and manager of the National Securities Series of mutual funds.

Mr. Plourde joined the staff of National Securities & Research Corp. early this year, and prior thereto he had been with the Investment Department of New York Life Insurance Company since 1953, specializing in the analysis of public utilities securities.

Holder of a B.S. degree in Business Administration from Lehigh University Class of 1949, Mr. Plourde later did graduate work in banking and finance at New York University Graduate School of Business where he received his Master's Degree. In 1949, he became a member of the Investment Department of Guaranty Trust Company of New York and after two years of statistical and analytical work in the industrial field, he became a security analyst and assistant to the head of the Public Utilities Research Division.

Hallgarten Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Philip L. Stone is now affiliated with Hallgarten & Co., 231 South La Salle Street.

Courts Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Joseph M. Ferguson, Jr. is now with Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange.

Now With Barclay Inv.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Casimir M. Wojcicki is now associated with Barclay Investment Co., 208 South La Salle Street. He was formerly with Stanley Swiech & Co.

Joins Channer Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Verne B. Alexander is now connected with Channer Securities Company, 39 South La Salle Street.

With Tabor & Co.

(Special to THE FINANCIAL CHRONICLE)

DECATUR, Ill. — Winston E. Bullington is now with Tabor & Co., 139 West Main Street, members of the Midwest Stock Exchange.

Now Houston Bond & Share

HOUSTON, Tex. — The firm name of Horth, La Master & Lacey, Incorporated, Texas National Building, has been changed to Houston Bond & Share Co.

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Railroad Securities

By GERALD D. McKEEVER

Rail Income Reports and Tax Credits

Only close students of the Rails have any idea to what extent the income reports reflect actual earnings and earning capacity. The "man in the street" would not know, for instance, that almost half of the reported $3.01 per share income of the Delaware, Lackawanna & Western for 1956 was represented by a net tax credit. That is to say, the Lackawanna not only paid no Federal tax on 1956 income, but also received a credit amounting to $1.46 per share against a succeeding year's tax bill, and this credit, according to prescribed accounting, was taken into 1956 income to increase it by that amount.

This was after having reduced the preceding year's tax bill to a minimal figure by the absorption of much of the loss from the August 1955 flood in that year, and the Erie, suffering to a far less degree from the same flood conditions, took a 1955 tax credit equivalent to almost 20% of that year's reported net and also accrued only a small 1956 tax bill. More notably, the Chicago & North Western 1956 report states that as of the end of last year the road had an operating loss carry forward for income tax purposes of about $16 million that will offset future income that would otherwise be taxable.

Tax credits arising from such sources, of course, are not peculiar to the railroads. The industrial field is full of similar occurrences and, here and there, we find cases of concerns with large tax credits which are eagerly sought for merger or consolidation by other concerns which can well employ the tax offsets that they offer. All of this is thoroughly according to the law and prescribed tax accounting. It is only important that it be understood to be the case where such boosts to net income are a sizable factor.

The cases described in the foregoing are only one source of tax credits, however. Two other sources are peculiar to the rails as a result of account-procedure prescribed by the ICC. Most familiar is the tax deferral that arises from fast amortization in excess of normal depreciation. Elsewhere in industry fast amortization is charged off as such in full pro-rata amount against the income of the year to which it is applicable. Under the ICC accounting procedure, however, the railroads deduct from income only the normal depreciation allowance, but nevertheless reduce their tax bills by 52% of the excess of the fast amortization applicable to any year over the normal depreciation. This produces the special tax deferral item that tends to distort rail earnings as seen in such cases as the following:

	Amort. in Excess of Depr.	—Tax Deferral— Total	Per Share	Reported Net Per Share	Deferral as % of Net
Atl. Coast Line	$6,454,000	$3,356,000	$1.36	$4.79	28.3
Chesapeake & Ohio	21,000,000	11,000,000	1.38	8.28	16.7
Chi. R. I. & Pacific	6,920,000	3,596,000	1.23	5.38	23.2
Delaware & Hudson	2,510,000	1,306,000	0.85	5.60	15.2
Erie	4,454,000	2,316,000	0.94	3.08	30.6
Louisville & Nashville	11,710,000	6,090,000	2.61	10.70	24.4
"Soo"	834,000	434,000	0.60	4.09	14.7
Missouri Pacific	10,000,000	5,200,000	2.77	10.22	27.0
Reading Company	6,250,000	3,254,000	2.32	6.65	35.0
Seaboard Air Line	8,386,000	4,362,000	0.91	4.23	21.5

The other source of inflation of net income that is peculiar to the rails is the practice of some, but not all roads, of making tax adjustments for prior years in the current year's income account rather than to carry such adjustments directly to the surplus account. Last December a study group sponsored by the American Institute of Accountants, and reportedly at the instigation of the New York Stock Exchange, proposed several changes to bring railroad accounting into line with practices in other fields. One of the proposals was to eliminate the allegedly fictitious benefit to net income from the previously described tax deferral item. Another was to have tax adjustments for prior years applied directly to surplus.

These proposals were placed before the ICC and a reply was given by that body later in the month, but only in connection with the fast amortization practice. The upshot was that the ICC refused to consider any change in this connection for two reasons. One was that to make a change in this practice that has been in force since 1951 would be "disruptive." The other was that the fast amortization privilege expired with the 1951 year-end for the most part. Since its effect on rail earnings will be a declining factor and will vanish in 1960 or 1961, it does seem to be rather late in the day to do anything now.

Following is a tabulation showing that, due to a variety of reasons, among which is the retirement of non-depreciable property, not a single one of the group of representative rails listed therein paid the full 52% Federal tax rate in 1956, and that the nearest approach to this was made by the Virginian and the Nickel Plate with a 46.5% accrual in both cases. The calculations are carried further to show what the respective net incomes would have been if the full 52% accrual rate had applied in each case.

	Reported Net Inc.*	Federal Inc. Tax Accrued 1956*	Pre-Tax Net Inc.*	Effective Tax Rate	Federal Tax at Full 52% Rate*	Theoretical Net Income Total*	Theoretical Net Income Per Sh.	Reported Net Per Sh. '56
Atchison	$70,213	$33,837	$104,050	32.5%	$54,106	$49,844	$1.79	$2.64
Atl. C. L.	11,835	1,125	12,960	7.9	6,739	6,221	2.52	4.79
B & O	30,038	4,816	34,854	13.8	18,124	16,730	5.62	10.85
B & M	741	Cr403	338	(Cr)	176	162	¶2.24	¶1.13
Cent. Ga.	3,300	196	3,496	5.6	1,818	1,678	2.45	7.26
C & O	66,700	38,500	105,200	36.6	54,704	50,496	6.30	8.23
C & E. I.	2,697	Cr523	2,174	(Cr)	1,130	1,044	2.16	6.15
Chi. G. W.	3,403	2,355	5,758	40.8	3,008	2,750	5.08	6.88
St. Paul	8,486	Cr51	8,435	(Cr)	4,386	4,049	0.69	2.78
Rock Island	15,722	3,692	19,414	19.0	10,095	9,319	3.20	5.38
D & H.	9,066	5,130	14,196	36.2	7,382	6,814	4.22	5.60
D. L. & W.	5,082	Cr2,456	2,536	(Cr)	1,319	1,217	0.72	3.01
D & R. G. W.	12,580	8,827	21,407	41.3	11,132	10,275	4.68	5.79
Erie	8,171	778	8,949	8.7	4,653	4,296	1.50	3.08
Gt. North.	32,239	14,118	46,357	30.4	24,106	22,251	3.67	5.32
G. M. & O.	5,093	2,576	7,669	33.2	3,988	3,781	2.58	4.01
Ill. Cent.	23,579	17,336	40,915	42.5	21,276	19,639	6.32	7.66
Lehigh Vy.	4,213	Cr100	4,113	(Cr)	2,139	1,974	1.31	2.80
L & N	25,027	15,452	40,479	38.2	21,049	19,430	8.30	10.70
M & St. L.	1,775	1,107	2,882	38.4	1,499	1,383	1.81	2.32
"SOO"	2,940	1,670	4,610	36.4	2,397	2,213	3.08	4.09
"MOP"	19,593	4,247	23,840	17.8	12,397	11,443	‡5.98	‡10.22
N. Y. Cent.	39,104	1,189	40,293	3.0	20,952	19,341	2.96	6.02
Nickel Pl.	16,329	14,193	30,522	46.5	15,871	14,651	3.58	5.98
New Haven	262	193	455	42.5	237	218	¶2.04	¶2.01
Norf. & W.	42,487	29,375	71,862	41.0	37,368	34,494	6.14	7.39
North. Pac.	20,983	4,983	25,876	18.8	13,455	12,421	2.51	4.23
Penn. R. R.	41,545	7,246	48,791	14.9	25,371	23,420	1.78	3.16
P. & W. Va.	949	709	1,658	42.7	860	798	2.62	3.11
Reading	12,113	5,942	18,055	33.0	9,389	8,666	4.19	6.65
"Frisco"	8,534	4,703	13,237	36.6	6,883	6,354	2.07	3.72
Seaboard	20,145	6,700	26,845	25.0	13,959	12,886	2.70	4.23
So. Pac.	46,462	5,896	52,358	11.3	27,226	25,132	†2.77	†5.14
Sou. Ry.	38,872	19,039	57,911	32.3	30,114	27,797	3.82	5.53
Union Pacific	78,569	40,000	118,569	34.0	61,656	56,913	2.38	3.36
Virginian	14,280	12,384	26,664	46.5	13,865	12,799	8.90	10.08
§West Md.	7,781	4,450	12,231	36.6	6,350	5,881	8.50	11.00
West Pacific	3,639	1,050	4,689	22.4	2,438	2,251	3.90	6.29
Wisc. Cent.	1,825	44	1,869	2.4	973	896	4.30	8.78

‡ On class A stock.
† Transportation System only-Viz., not consolidated.
§ Pro Forma, or giving effect to exchange terms eliminating the 7% first preferred.
¶ Deficit.
Cr Credit item.
* 000 omitted.

It should perhaps be mentioned that in the case of B & O, B & M, Central of Georgia and others subject to indenture provisions governing available earnings, the earnings shown are the full earnings and are not "after funds."

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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:

	Date	Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Apr. 14	§91.0	*90.6	93.8	100.9
Equivalent to—					
Steel ingots and castings (net tons)	Apr. 14	§2,328,000	*2,319,000	2,401,000	2,483,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Mar. 29	7,786,300	7,819,000	7,518,500	7,149,190
Crude runs to stills—daily average (bbls.)	Mar. 29	¶8,099,000	7,976,000	8,076,000	7,694,000
Gasoline output (bbls.)	Mar. 29	26,007,000	25,060,000	26,723,000	25,444,000
Kerosene output (bbls.)	Mar. 29	2,170,000	2,265,000	2,506,000	2,238,000
Distillate fuel oil output (bbls.)	Mar. 29	12,256,000	12,855,000	14,175,000	12,033,000
Residual fuel oil output (bbls.)	Mar. 29	8,778,000	8,385,000	8,572,000	8,205,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 29	203,489,000	205,521,000	203,749,000	198,209,000
Kerosene (bbls.) at	Mar. 29	20,168,000	19,978,000	21,469,000	17,333,000
Distillate fuel oil (bbls.) at	Mar. 29	75,855,000	77,603,000	85,698,000	62,583,000
Residual fuel oil (bbls.) at	Mar. 29	37,098,000	36,886,000	37,064,000	33,896,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 30	694,922	685,833	703,984	724,968
Revenue freight received from connections (no. of cars)	Mar. 30	642,210	646,840	645,420	673,758
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Apr. 4	$281,464,000	$358,987,000	$320,433,000	$276,501,000
Private construction	Apr. 4	127,546,000	133,498,000	157,930,000	156,049,000
Public construction	Apr. 4	153,938,000	225,489,000	162,503,000	120,452,000
State and municipal	Apr. 4	124,888,000	141,245,000	147,716,000	108,750,000
Federal	Apr. 4	29,050,000	84,244,000	14,787,000	11,702,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 30	**10,565,000	10,260,000	9,660,000	10,311,000
Pennsylvania anthracite (tons)	Mar. 30	386,000	407,000	418,000	503,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Mar. 30	112	113	99	122
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Apr. 6	11,693,000	11,694,000	11,867,000	10,846,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Apr. 4	231	290	327	217
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 2	5.670c	5.670c	5.670c	5.179c
Pig iron (per gross ton)	Apr. 2	$64.56	$64.56	$64.00	$60.2
Scrap steel (per gross ton)	Apr. 2	$44.17	$45.83	$50.50	$53.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Apr. 3	31.550c	31.425c	31.550c	45.825c
Export refinery at	Apr. 3	30.175c	29.100c	29.800c	47.775c
Lead (New York) at	Apr. 3	16.000c	16.000c	16.000c	16.000c
Lead (St. Louis) at	Apr. 3	15.800c	15.800c	15.800c	15.800c
‡Zinc (delivered) at	Apr. 3	14.000c	14.000c	14.000c	14.000c
Zinc (East St. Louis) at	Apr. 3	13.500c	13.500c	13.500c	13.500c
Aluminum (primary pig. 99%) at	Apr. 3	25.000c	25.000c	25.000c	24.000c
Straits tin (New York) at	Apr. 3	99.000c	101.000c	98.375c	100.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Apr. 9	91.06	91.44	90.40	93.08
Average corporate	Apr. 9	96.85	96.09	96.54	106.39
Aaa	Apr. 9	101.47	101.47	101.47	109.79
Aa	Apr. 9	99.52	99.36	99.20	108.16
A	Apr. 9	96.85	96.85	96.54	106.39
Baa	Apr. 9	89.92	89.92	89.64	101.47
Railroad Group	Apr. 9	95.32	95.47	95.47	105.17
Public Utilities Group	Apr. 9	97.16	97.00	97.00	107.09
Industrials Group	Apr. 9	97.94	97.94	97.94	106.92
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Apr. 9	3.25	3.22	3.30	3.04
Average corporate	Apr. 9	3.95	3.96	3.97	3.37
Aaa	Apr. 9	3.66	3.66	3.66	3.18
Aa	Apr. 9	3.78	3.79	3.80	3.27
A	Apr. 9	3.95	3.95	3.97	3.37
Baa	Apr. 9	4.42	4.42	4.44	3.66
Railroad Group	Apr. 9	4.05	4.04	4.04	3.44
Public Utilities Group	Apr. 9	[illegible]	3.94	3.94	[illegible]
Industrials Group	Apr. 9	3.88	3.88	3.91	3.34
MOODY'S COMMODITY INDEX	Apr. 9	407.9	408.7	411.7	420.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 30	275,692	257,167	350,780	291,219
Production (tons)	Mar. 30	274,516	288,866	266,246	290,965
Percentage of activity	Mar. 30	92	95	92	101
Unfilled orders (tons) at end of period	Mar. 30	408,271	408,010	454,345	546,9[illegible]4
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Apr. 5	110.87	110.72	110.97	108.00
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Mar. 16	1,040,610	1,388,740	960,260	1,978,180
Short sales	Mar. 16	158,900	212,910	197,360	337,870
Other sales	Mar. 16	836,210	986,820	829,220	1,631,420
Total sales	Mar. 16	995,110	1,199,730	1,026,580	1,969,290
Other transactions initiated on the floor—					
Total purchases	Mar. 16	270,470	237,000	163,000	359,850
Short sales	Mar. 16	35,200	29,900	46,400	19,900
Other sales	Mar. 16	217,550	301,400	213,930	406,980
Total sales	Mar. 16	252,750	331,300	260,330	426,880
Other transactions initiated off the floor—					
Total purchases	Mar. 16	391,441	496,296	297,654	714,080
Short sales	Mar. 16	94,950	104,330	84,550	108,060
Other sales	Mar. 16	545,420	492,390	376,445	801,550
Total sales	Mar. 16	640,370	596,720	460,995	909,610
Total round-lot transactions for account of members—					
Total purchases	Mar. 16	1,702,521	1,872,036	1,420,914	3,052,110
Short sales	Mar. 16	289,050	347,140	328,310	465,830
Other sales	Mar. 16	1,599,180	1,780,610	1,419,595	2,839,950
Total sales	Mar. 16	1,888,230	2,127,750	1,747,905	3,305,780
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. 16	1,003,696	1,177,300	933,017	1,624,939
Dollar value	Mar. 16	$46,511,275	$55,432,432	$42,531,243	$85,358,730
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Mar. 16	814,542	857,273	676,863	1,450,202
Customers' short sales	Mar. 16	10,757	8,728	6,769	6,807
Customers' other sales	Mar. 16	803,785	848,545	670,094	1,443,395
Dollar value	Mar. 16	$37,037,054	$40,190,410	$31,762,434	$74,191,937
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 16	203,880	197,500	153,910	380,650
Short sales	Mar. 16	------	------	------	------
Other sales	Mar. 16	203,880	197,500	153,910	380,650
Round-lot purchases by dealers—					
Number of shares	Mar. 16	418,670	501,530	384,130	554,670
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. 16	412,400	481,960	436,750	576,590
Other sales	Mar. 16	8,390,760	9,486,490	7,057,470	15,927,910
Total sales	Mar. 16	8,803,160	9,968,450	7,494,220	16,504,500
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Apr. 2	116.9	117.0	116.8	113.5
Farm products	Apr. 2	89.1	89.1	88.5	88.4
Processed foods	Apr. 2	103.9	104.1	103.5	100.8
Meats	Apr. 2	84.2	84.7	80.6	76.3
All commodities other than farm and foods	Apr. 2	125.3	125.3	125.3	121.2

*Revised figure. ¶Includes 792,000 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. **Source: National Coal Association.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of January:			
Total gas sales (M therms)	8,812,700	7,501,000	8,392,500
Natural gas sales (M therms)	8,497,100	7,243,800	7,934,000
Manufactured gas sales (M therms)	26,800	26,000	44,400
Mixed gas sales (M therms)	288,800	231,200	414,100
AMERICAN PETROLEUM INSTITUTE—Month of December:			
Total domestic production (barrels of 42 gallons each)	254,494,000	238,438,000	246,548,000
Domestic crude oil output (barrels)	228,684,000	214,174,000	221,804,000
Natural gasoline output (barrels)	25,781,000	24,221,000	24,703,000
Benzol output (barrels)	29,000	43,000	41,000
Crude oil imports (barrels)	27,071,000	26,124,000	27,419,000
Refined products imports (barrels)	18,526,000	14,722,000	19,144,000
Indicated consumption domestic and export (barrels)	321,406,000	297,106,000	327,362,000
Decrease all stocks (barrels)	[illegible]	17,822,000	34,251,000
COAL EXPORTS (BUREAU OF MINES)— Month of January:			
U. S. exports of Pennsylvania anthracite (net tons)	469,442	658,151	389,923
To North and Central America (net tons)	167,111	175,958	236,126
To Europe (net tons)	299,488	479,392	150,954
To Asia (net tons)	2,723	2,801	2,843
To South America (net tons)	------	------	------
Undesignated	120	------	------
COPPER INSTITUTE—For Month of February:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	101,032	*109,556	102,871
Refined (tons of 2,000 pounds)	134,119	139,150	127,967
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	101,565	119,925	139,433
Refined copper stocks at end of period (tons of 2,000 pounds)	136,330	118,564	47,053
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Consumed month of February	684,366	840,567	760,017
In consuming establishment as of Mar. 2	1,701,103	1,640,031	1,751,348
In public storage as of Mar. 2	14,051,133	15,217,293	16,527,246
Linters—Consumed month of February	112,984	128,446	153,221
Stocks Mar. 2	996,351	990,906	1,499,163
Cotton spindles active as of Mar. 2	18,639,000	18,275,000	19,428,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Mar. 2	21,537,000	21,564,000	19,110,000
Spinning spindles active on Mar. 2	18,639,000	18,725,000	19,428,000
Active spindle hours (000's omitted) Mar. 2	8,749,000	10,790,000	9,633,000
Active spindle hours per spindle in place Feb.	437.5	431.6	481.7
METAL PRICES (E. & M. J. QUOTATIONS)— February:			
Copper—			
Domestic refinery (per pound)	32.576c	35.526c	44.588c
Export refinery (per pound)	30.553c	33.337c	45.822c
††London, prompt (per long ton)	[illegible]	[illegible]	Not Avail.
††Three months, London (per long ton)	£244.100	£264.716	Not Avail.
Lead—			
Common, New York (per pound)	16.000c	16.000c	16.000c
Common, East St. Louis (per pound)	15.800c	15.800c	15.800c
‡‡Prompt, London (per long ton)	£113.150	£116.256	£119.375
††Three months, London (per long ton)	£112.344	£114.534	£115.423
Zinc (per pound)—East St. Louis	13.500c	13.500c	13.500c
§§Zinc, Prime Western, delivered (per pound)	14.000c	14.000c	14.000c
††Zinc, London, prompt (per long ton)	£99.444	£103.256	£100.405
††Zinc, London, three months (per long ton)	£96.850	£98.682	£96.375
Silver and Sterling Exchange—			
Silver, New York (per ounce)	91.375c	91.375c	90.901c
Silver, London (per ounce)	79.828d	80.290d	78.565d
Sterling Exchange (check)	$2.79806	$2.79570	$2.80645
Tin, New York Straits	100.506c	101.308c	100.745c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$255.000	$255.000	$267.583
¶Antimony, New York boxed	[illegible]	[illegible]	36.470c
Antimony, (per pound), bulk Laredo	33.000c	33.000c	33.000c
Antimony, (per pound), boxed Laredo	33.500c	33.500c	33.500c
Platinum, refined (per ounce)	$98.000	$101.038	$103.000
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	[illegible]	$1.70000	$1.70000
Cobalt, 97% grade	$2.00000	$2.35000	$2.60000
Aluminum, 99% grade ingot weighted average (per pound)	27.100c	27.100c	24.400c
Aluminum, 99% grade primary pig	25.000c	25.000c	Not Avail.
Magnesium ingot (per pound)	35.250c	35.250c	32.500c
**Nickel	[illegible]	74.000c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.25
NEW YORK STOCK EXCHANGE—As of Feb. 28 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,763,440	*$2,789,211	$2,774,420
Credit extended to customers	34,672	28,560	34,499
Cash on hand and in banks in U. S.	322,475	*342,019	340,905
Total of customers' free credit balances	828,127	*865,837	913,175
Market value of listed shares	207,719,493	211,997,259	209,558,874
Member value of listed bonds	101,316,654	100,950,985	105,443,575
Member borrowings on U. S. Govt. issues	75,050	83,931	83,103
Member borrowings on other collateral	2,158,264	2,091,882	2,355,166
NONFARM REAL ESTATE FORECLOSURES— FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of Dec.	2,569	2,737	2,403
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of January:			
Passenger Tires (Number of)—			
Shipments	7,812,185	6,587,164	7,064,300
Production	8,296,362	7,425,137	7,661,209
Inventory	16,977,616	16,493,563	16,546,337
Truck and Bus Tires (Number of)—			
Shipments	1,065,754	960,678	1,138,505
Production	1,207,524	1,130,382	1,317,606
Inventory	3,512,054	3,377,991	2,970,623
Tractor-Implement Tires (Number of)—			
Shipments	285,861	214,134	330,575
Production	285,825	246,236	331,957
Inventory	780,080	772,072	821,931
Passenger, Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,828,811	2,837,451	3,607,661
Production	3,364,259	2,669,575	2,917,472
Inventory	5,788,703	6,109,425	6,293,890
Tread Rubber (Camelback)—			
Shipments (pounds)	35,417,000	37,641,000	27,495,000
Production (pounds)	37,518,000	37,656,000	28,363,000
Inventory (pounds)	28,977,000	26,524,000	26,875,000

*Revised figure. †Based on the producers's quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne, U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange.

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Serious Downturn in Business Is Unlikely, According to First National City Bank

Prognosis of "no basis for anticipating a serious downturn this year" is made by First National City Bank after assessing soft and strong spots in the economy. Bank "Letter" finds a generally sideway trend resulting from strong sectors of off-setting areas of weakness, and believes we may now be entering a temporary period of adjustment reflecting inventory policy and production scheduling shifts.

Despite prospect of temporary adjustment period, the April "Letter" of the First National City Bank of New York expects no serious downturn this year due to strong basic demand on part of consumers, business and Government for goods and services.

The Monthly "Letter" of the Bank points out, "the business picture continues to show both soft and strong spots. Industrial production in March has not made the usual seasonal gain, steel output is down, housing construction is still sluggish, and automobile sales are not showing the increases hoped for. Cutbacks in production to check inventory accumulation continue in some lines. On the other hand, employment, buying power, and consumption are firmly sustained. Scattered layoffs in consumer goods industries have been getting much publicity, but employers in 90% of the nation's leading industrial centers reported to the U. S. Department of Labor late in March that they anticipate moderate increases in employment through mid-May. Backlogs in the capital goods industries hold at high levels, and, even where new orders have slowed, the pressure for more output and quicker shipment—as in structural steel—is still insistent.

"On balance, the strong sectors in business offset the areas of weakness. They are producing a generally sideways trend. This is particularly true when the over-all economy, including services and trade rather than industrial production alone, is considered. There is no evidence that the rise in Gross National Product has halted; certainly, it has not turned down.

"Business sentiment has seemed, if anything, a little better than it was in February. This does not imply that people have suddenly become bullish again, or that buyers have started speculating or covering ahead once more. However, less talk is heard about the dangers of an imminent recession, and the security and commodity markets have behaved better than they did earlier in the year. Confidence was bolstered during the month by official reports that businessmen were planning to maintain expenditures for new plant and equipment at about the present record rate during the remainder of 1957. In another highly regarded survey, consumers reaffirmed their optimism and willingness to buy.

"The slippage in industrial output—moderate though it is—is the principal soft spot in the over-all situation. Industrial production had been on a plateau prior to last month. In the five months from last October through February, the Federal Reserve index (seasonally adjusted, 1947-49=100) held steady at 146, except in December when it was 147. In March, however, steel mill operations declined and automobile output leveled off at a season when normally both should be increasing. Other industries also adjusted production schedules. The upswing in production of petroleum and other items probably will be insufficient to offset these losses, and a moderate downturn in the production index is likely.

Adjustment of Inventories and Output

"In the steel industry, supplies of all but a few types of steel are now reported adequate and steel mill customers are reducing their commitments accordingly. Operations have been reduced from over 97% of capacity in January and February to about 93% in March, although March is ordinarily one of the peak months of the year.

"Automobile manufacturers recently cut production schedules for the second quarter to 1.6 million cars, about 7½% below the levels originally announced, in order to avoid excessive inventories. Passenger car assemblies totaled about 1.8 million in the first quarter, and have been outrunning retail sales since early in the model year. As a result, dealers accumulated new car stocks totaling 730,000 by the end of February and added still more during March. Retail sales of new cars have been steady during the first quarter, but so far show no spring upsurge. Equally disappointing is the realization that sales are falling short of the 1956 rate.

"The recent experience of steel and auto firms typifies the desire to avoid burdensome inventories, which has been a major factor in recent production trends. Whether a firm is cutting down its stock or merely slowing the rate at which inventories build up, demand for current production is reduced. . . .

Inventory and Purchasing Shifts

"Although inventories are still rising, the market for manufactured goods has been reduced nearly half a billion dollars a month through the shift in inventory policy. For the most part, purchasing agents have been proceeding cautiously. Despite a fairly steady rise in wholesale prices, no rush to beat further price boosts has developed. As shortages disappear, so does the need for precautionary stocks. In addition, trimming inventories has been a means of conserving working capital in a period of tight money and reduced corporate liquidity. For these reasons, it has become increasingly popular to 'let the suppliers carry the inventory.'

Strength of Final Demand

"There is at least one good reason for thinking that the shift in inventory policy may not carry very far, namely, it comes at a time when final demand from consumers, business, and government is being maintained at peak rates. By practically any criterion over-all business inventories at present are neither oppressively high nor dangerously unbalanced. To the extent that individual industries are able to carry out an adjustment while over-all demand is high, the possibility of a downward spiral is remote and the chances for more 'rolling readjustment' are enhanced. The impact is slight so long as final demand remains strong. Thus, the real issue in appraising the outlook is not the soft spots which reflect inventory adjustment or shifts in demand from one type of purchase to another. The important point is the strength of final demand.

"During March, a succession of reports indicated a continued high level of expenditures by each of the three major sectors of the economy. Consumers appear to have carried into March the record volume of spending at retail stores rung up in the preceding three months. . . . Government spending is also on the rise. Overall Federal budget outlays in the first eight months of fiscal 1957 are up about 5% over the previous year. . . . State and local governments are stepping up public works programs even though the effects of the highway program are being delayed longer than many persons expected. Outlays on all types of public construction (including Federal) was at a new peak in the first two months of 1957, up 7% from the fourth quarter rate and 10% greater than a year earlier. Contracts for future public construction projects awarded in January and February were 9% larger than in the same months last year, according to F. W. Dodge tabulations.

Business Investment Maintained At Record

"Businessmen are planning to spend $37.4 billion on new plant and equipment during 1957, an increase of 6½% over the record-breaking 1956 outlays. In manufacturing, over half of the outlays are earmarked for expansion of capacity. These capital expenditure programs are based not only on long-run expectations that such investment will prove profitable, but on an optimistic appraisal of 1957 business prospects. Manufacturers expect their sales to rise 8% this year over 1956, public utilities, anticipate a gain of 9%, and wholesale and retail trade firms look for a 4% increase in sales.

"Most of the scheduled rise from 1956 to 1957 had already been accomplished by the first quarter of 1957. To achieve their investment goal for the full year, businessmen need to increase their spending less than 2% further. Second quarter outlays are already scheduled at a $38 billion annual rate, but these early expectations may not be fully realized, as has been the case in each of the last four quarter. Estimates of expenditure patterns in the second half of 1957 are still very tentative, but the best guess is that they will be close to the first quarter rate. . . .

"Several shifts in capital spending plans have already been announced. However, a leading machine tool manufacturer, Mr. Walter Bailey, President of Warner & Swasey Company, observed recently:

"'The fact is that most of the programs canceled or postponed were long-range and in some cases overly ambitious projects. Normal expansion is continuing, and, what is more important to us, replacement of obsolete equipment now on plant floors is becoming more imperative than ever before.'

The Need For Adjustment

"Manufacturing investment and a number of other expansive factors in the economy have lost much of their kick, although they are still strong sustaining factors. One need not take a pessimistic view of the economy just because it does not set a new record each week, month, or quarter.

"The dangers of pumping up our prosperity every time it falters or of seeking government aid every time an industry or group experiences a set-back were aptly set forth by Gabriel Hauge, Special Assistant to President Eisenhower, in a speech to the Economic Club of Detroit on March 11. He added. [*Ed. Note:* Full text appeared in The Chronicle, March 21.]

"'Within our conception of prosperity, our task, it seems to me, is to widen the narrow path between inflation and deflation. We ought not to define so narrowly our goal of prosperity as to exclude temporary periods of adjustment. If we define any condition which is not inflationary as being deflationary, if we assume that all areas of the economy must persistently operate at full capacity, and if we require sellers' markets as the invariable objective, we shall have to resign ourselves to inflation as a national way of life.

"'We must adjust our thinking to the retalization that optimum prosperity and growth — in the long run—are not the same thing as maximum prosperity and growth in the short run. Having so adjusted our thinking, confidence in the future is made more durable, and thereby it can become a more dependable and vigorous force for good times and for growth.'

"The economy may now be entering one of these 'temporary periods of adjustment,' reflecting shifts in inventory policy and production scheduling. Nevertheless, the basic strength of consumer, government, and business demand, discussed above, provides no basis for anticipating a serious downturn this year. There is nothing in the present picture inconsistent with the idea of a long, flat crest to the prolonged advance."

Joins R. W. Pressprich

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Emily D. Berger has become affiliated with R. W. Pressprich & Co., 75 Federal Street.

With Livingstone, Crouse

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Sol M. Steinhart is now connected with S. R. Livingstone, Crouse & Co., Penobscot Building, members of the Detroit Stock Exchange.

John Kinnard Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Barbara R. Mark has joined the staff of John G. Kinnard & Company, 133 South Seventh Street.

R. J. Steichen Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Milton M. Malone has become associated with R. J. Steichen & Company, Roanoke Building.

With A. C. Allyn

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Oris E. Kelsay is now with A. C. Allyn & Company, Inc., 101 West Eleventh Street. He was previously with B. C. Christopher & Co.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John Mug is now with Bache & Co., 445 North Roxbury Drive. He was previously with Sutro & Co.

Midwest Exch. Member

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange elected to membership in the Exchange Willis J. Meehan, Chicago, Ill.

With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William K. McDonald, Jr. is with E. F. Hutton & Company, 160 Montgomery Street.

DIVIDEND NOTICES

Manufacturers of a complete line of automotive and industrial storage batteries.

A REGULAR QUARTERLY DIVIDEND of 42½c per share on Common Stock, was declared by the Board of Directors on February 11, 1957, payable May 1, 1957, to stockholders of record April 22, 1957.

A. H. DAGGETT
PRESIDENT

ST. PAUL • MINNESOTA

TECHNICOLOR, Inc.

The Board of Directors has declared a dividend of twelve and one-half cents (12½c) per share on the Common Stock ($1 Par Value) of the Company, and a dividend of twenty-five cents (25c) per share on the Common Stock (no Par Value) not yet exchanged under the Company's Exchange Instructions dated May 19, 1953. These dividends are payable April 30, 1957 to stockholders of record at the close of business April 16, 1957.

DAVID S. SHATTUCK
Treasurer

April 8, 1957.

DIVIDEND NOTICE

Schenley Industries, Inc.

71st Dividend Declaration

The Board of Directors has declared a quarterly dividend of 25¢ per share on the outstanding Common Stock, payable May 10, 1957, to stockholders of record April 19, 1957.

Since 1936 Schenley has paid to its stockholders cash dividends totaling $111,441,589.

March 27, 1957

Lewis S. Rosenstiel
Chairman of the Board and President

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—This so-called "temporary" program for giving American farm products away to foreign countries is being given an insignificant additional infusion of $1.3 billion of funds, bringing the aggregate to a paltry $4.8 billion.

It was in 1954 that the Administration conceived, and Congress enacted, the program for "selling" farm products abroad for foreign currencies. It was this plus an outright grant of such commodities for foreign relief. The initial authorization was for one year of foreign currency sales up to $750 million.

Since then the thing has mushroomed all over the place and the program has become as "temporary" as a "temporary" higher rate of taxes or any new subsidy. It is exactly as temporary as will be a four- or a five- or a six-year program of Federal aid for school construction, once one gets on to the statute books.

Furthermore, the thing has proliferated in other ways. This correspondent read carefully the debate in 1954 when the nostrum was first passed by the House. The argument was reiterated at the time that Commodity Credit Corp., owned this enoromus storehouse of farm commodities picked up under price supporting operations, a supply so vast it could only in lesser part be worked off commercially, therefore why not "sell" (i.e., in fact give) it away anyway.

Nowhere in the original debate did one then get the clear official impression of how useful this tool would become. It now develops that even commodities picked up in current price-supporting operations can be turned over quickly to foreign mouths and mills for substantially no return to the taxpayers of the United States.

In other words, it is not simply a cutting of losses on commodities picked up and held for months if not years. They give them away before they have even tried to store and dispose of them for what passes for money in the United States.

Give Anything Away

In reporting out its latest $1.3 billion addition to this beautiful program, the Senate Committee on Agriculture wanted to make sure that the voting farmers, whether or not they are growing surplus and/or price-supported commodities, can also get a share of this Treasury-made market.

Earl L. Butz, the Assistant Secretary of Agriculture, solemnly assured the committee, and the committee so quoted him, that this "Agricultural Trade and Development Act" under which the give-away is carried out, permits the Department of Agriculture to buy up in the markets and give away any farm commodities, even fruits and vegetables. It is all so logical and reasonable, Mr. Butz indicated. If the Department of Agriculture did not buy up and give away these commodities it is not obligated to support and hoard, why then those there farmers would just be in demanding price supports anyway.

Commercial Procedures

As in so much of Federal extravagance, there is a delicious pattern followed to sustain the farce that it bears a resemblance to a commercial transaction. In the words of the Senate Committee on Agriculture:

"Normal commercial procedures, based largely on letters of credit, are followed in carrying out Title I sales. Importers pay for commodities in local currencies through their local banks. United States suppliers are paid in dollars by United States banks with which the foreign banks have established dollar letter of credit arrangements. The United States banks are reimbursed by the Commodity Credit Corp. The foreign currency purchase price is deposited to the account of the United States Government in accordance with arrangements made between Governments of the United States and the importing country."

This circuitous scheme not only salves the conscience of bureaucracy, but undoubtedly leads to considerable employment. In fact the United States merely writes off the total value of the commodities and to boot pays for the cost of shipping them to the foreign buyer, taking a substantial foreign deposit of inconvertible foreign currency which a lot of people on U. S. payrolls have fun spending when they go abroad, playing Santa Claus, fairy godmother, Mighty Mouse, defender of the Moslem, Hindu, and other faiths, and generally engineering around and mixing in the business of foreign countries.

Foreign Currency Uses

This foreign currency acquired by the United States may be used for almost anything but reducing the burden of government upon the U. S. taxpayer.

They are, the committee indicated being used to finance fancy foreign agricultural fairs to allegedly promote markets for U. S. farm products. They may be used for U. S. military base construction overseas. They can pay for the support abroad of State Department and U. S. Information Agency employees or for housing U. S. military personnel. They can finance a foreigner coming to the U. S. to study, or vice versa, or for libraries and U. S. propaganda abroad of other kinds. Their biggest use, however, is to "finance foreign economic development."

Since the beginning of the program first authorized in 1954, the U. S. has entered into 87 foreign currency "sale" agreements involving nearly $2.9 billion (cost to the Treasury) of U. S. commodities. The cost to the Treasury of shipping these abroad will aggregate more than $221 million.

What the "value" of these "sales" in foreign currencies amounts to arbitrarily translated into American dollars is $1,984 million minus the $221 million of freight, or a little over $1¾ billion.

How Spent

Of this $1¾ billion, the lion's share is plowed right back into "economic development" of the "buying" countries themselves. All but $61.5 million of economic development grants out of the total of $1,176.4 million of economic development planned expenditures, consist of "loans" for that purpose. Since the U. S. Government is plowing the money back into these countries in part because it cannot convert the foreign currency in the first place, these loans are probably no more unsound than war bonds of the Confederate States of America.

Of this large total, the U. S. gets back a mere $7.2 million in strategic materials, some of which it might or might not need for the Strategic Stockpile. military procurement will utilize $241 million of the foreign currency, but the committee does not say whether that is procurement for the military establishment of the U. S. of the "mutual aid" colony.

Little Debate

This $1.3 billion passed the Senate with no more newspaper attention than a vote to reduce around $2 millions in the Labor Department appropriation, except for one thing. The existing law forbids the government from using tricks to give away farm products to the Russian satellites or colonies. Mr. Eisenhower wanted this prohibition stricken. Bill Knowland wanted to retain the bar against bolstering the satellite countries with free American farm products. He lost. His fight did get a little notice in the newspapers. There is a little argument about this in House committee, but not about the $1.3 billion additional which were scheduled for House committee approval.

Escapism

While the Congress is getting set to add to this big subsidy and an equally large one for housing (that is another story), the problem of economy is proving to be so enormous that there is a tremendous drive in and out of Congress for escapist mechanisms.

One of these is the passage by the Senate of a proposed "Joint Budget Committee" to align expenditures with revenue through the simple mechanism of creating a committee to do so, without, however, figuring out whether pressure groups like farmers shall be battled. The House will NOT approve this gimmick.

Another is the proposal of Rep. Antoni N. Sadlak (R., Conn.), a member of the Ways and Means Committee, and for which a large trade organization is panting as feverishly as a bobby soxer before the latest TV crooner. Sadlak would have a statute that over a five-year period corporation taxes gradually would be reduced from 52% to 42%, and individual surtaxes from 91% to 42%. This, again, avoids the inconvenient practical question of whose pressure group ox is to be gored when and how hard.

Price Competition

There is now considerable hope that the Patman-Kefauver bill to prevent manufacturers from cutting prices in good faith to meet the prices of competitors, may be stopped in the Senate Judiciary Committee. Without business fighting it last year, it passed the House by a vote of 393 to 3.

On the other hand, it is considered almost a certainty, in view of White House backing, that there will pass in some form this year a requirement that all corporation mergers resulting in a business of $10 million or more of assets, shall be held up for not less than 60 days so that antitrust officials can look them over and enjoin them in the courts if they do not like them.

[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

"Do I have other assets?—Ever try opening your eyes, Buster?"

Business Man's Bookshelf

America's Next 20 Years—Peter F. Drucker—Harper & Brothers, New York, N. Y.—(Cloth)—$2.75.

Businessman Looks at the Liberal Arts—Clarence B. Randall—The Fund for Adult Education, White Plains, N. Y.—(Paper)—On request.

Financial Institutions Act of 1957—A Summary of S. 1451, the "Robertson Bill"—American Bankers Association, 730 Fifteenth Street, N. W., Washington 5, D. C.

Fluctuations, Growth and Forecasting—Sherman J. Maisel—John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, N. Y.—$7.50.

Implementing Long-Range Company Planning—Papers of the Industrial Economics Conference Sponsored by Stanford Research Institute—Stanford Research Institute, Menlo Park, Calif.—(Paper)—$1.

Life Insurance—Booklets available from Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y.—"Growth of Life Insurance 1940-1955" available for California, Colorado, Florida, Illinois, Iowa, New York, North Carolina, Oklahoma and Wisconsin—On request; "Life Insurance Buying" (free to libraries); "List of Worthwhile Life Insurance Books"—On request; "Life Insurance Public"—25c per copy (free to libraries); "You and Your Family's Life Insurance"—On request; "In the Interest of 103,000,000 Americans" (reprint)—On request; "Sole Proprietorship Life Insurance"—On request; "Business Life Insurance"—On request; "Corporation Life Insurance"—On request; "Partnership Life Insurance"—On request; "Health Insurance and the American Public" by E. J. Faulkner (reprint).

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