ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 185 Number 5634 | New York 7, N. Y., Thursday, May 2, 1957 | Price 40 Cents a Copy

EDITORIAL

As We See It

It has often been said by certain day-dreamers much inclined to the worship of Woodrow Wilson that had the United States joined the League of Nations and worked faithfully for its success, the world would really have been made safe for democracy and World War II would not have occurred. The rather general feeling that we had left something to be desired in our attitude toward this first world organization made it virtually certain that when World War II was over this country would take part, probably a leading part, in organizing the nations of the world for the purpose of maintaining peace henceforth. No one now can say that this country has not been an active participant in the affairs of the United Nations or that it has not been vigorous in its support of various programs, financial and otherwise, designed to get the world back on a peaceful and promising footing.

The course of world affairs since the end of World War II does not, however, offer much evidence that the schemes of the world planners have met with great success. Members of the United Nations disagree as violently as they would were there no such organization, and none of them, particularly the potential aggressors, hesitates to make use of the organization as a sounding board to reach all corners of the earth with their special claims. Neither do the nations which for one reason or another have no imperialistic ambitions appear to be able to agree as to how best to protect themselves and the world from the greedy.

The old "spheres of interest" notions still survive and clearly control the policies of many if

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Is the Business Boom Dead?

By DR. GORDON W. McKINLEY*
Director of Economic and Investment Research
The Prudential Insurance Company of America

Examination of major segments comprising total business activity leads Prudential's Economist to conclude that 1957 should witness a "very satisfactory," though not remarkable, increase in GNP from $412 billion in 1956 to about $435 billion. In addition, Dr. McKinley predicts: (1) we have about reached the end of the long housing decline and may witness a mild recovery later this year; (2) tight money for the months ahead, with moderate Federal Reserve restraint continuing and interest rates flattening out at about current level; and (3) further moderate price-level rise.

Although there are all sorts of technical influences operating in the bond market, the average price or yield of debt securities depends basically not on these technical influences but on much more deep-seated trends in the economy. The performance of the bond market over any extended period of time is determined, first, by what is happening to business conditions, and second, by the particular credit control policy which the Federal Reserve Board deems appropriate. It is, therefore, impossible to come to any conclusions with respect to future bond prices until one has clearly in mind whether business is likely to head upward toward even more lofty levels, or is instead about to slump into a recession. I should like to devote most of my discussion to the business outlook, but I will also comment briefly on recent developments in the bond market and attempt to guess the course which interest rates are likely to take in the months ahead.

Gordon W. McKinley

The business world is like any other world peopled by human beings in that it is subject to marked changes in psychology, or outlook. Sometimes these general

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*An address by Dr. McKinley before the Bond Club of New Jersey, Newark, N. J., April 26, 1957.

Quarterly Investment Company Survey

Funds' Portfolio Policies Less Defensive

Chronicle's analysis of investment companies' portfolio operations during first quarter reveals shift from previous pronounced defensiveness to stepped-up buying of common stocks. Confidence evinced in long-term equity holdings in face of current uncertainties and the lure of competing high fixed-income yields. Managements favor agricultural equipments, aluminums, chemicals and drugs, insurance, machinery, natural gas, oils, paper, steels, utilities, rubbers and textiles. Liquidation hits aircrafts and airlines. Attitude mixed toward automotives, banks, building, electronics, coppers, and rails.

Tables appearing on pages 31 and 33 show funds' comparative investment positions; total common stock and other transactions; and individual common stock transactions by industry groups.

During the year's first quarter investment company managements as a whole re-emerged as buyers on balance of common stocks. While defensive policies still played a major role, their predominance was reduced from the preceding quarter when there had actually occurred a net balance of sales over purchases of portfolio common stocks. By contrast, in the March quarter, as is shown in the Table on page 31, equity buying exceeded liquidation by 44%. Of 72 funds so reporting, 48 or two-thirds bought commons on balance during the quarter, while 18 sold on balance and 6 units showed a stand-off. However, purchases of defensive securities, other than governments, aggregated the exceptionally high excess of 80% over sales, and in dollar amount this excess nearly equalled that of risk securities.

Thus we note re-emerging evidence of basic confidence in the common stock, in the face of misgivings about the market outlook and the opportunity to employ cash in fixed-income securities offering their highest yields in a generation.

The Growth Stock Hang-Over

In the common stock operations, the enthusiasm for growth and glamor stocks continued to cool somewhat.

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 38.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Nortex Oil & Gas Corp.—Gordon Y. Billard, Limited Partner, J. R. Williston & Co., New York City. (Page 2)

Detroit Harvester Co.—Mason B. Starring, Jr., A. C. Allyn & Co., Inc., New York City. (Page 2)

GORDON Y. BILLARD

Limited Partner, J. R. Williston & Co. New York City

Nortex Oil & Gas Corp.

A wag once remarked that the business cycle of the future will consist of alternating mild and intense inflationary periods.

Gordon Y. Billard

Be that as it may, one of the apparent biggest bargains today above the ground is passenger air seat miles and under the ground is oil and gas reserves.

Since this discussion will be confined to the latter, further reference to the former may be reserved for the future. Quality oil and gas reserves today command a price of $1.25 per barrel using an average figure. According to the latest figures, it cost (on an industry-wide basis) $1.65 per barrel in 1955 to find and develop crude oil. This computation excludes geological and geophysical expenses and lease rentals. Due to a further advance in costs, the comparable figure when published for 1956 will probably be higher. The Suez crisis has dramatized the vulnerability of Middle East reserves and together with other recent developments, such as the higher split in profits reported obtained by Iran in its Italian deal, can only further enhance the value of domestic oil and gas reserves.

Many of the small capitalization domestic crude oil and gas producing companies which are in a dynamic growth phase under an aggressive and resourceful management still provide outstanding opportunities for large percentage capital appreciation without too great risk. It is true that most of these smaller companies (assets under $25 million) are not as cheap statistically as the larger integrated companies whose assets may be worth hundreds of millions of dollars, but it is likewise true that the bigger the company, the slower will normally be the percentage rate of growth. Hence, due allowance must be made in certain yardsticks to measure present intrinsic value plus greater growth factor in the smaller company although all too frequently the premium for growth is evaluated in many instances in rather fantastic terms.

Thus, it is unusual to find a small growth company which is selling for less than its present intrinsic worth and where nothing is being paid for the growth potential. Vital considerations in appraising any small crude oil and natural gas company are not only the amount but also the trend of (1) oil and gas reserves, (2) oil and gas sales, and (3) cash earnings. One of the smaller crude oil producing companies with an outstanding growth record in these vital categories during the past three years is Nortex Oil & Gas Corp. The company was formed in 1954 and at that time owned an interest in one producing lease with no immediate income; today it owns an interest in 146 oil and gas leases and reported in 1956 a net operating income of $747,803 before write-offs for abandonments, depletion and depreciation.

Brief tabulation of pertinent statistical data is presented in the table below:

The Nortex situation is not a difficult one to evaluate since the company does not own any large undeveloped acreage, the value of which may always be open to question. Main assets consist of proven oil and gas reserves, oil and gas equipment which it leases, and net working capital. Capitalization contains a high degree of leverage and on Dec. 31, 1956 was

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	1956	1955	1954
Cash Earnings (1)	$747,803	$495,633	$4,796
Net Earnings (2)	28,441	159,626	(67,632)
Crude Oil and Gas Sales	588,842	273,818	20,983
Drilling Contract Revenue	1,158,089	967,253	62,657
Equipment Rental Income	200,507	33,891	–0–
Gross Assets at Cost (3)	5,935,136	1,879,641	415,171
Net worth (excl. of oil reserves)	2,865,827	1,142,092	273,360
Oil and Gas Reserves (4)—(bbls.)	6,106,669	3,076,608	500,000

NOTE—
(1) Before deduction for depreciation, depletion, abandonments and dry holes, and write-off of deferred charges.
(2) Company policy is to spend taxable net earnings so that no Federal Income Tax is due.
(3) After deduction for depreciation and depletion.
(4) Includes gas converted to oil on the basis of one million cubic feet of gas equivalent to 50 bbls. of oil; total reserves include 3,089,000 bbls. of secondary recovery oil in process of development.

MASON B. STARRING, JR.

Partner, A. C. Allyn and Company, Inc., New York City

Detroit Harvester Company

Starting in 1922 as a small manufacturer of agricultural implements, Detroit Harvester has, in the short space of 35 years, become a well-managed company manufacturing a diversified line of products for industry in general.

M. B. Starring, Jr.

The company's original line of agricultural equipment is manufactured at its plant in Zanesville, Ohio.

The Dura and Motor State Products Divisions, with plants in Toledo, Ohio and Ypsilanti, Mich., are substantial suppliers to the major automobile manufacturers of hardware, window regulating mechanisms, convertible top frame assemblies and their hydraulic mechanism. Hardware for the household appliance industry is also produced.

Through its Moto-Mower Division, with plant in Richmond, Ind., the company is one of the leading manufacturers of reel and rotary type lawn mowers for homeowner use. These mowers are driven by gasoline or electrical motors and include self-propelled and riding types.

At Paris, Ky., the Paris Products Division produces automobile parts, coolant pumps, tractor wheel weights, and truck and tractor power take-offs.

Peters-Dalton Division in Detroit is a manufacturer of spray booths, ovens, washers, dust collectors and other industrial plant equipment in the automation field.

Paragon Aluminum Division operating at a plant in Monroe, Mich., produces permanent mold aluminum castings used in the automotive industry as well as supplying deck covers for their power mowers.

On March 1 of this year, the Danville Products Co., Inc., of Danville, Ill., was acquired to supplement and strengthen the company's position in the automotive field.

Largely as a result of this planned diversification, the company has been able to show an increase in sales over the past 10 years of approximately 118% and an increase in income of about 175%.

Of the total sales volume of $47.4 million in fiscal 1956, 10% or less was in harvesting implements, about 40% in automotive parts and the balance in diversified lines. It is readily seen, therefore, that the company has had a major change in product line; and in order that the corporate name be more indicative of current operations, it is the management's intention to propose a new title within the next month.

Detroit Harvester started the current fiscal year with greatly increased blacklogs in their industrial equipment and Moto-Mower Divisions. Profit margins have also been improved, resulting in a favorable report for the first six months ended 3/31/57. Earnings for this period amounted to $2.15 per share vs. $2.01 for the same period last year and it is expected that full year net should approach $3.50 per share as compared to $3.05 per share for the fiscal year ended 9/30/56.

As of Sept. 30, 1956, the company showed total current assets of $16.6 million and current liabilities of $7.7 million, or a ratio of 2.2 to 1. Net working capital was $8.9 million and book value per share $23.78. Capitalization consisted of 536,655 shares preceded by bank loans in the sum of $1,580,000. Dividends have been paid for 22 consecutive years and the present annual rate is $1.20 per share.

The company is currently obtaining additional automotive business for 1958 models and new products are now being introduced and others developed in new and allied fields. The outlook for the industrial line as well as Moto-Mower is excellent; an entire new line of lawn mowers will be introduced next year which should greatly increase sales for this division.

It appears as though sales and earnings could experience a sharp increase in fiscal 1958, and in my opinion, common stock, while providing a return of about 6% at current market price of about 20, appears to possess outstanding speculative possibilities for individual accounts. The stock is traded in the Over-the-Counter Market.

Proper Functions and Supply of Our Different Kinds of Currency

By DR. WALTER E. SPAHR
Executive Vice-President
Economists' National Committee on Monetary Policy

A concise catalogue of our different kinds of money and credit is delineated by nationally known expert in reviewing the proper functions and supply of currency. Dr. Spahr observes: (1) a government should obtain its money by taxation or by borrowing from the people's savings and not by creating fiat money or deposits and notes issued against public debt; (2) a proper banking system and a typical gold and silver supply can support a relatively large self-liquidating credit volume, and productive-exchange activities; (3) one should distinguish helpful Federal Reserve purchase of "one-day" Treasury overdrafts from improper financing of government, and (4) currency manipulation cannot achieve rising productivity, stable prices, or "full employment."

(1) Relation of proper supply of currency to functions of different types of currency

A noticeable characteristic of much of the current discussion of the supposedly-proper supply of our currency is the lack of clearly-stated criteria as to the proper functions of our different kinds of money and credit which comprise our currency and of the relationship of the proper supply of our different kinds of currency, and of our currency in the aggregate, to the various functions which each type of money and credit is able to perform. Functions properly performed by different kinds of money and credit are often confused and misstated; various kinds of our money are sometimes criticized because they do not perform functions alien to them and properly assignable only to another variety of currency—for example, it has been common practice to criticize gold because it does not perform functions belonging to credit; erroneous contentions are often, possibly generally, advanced, for these and other reasons, as to what constitutes the proper supply of our currency (money and bank deposits). Correct criteria as to the proper supply of our various kinds of currency differ in accordance with the nature and proper functions of each type of currency.

Walter E. Spahr

A proper currency structure is one which best meets the needs of the people involved. In a complex economy, such as that of this nation, a variety of money and credit is required. The need is for gold, silver, minor coin, paper money, and demand deposits of banks (deposit currency). Each of these various types of currency has its virtues, limitations, and appropriate functions.

(2) Proper functions and supply of monetary gold

(1) Functions of monetary gold. Because gold has the most universal acceptability of all monetary metals or other forms of money among different peoples, it provides the best monetary standard among nations. As a consequence, it should be, if possible, the standard within nations. Otherwise, a nation has, or tends to have, two different standards—one in international exchanges, another for domestic transactions. Such an arrangement impedes the free exchange of goods and services.

If gold is permitted to fulfill the functions it can perform better than any other money, it would perform those of a full gold standard: (a) It would be the money metal in terms of which the standard money unit is defined for domestic and international use—for example, in this country, a standard gold dollar of 15-5/21 grains 9/10 fine, or 13.714+ grains, fine. This monetary unit would serve as a standard of value for both immediate and deferred payments. (b) Gold of standard fineness would be coined freely into money of convenient size to enable it to perform the functions of a medium of exchange and a storehouse of value in so far as people may choose to employ it for these purposes. (c) Gold bullion of standard fineness would be freely interchangeable for gold coin of the same fineness and value to permit gold as coin or bullion to serve the people as a standard of value, as a storehouse of value, as a medium of exchange, and as an ultimate settler of payments due. (d) Standard gold coin and bullion would be freely imported or exported by their owners in accordance with their desires, and non-standard gold bullion would be freely held, exported, or imported at its market value, to enable gold in all its forms to perform its functions as a standard of value, as a storehouse of value, as a reserve against non-gold currency, as a medium of exchange, as a settler of international balances, as a valuable metallic commodity for non-monetary uses. (e) All varieties of substitute media of exchange would be freely exchangeable for, or redeemable in, standard gold coin or bullion at face value in order to make all types of currency legally issued equal in value

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*Column not available this week.

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, May 2, 1957

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

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

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

Subscription Rates

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

Other Publications

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

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

The Perkin-Elmer Corporation— Precision in Vision

By IRA U. COBLEIGH

Enterprise Economist

A swift look at a rapidly expanding enterprise that has magnified the vision of mankind by telescopes, periscopes and spectroscopes.

Back in the 1920's in Brooklyn, there lived a eager young man with an amazing natural flair for the mechanical and scientific. In an age when most people couldn't tell the difference between an ensyme and a heterodyne, he could assemble or repair any radio set, and bring in KDKA (Pittsburgh) crystal clear on anything from a crystal earphone set to a 12 tube custom cabinet job. A model T Ford was like putty in his hand. His name? Richard S. Perkin.

Ira U. Cobleigh

The years that rolled by saw him attain success in the distribution of securities, as a member of a New York Stock Exchange firm. But science intrigued and fascinated him all the while and, in 1937, Richard Perkin professionally entered the field in which he had for years been an active and expert amateur.

In addition to mechanics and electronics, he had developed a consuming interest in astronomy and the marvellous precision telescopic lenses that could bring the heavens to earth, visually.

If this all seems a bit biographical, it was only to set the background for the organization, The Perkin-Elmer Corporation, which has since become the lengthened shadow of its founder. In 1937, with a capital of $1,000, Mr. Perkin and his friend, Charles W. Elmer, an amateur astronomer, founded The Perkin-Elmer Corporation. In the 20 years since, this enterprise has grown into one of the most distinguished research and production companies in the entire world in the field of optics, electro-optics, electro-mechanics, infrared and ultraviolet spectrometers. Today the company grosses over $10 million a year, and has an ultra modern plant and research facility functionally spaced on a 30-acre area in Norwalk, Conn. The premises are virtually awash with scientists, physicists, engineers and technicians, many of them holding graduate degrees from some of the most renowned universities on the globe. In addition to the efficient and attractive facilities at Norwalk, there is also a German subsidiary plant, Bodenseewerk Perkin-Elmer & Co., GmbH, employing 350 personnel.

When this uniquely effective scientific enterprise was launched, on a minute scale, in 1937, the main program was development of high precision optics and optical engineering. The management held a conviction, from the very outset, that there was no reason why America should forever play second fiddle to the world famous optical producers of Europe. How well P-E has achieved its original goal may be illustrated by the fact that the great Carl Zeiss Company is today a licensee under a Perkin-Elmer patent on a high quality photographic lens design.

Now the products of Perkin-Elmer are not of the sort to be sold at Sears Roebuck, or to be found in the average American home. P-E designs and produces a fascinating array of laboratory instruments. One of these is the Infrared Spectrophotometer, a formidable sounding device which may cost from $3,850 to $17,500. A major chemical, petroleum or research organization simply can't operate today without one. These remarkably sensitive instruments are super sleuths. They can identify and measure almost any organic chemical compound. They permit the synthesis of and assist in the production of penicillin, control ethylene polymerizations, solve crimes by identifying paints, drugs or fabrics; they signal air pollutions or poisonous gas concentration in mines. They appraise the combustion efficiency of automotive and jet engines. Then there are P-E ultraviolet spectrophotometers, vapor fractometers and Flame Photometers which function in areas where the infrared instruments leave off.

Plant Stream spectrometers are produced, which measure purity or element compounds in ethylene, isobutane, and monitor ordinary water in heavy water reactors. All this may sound complicated, as indeed it is, but these brilliantly engineered devices are indispensible in the processing of literally billions of dollars worth of petroleum and chemical finished products.

More easily appreciated are the P-E products of its Engineering and Optical Division. A swift look at the national budget, and reference to the recently announced British defense plans, convince even the most skeptical that military prepotence today depends on missiles. Nothing in our defense strategy is more vital than the swift development and supply of reliable long range rocket-bombers. P-E delivers essential electro-optic components for these: Infrared nose cones made of polished optical quartz, that permit the missile to zero in on its target with lethal accuracy; and theodolites that correct the guidance systems of missiles before they are launched.

As you know, missiles are directed in flight by a maze of complicated electronic controls and circuits. If the projectile is ultimately to defend our country and our way of life, it must possess three flight qualities — dependability, accuracy and speed. Now no matter how precisely our brightest scientists blueprint the control systems, these have to be tested and checked in actual flight, and corrected for any error or deviation in projected course. And how do you do this checking, particularly when the object in question flies dozens of miles high at three miles a second? Perkin-Elmer supplies the answer in its ROTI (Recording Optical Tracking Instrument) Mark II. This outsize camera, that looks and points like a field cannon, is the most perfect instrument in the world for accurately and automatically tracking, recording and photographing the flight of missiles. Theoretically, under ideal conditions, it could photograph a missile 3500 miles up. (Somewhat similar equipment, for which P-E will make the optics, will be used to track the widely heralded Earth Satellite.)

Other defense products of P-E include military Infrared Detecting systems which, although in an early phase now, may possibly displace radar. These systems have application in warning and mapping and in missile guidance. They could even "photograph" an underground war plant, presently invisible to radar or camera.

Most of the major aerial lenses for large scale surveys have been designed and built by P-E. In one instance, they built a panoramic camera so versatile and precise that it could photograph the entire state of Pennsylvania in half a day. Finally, practically all of the modern bombsights in use by the Air Force today were designed, or include optics produced or designed, by Perkin-Elmer. The last word in aiming eyes for the new B-52 bomber, the MA2 bombsight system, was completely engineered by P-E. Perkin-Elmer has designed not only bombsights but periscopes and fire control computing mechanisms as well.

Want to look at the moon, track a comet, or photograph the Milky Way? Perkin-Elmer has made many of this country's large Schmidt variety of Meteor and Astro cameras. Want to build an a.c. analog computer? The P-E Vernistat potentiometer is an essential ingredient.

If we've dwelt at length on some of the products of Perkin-Elmer, it has only been to demonstrate the precision and quality of the creative work this company has been doing at the very frontiers of spectro optics and electro optics. And if we are to remain constantly ahead of the Russians with the "fastest and the mostest" in missiles, part of the credit will be due to the unceasing efforts of the balanced teams of top technicians at Perkin-Elmer. It's essentially an organization of young and zealous workers. A visit to Norwalk will reveal to you a plant functionally laid out, efficiently lighted, and replete with remarkable machines to turn out instruments meeting the most exacting standards. Employee morale appears ideal. No one rushes, no one loafs. You detect throughout an air of dedicated craftsmanship, of pride in design, creation and finished product. As a result, Mr. Perkin, the company and a number of its scientists, have been honored with achievement awards and citations of governments, universities, scientific societies, and the branches of our Armed Forces.

Today at P-E the Norwalk plant is undergoing a 70% expansion to take care of its rapidly rising but carefully selected business volumes. Essentially P-E aims at top flight custom tailored research and design and the delivery of finished precision products. For the supply of many components, and to increase total output, P-E relies on a group of subcontractors who have proven capable of volume delivery of elements meeting the high quality standards of P-E.

About 45% of company sales are in military research and development and optical production activities, and the balance in commercial instruments. Research expenditures account for about 6% of gross.

For the investor enthusiastic about the future of missiles, satellites, electronics and high speed telescopic photography and the limitless applications of analytical instruments, then a look at the common stock of Perkin-Elmer Corporation should prove rewarding. There are 445,025 shares outstanding traded over the counter at around 27. In 1956, the per share net was 59 cents, after taking into account a severe flood loss. The outlook this year is for 40% higher sales, and a per share net of around $1.30. We suggest that you keep your optics on Perkin-Elmer.

Fred Deaton, Sr., Joins Equitable Secs. Corp.

DALLAS, Texas—Fred R. Deaton, Sr., has become associated with Equitable Securities Corporation, First National Bank Building, as sales representative. Mr. Deaton was formerly with E. F. Hutton & Company and prior thereto with Central Investment Co. of Texas and the Mercantile National Bank.

Observations . . .

By A. WILFRED MAY

THE INSTITUTIONAL INVESTOR AND MARKET SWINGS

The impact of institutional investors on the stock market becomes increasingly highlighted.

The pension plans continue their enormous growth, as again evidenced authoritatively by a study just made by the Life Insurance Institute.

A. Wilfred May

The question of the effect of declining stock market prices on mutual fund sales of their own shares and in turn on portfolio liquidation, adding up to a chain reaction on the market, has been again raised within the past week by a major article in a financial periodical.

Much valuable light on this question as well as on the broader issue of institutional impact is available from a comprehensive staff report of the Senate Banking and Currency Committee made available last year-end. This major study, whose compilation was particularly urged by the Securities Subcommittee's member and sometime Chairman, Senator Lehman, followed the stressing by a number of "Fulbright Hearings" witnesses of the increasingly important role played in the stock market by institutional investors. It was maintained that they have been contributing substantially to the rapid rise of stock prices because of their large purchases of blue chips, and their reduction of the floating supply of these popular stocks. Others have contended that institutional investors are a stabilizing influence.

Coming of Age

All the available evidence on the results of the policies in action of these groups indicates a change in recent years to a more scientific approach in bucking fluctuations in lieu of earlier proclivities to *follow* market, along with business swings. For example, the Senate Committee study shows that during the fourth quarter of 1954 when stock prices were rising at a maximum rate (by 10% net), life and fire insurance companies and common trust funds were heavy sellers. Midst the sharply rising market and the record business activity of 1955, the funds showed substantially higher average sale than purchase prices, while the reverse was true for life insurance companies and pension funds. During the year's bullish second and third quarters the gross purchases dropped 26%, and the net purchases declined 46%.

The study in general shows that sometimes the institutions follow and sometimes "buck" the major market swings; with further divergence between the category of the institutional buyer.

Issue Concentration

One practice in which there seems always to be uniformity is concentration of buying in a limited number of listed issues. During the period under review nearly one-quarter of the common stock acquisitions by 20 open-end funds was for 25 stocks, and over one-quarter of the net purchases of corporate pension funds and 35% of common trust funds and life companies were for the same group of 25 stocks. Another tabulation for the life-insurance companies showed that about 78% of their net acquisitions were in 56 stocks.

Fund attitude toward the well-acting steel stocks, Bethlehem and U. S. Steel, is shown as stabilizing, not distorting, their market movements. The investment companies acquired their main holdings of these issues during the earlier interval of the market's rise, and desisted as the market prices advanced.

Current Fund Policy

Some stabilizing influences are likewise shown in the "Chronicle's" Survey of Investment company operations during the quarter ended March 31 last, appearing in this issue. This stems from both a preponderance of sales in some issues which were pushing ahead to new market highs; as well as from funds being on both sides of the market of some indivdual stocks. The latter was true of duPont, of which the leading fund buyer acquired 46,000 shares with the seller liquidating 46,000 shares. The rise by American Cyanamid to its all-time high during the quarter was used by five fund managements to take profits, with only one buyer and in a negligible amount.

The funds' portfolio policy, with possible market impact, on specific industry groups during the past quarter is shown in the following table:

Groups Bought by the Funds

Industry	Its Net Mkt. Chge.*	
Agricultural Equip.	Down	3.59%
Chemicals	Down	6.56
Drugs	Up	4.83
Aluminum	Down	2.38
Natural Gas	Up	1.75
Paper	Down	4.36
Oils	Down	4.17
Utilities	Up	2.98
Steels	Down	15.6
Radio-TV	Down	1.30
Merchandising	Down	0.38
Rubber	Down	8.47
Textiles	Down	5.76

*As compiled by Harold Clayton of Hemphill Noyes & Co.

In the case of the two industries wherein there was decisive fund selling, namely, aircraft and airlines, the funds were also sellers, eliminating themselves as stabilizers.

Taxation and Market Freezing

It has been maintained in some quarters that market swings have been extended by the distaste of fund managements for cashing in long-accumulated capital appreciation, as in oil stocks, and consequently keeping down, or in the case of the closed-ends actually reducing, their working funds. The passing along of gains in the form of dividends has been made practically compulsory by the tax regulations. In the case of the open-ends this motive, to the extent that it made for market distortion, has been mitigated by the rising proclivity of investors (now 60-65%) to take advantage of the re-investment option of capital gains dividends. In the case of the closed-end companies, the new tax law will facilitate their retention of accepted profits for use as working assets.

Penalty on Retained Capital Gains Mitigated

Under the new statute, applicable to the taxable years after 1956, a regulated investment company which retains realized capital gains will be permitted to pay to the Treasury in the form of a withholding tax at the source, an amount equal to the maximum 25% tax on that portion of its net long-term capital gain which is not distributed to shareholders. In turn, shareholders of the company, in their income tax returns, will be permitted to treat the 25% tax paid by the company as if it were a payment of tax by them, and to claim credit or refund, which ever is appropriate. In addition, shareholders are now permitted to add to the cost of other basis of their shares the 75% of undistributed gains allocable to their shares which remain in the company after payment of the tax.

Thus the penalty on withholding capital gains from their shareholders is mitigated. Heretofore, such realized capital gains as were retained were taxed at the long-term capital gains rate of 25%, paid by the company with no tax credit or refund available or adjustment available to the shareholder—in contrast to the company's avoidance of tax on the amount of the profit passed along to the shareholders.

Thus there seem to have grown up several developments, both qualitative and specific, tending to help a trend toward the reduction of market distortion.

Dr. A. F. Burns, Director

Dr. Arthur F. Burns has been elected to the board of Nation-Wide Securities Company and likewise appointed a member of the Investment Policy Committee of Calvin Bullock, Ltd. Nation-Wide Securities Company is one of the group of mutual funds managed by the 63-year-old Calvin Bullock organization. Dr. Burns in December completed a four-year tour of service in Washington as Chairman of the President's Council of Economic Advisors. He is presently Professor of Economics at Columbia University.

With Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Charles M. Peltason has become associated with Fusz-Schmelzle & Co., Inc., Boatmen's bank Building, members of the Midwest Stock Exchange. He was formerly with Peltason-Tenenbaum Co.

Savings Banks' Future Role And Prospects in the Economy

By DR. JULES I. BOGEN*

Professor of Finance, New York University

In looking into the future prospects for mutual savings banks, Professor Bogen brings 40 years of expert knowledge into his conclusions that: (1) if chronic inflation is not stopped then portfolios must be shifted from fixed income investments to equities; (2) variable savings accounts must be instituted so that deposits and withdrawals will be based on current value of investments—rather than the dollar amounts—comprising the savings account; and (3) intensified competition facing savings banks requires removal of discriminatory and burdensome restrictions so they may compete on terms of near equality. The Banking and Finance Economist warns lack of agreement among savings bankers weakens the industry's pleas for legislative relief, and opines the battle for reasonable equal competition should be fought in the State Legislature rather than in Congress.

Mutual savings banks have made signal contributions to the growth of the American economy.

They pioneered the use of the savings deposit account as a vehicle for personal savings. It was due in considerable measure to the efforts of mutual savings banks that the savings account has become the chief medium for gathering and investing personal savings. Today, mutual savings banks hold fully a fourth of the $120 billion accumulated by the American people in savings accounts, despite the fact that savings banking is largely limited to the northeastern states and even there it is subjected to severe limitations on branch and other powers.

Dr. Jules I. Bogen

Through the investment of these savings, mutual savings banks have provided billions of dollars to finance building, business expansion and government needs without inflationary consequences. Nearly one-fifth of all outstanding home mortgages in the country are held by mutual savings banks.

Present Role of Mutual Savings Banks

The historic importance of mutual savings banks is matched by their vital role in the economy today.

In 1956, the mutual savings banks accounted for 22% of the increase for the year in all savings accounts, including those in commercial banks, savings and loan associations, credit unions and Postal Savings. Thanks to this deposit gain, they were able to absorb a fifth of last year's increase in home mortgage debt in the entire country.

Both the historic and the current record demonstrate that, where savings bank facilities are available, the public recognizes and utilizes the benefits provided by a savings bank account. These benefits include safety and liquidity in the highest degree, convenient and efficient service to depositors and an attractive rate of return.

In the face of this reassuring record, it is anomalous that mutual savings bankers, almost to a man, are deeply concerned today about their future role in the economy. Yet this should cause no surprise. In our highly dynamic economy, where past results do not assure future success, every well-managed industry, every well-run enterprise, is deeply concerned about the future.

Mere worry, however, does not produce solutions for problems. It can produce only ulcers.

A more constructive approach requires that we identify the specific threats to the future of savings banking, study the pertinent facts, and formulate effective remedial measures on the basis of these facts.

I shall attempt to do this for the economic trends which are currently causing serious concern to savings bankers.

Three Causes of Concern

There are three main sources of concern to savings bankers viewing their future prospects today. These are:

(1) Concern about the future volume of savings.

(2) Concern about the future share of savings going into savings accounts.

(3) Concern about the future share of savings accounts that will be attracted to mutual savings banks.

Savings bankers are more concerned today about the third of these sources of worry than the other two. But this could change in the future. All three of these sources of concern deserve careful analysis.

The Future Volume of Savings

The question about the future volume of personal savings is whether it can be sustained in the face of the tremendous urge to raise living standards that industry promotes with a steady stream of new and improved products and today's highly effective advertising and selling techniques. Not only are people being tempted to spend their incomes more and more freely, but also to incur mounting personal debts that impose a lien upon future incomes, and so cut into the balance that will be left for saving.

Available statistics are quite reassuring on this point. Despite the urge to spend freely, the American people have been saving about 7% of their disposable income so far in the 1950's as compared with 4% in 1939, according to the imperfect but indicative savings statistics issued by the Department of Commerce. While something over one-half of American families have incurred consumer debt, very nearly half have savings accounts. Two-thirds of the families that have incurred consumer debt, according to the Consumer Finance Survey sponsored by the Federal Reserve System, also possess liquid assets. In other words, a large proportion of the American people want both the liquidity of a savings account and the present use of durable goods bought on credit, to be paid for from anticipated income.

Reassuring as is the record of a sustained high level of personal savings, there is no room here for complacency. The same intensive promotional effort that goes into the sale of other goods and services should go into the promotion of thrift. This is particularly important among the rising generaiton, where mutual savings banks have provided effective leadership through school savings. The need for savings to finance home building and business expansion promises to reach new peaks in the years ahead, and it is going to take great efforts to induce people to maintain and increase their savings in the face of the mounting pressures to spend.

The Future of the Savings Account

Even if the volume of savings is sustained and increased in the future, savings bankers have reasons to fear that a smaller share of such savings will flow into savings accounts.

The savings account is threat-

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*An address by Dr. Bogen before the Savings Banks Association of the State of New York, New York City, April 24, 1957.

The State of Trade and Industry

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

Favorable news the past week was the report from the United States Department of Commerce, indicating that retail trade in the first quarter reached about $44,900,000,000, up 3.4% from the like period of last year. This gain is especially noteworthy considering that last year's Easter selling season fell completely within the first quarter. Automobile dealers reported a 5.2% year-to-year gain in sales of both new and used passenger cars during the first three months of this year. Americans in the first quarter of 1957 made more money and spent more money than in any similar period.

Higher prices accounted for much of the first quarter year-to-year rise in consumer spending. The cost of living rose 0.2% in March, setting a new record for the seventh consecutive month. Reaching 118.9 (1947-49=100), the Bureau of Labor Statistics' Consumer Price Index was 3.7% higher than March 1956. This resulted in a pay rise for 1,400,000 factory workers under contracts calling for automatic wage boosts when the index climbs. March was the first month in two and one-half years in which real spendable earnings of factory workers showed no gain from the prior year. The only price declines in March were in food products.

Rising 11% the past week, awards for heavy construction contracts set a new record for 1957 so far, but lagged 16% behind last year, according to the "Engineering News Record." Highway construction so far this year has fallen below expectations resulting in disappointing sales of construction equipment. March shipments of machine tools rose to the highest level in three years, but new orders lagged behind shipments for the sixth consecutive month.

Easier market conditions are cutting into steel order backlogs. The situation varies from mill to mill, but over-all the trend in order backlogs is down. This trend is likely to continue at least through the second quarter, states "The Iron Age," national metalworking weekly, this week.

A pick-up in automotive steel ordering could reverse the mills' backlog position overnight, but no one seriously looks for Detroit to come to life until late in the second quarter or early in the third.

Steel users, declares this trade weekly, apparently are content to live off their inventories as long as they can. They are counting on the mills to be in a position to accommodate them in case they need quick delivery. The mills do not like the idea, but competition is forcing some of them to play warehouse for important customers.

The mills also are bearing the brunt of things from another direction. Customers are more choosy about quality. The rejection rate for quality reasons is on the rise. This usually happens when the supply of any steel product exceeds demand, observes this trade authority.

Meanwhile, indications are that the gradual decline in the steel operating rates will continue at least through the second quarter. The mills are using this time to schedule production and

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Relatively Good Farm Year Ahead

By ROGER W. BABSON

Mr. Babson forecasts another relatively good year for most American farmers, and praises the shift from small to larger, better equipped and managed farms. In commenting about whether the Western drought situation has ended, or not, the Analyst explains how the "smart farmer" of the Great Plains can make progress under many adverse conditions.

A sound of rejoicing is today echoing across the Western Great Plains. Mother Nature at long last has showered down copious rains and heavy snows upon wide areas of that drought-stricken region. As a result, soil moisture conditions in much of the Great Plains are more encouraging than they have been in several years.

But—Is the Drought Broken?

Farmers and businessmen living in the Great Plains naturally are greatly concerned as to whether these much-improved moisture conditions are a mere flash in the pan or the real thing. Crops in some instances have been hard hit; valuable topsoil has been blown away; cattle have starved or farmers have been forced to liquidate them for lack of feed; and some people living on the land are facing poverty. Although this five-year drought has been less destructive on the whole than the disastrous droughts of 1934 and 1936, it has been severe. I can well appreciate the mounting hope in many hearts that it may now be ending.

Roger W. Babson

I wish I could give them definite assurance that the worst is over. Perhaps it is. However, I am a statistician and not a weather forecaster — at least not a very good one. Professional weather forecasters tell me that it takes about six months of above-normal precipitation to end a major drought. If so, in this respect at least there is still some distance to go before we can know for a certainty that the drought has ended. Incidentally, there are still sizable sections of Colorado, New Mexico, Nebraska, Texas and Ohio that remain parched. The one sure thing is that over-all moisture conditions have materially improved — the trend is in the right direction. The drought is old, and this is another favorable factor. By the law of averages, it should not last much longer.

Farmers Gaining Drought Know-How

Whether recurrent droughts will ever cease to plague the Western Great Plains is a secret buried deep in Nature's crystal ball. Perhaps scientists some day will come up with something very constructive. Meanwhile, farmers are learning more and more how to live with droughts and come out ahead or at least break even. They have come a long way in this respect since the Dust Bowl days of the Thirties, when about all they could do was to "take it lying down," or pull up stakes and migrate to other, more favorable areas.

The smart farmer of the Great Plains no longer plows and plants indiscriminately. He knows the value of soil-conservation methods, of irrigation, of modern farm tools, of contour plowing and terracing, of sowing drought-resistant cover crops where and when needed, and of shelter belts of trees. He also now gears the kind of crop planted to soil-moisture conditions prevailing at the time of planting, and utilizes moisture-conservation techniques and diversified farming. By these and other modern agricultural methods and practices designed to lessen the risk to farmers and crops from drought or other destructive forces, he is making real progress under all conditions.

Trend to Larger Farms Will Continue

These various modern methods of farming and of minimizing the effects of droughts or other adverse conditions all point in one direction — toward larger, better equipped, and more skillfully managed farms. The one-man farm even now is as outdated as the "one hoss shay." This "farm revolution" has made rapid progress in recent years. There are, for instance, a million more tractors on U. S. farms today than there were in 1950; 131% more pick-up hay balers; 51% more corn-pickers; 39% more grain combines; and 12% more milking machines.

On the other hand, the number of U. S. farms has declined 11% since 1950—from 5,379,250 to 4,783,021. Yet total farm area has not changed much since then. Therefore, the size of many farms has increased. It is only on these larger, well-managed farms that the full benefits of mechanization and modern techniques can profitably be realized. Such farms are in a much better position to survive prolonged drought or other adversities than is the small, poorly managed farm. They are here to stay. Farming in America now is "big business." I, therefore, forecast another relatively good year for most American farmers. They are a sturdy, intelligent, industrious, and God-fearing group. This is a combination of qualities hard to beat, and one America sorely needs today.

F. R. Deaton, Jr., With Wood, Struthers Co.

DALLAS, Texas—Fred R. Deaton, Jr., has become associated with Wood, Struthers & Co., Fidelity Union Life Building. Mr. Deaton was formerly with Dallas Union Securities Co. and Central Investment Company.

Form Household Inv.

JACKSON HEIGHTS, N. Y.—Household Investors Company has been formed with offices at 87-10 34th Avenue to engage in a securities business. Partners are Martin M. Uffner and Mrs. Lucille R. Uffner.

W. A. Bauer Partner In Riter & Co.

William A. Bauer, until recently President and Board Chairman of Baker-Rauling Co. of Cleveland, Ohio, a division of Otis Elevator Co., has been admitted as a general partner in the New York Stock Exchange firm of Riter & Co., 40 Wall Street, New York City, it has been announced.

Mr. Bauer, an alumnus of Yale University, '35, was associated with Edward B. Smith & Co. and Riter & Co. until he entered the U. S. Army in 1940; he was honorably discharged as a Lt. Colonel in 1945.

With American Secs.

(Special to THE FINANCIAL CHRONICLE)

GREELEY, Colo. — Warren J. Hause has joined the staff of American Securities Company, 1515 Eighth Avenue.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter (No. 26) — Comments on Atomic Fund's stock dividend, British buying of **Canadian uranium, Metal Hydrides, Inc., Kerr-McGee Oil Industries, Inc., General Tire and Rubber Co., Dominion Magnesium, Ltd.,** and **Lindsay Chemical Company.** Revised Reactor Diagrams now available—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.**

Canadian Financial Facts and Comment—Bulletin—Annett and Company, 335 Bay Street, Toronto 1, Ont., Canada.

Chemical & Ethical Drugs — Price indexes — Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.

Commercial Bank Stocks—Eighth annual study of 39 banks and three holding companies — First Boston Corporation, 100 Broadway, New York 5, N. Y.

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

Dividends from Portfolio Companies—Tabulation—Texas Fund Management Co., Texas National Bank Building, Houston, Tex.

Hotel Operations in 1956—25th annual study—Horwath & Horwath, 41 East 42nd Street, New York 17, N. Y.

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

Life Insurance Stocks—Statistical summary of 1956 operating results of 26 major companies—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Natural Gas Stocks—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

New York City Bank Stocks—First quarter analysis of 13 New York City bank stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Non-Destructive Testing and Automation Instruments Inc. and **Electrocircuits Inc.**—Study—Oscar F. Kraft & Co., 530 West Sixth Street, Los Angeles 14, Calif.

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.

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Agricultural Insurance Co.—Study—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif. Also available are studies of **American Equitable Assurance Company, California Western States Life Insurance Company, Continental Insurance Company, Employers Group Associates, Fidelity Phenix Fire Insurance Company, Fireman's Fund Insurance Company, Firemen's Insurance Company of Newark, General Reinsurance Corp., Glens Falls Insurance Company, Hartford Fire Insurance Company, Home Insurance Company, Massachusetts Bonding & Insurance Company, Merchants and Manufacturers Insurance Company, National Fire Insurance Company, National Union Fire Insurance Company, New Amsterdam Casualty Company, New York Fire Insurance Company, Northern Insurance Company of New York, Northwestern National Insurance Company, Providence Washington Insurance Company, Springfield Fire & Marine Insurance Company, Standard Accident Insurance Company, St. Paul Fire & Marine Insurance Company** and **United States Fidelity and Guaranty Company.**

Air Products Inc.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

American Forging & Socket Co. — Memorandum — Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich. Also available is a memorandum on **L. A. Darling Co., Fuller Manufacturing Co.** and **McLouth Steel Corp.**

Bank of America — Analysis — First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif.

Benedictine Sisters Benevolent Association — Circular — B. C. Ziegler and Company, Security Building, West Bend, Wis.

Borden Company — Survey — Abraham & Co., 120 Broadway, New York 5, N. Y. Also available are surveys of **Magnavox Company** and **Western Maryland.**

Central Wisconsin Motor Transport Co. — Analysis — Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

Cook Electric Company—Analysis—Blair & Co., Incorporated, 20 Broad Street, New York 5, N. Y.

Day Brite Lighting, Inc.—Report—Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo.

De Vilbiss—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also available are data on **Colorado Fuel & Iron.**

Fiberboard Products Corp. — Memorandum — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

General Precision Equipment—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also available are data on **Manning, Maxwell & Moore, Inc.**

Hershey Chocolate—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Howell Electric Motors Company—Analysis—B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, N. Y.

I-T-E Circuit Breaker Company—Analysis—Gude, Winmill & Co., 1 Wall Street, New York 5, N. Y.

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

Marshall Field & Company—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Moore Corporation Ltd.—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg and Royal Bank Building, Toronto, Canada.

Moore Corporation Limited—Analysis—McLeod, Young, Weir & Company Limited, 50 King Street, West, Toronto, Ont., Canada.

Owens Illinois Glass Company—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Peoples Gas Light & Coke Co.—Memorandum—Oppenheimer & Co., 25 Broad Street, New York 5, N. Y.

Pittsburgh Steel Company—Report—Purcell & Co., 50 Broadway, New York 4, N. Y.

Purex Corporation, Ltd.—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a report on **Atlas Consolidated Mining and Development Corp.**

Richfield Oil Corporation—Annual report—Secretary, Richfield Oil Corporation, 555 South Flower Street, Los Angeles 17, Calif.

Sheller Manufacturing — Data — Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are data on **Sangamo Electric Co., Atlantic Refining, Pure Oil,** and **American Potash & Chemical.**

South Texas Oil and Gas Company—Report—Berry & Company, 240 West Front Street, Plainfield, N. J.

Southern Company—Annual report—The Southern Company, 1330 West Peachtree Street, Atlanta 9, Ga.

Stone & Webster—Data in "Monthly Investment Letter"—Hayden, Stone & Co., 25 Broad Street, New York 5, N. Y. Also in the same issue are data on **A. O. Smith** and a list of seven stocks which appear interesting.

Sun Oil Company—Analysis—Metropolitan Dallas Corporation, Vaughn Building, Dallas 1, Tex.

Transamerica Corporation—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available is a bulletin on **North American Aviation,** and a memorandum on **Emporium Capwell.**

Continued from page 2

The Security I Like Best

represented by $1.4 million in debt, 100,000 shares of $1.20 cumulative convertible preferred stock (Over-the-Counter Market 20-21) and 377,554 shares of common (Over-the-Counter Market 9-10). In addition there are approximately 200,000 warrants, most of which are held by management and when exercised will add approximately $675,000 in cash to the treasury.

Valuing 6.1 million bbls. of reserves at $1.25 per barrel and adding depreciated value of oil and gas well equipment owned and net working capital together with cash derived from assumed exercise of warrants and conversion of the preferred stock into common, the net indicated asset value as of Dec. 31, 1956 was approximately $12 per share. Since the end of last year oil and gas reserves have expanded to around 7.5 million barrels so that the comparable net asset value is around $14 per share as of March 31, 1957.

Last year the company reported cash income of $747,803. Cash earnings are in effect the amount of cash earned by the company and which is available for reinvestment to increase assets and future earnings. Cash earnings for 1956 were equal to $7.48 per share on the 100,000 shares of cumulative convertible preferred and represented a coverage of about six times the annual dividend requirement of $120,000 on the preferred. After deducting the full $120,000 annual dividend requirement from earnings for 1956, the remaining $627,803 was equal to $1.66 per share based on the 377,554 shares of common stock outstanding as of Dec. 31, 1956 as compared with $1.35 per share of common stock as of Dec. 31, 1955 when there was no preferred outstanding. The preferred stock was not issued and funds not received and reinvested until October 1956. Dividends actually paid on the preferred during 1956 amounted to only $13,371 which when deducted from cash earnings of $747,803 left $734,432 for reinvestment or $1.95 per share of common.

Management projects oil and gas sales in 1957 at about double the 1956 figure and its equipment leasing income up about 50%. Based upon present indications, drilling contract income will remain unchanged and also operating expenses, so that both cash and net income in 1957 may be estimated substantially higher than in 1956.

Dividends on the preferred stock are being paid quarterly at the annual rate of $1.20 per share which provides a current return of about 6%. The preferred stock is callable at $23 per share and is convertible into 1.75 shares of common without time limit. Early this year the company paid a 4% stock dividend on the common stock. The management announced at that time that the stock dividend on the common inaugurated a policy which directors hope to continue on an annual basis within the limits of sound business judgment. To many investors in the higher tax bracket, stock dividends may be more attractive than cash dividends. Thus, shareholders have the alternative of owning common stock and receiving nontaxable stock dividends or owning preferred and receiving cash dividends which may be taxable.

The basic policy of the company is to acquire quality reserves through purchase of producing properties or merger and to continue to explore actively for oil and gas reserves through drilling operations and to apply expert engineering techniques for maximum economical recovery.

The present management of the company has been responsible for the success of the company to date. Its average age is under 40. It is composed of a highly trained staff of petroleum engineers and geologists most of whom had been associated with such outstanding organizations as Superior, Amerada, Seaboard and others.

While the price of the common stock has about tripled in the two year period ended Dec. 31, 1956, oil and gas reserves multiplied about six times net worth (exclusive of oil and gas reserves) more than 10 times and cash earnings more than 150 times. At present market prices (same as about six months or more ago) the common stock is selling for about 6 times 1956 cash earnings and at a discount of about 40% from its currently estimated net asset value, most of which is in the form of oil and gas reserves. Such statistics do not take into consideration the future growth already assured for 1957. Sooner or later it is inevitable that the price will adjust itself to intrinsic value. Hence, present price risks appear small in relation to longer term percentage price appreciation potentialities for speculative accounts willing to exercise patience.

FHLB Notes Offered

Public offering of $105,000,000 Federal Home Loan Banks 3.95% noncallable consolidated notes dated May 15, 1957 and due Jan. 15, 1958, was made yesterday (May 1) through Everett Smith, fiscal agent of the Banks, and a group of securities dealers. The notes are priced at 100%.

Part of the proceeds from the offering will be applied to retirement of $77,000,000 of 3.20% notes maturing on May 15, 1957, and the balance of the proceeds will provide funds to the Banks to make additional credit available to their member institutions.

Upon completion of the financing and the retirement of the notes due on May 15, a total of $678,000,000 consolidated notes will be outstanding.

Government and Business

By EMERSON P. SCHMIDT*
Director of Economic Research
Chamber of Commerce of the United States

Slowness of our economic progress in the last decade is revealed by noted national businessmen's economist, in his analysis of the extent and causes of governmental growth and intervention. Dr. Schmidt decries lack of discussion in the press and economic literature of the interdependence of free economy and human freedom with a flexible money market, defends "honest currency," and exposes delusions about current credit restraint held even in high places. Avers new ideas come not from the masses but from intellectuals, researchers and writers, and calls for dedicated spokesmen to master the philosophy and literature of liberty in order to make their influence felt upon the politicians and the intellectuals. Finds intellectuals are drifting toward more conservatism and suggests this offers excellent opportunities for freedom.

More and more people are asking: "Are we over-governed?" As recently as 1954, total Federal, State and local tax and non-tax government receipts came to $89.6 billion. In 1956, the figure reached $107.6 billion. In 1956, our national income stood at $343 billion. Thus, nearly one-third of the national income is channeled through government. We are approximately one-third socialized. If the government sector continues to grow, as it has since 1929, in 50 years 99% of our economy will be socialized and only one person out of 100 will be privately employed. Perhaps no one expects this trend to continue, but there is nothing in sight at the moment that is stopping it!

Dr. E. P. Schmidt

Just as human wants are unlimited and insatiable, it appears that the pressure for government intervention and expenditures is unlimited and insatiable.

As the central government takes on new activities and functions, it presses harder on the tax resources of the state and local governments. This makes them appear less and less able to carry on their activities. A few days ago, the press reported that a delegation of seven Mayors called at the White House protesting a $75 million cut in a $250 million slum clearance program. Perhaps they did not realize their ludicrous posture; here they were demanding that the U. S. Treasury raise that extra cash, taking a due proportion out of their own cities, hauling it to Washington, taking out the usual Washington brokers' fees and then returning the remainder to their communities. We've seemingly become incapable of distinguishing between national problems and nationwide problems.

More than half the funds collected by the government of the State of New York are returned back to the local communities in the form of various grants-in-aid. The central government, in Washington, now has 54 grant-in-aid programs, and, according to Senator Byrd, 13 new ones are in the current budget for fiscal 1958. This includes one for assisting the states in planting trees. A Federal program to combat juvenile delinquency is proposed. One wonders if we have taken complete leave of our wits!

Thus, we are establishing a vast network of bureaucracy at the state level, at the local level, at the regional level and at the national level. An enormous amount of paper work, filing and investigation is involved. Much traveling, talking, conferring is taking place.

When government sets aside the free market as the guide to production and prices, it invites utter chaos. After a generation of legislating for agriculture, the agricultural problem is as far from solution as at the beginning in the 1920's—if not more so. Taking a look at what Congress has done to agriculture, one might gain the impression that its sponsors were utter economic idiots — if one didn't know better. And now powerful forces are at work in Washington to set up another vast program of Federal aid to depressed areas — a sort of super WPA for business.

What Does It Add Up To?

It is shocking to see how slow our economic progress has been in the last decade. Our per capita real income has increased only $182 since 1946, or approximately $18 per year per capita. Personal per capita disposable income has increased only $137 in the ten-year period since 1946 or $13.7 per capita per year. Both in government and private enterprise all sorts of busy work, paper work, public relations and other "nonessential essentials" are absorbing our time, resources and dollars.

We are wont to boast about American industry, American efficiency, American productivity. But our gains in real terms are not impressive. These rather small per capita gains indicate that, perhaps, we are not as good as we thought we were. This makes it important that we emphasize more and more investment in product and m a r k e t i n g technique, new product development, more investment in plant and equipment in order to raise our productivity. We need to take a solid look at our "social overhead costs."

With the tax laws as they are, placing a terrific burden on the innovative sectors of our economy, our growth rate has not been what it could be under more favorable tax treatment and less debilitating regulations.

Federal Taxes for Local Schools

President Eisenhower, in demanding Federal aid for school construction, has made it clear that he wants no control over textbooks, teachers or educational content. Furthermore, he argues that this is a one-shot affair for a limited program to have definite terminal dates. Virtually no one in Washington is sufficiently naive to believe that once the Federal Government gets its economic finger in the educational pie that it ever will withdraw. Indeed, there are other bills pending providing for supplements to teachers' salaries and it's only a matter of time until this will be done, once the door is opened. Argument has already been made that the Federal Treasury and the Congress, highly solicitous of the building industry to buy bricks and mortar for school rooms, are neglecting the teachers. Human values are subordinated to property, it is already said. But Dr. Milton S. Eisenhower, President of Johns Hopkins University, has strongly warned against Federal support for private colleges and universities.

Mortgages and Housing

In the field that is of special interest to mortgage bankers, we have had a steady growth of intervention in government.

In the early years, FHA offered the private mortgage market a single formula for spreading risk on a mutual basis. This was available to all lending institutions and accessible to all borrowers with good credit standing and an acceptable residential property. Though a government creation, its support was to come entirely from those who benefited from it and any profit was to accrue to the borrowers who paid its premiums. The government's position was kept remote. It made no distinction between persons or classes or groups. It had no direct relationship with individuals.

But it didn't take long before the indirect and impersonal concept to the governmental relationship as embodied in the FHA was seriously undermined and corroded. Strong forces were at work to give the government a more direct and positive role through which, by grant and subsidy, it was proposed to provide every family in the nation a good house, irrespective of considerations other than that of assumed need.

The supporters of the FHA, unaware of what was taking place, were lured into a succession of compromises, as Miles L. Colean has so well pointed out (1956 *Savings and Loan Annals* of the United States Savings and Loan League, Chicago 1, Illinois, address, Nov. 15, 1956). Since direct lending and public housing purported to offer a cure for many of our social ills, the FHA felt that it also had to offer a cure. In fact, a whole series of alleged cures were provided, as special insurance programs were set up to encourage low-priced houses, farm houses, housing in outlying areas, housing for war workers (two programs), housing for veterans for slum dwellers and those displaced from slums, for men in service and, now, for the old folks. Along came programs to promote cooperatives, prefabricated houses and "industrialized" housing and to help the armed services avoid asking for direct appropriations, and possibly some others—to say nothing of low-income public housing and middle-income public housing.

Mr. Colean goes on to say:

"In this panic to set up a special program to meet every real and invented need, the original, limited, practical objective was lost, and FHA was caught up in the spreading illusion that there was no limit to the power of government to remedy every human ill and solve every social problem. As a consequence, the agency began to be looked upon not as an impersonal device for improving the functioning of the private market mechanism but as a tool for directing and controlling the flow of funds to meet current social and political objectives."

Originally, the housing program for veterans involved a basically simple and practical idea. The interest rate established in the early years was in line with the market forces. But, like the FHA rate, the VA rates became outdated with the overall rise in the demand for loan funds.

But meantime, the alleged beneficiaries, government bureaus and the politicians began to develop a vested interest in the artificially low interest rates.

Congress, by fixing the interest rate for U. S. Treasury loans for college dormitories slightly below the free market rate, has bypassed the private mortgage market and shifted the burden to U. S. Treasury financing. This process can in time ruin the private money market and indeed the free economy as a whole.

Credit Restraint Delusions

On April 8, Senator Sparkman, Chairman of the Senate Housing Subcommittee, said in a speech prepared for the Prefabricated Home Manufacturers Institute that "hard money" policy threatens to "not only curl your hair, but take your scalp as well" (*Evening Star*, Washington, D. C., April 8, 1957).

Senator Stuart Symington made this remarkable statement:

"Secretary Humphrey has given the bankers a billion dollars additional for the price of money to the government." (Chicago Tribune, Feb. 12, 1957.)

Such criticisms of the alleged tight money policy have emanated from Washington almost on a daily basis in routine fashion. Here we see a basic organized drive against the free market system and few see the implication for a free economy. There is good reason to believe that a free economy and, indeed, human freedom are impossible unless we also have a flexible money market. This is an idea almost never discussed in the economic literature or the popular press.

If the interest rate is driven downward by artificial forces, it drives the demand for capital ever upward. It generates pressures for government intervention on a geometric scale.

Lord Keynes during the depression of the 1930's wanted to drive the interest rate to zero — "the euthanasia of the 'rentier' class." He has had many followers in Washington. They are regimenters and totalitarians — whether consciously or not. To make the point clear: Interest-free p e r p e t u a l loans, for example, would be the equivalent of making capital a free gift. When things are free, there is no possible limit to the demand for them.

Similarly, government guarantees of loans, easier and easier borrowing arrangements with interest rates forcibly depressed below market levels by law or by fiscal and monetary policy as prior to March 1951, likewise drive the demand for capital through the roof. This puts the economy under constant inflationary pressures and creates political pressures for direct government lending, direct controls and regimentation. It must finally lead to capital investment rationing, compulsory saving, price and wage controls, profit controls, the allocation of labor to specific assignments—a regimented economy. In 1956, the President's *Economic Report* urged that the Executive and the Congress study

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*An address by Dr. Schmidt before the Mortgage Bankers Association, New York City, April 16.

The Squeeze on Prices, Profits and Production

By JOHN POST*
Manager, Industrial Relations Department, Continental Oil Co.

Continental Oil personnel head absolves organized labor from sole blame for rising prices and denies corporate profits, either, can be held responsible for this phenomenon. Mr. Post directs attention to wage increases in non-organized service trades and manufacturing-salaried workers, in allocating price-causal factors to both labor and pace of huge investment expansion. Predicts: (1) present mixture of higher unit labor cost, price-leveling and lower profits, is bound to slow down growth rate; (2) business will probably absorb 1957 wage-cost punishment but may be unable to do so again in 1958—though labor demand may not then be as strong as in 1955-56; and (3) should unit labor cost increase appear it will squeeze profits, affect retained earnings and, in turn, business expansion. Looks to business community, not labor or government, to come up with necessary solution.

The examination and determination of wage-price practices soon goes beyond economics and calls into play other behavioral sciences — for example, sociology and psychology; inevitably, politics come into the picture.

Recent events have focused attention on whether we can maintain a stable price level, full employment, healthy and steady growth of our economy, large and powerful labor unions, progressive and competitive business enterprises, and a government of limited functions — all at the same time.

I am going to cover only a small portion of that subject, namely, the impact of collective bargaining on prices, profits, and production. I can give you only the highlights — the topic sentences, as it were—and not the considerable amount of statistics and interpolation which are required to develop a fully rounded picture.

Prices, profits, and production are all segments of the same wheel. Labor costs are another segment. Other segments of the wheel are, for example, the supply of credit, taxes and depreciation policies.

In any event, if one segment turns, then all must turn. If one segment gets a little flatter than the rest of the wheel, or if it bulges, then the wheel is going to give us a rough ride and sometimes our vehicle will run off the road.

Prices

Wholesale and consumer prices moved up sharply in 1956 after a period of sideways movement. The rise in wholesale prices was steep, steeper than the average annual increase for the postwar years as a whole.

While the uptrend in wholesale prices was general, there were sharp differences in the price changes of various components. For example, we had a leveling-off of prices for raw industrial commodities as against an acceleration of prices for producer goods. And farm prices, after several years of decline, reversed their trend and started upward.

The Consumers' Price Index departed from its sideways movement of the years 1953 through 1955 and started to march upward. In the Spring of 1956 we had sharp increases in food prices. Then in the Fall of 1956, after food prices had passed their seasonal peak and began edging downward, the influence of the preceding rise in the wholesale prices of nonfarm commodities began to be felt. Now the Consumers' Price Index has reached an all-time high, with a real question as to whether we have reached a leveling-off point.

The steady and sharp increase in prices in 1956 properly caused considerable alarm. The President's economic report has several warnings. Throughout the country, discussions were held to consider the causes of and cures for inflation.

Changed Inflationary Views

For a time there was some complacency about the inevitability and, in fact, the advantages of a creeping inflation. But that philosophy has now been challenged, because a creeping inflation has possibilities of becoming a walking, running, and, finally, a galloping inflation.

Inevitably, someone asks "who is responsible for the situation?" and the finger pointing begins. Businessmen themselves are concerned about the public reaction to price increases and go out of their way to justify them; a price increase in a major commodity, such as steel or oil, becomes the occasion for public investigation. Some management people point to excessive wage increases, bring up the charge of "labor monopoly" and ask for legal restrictions on labor unions. Labor union people, somewhat on the defensive, talk about "excessive profits" and "labor busting." The charges and countercharges merely muddy the already troubled waters; they add frustration to confusion.

Were Price Increases Caused Entirely by Collective Bargaining?

Looking for the causes of the increase in prices in 1956, I think business leaders should not try to put the entire blame on labor unions; at the same time it is foolish for labor leaders to try to duck all responsibility for the result. Price increases were caused by high demand and rising costs.

On the demand side, for example, we have the picture of heavy business investment—over $36 billion spent for nonfarm producers' plant and equipment, on top of an expenditure of $29 billion in 1955. This was bound to increase demand and competition for goods and services.

This heavy investment was good for the country, in the long run. It represents the strong motivation of American business to take risks and to grow. Without this surge we might have a stagnant economy (which would be far from stable).

Regardless of the long-range advantages, this tremendous demand was bound to have a short-range effect on prices. Business itself paid a price for the bunching of investment demands, both in terms of higher costs of new facilities and in higher borrowing costs.

I suggest, therefore, that businessmen recognize that our own pace of investment did affect prices. Then we are on solid ground when we move on the irrefutable fact that labor costs have continued to rise faster than the gains in output per manhour.

Average hourly earnings and fringe benefit costs have risen to new highs. To a large extent these increases can be attributed to wage negotiations—but not entirely. We should not overlook the impact of the sheer demand for labor; 1956 witnessed what must be considered an abnormal increase in the labor force which, when added to the abnormal increase in 1955, does affect the bidding up of the price for labor. The normal increment to the labor force each year is about 750,000 men and women; in 1956 it was twice that amount.

Even in service trades, which are not as well organized by labor unions, there was an increase in rates of pay. And in manufacturing, the advance in payroll was more marked for salaried workers than for production workers; the rise in employment of salaried workers was sharp, while the number of production workers leveled off.

I conclude, therefore, that while collective bargaining was a significant factor in the increase in labor costs, it was not the whole story.

In 1957, however, the impact on the economy of wage agreements in 1955 and 1956 will be more severe than in previous years. Prices, at least in the wholesale area, have begun to level off, reflecting a balance of supply and demand. The demand for labor will probably not be as strong as in 1956 and 1955, and will probably be satisfied by normal growth of the labor force.

Profits

The rise in unit labor costs in 1956 has yet to be fully reflected in the costs of materials used at later stages of manufacturing and distribution. They will continue to press upward on profit margins, unless wholesale prices keep going up. But, since wholesale prices seem to have leveled off—at least temporarily, this probably forebodes a decline in profit margins.

Then as these cost pressures are relentlessly working their way through the economic structure in 1957, we begin to experience another round of wage increases caused by long-term contracts and also by escalator clauses triggered by consumer price index rises just cited. This will put profits under further pressure.

Some folks, perhaps trying to take the heat off labor unions, have countercharged that corporate profits are responsible for our current inflation.

I don't see any basis for that charge. Profits have not kept pace with the growth of the economy. For example, since 1947 the Gross National Product has gone up over 65%. National income, excluding corporate profits, has gone up almost the same per cent.

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*An address by Mr. Post before the National Industrial Conference Board Meeting, San Francisco.

Texas Group Investment Bankers Association Elects New Executive Committee

DALLAS, Texas—At the 22nd Annual Convention of the Texas Group of the Investment Bankers Association held April 21-23, the following new slate was elected to take office in December following the National Convention of the Investment Bankers Association of America:


Earl G. Fridley


John P. Henderson


William F. Parvin


R. R. Rowles


John W. Turner


Taylor B. Almon


R. Brud Smith


Milton R. Underwood


William C. Porter

Chairman: Earl G. Fridley, Fridley, Hess & Frederking, Houston.

Vice-Chairmen: John P. Henderson, M. E. Allison & Co., Inc., San Antonio; B. F. Houston, Jr., Dallas Union Securities Company, Dallas.

Secretary-Treasurer: John J. Fosdick, Eddleman-Pollok Co., Houston.

Executive Committee: William Parvin, Austin, Hart & Parvin, San Antonio; R. R. Rowles, Rowles, Winston & Co., Houston; John W. Turner, Eppler, Guerin & Turner, Inc., Dallas; Taylor B. Almon, Rauscher, Pierce & Co., Inc., Dallas, ex-Officio; William C. Porter, Dittmar & Company, Inc., San Antonio, ex-Officio; Milton R. Underwood, Underwood, Neuhaus & Co., Incorporated, Houston, ex-Officio.

Executive Secretary: R. B. (Brud) Smith, Keith Reed and Company, Dallas.

The Convention of the Texas Group was a most successful meeting, with over 400 in attendance.

L. J. Goldwater Forming Company

L. J. Goldwater & Co., members of the New York Stock Exchange, will be formed as of May 9 with offices at 25 Broad Street, New York City. Partners will be Leo J. Goldwater, member of the New York Stock Exchange, and Alexander L. Berliner. Mr. Goldwater has been active as a floor broker and in the past was a partner in Gartman, Rose & Co.

J. B. Ross, Jr., Joins Goodbody & Co.

BUFFALO, N. Y.—J. Bert Ross, Jr., is now associated with Goodbody & Co. He will specialize in institutional bonds sales with offices at 1709 Liberty Bank Building. For the past 25 years he represented Union Securities Corporation and its predecessor J. & W. Seligman & Co. in Buffalo. He had been a Vice-President of Union Securities Corporation since 1950.

D. P. Whitlock With Ladenburg, Thalmann

Daniel P. Whitlock has become associated with the investment firm of Ladenburg, Thalmann & Co., 25 Broad Street, New York City.

Mr. Whitlock was formerly with the Marine Trust Company of Western New York.

Thomas J. Cline With Dempsey-Tegeler Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Thomas J. Cline has become associated with Dempsey-Tegeler & Co., 209 South La Salle Street. He was formerly with Kneeland & Co. in the trading department for many years.

With Foster & Marshall

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Lyle W. Baldwin is now connected with Foster & Marshall, U. S. National Bank Building.

World Industrialization's Impact Upon United States Exports

By WALTER H. DIAMOND*
Editor, McGraw-Hill "American Letter"
and
Economist, McGraw-Hill International Corporation

Widely known international economist explains how U. S. firms can capitalize on the $1 billion export increase predicted for 1957, and $4 billion for 1965, and adapt themselves in time to the changing trade pattern resulting from the Middle East crisis, Eastern European revolts and increased East-West trade, and the European Common Market. The McGraw-Hill economist suggests U. S. exporters concentrate on Latin America and the Far East, and increase manufacturing in Europe to retain markets there. Six-point program is outlined by Mr. Diamond showing how small exporters, too, can share in growing world trade caused by incredible pace of world industrialization.

Three momentous events which occurred in the past six months will shape the course of world industrialization in 1957. America's exporters already are feeling the effects of two of these. The first, the distorted commodity situation resulting from the Suez dilemma, will not end with the reopening of this Middle East waterway. Second, a new American foreign economic policy, engendered out of the 1956 uprisings in Eastern Europe, as well as the Middle East debacle, is inspiring the easing of controls on exports of non-strategic goods to the Communist world. And third, the birth of a European Common Market, creating a single customs union of 160 million people for six of America's best export outlets, is bound to shift the emphasis of United States trade from Western Europe to Latin America.


Walter H. Diamond

This year, for the first time in history, the total of world trade will exceed $200 billion, with export and imports both contributing about $100 billion. Needless to say, the incredible pace of world industrialization since the end of the Korean War is responsible for this tremendous upsurge in international trade. Prior to inception of the Marshall Plan, and its two far-reaching offshoots, the European Payments Union and the Organization for European Economic Cooperation, the aggregate of world trade was less than $100 billion.

Expanding Commerce

Fortunately, American exporters have been able to retain their share of this expanding international commerce. In 1957 U. S. commercial exports will rise about 7% to $18.5 billion while imports will gain 8% to $13.5 billion, or a total of $32 billion. This is 16% of the world's trade, approximately the same percentage held in 1950 when all world commerce amounted to only $100 billion. The fact that American industrialization was already centuries ahead of the development in most areas of the world makes this comparison all the more fantastic. Thus it is safe to assume that the U. S. will still be capturing about 16% of the world trade in 1965 when our exports will have grown to $22.5 billion and imports to $17.5 billion.

To maintain this large share of world commerce, American exporters will have to adapt their techniques and markets to the changing pattern of trade resulting from the Middle East crisis, the Eastern European revolts and the European Common Market. For instance, the cold war tension arising out of the Suez dilemma is stimulating a buying boom in raw materials and manufactured goods everywhere. Increased defense spending and the decision not to reduce the strength of our armed forces means greater U. S. Government purchasing of strategic goods and heavy equipment.

Moreover, six months after the blocking of the Suez, Egypt's President Nasser is still raising serious doubts as to the Canal's future usefulness. This former nerve center of world shipping will never again be the vital link it was to foreign trade before the nationalization seizure last July. Now the world's largest oil companies plan to spend up to $1 billion for alternate oil pipelines and routes. By 1960 the new pipeline through Turkey alone will take half the daily capacity of petroleum that once flowed through Suez. The French-financed route through Israel will absorb another quarter of the Canal's oil, so that by 1968, when the Suez Canal Company's rights expire, only 25% of Middle East oil will go through the Canal.

In appraising the future contribution of the Suez to world industrialization, it cannot be overlooked that the U. S. State Department is encouraging new oil routes between the Middle East and Western Europe as a ready alternate for Suez. The "Eisenhower Doctrine" calling for $200 million of economic aid to help industrialize the Middle East is only a drop in the bucket when compared to the advance stages of industrialization already attained in Western Europe, many parts of Latin America, and some areas of Africa and the Far East. The most it can accomplish is to appease the Arab leaders temporarily as far as assisting in industrializing the Middle East.

East-West Trade Expansion

Since the uprisings in Eastern Europe are basically economic, there is no doubt the upward trend in expansion of East-West trade will be stepped up even further. As a result many American exporters will find new markets in 1957. Rapid strides in the industrialization of the East as well as the West last year were responsible for a 15% rise in the value of exports to each other. In 1957, farm surpluses will be the main source of shipments to the East from the U. S., as the White House will get Congress to remove the ban on sales of agricultural products for local currency to some Communist nations. Poland, whose trade with Russia last year amounted to 65% of her total, will be Washington's principal target in order to force a wedge in Polish economic dependence on Moscow. But trade with the Soviet satellites will follow aid, as it historically has. The President's Citizens Advisers committee to promote trade, headed by Benjamin Fairless, recommended expansion of East-West trade, as well as lower tariffs for imports from Allies and reduced taxation on foreign income.

Common Market's Impact on U. S. Trade

At the end of the 20th Century the U. S. exporter is far more likely to remember the year of 1957 as the one in which the European Common Market was created rather than for the inception of the "Eisenhower Doctrine." Despite statements and assurances by Paris, Brussels and Washington to the contrary, it is my firm conviction that nothing in the last half of this century will do more to disrupt American trade and force a completely new pattern of U. S. exporting than the Common Market. For the joining of Belgium, France, Italy, Luxembourg, Netherlands and West Germany and their overseas territories into one massive market without tariffs or trade barriers is only the beginning.

Eventually a larger free trade zone, sponsored by England and embracing 17 European nations, will be linked to the Common Market. But before this the Scandinavian customs union comprising Finland, Denmark, Norway and Sweden will be in operation. In addition, the new "lira area" will tie Italy with the Far East, Middle East and South American countries to expend trade through lira payments.

Actually, this regional scheme of multilateral trading came of maturity last year when the Hague and Paris Clubs formed in Brazil and Argentina respectively first initiated the circumvention of American exporters in favor of West European. Then came establishment of the still inactive South American group of five smaller neighbors and just recently the organization of five Central American Republics into what is regarded as a real milestone in their ultimate economic integration. Of course, the "father" of all these geographical trading units, each one putting the U. S. exporter more and more at the mercy of finding new markets, is the European Payments Union founded in 1950.

There is little doubt that the European Common Market will serve an outstanding purpose in accelerating the full industrialization of Western Europe. But its detrimental impact upon American businessmen who ship abroad will be far greater than anything now visualized. U. S. exports, as well as Canadian and Japanese, will suffer sharply as result of the Common Market. Lifting of tariffs and other barriers between the six countries will encourage Europeans to buy from each other.

But more damaging is the need for some countries, especially Belgium, Holland and West Germany, to boost duties on American goods to fall in line with other members. Expanding commerce between the European nations will force U. S. exporters to concentrate on Latin America in the future. At the same time European competition will be more intense for American firms. The only way the U. S. will be able to hold present markets in Europe is to manufacture there. Subsidiaries of American concerns in Europe will find many new customers.

Impact on Other Countries

Until the larger free trade zone of 17 markets is established, Britain too will lose traditional customers on the Continent. She will also turn to Latin America and Africa in a new export drive. Eventually Canada will have to give up the bulk of her grain sales in Europe since agricultural produce is only temporarily excluded from the Common Market. This will be hard for the Canadian farmer to take. The U. S. farm surplus program will not be upset because the six Common Market members do not get aid under the law. But the International Commodity Agreements for tin, sugar, rubber and other products will have to be revised. Japanese and Scandinavian businessmen are also alarmed inasmuch as the reduced tariff level for the Common market will exclude some of their goods. Japan intends to counter the European scheme with a "Far Eastern common market," as recommended by the Fairless Committee.

Although American businessmen will not feel the full brunt of the Common Market for 17 years, when all tariffs will be abolished for the six countries, they are bound to see some favoritism creeping into the union before it begins operation. That means the U. S. exporter must lay the groundwork immediately to seek out new markets outside of Europe and Colonial Africa. The logical places to turn are Latin America and the Far East.

Opening of the Common Market will increase the economic specialization of the six countries as well as encourage capital formation and investment there. These advantages will benefit the large American export firms, which either already have overseas subsidiaries and branches or which will not find it difficult to produce or license in Europe. But what about the small exporter in the U. S.

Capitalizing on New Trade

Fortunately, the opportunities for the small exporter to get new business today are tremendous because of the increased industrialization abroad in the past five years, in short, the small but aggressive exporter can get his share of the growing world trade resulting from this era of industrialization by following this six-point program:

First, look for areas where the population increase is far above the normal. Naturally, this means a rapidly expanding consumer market. In Brazil, for instance, there are 60 million people, representing one-half of all South America, and the population is growing at the amazing rate of 2.4% annually. This is 30% faster than the pace in the U. S. now. The number of people in Brazil is almost four times as great as that of Canada—the largest customer for American goods.

Second, find out where the gross national output of any one country has had a phenomenal rise. Few businessmen realize that India's industrial output has risen 800% since the end of World War II, the largest increase of any nation in the world. This of course enlarges India's potential for industrial goods by eight times.

Third, select small markets as well as large ones. How many exporters today know that because of the Suez crisis more than $1 billion is going into relatively unexploited territory of French Equatorial Africa for development of manganese sources to supplant Far East sources?

Fourth, make use of the Export-Import Bank's new lending program especially designed for the small exporter. Small loan ap-

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*From an address by Mr. Diamond before the 40th Anniversary Convention of the Export Managers Club of New York, April 2, 1957.

No Magic in Monetary Policy

By WM. McC. MARTIN, JR.*

Chairman, Board of Governors Federal Reserve System

Addressing himself to the illusion that economic difficulties and social injustices can be cured by opening wider the money-credit spigot, Chairman Martin succinctly outlines Federal Reserve policies and asks what would any change of policy accomplish. The Reserve Board head contrasts the age old system of totalitarian control with the market system's unprecedented contribution to material advancement and individual freedom, and solicits continuous examination and study of our business civilization for possible improvement.

Since the business civilization is an ancient form to those of us living today, we are often inclined to accord the contempt bred of familiarity to some of its manifestations and to some of the grey-flanneled men who personify its shortcomings in current literature.


W. McC. Martin, Jr.

Yet, only a couple of centuries ago the business civilization, or, more precisely the market system that would furnish its cornerstone, was just coming into recognition as a new way of life that offered a promise of material advancement and individual freedom such as men had never known before.

The market system lifted men's hearts when they first saw in its development an alternative to the other two systems around which society had been organized from time immemorial.

One of these systems, prevailing in India until recent years, employed the forces of tradition to ensure the execution of the countless jobs that had to be done to keep society going — disagreeable jobs as well as pleasant ones. By custom and usage, jobs were assigned from father to son for generation after generation, and men did the work deemed appropriate to their caste.

The other system antedating the market system was that of authoritarian rule, in which the whip of centralized power drives workers to the necessary tasks. It was used in ancient Egypt to build the pyramids. It is used in modern Russia to execute the Soviet's five-year plans.

Unprecedented Achievement

Against these age-old systems of social control, the market system must have appeared to men of vision as a magnificent achievement in social engineering, for it provided a mechanism for sustaining and maintaining an entire society by the free and voluntary activity of its individual members. It constituted a way of life affording to the individual a dignity unknown under the older social systems. In the market system, each man would be guided to his work by the hope of reward rather than the lash of authority or the chains of caste. Yet, though each might freely go wherever he thought his fortune lay, the interplay of one man in competition with another would result in accomplishment of all the tasks society needed done.

The transformation of this country from a wilderness to a highly developed business civilization in so short a time demonstrates the results that can be obtained through a system which is directed toward releasing rather than shackling the energies and abilities of the individual.

The advantages of a system where supply capacities and demand wants and needs are matched in open markets cannot be measured in economic terms terms alone. In addition to the advantages of efficiency in the use of economic resources, there are vast gains in terms of personal liberty. Powers of decision are dispersed among the millions affected, instead of being centralized in a few persons in authority.

The basic concept of the market system has remained with us since the founding of the nation. It has remained the cornerstone of our society down to this day, although we have done some extensive remodeling of the structure as a whole from time to time.

Remodeling the Market System

Some of the remodeling we have done in the past has been for the admirable purpose of correcting structural defects and distortions that were warping the system. Competitive, freely functioning markets are one thing, and rigged markets another. Rules and regulations to prevent rigging are necessary and essential to a sound structure.

Other remodeling has come about because the American people have refused to accept economic goals as their sole objective. That was true in older generations, as well as our own. Let it be said, to our credit, that American economic action has often been determined by balancing material advance against other human objectives.

When the Wharton School was founded in 1881, the population of the United States numbered about 50 million, and rural dwellers outnumbered their urban brethren by nearly three to one. But well under way was the growth and movement that has carried our current population to more than 170 million and put city dwellers in the majority—despite the swing to suburbia—by a ratio of nearly two to one.

In 1881, if the phrase "party line" had any meaning at all to the students and faculty of the new business school, it was as a reference to that comparatively new and still rare instrument, the telephone. We did not have electric lights, much less automobiles, gasoline tractors, airplanes, radio, television, wonder drugs, air conditioning, frozen fruits, vegetables, meats — and waffles, too—or even such words as automation and electronization.

Wonders of Distribution

The wonder is not that we have these things, for the American people, working under their free enterprise system, have produced and are producing material abundance as no people in history. Yet great as are the wonders of production that have been achieved in the American system, still greater are the wonders of distribution. There would be little gain in convenience, comfort or luxury for Louis XIV or Charles II, or for Antony and Cleopatra, in living today. Our mass production and distribution system could not do much for them. It can and does provide abundance for the mass of people. It is a system for the many rather than for the few. It has provided greater equality in worldly possessions than any socialist or communist society has done, or showed the slightest prospect of doing.

Most noteworthy of all, perhaps, the American people and the American system of free enterprise have come a bit closer to abolishing poverty and its attendant evils than any one has ever come before. This is an unfinished task, however, and one that requires the use of our minds as well as the gift of our hearts.

The founding of the Wharton School demonstrated recognition that the business process is a rational process, not a mystical or magic one, and the faith that men can master and improve it by the exercise of reason, sharpened and clarified by the dicipline of objective study. It is fortunate that we have this school and its counterparts in other universities, for the need for rational economic thought is one of the most important of our time.

We do not have to look far for an example of that need. It is evident in a suggestion often made these days that if only the Federal Reserve's monetary policy were changed we could have more new homes, more rapid construction of vitally needed schools, hospitals, and other community facilities, more new automobiles, and more new highways to relieve the traffic jams we have already.

What Policies Are There To Change?

Well, it would certainly be a fine world indeed if, by merely opening wider the spigot of credit, the Federal Reserve could increase the flow of goods and services sufficiently to meet all human wants at any time. If the Federal Reserve possessed such magic, I assure you it would use it. But of course there is no such magic, and all of us will be better off if we do not act as if there were.

What is this Federal Reserve policy that some people are so anxious to change?

It is a policy of endeavoring, at all times, to assure monetary and credit conditions that will foster high levels of business and employment, maintain the stability of the currency, and promote sustainable growth in the economy.

It is a policy of combating, with equal vigor, the excesses of inflation and deflation alike. It is a policy that recognizes that inflation compounds its own cruelties by bringing deflation with its further cruelties — the cyclical progression we have suffered many times in the past with consequences heavy in human hardship.

Reviews Recent Policy Shifts

Operations in execution of that policy must, of course, be adapted to the particular circumstances of an economy which, like everything else in life, is always changing. The recent record illustrates the point.

In 1954, when production was falling away from capacity and unemployment was rising, the Federal Reserve System followed a policy of combating deflation by facilitating an expansion of credit and an increase in the money supply so that idle resources might be brought back into use.

In 1956, with employment at peak levels and the economy pressing against the limits of capacity with booming intensity, the Federal Reserve System followed a general policy of combating inflation by holding further expansion of credit within the limit of resources available for use.

I do not want you to think I am claiming the System was endowed with special wisdom in either of these instances. It was, in fact, simply adhering to a realistic principle with respect to the money supply laid down long ago by the great common sense philosopher who founded this university.

Cites Ben Franklin

Benjamin Franklin, back in 1729, wrote it down in these words: "There is a certain proportionate quantity of money requisite to carry on the Trade of a Country freely and currently; more than which would be of no Advantage in Trade, and less, if much less, exceedingly detrimental."

In Benjamin Franklin's own lifetime, virtually every American was to learn—the hard way—the fact that there can be such a thing as too much money in the economy as well as too little. Their experience is recalled in a bitter saying we still use: "not worth a Continental."

Since its early days, the American Republic has grown enormously in complexity as well as size, but the fact remains that the capacity of any economy to produce goods and services is, at any given time, limited by the resources, human and material, that are currently available. The further fact remains that, when the economy is running at peak levels, creation of more money cannot produce more things; it can only push up prices.

The Last Two Years

Over most of the last two years, our economy has been straining its capacity under the influence of inflationary pressures. Total expenditures in terms of money have increased more than the physical output of goods and services, and buying demand, based in part on credit expansion, has been trying persistently to increase expenditures even more. This strain on the economy has been reflected in rising prices and costs, pushed up by actual spending, and rising interest rates, pushed up by the borrowing demands of those who wish to spend still more.

These things have been happening because business concerns, governments, and individuals have wanted to borrow and spend more money than they were willing and able to save in order to buy more things than can yet be produced. Basically, credit has been made tighter, and therefore more expensive, by a single phenomenon — the development of a credit rush reminiscent of the California gold rush a little more than a century ago.

In these difficult circumstances, it has been helpful to have discussion, debate, and critical appraisal of monetary policy, and I hope we will have the benefit of more of it as time goes on.

The Federal Reserve is not infallible or perfect, and it is a good thing to keep people aware that there is no magic in monetary policy—or any other policy or power of government—that can ensure prosperity for everyone, in perpetuity.

It is a good thing to hold the light of reason to the illusion that economic difficulties—and social injustices as well—can be cured, effortlessly and painlessly, by the simple process of pumping up the supply of money and credit.

If we examine and continuously study our business civilization earnestly and honestly, I am confident that, along with our deeper knowledge, we will find strength to do greater and finer things than we have yet done. And, in doing them, we will find new faith both in our system and in ourselves.

*An address by Mr. Martin in accepting the Degree of Doctor of Laws at the Convocation of the University of Pennsylvania Council marking the 75th Anniversary of the Founding of the Wharton School of Finance and Commerce, April 26, 1957.

With Securities Inc.

DENVER, Colo.—Harold J. Miller has rejoined the staff of Securities, Inc., Farmers Union Building.

Byllesby Co. Elects Lannan & Woolard

CHICAGO, Ill.—H. M. Byllesby and Company, Incorporated, 135 South La Salle Street, members of the Midwest Stock Exchange, announce the election of J. Patrick Lannan as Chairman of the Board of Directors, and Francis C. Woolard as Vice-President and Director. Effective May 1 all trading and investment services previously rendered by Kneeland & Co. will be continued through the facilities of H. M. Byllesby and Company.



J. Patrick Lannan Glen A. Darfler


Francis C. Woolard

Glen A. Darfler, Manager of the trading department of Kneeland & Co. will assume the same responsibility at H. M. Byllesby and Company.

The business of Kneeland & Co. was terminated effective at the close of business April 30.

A. G. Edwards & Sons Absorbs Breining Co.

A. G. Edwards & Sons, of St. Louis, one of the Midwest's oldest and largest investment firms, has taken over the business of the New York investment house of Breining & Co., effective May 1.

Breining & Co., which has been in business for 37 years, is a member of the New York Stock Exchange and operates two New York offices, both of which will be maintained. One office, at 17 Battery Place, will be managed by Mr. George J. Metzner; the other, in the Graybar Building, at 420 Lexington Avenue, will be managed by Mr. Charles M. Bowsky. It is expected that most of the Breining representatives and staff will continue with the Edwards firm.

A. G. Edwards & Sons has operated its own office in New York for 26 years. Its office, at 485 Lexington Avenue, will be retained as well, giving the firm three operating New York branches. Joseph F. Wittermann, of the Edwards firm, has been named as co-ordinating manager for the New York area.

The Edwards firm has been in business since 1887 and is a member of the New York Stock Exchange, American and Midwest Stock Exchanges and the Chicago Board of Trade. In addition to its New York branches the firm operates nine offices in the Midwest area and in the South.

Stanley L. Sherwood

Stanley L. Sherwood, specialist in municipal bonds, passed away April 26 at the age of 52.

Effect of Recent Court Decisions On Security of Municipal Bonds

By DAVID M. WOOD*

Senior Partner, Wood, King & Dawson, New York City

The revived interest engendered by the recent few defaults in municipal securities prompts Mr. Wood to explain why municipal bondholders no longer receive Federal courts' protection, and to point out remaining recourses available and other matters to look for, in his review of the effect of recent U. S. Supreme Court decisions upon state and municipal bonds. The distinguished lawyer discusses impairment of contractual obligations by subsequent decisions of the state courts; willingness of states to enter Federal courts; and development of the protection afforded by the promulgation of the doctrine of "estoppel by recital"—allowing creditors to enforce their obligations—which was swept away in Erie Railroad v. Tompkins about 13 years ago.

David M. Wood

I have been asked to explain the effect upon the security of municipal bonds of the decision of the Supreme Court of the United States in the case of *Erie Railroad v. Tompkins*. I would like to start the discussion by saying that this is where I came in, because I made an address before this Forum, in January of 1944, in which I attempted to point out some of the adverse effects of that decision upon the ability of the holders of municipal bonds to enforce their obligations. Not much attention was paid to the comments which I made at that time, but recently letters have been written to the Investment Bankers Association requesting the Municipal Securities Committee to give attention to this subject.

Perhaps the sudden interest in the subject, after a lapse of 13 years, may be explained by market conditions. When I spoke before the Municipal Forum in 1944, the Bond Buyer Index of 20 municipals was a 1.44 basis. On April 26 it was a 3.25 basis. In 1944 it seemed that all you had to do was take a sheet of paper and label it "Municipal Bond" and it could readily be sold at a very low rate of interest. No one even considered the possibility of a default on municipal securities at that time. More recently we have had a few defaults, so I think it is quite natural that the municipal bond fraternity is beginning to give consideration to the thought that it may be necessary to resort to the courts to enforce some of the securities which we have been putting on the market during the last 20 years.

Law's Development Traced

The case of *Erie Railroad v. Tompkins* was a suit against the Erie Railroad for damages for personal injuries. I know that it must be very difficult for laymen to comprehend how a decision in a personal injury suit could in any way affect the rights of the holders of municipal bonds, and, in fact, it is not even easy for a lawyer to understand it unless he is thoroughly informed regarding the history of state and municipal financing in this country and the decisions which the courts have rendered in suits brought by creditors to enforce public securities. So in order that you may understand how this personal injury suit against the Erie Railroad affects you as a bond dealer or as an investor in municipal bonds, it will be necessary for me to discuss, briefly, the development of certain phases of the law over a period of more than 100 years. Obviously I can only hit the high spots in the development of the law over such a long period, but I believe I can condense it sufficiently for you to get some idea of what it is all about.

As I am sure you all know, Congress, almost as soon as the Constitution had been ratified, set up a system of Federal courts throughout the nation. One of the reasons for setting up a system of Federal courts was to protect the rights of creditors, particularly non-resident creditors. Accordingly, one of the grounds on which the Federal courts can exercise jurisdiction is the diversity of citizenship between the parties to the suit. In other words, if the plaintiff is a resident of one state and the defendant a resident of another, the plaintiff can bring his action in a Federal court. In the year 1842, the Supreme Court of the United States, in the case of *Swift v. Tyson*, held that in matters of general commercial law, and particularly in the field of negotiable instruments, the Federal courts would not consider themselves bound by the decisions of the state courts. This decision had profound consequences for the holders of public securities. The Federal courts proceeded to build up a body of common law which protected the rights of the holders of municipal securities to such an extent that Judge Dillon once said that the Federal courts, particularly the Supreme Court of the United States, established and preserved the credit of the American municipalities.

One of the most important of the rules of law which the Federal courts announced with respect to municipal securities was the doctrine of estoppel by recital. In order to understand this doctrine I must point out that the general principle of law in this country is that a municipality has no inherent right to incur debt and issue bonds. It is a power which must be expressly conferred by the legislatures of the various states. The legislatures in conferring such a power almost invariably provide that the power may be exercised only upon complying with certain conditions, such as the filing of a petition by taxpayers, the holding of an election, or provided the indebtedness of the municipality does not exceed a prescribed limitation. Municipalities would issue bonds under these conditional grants of power and then, when the creditors sought to enforce them, they would assert that the bonds were invalid because the conditions had not been complied with. The courts would permit the municipalities to set up such defenses in suits brought by the bondholders to enforce their obligations, and many millions of dollars of municipal bonds were held invalid under such circumstances.

Obviously, a purchaser of municipal bonds would have no way of knowing whether such conditions had been complied with or not. If he inquired of the municipal officials, assuming he would take the trouble to do so, he would, unquestionably, be told that everything necessary to make the bonds valid had been done, but if a prospective purchaser of a few bonds had to make this investigation before he could safely buy the bonds, it is perfectly obvious that he would not be inclined to purchase the securities. The effect of the decisions that I have referred to upon the market for municipal bonds was disastrous.

Doctrine of Estoppel by Recital

Then some great legal genius, probably Judge Dillon, began to write in the bonds a new clause. I believe that Judge Dillon was the author of it because it is generally known as Dillon's estoppel clause. You have seen such a clause in just about every bond that you have ever handled, probably without giving much thought to it. It reads substantially as follows:

"It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this bond have existed, have happened and have been performed in due compliance with the Constitution and statutes of the State of————, and that the amount of this bond, together with all other indebtedness of said municipality does not exceed any constitutional or statutory limitation."

The reasoning behind this clause is that when the legislature authorized the municipality to issue bonds upon certain conditions, it did not designate any tribunal to determine whether or not these conditions had been complied with before the bond power could be exercised. Yet, it must be presumed that the legislature intended that some determination of these facts would be made before the bonds were put on the market, and, therefore, it must have meant to have these facts determined by the officers charged with the duty of executing the bonds. The Supreme Court of the United States accepted this line of reasoning and held that if the officers who executed the bonds caused to be inserted in the bonds a clause, similar to that which I have quoted, the municipality would not be permitted, in a suit brought upon the bonds by a bona fide purchaser for value, to deny the truth of those recitals. This became known as the Doctrine of Estoppel by Recital.

The principle of estoppel has a long history in the common law. Long before there were any municipal bonds, the courts of Great Britain, and of the states in this country, held that if a person made statements of fact intended to induce an innocent person to rely upon them in contracting with him, he would not be permitted in a suit brought upon the contract to deny the truth of those representations to the detriment of the other innocent party. In short, the courts would not permit a defendant to profit by his own falsehoods.

Private and Public Morality

The extension of this salutary principle to public corporations was somewhat surprising because in this country there has always been quite a distinction between individual and group morality. We have always seemed to look complaisantly upon action taken by the State or public agencies, which we would regard as grossly reprehensible if it were done by individuals. This line of cleavage in our ideas of public and private morality was evidenced in the rulings of the state courts. The courts of many of the states refused to recognize the doctrine of estoppel by recital. The State of New York is one of them. The courts of this state have never recognized the doctrine. Some states have accepted it only partially.

As the doctrine was laid down by the Federal courts, it was that if the municipality had legislative authority to issue the bonds and it recited in the bonds that all conditions imposed by the legislature upon the exercise of that power had been complied with, an innocent purchaser of the bonds for value was under no obligation to go any further than to satisfy himself that the statutory power to issue the bonds existed. Some of the state courts, however, refused to go that far. For instance, some would say that he was bound to satisfy himself that the election required by the statute had been properly held and that the required majority of the citizens of the community had voted in favor of the bonds. Many other qualifications of the doctrine were laid down by the state courts.

Federal Court's Protection

The bondholders, however, felt that they were adequately protected because they could sue upon their bonds in the Federal Court, on the ground of diversity of citizenship, and would be protected by the Federal Court's rulings upon the estoppel doctrine. Accordingly, when municipal bonds went into default, the creditors almost invariably brought suit upon their bonds in the United States District Court, and against the defenses set up by the municipality they would assert the doctrine of estoppel by recital.

For instance, some 25 years ago when the City of Cohoes, N. Y., issued bonds in excess of the constitutional debt limit, my firm was retained by the bondholders' protective committee to bring suit upon the bonds. We knew that if we brought the suit in the state courts we would lose the case because an investigation made by the State Controller had demonstrated, conclusively, that the bonds had been issued in violation of the constitutional limit. At this point I may say in defense of the bond attorneys that no bond attorney had approved the validity of the bonds. They were issued, solely, upon the opinion of the City Attorney. The members of the bondholders' committee which we represented, however, were all residents of states other than the State of New York so we were able to bring suit in the United States District Court, and, when the city attempted to set up as a defense the fact that the constitutional debt limit had been violated in the issuance of the bonds, I moved to strike that defense from the answer on the ground that the city was estopped from asserting it because of recitals in the instruments which it had issued to the effect that the bonds did *not* exceed the constitutional debt limit. The Federal courts sustained my motion and we obtained a judgment against the city for the full amount of the bonds, which judgment was subsequently paid by the city.

Federal Protection Swept Away

You will see, therefore, how valuable a protection the doctrine of estoppel by recital as debeloped in the Federal courts was to the bondholder. That Federal doctrine,

Continued on page 37

*An address by Mr. Wood before the Municipal Forum of New York, New York City, April 26, 1957.

Railroad Securities

By GERALD D. McKEEVER

New York, Chicago & St. Louis

The New York, Chicago & St. Louis not only has the distinction of being the premier growth road among the eastern carriers exclusive of the three Pocahontas roads which are the major beneficiaries of the boom in export coal movement, but based on revenue trends, it has moved into the forefront of all Class I. Again excluding the Pocahontas roads, the 1956 revenue trend index of 132 for the Nickel Plate was exceeded only by the Great Northern's 135 last year, and was closely rivalled only by the Kansas City Southern's 131, the 130 of the Seaboard, and 129 for both the Atlantic Coast Line and the Western Pacific. These indices are based on the respective averages for the 1947-49 period taken at 100.

As may be inferred from the fact that the 1956 gross revenues of the Nickel Plate showed a 7.6% increase over the 1955 figure, while the corresponding gain for all Class I roads was 4.4%, the gain for the Nickel Plate was only partly due to the 6% freight rate increase of March 7, 1956. On the other hand, the gain was very largely due to the Nickel Plate's healthy 6.3% increase in traffic as measured by the gain in the road's ton-mileage over the 1955 figure. The corresponding gain in ton-mileage for all Class I was only 4.2%.

Net results were not so good, however. While the Nickel Plate is a low cost road, and particularly by the standards of eastern carriers, this road last year had to digest a 10.6% increase in operating expenses, or not too far away from twice the gain in its revenues. The result was a $2.2 million drop in the pre-tax net operating income, but which was reduced to a decline of only some $300,000 in reported net operating income as a result of the lower ensuing Federal tax accrual.

The final result was a decline of a little over $400,000 in net income, but even this was obscured to many by the ability of the road to show a small gain in per share net, this figure having been $3.98 for 1956 as against $3.96 for the previous year, adjusting the latter figure for the 2-for-1 split of the road's stock that became effective last May 25. The small increase in per share net in spite of the decline in total net income is ascribed to the fact that the capital change involving the replacement of the 6% preferred stock with 4½% income debentures, accomplished early in 1955 was effective for the full 1956 year. This refunding of the preferred by the debentures brought the double benefit to the common stock of a saving in prior charges and a saving in Federal income tax as well. However, the increase in the 1956 interest charges due to the inclusion of the full year's interest on the debentures for that year is one of the reasons for the decline in the total net income for 1956.

Obviously, the principal reason for the decline in the road's net in the face of a new high record of gross revenues was, of course, the increases in wages and the costs of materials with which all roads have had to contend. In the case of the Nickel Plate, the transportation ratio increased from 35.4% of gross in 1955 to 36.6% last year, and to this was added the 0.8% (of gross) increase in the maintenance cost ratio. The end result was an increase in the total operating expense ratio from 67.8% of gross in 1955 to 69.7% last year.

Results for the first quarter of the current year showed a slight improvement in this trend with a fairly sharp cut in the transportation ratio in March to 35.6% as against 38% for the first two months of the present year, and there was also a small reduction in the maintenance ratio. What with an easing in the trend of gross revenues, however (although a small gain was still shown over 1956) the results for the quarter were summed up in a drop in net income to 93 cents per share as against $1.03 for the first quarter of 1956.

Reflecting this reversal, Nickel Plate stock is selling about 1½ points below this year's high of 29¼ after having recovered from the low of 26 in the February market break. However, the current price of about 27¾ is some 20% below the high of 34¼ of 1956 as adjusted for the 2-for-1 split. The $2 dividend rate established last November indicates the extremely liberal yield of 7.3% at the current market price, and this dividend rate seems to be amply well protected for two reasons. One is the road's record of having earned almost $4 per share on the average for five out of the past six years and $3.03 per share even in the generally poor year of 1954. The other is that these earnings contain relatively little of the so-called over-statement due to the tax-deferment factor arising from accelerated amortization. This factor amounted to only 33 cents per share in 1956, or but 8.3% of the $3.98 per share earned last year. Little run-off is estimated for the current year, with the tax-deferment factor placed at about 32 cents per share, but it is expected to drop to 25 cents per share in 1958.

The relative stability of earnings of the Nickel Plate which, looking at an even longer period, have averaged $3.60 per share for the past decade, is due to the combined benefits of the wide margin of gross that the road carries through to pre-tax net and to the large share capitalization relative to the road's gross revenues. As a result of the 5-for-1 split in 1951 and the 2-for-1 split in 1956 there are now outstanding a little over 4.1 million shares. Accordingly, 1956 revenues amounted to only $42 per share, a very low "leverage" which consequently tends to minimize fluctuations on a per-share basis.

The question of the ultimate settlement of the 628,722 shares of Nickel Plate owned by the Delaware, Lackawanna & Western may be one of the factors along with the present downtrend in earnings which are acting to depress the price of Nickel Plate stock. The Lackawanna has filed an application with the ICC for representation on the Board of the Nickel Plate, but the latter not only opposes this move but has also requested the ICC to order the Lackawanna to divest itself of this holding and the results of the Jan. 29 hearing on this matter are still to be disclosed. In July of last year the Lackawanna did distribute 97,278 shares of its Nickel Plate holding to its own stockholders.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Allen M. Kelly has joined the staff of Bache & Co, 21 Congress Street.

Benj. D. Bartlett Co. Admits Partners

CINCINNATI, Ohio — Effective May 2, Benj. D. Bartlett & Co., 313 Vine Street, will admit to general partnership Jean E. Bennett,

J. E. Bennett

Charles H. Snyder

Charles H. Snyder, and Bruce R. Davies.

Mr. Bennett was formerly President and Treasurer and Mr. Snyder was Vice-President of J. E. Bennett & Co., Inc., which was established in 1933 and held memberships in the Cincinnati and Midwest Stock Exchanges. Mr. Davies was also an associate of J. E. Bennett & Co.

Other general partners in Benj. D. Bartlett & Co. are Alfred J. Friedlander and Joseph B. Reynolds. John R. Lewis, formerly a general partner, is now a limited partner. Other limited partners are Mrs. Jean K. Bloch and Mrs. Jane K. Friedlander. Mrs. Bloch is the wife of the former senior partner, Herbert R. Bloch, who passed away March 20, 1957.

Benj. D. Bartlett & Co. have been members of the New York Stock Exchange since 1898 and are also members of the Midwest and Cincinnati Stock Exchanges and associate members of the American Stock Exchange.

Firm Name Changed to Scott, Horner & Co.

LYNCHBURG, Va.—As of May 1 the firm name of Scott, Horner & Mason, Inc., First Colony Life Building, has been changed to Scott, Horner & Co.

In addition to the main office in Lynchburg, the firm maintains branches in Bluefield, Danville, Norfolk, Richmond and Roanoke.

J. A. Hogle Co. In New Location

J. A. Hogle & Co., members of the New York Stock Exchange, announce the removal of their New York office to 40 Wall Street.

Syndicats Announce Annual Outing

On Friday, June 28, the Wall Street Secretaries Lunch Club (The Syndicats) will hold their annual outing at the Nassau Country Club, Glen Cove, Long Island, New York.

Aubrey Black Opens Own Investment Office

DALLAS, Texas — Aubrey C. Black has opened offices in the Kirby Building to act as distributor and dealer in Texas municipal bonds. Mr. Black was formerly a partner in Henry, Seay & Black.

Joins Carroll Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Paul M. White has become connected with Carroll & Co., Equitable Building. He was previously with L. A. Huey Company.

Public Utility Securities

By OWEN ELY

Virginia Electric & Power Company

Virginia Electric serves a population of 2,600,000 in 1,357 communities and rural areas in Virginia and in small sections of West Virginia and North Carolina. The area is well balanced between farming and industry, the principal products being tobacco, textiles, paper, chemicals, food products, and shipbuilding. Various types of industry are being attracted to the area with electric equipment, chemical and electronics industries showing a marked increase. The first oil refinery in Virginia has been built by American Oil Company.

Revenues are 93% electric and 7% natural gas. Residential and rural sales provide 43% of electrical revenues, while industrial customers contribute only 14%. Residential annual usage is about 10% above the national average.

Virginia Electric has shown a better-than-average rate of growth, revenues currently being nearly three times as large as in 1945. The annual rate of gain in recent years has averaged about 11% with residential revenues increasing much faster than other revenues. Growth seems likely to continue, especially this year with the stimulus of the Jamestown Festival drawing a record number of tourists to the Williamsburg area.

While share earnings were somewhat irregular in earlier years, they have increased steadily since 1951, aided by a 1954 rate increase. Last year's $2.78 showed a 56% gain over the $1.78 of 1953. It looks as though 1957 would also make an impressive record since net income for the month of March showed a gain of 21%, and for the 12 months ended March share earnings moved up to $2.88, a gain of 10 cents over the calendar year 1956.

Over the past 10 years there has been a substantial improvement in generating efficiency. The amount of coal required to produce one kwh. was only .82 pounds in 1956 as compared with 1.8 in 1946. The ratio of expenses to revenues dropped to 45.6% last year compared with 47% in 1955 and a high of 62% in 1948.

The company's peak load in December, 1956, was 1,213,000 kw.—nearly three times as large as the 1946 peak of 458,000 kw. Most of the 1956 output was produced by eight steam generating plants with a combined capability of 1,142,300 kw. In addition the system now includes the 100,000 kw. hydro-station at Roanoke Rapids completed over a year ago, and 12 small hydro stations of 7,000 kilowatts aggregate capability. Power is also available from the Government's Kerr Dam Development and additional power may be purchased, when needed, from neighboring utilities.

A 150,000 kw. generating unit will go into operation at Yorktown this summer and a similar unit at Bremo in 1958. Generating facilities under construction or planned for completion in 1959 will increase existing capacity approximately 50%. A 93-mile, 220,000-volt line (twice the voltage of any line now on the system) will begin operating in June this year.

The gas division, relatively small in relation to the electric, has grown very rapidly. Revenues in 1956 from gas operations in the Norfolk - South Norfolk and the Newport News-Hampton-Warwick areas increased 19% over 1955. Revenues from the sale of manufactured gas were only $2,644,000 in 1946. By 1951 when the change-over to natural gas had been completed they had risen to $3,065,000 and in 1956 revenues were $8,428,000.

Last year the $45 million construction program was financed with an issue of $20 million mortgage bonds. This year with the stepped-up $70 million program, about $42 million of new money will be needed. The company now plans to sell about 1,000,000 shares of common stock without rights early in June and in the fall to sell $20 million bonds or debentures.

The company's accounting methods seem conservative. Special items in the 1956 income account were a charge for amortization of plant acquisition adjustments (which will end in 1960) equivalent to 11 cents a share, and a credit of 7 cents a share for interest on construction. Tax deferrals due to accelerated amortization are normalized and the company has not adopted accelerated depreciation.

The company's capitalization at the end of 1956 was approximately as follows:

	Millions	%
Funded debt	$241	52
Preferred stock	61	13
*Common stock equity	159	35
Total	$461	100

*Includes earned surplus restricted for future Federal income taxes amounting to $12 million.

The common stock has been selling recently at 49, up from 42½ earlier this year. A possible factor in the recent strength of the stock is the two-for-one split—the new stock was recently traded "when issued" around 25. The current dividend rate on the old stock is $1.80 making the yield 3.7%; dividend payout approximates 65% compared with the industry average of 73%.

N. Y. S. E. Governors To Meet in Richmond

The Board of Governors of the Association of Stock Exchange Firms will hold its spring meeting at the Hotel Jefferson, Richmond, Va., on May 6 and 7, it was announced by E. Jansen Hunt, White, Weld & Co., President. James H. Scott, partner in Scott & Stringfellow and resident Governor of the Association in Richmond is in charge of the arrangements.

E. Jansen Hunt

The Association of Stock Exchange Firms is a national trade association of member firms of the New York Stock Exchange. Meetings are held in financial centers throughout the country several times each year to permit the Board of Governors the opportunity of conferring directly with members located outside New York City regarding problems facing the investment business.

The Board will be honored on May 6 by a dinner to be given under the auspices of Richmond member firms of the Association.

With Ohio Co.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Donald J. Maloney is now with the Ohio Company, 51 North High Street.

Will There Be Additional Sterling Defense Tactics?

By PAUL EINZIG

Well known British economic interpreter attributes the April 24 sharp and short sterling-recovery to active intervention by the British Exchange Equalization Account, and offers the explanation that this may well be a forerunner of further similar moves. One of reasons for this radical departure from traditional passive intervention, according to Dr. Einzig, is to create the right atmosphere for the Treasury conversion expected to take place in the next month or so.

LONDON, Eng.—On April 24 there was a sharp recovery of sterling. Although it occurred after a period of weeks during which sterling was reasonably steady, the sudden rise came as a surprise. The market was fairly active, so that the upward movement of the rate could not be attributed to some isolated fair-sized commercial transactions which are liable to influence the rate on an inactive day. Nor was the international political situation such as to inspire optimism. The Suez deadlock continued, and there was new trouble in Jordan. As for the domestic economic situation, it looks as though major industrial troubles could be avoided this time, but only at the cost of yet another turn of the inflationary wages spiral. There is nothing to be cheerful about.

Paul Einzig

Financial commentators came almost unanimously to the conclusion that the appreciation of sterling was the result of official intervention by the Exchange Equalization Account. This interpretation was probably correct. It seemed as if the upward movement was initiated by selling of dollars by the British authorities. Once sterling began to appreciate, private operators took a hand and caused an accentuation of the rise. But it is safe to assume that the movement was originated by official operations.

Upsets Traditional Passive Intervention

Although during the '30s such official intervention was very frequent, during the postwar period it has been an unusual occurrence. In the overwhelming majority of instances official intervention in the foreign exchange market is purely passive nowadays. The Bank of England, acting on behalf the Treasury, sells dollars when the rate reaches or approaches \$2.78, and buys dollars when the rate reaches or approaches \$2.82, or whenever sterling is sufficiently firm to make it possible to pick up some dollars without causing sterling to depreciate. On the present occasion official intervention was active—that is to say, instead of operating against an existing trend, the authorities tried to generate a new trend. Such tactics were resorted to frequently and on a large scale during the '30s. They usually aimed at "bear squeezes." When the dealers were short of sterling the authorities intervened in order to accentuate the shortage, thereby scaring the bears into covering.

Such operations were often very profitable, and the profits made on them have largely contributed toward the accumulation of a substantial gold and dollar reserve by the outbreak of the Second World War. One of the reasons why some foreign exchange experts advocate the abandonment of the rigid parities of sterling in favor of the system of a floating pound is their nostalgia for the prewar days when the mobility of the rates made such tactics possible and profitable. The present experiment with the prewar tactics was not sufficiently successful to provide supporters of the floating pound with ammunition in their arguments with supporters of the rigid pound. For the recovery of sterling on April 24 proved to be short-lived. Its extent was moderate, and it was followed by a partial relapse during the next two days.

Although it is just possible that the demand for sterling that developed as a result of its rise enabled the Exchange Equalization Account to pick up the dollars spent on bringing about the initiation of the tendency, it seems more probable that on balance the authorities have lost rather than gained dollars. The private demand that followed the artificial rise of the rate was not sufficiently strong or lasting to enable the authorities to derive benefit from it. Admittedly, at the end of the week sterling retained some of the ground gained on Wednesday. But the gain was not substantial, and the position remained fundamentally unaffected.

The timing of the intervention was not particularly well chosen. The authorities ought to have intervened at a moment when the natural trend itself was decidedly firm. By accentuating a rising trend they might have scared foreign importers and other sterling debtors into covering their requirements, and sterling balances of foreign banks might have been replenished. But the extent to which this was done on April 24 was moderate. Most of those short of sterling preferred to wait and see how the upward movement was developing. In any case their risk was limited by the official policy of checking any upward movement when it reaches \$2.82.

Assist Treasury Conversion

One of the explanations of the intervention is that the authorities are anxious to create the right atmosphere for a Treasury conversion operation which is expected to take place within the next month or so. In order to be able to issue the new loan on reasonably favorable terms it would be necessary to lower the Bank rate once more, or at any rate to create an atmosphere in which a reduction is widely anticipated. To that end firmness of sterling would be helpful, for the Bank rate is not likely to be reduced when sterling is weak.

It may have been worth while for the Treasury to sacrifice some dollars in an effort to cause a temporary rise in sterling, for the sake of being able to issue its loan on more favorable terms. If this interpretation is correct, then it seems probable that there will be more intervention in the foreign exchange market between now and the issue of the conversion loan. The fact that the rise in sterling was accompanied by a rise in government loans, and that the latter retained much of their gains after sterling receded some of its artificial improvement, is likely to encourage the authorities to repeat the experiment.

From Washington Ahead of the News

By CARLISLE BARGERON

To most of the newspaper readers and TV-Radio listeners of the country, the Senate Committee investigation of Dave Beck has revealed a scandalous situation which ought to be cleaned up. So it has and so it should.

Carlisle Bargeron

But the more acute Washington observers see in it something far deeper and likely to have an impact on the country as a whole. There is a tremendous amount of jockeying for power in the organized labor movement with Walter Reuther striving for the top.

To wrap up the story, many observers see this coming up:

The heat will be kept on Beck until the AF of L-CIO forces him and the Teamsters' Union out. Earlier it had seemed this was something that would never be done because the ouster of a union with more than a million members would put a severe crimp in not only the power but the finances of the AF of L-CIO. But those who came to this conclusion reckoned without the recklessness of Walter Reuther, also his resourcefulness. What is now believed to be in the cards is that with the ouster of the Teamsters, Reuther will go out to organize them. Once he has done this there is little doubt that he would shove George Meany out of the AF of L-CIO Presidency and take over himself.

The Teamsters now have a tremendous hold over the nation's economy, through their organization of transportation and the services. Fortunately, their leaders have been more acquisitive than political minded. Beck, himself, played ball with the Republicans, gave them money, but this was more for social prestige than for political power. He never delivered any appreciable number of votes.

His teamsters never pulled a nationwide strike. Indeed, they pulled relatively few strikes of any kind. They just threw acid into milk cans and blew up buildings to make the employer sign up.

Reuther does have political ambitions. He would like to be President and it would be foolish to laugh at the possibility of his attaining his goal. He has a clique of college professors and publicists that has been glorifying and building him up for years. He is in demand as a speaker for graduation ceremonies and by intellectual and even business groups. He has been developed into a "foremost citizen" class. His recent action in setting up a panel of well known citizens of the "liberal" persuasion to watch over the affairs of his union is an example of his shrewdness.

There are some members of the Senate Investigating Committee who think they understand the unfolding picture and they are trying to get Reuther before the committee. They don't expect to get any financial misdeeds on him. He has never, or so it is believed, taken any money out of the union coffers for a palatial home or for a stable of racehorses. He has taken it out to support political candidates of his choosing. It is difficult to see the difference on the hapless member of the union.

But what those members of the committee who want to question him hope to bring out is that he is an architect of violence. The Teamsters are about as rough as they come in organization or strike tactics but an investigation will show that Reuther's union has been just as rough. The story of its organization strike against the Koehler Company in Wisconsin, in progress for about two years, has been one of blood and murder. Not being successful in its strike the union has been trying to boycott the company's products throughout the country.

This story spread before a Senate Investigating Committee will dissipate the halo around Reuther's head.

Young Joe Kennedy, the committee counsel, was recently asked in a TV interview, why the committee didn't call Reuther. He said there had been no requests that he be called, no complaints. He is wrong on that. At least one member of the committee in open hearing has asked that he be called.

But the plan is apparently to keep the heat on Beck and the Teamsters until some action has been taken. By the time they come to Reuther, if they ever do, it will be anti-climax.

N. F. Davis V.-P. Of Blair & Co. Inc.

PHILADELPHIA, Pa.—Blair & Co. Incorporated, members of the New York Stock Exchange and other principal security exchanges, has announced that Newlin F. Davis has joined the firm as a Vice-President and director, with headquarters in Blair's Philadelphia office at 3 Penn Center Plaza.

Newlin F. Davis

Formerly associated with Kidder, Peabody & Co. in Philadelphia since 1934, Mr. Davis attended Lehigh University, and graduated from The Wharton School of Finance and Commerce, The University of Pennsylvania, in 1931.

He is a director of Penn Plastics Manufacturing Co., Glenside, Pa.

Cradock Securities Opens L. A. Branch

LOS ANGELES, Calif. — Cradock Securities Limited of Toronto has opened a branch office at 215 West Seventh Street under the management of H. F. Hanna.

Wm. A. Lofft Forms Firm on Pacific Coast

LA JOLLA, Calif.—William A. Lofft has formed Lofft & Co. with offices at 7825 Ivanhoe Avenue to engage in the securities business. Mr. Lofft was formerly associated with Wood, Gundy & Co., Inc., in New York City.

Joins Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — A. Lloyd Shreves is now with Dempsey-Tegeler & Co., 465 East Green St.

THE MARKET . . . AND YOU

By WALLACE STREETE

Industrial stocks continued to nibble away at the 495-500 area resistance this week without any show of general strength that could forge through the congestion in a rush. The fast-stepping issues continued to be some of the specialty steels, the shipbuilding issues at times and selected oils.

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Cooper-Bessemer, maker of air compressors and engines, capped its recent strength by reacting somewhat sharply on occasion. Universal Cyclops Steel, which seems to have taken over the mantle of being a traders' delight from Lukens Steel, was also given to wandering over a range of a handful of points in a single session. L. S. Starrett, which held so far this year in about a 10-point range, was able to tack on as much in a couple of sessions which is fast going for an issue that, until last year, usually counted a 10-point move as its entire year's chore.

Lukens Cools Off

Lukens Steel, which furnished as much fireworks as any issue in a long while, had calmed down although still able to chalk up multi-point moves on occasion. The Exchange had taken the unprecedented step of banning "stop orders" in the issue which tend to accelerate advances and declines, but it appeared more likely that short covering was more responsible for easing the pressure on the stock.

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Utilities, largely because of selective strength, were able to boost their average to its best standing in a quarter century, but rails continued as the real brake on speculative enthusiasm. There is a growing body of opinion that holds the industrials won't go too far in any rush until the rails get in step. But the first-quarter reports of the carriers showed a profit-pinch that isn't any spur to spirited action by them. Even the stalwarts like Santa Fe, Rock Island and Louisville & Nashville posted moderate declines for the first quarter.

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The big earnings items — General Motors, Chrysler, Bethlehem Steel and U. S. Steel—were all on the record and did little marketwise either to or for the shares. It left it only to the really spectacular profits increases for quick market action.

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Chrysler was remarkably tame despite its fat first-quarter profit. For a company that has rebounded like Chrysler, the lack of market follow-through indicates skepticism over the ability of the company to keep its sales high for the rest of the year. In any event, the issue that sold above par on one of its rebound years recently wasn't able to come within a score of points of matching that figure so far this year.

Good Things Ahead for Westinghouse

Westinghouse is an issue that seems almost guaranteed to do better than in strike-hit 1956. The argument here rages over just what the final figure for the year will be, some estimates running as low as $3.50. At that level, the issue is selling at an adequate times-earnings basis already. However, the stock is well deflated and the odds favor strength if the low estimate is exceeded which is most likely by next year if not in the current one.

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As in other sections of the list, the strength in the oils was selective, concentrating mostly on the so-called "international" ones when the going was good. Ohio Oil was one of the laggards, offering around 4% on the dividend that was covered around twice over by last year's earnings.

Interesting Exchange Newcomer

For a sharp increase in earnings, Manning, Maxwell & Moore which is soon to bow in to Big Board trading posted a figure last year that was more than double the 1955 profit — $3.17 against $1.54. For the first quarter sales rose by almost half over the year before and earnings jumped more than 2½ times. It leads to projections of around $4 earnings for the full year which leaves the issue selling at less than eight-times-earnings which is a subnormal ratio for a company in the materials-handling and automation line.

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Drug shares have had their moments in market popularity but there are some around that are still selling at conservative times-earnings ratios, notably Vick Chemical at about nine-times-earnings and Schering which has an even smaller ratio and a yield of 3%. Some of the more favored issues in the drug group have been ruling around 15-times-earnings. Schering's large sales items are those for treating arthritis but it also is in the tranquilizing drug business with a new product. Earnings of Schering are being projected to around $7 this year, against $6.03 last year, with fair agreement among the analysts.

Generous Yielders

A superior yield is the nearly 6% offered by American Viscose which at its low was off some two dozen points from its peak. Although there hasn't been much romance marketwise in rayon recently, Viscose is also an important factor in cellophane and nylon.

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Like the textiles generally, the food stocks haven't had much play for some time with the result that an investment quality issue such as National Biscuit has been available at a yield of nearly 5½% on a dividend that is well covered by earnings. The company's estimate is that earnings this year will exceed $3 with further improvement afterward as capital expenditures taper off after this year.

The occasional plays in the shipbuilding section have pretty much neglected Sun Oil which owns the Sun Shipbuilding outfit that currently is staging its largest peacetime expansion in a third of a century. Despite the fact that much of the stock is tucked away, some 38% held by a trust and the officers, the stock has yet to extend its 1957 range to as much as 10 points. The company is one of those that relies on modest cash dividends larded with stock payments regularly.

Similarly, the occasional popularity of Studebaker-Packard has pretty much skipped by its affiliate, Curtiss-Wright, which, consequently, has had a yield approaching 7%. In the deal to handle the Mercedes-Benz products in this country, the cars are assigned to Studebaker but it will be Curtiss' Utica-Bend division that will do the work of making its diesel engines. The division currently is a diesel supplier for the U. S. Navy.

Diversifying Smelter

American Smelting's fate has been pretty well tied up with that of copper shares generally which pretty well ignores some wide diversification moves in recent years that now range from production of asbestos to some of the newer elements such as selenium, valuable in electronic fields, and aluminum. It has all reduced the smelting operation to around half of the company's earnings where it was once its only source of profit.

[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.]

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is still an uncertain affair and it is not likely to move out of this cautious and defensive vein until some of the causes for this condition have been resolved. The refunding of the May 15th 1⅝s will be first one to be taken care of and the terms of this financing should be known in the next few days. The offer to the holders of the F and G Savings bonds should be the next important piece of Treasury business, but there is no certainty that this will be the case. The competition from higher yielding corporate and tax-exempt bonds is not to be removed as a factor in the money market or the Government market as long as restrictive credit conditions prevail.

The short-term Government market has a very sizable interest and it is believed that this will continue to be the case for quite some time to come. The impending refunding operation will also be concerned with the near-term sector, with a Dec. 15th 1½% or a one-year 3⅝% being the leading guesses at this time.

Inflation Psychology Gaining Momentum

The money market is still operating under the influence of the restrictive monetary program and it is believed that the powers that be are not going to make any immediate changes in this policy. It is the opinion of many money market specialists that the course of the business pattern will be the determining force as far as the trend of interest rates and credit conditions are concerned. The inflation factor appears to have regained some of its former psychological importance because the feeling seems to be still strong that the economic picture will continue to be on the vigorous side. Based on this type of judgment, no important change is looked for in monetary policy.

As an offset, there are those who hold to the belief that business is not likely to do more than hold its own in the next few months, with a decline to be expected as the year gets older. The profit margin appears to be under pressure in many instances and there are predictions being made that this will be more common as the volume of business levels off further. This might curtail some capital spending.

Monetary Policy to Remain Unchanged

There is no question but what there is not very much agreement as to the future course of business. Accordingly, until there are definite indications as to which way it is going to turn, there is not likely to be any changes in the money policy of the powers that be. It seems as though the so-called "dead center" position of economic conditions is going to hold monetary policy in the same vein in which it has been for some months. Even though there has been some lessening in the demand for long-term corporate bonds, there have been favorable new offerings of tax-exempt issues. In spite of the tight money conditions, selected new issues of state and municipal bonds have been very well received. In these cases, however, yields have been attractive enough so that buyers have not been hesitant about taking positions in these offerings.

Government Market Continues Under Pressure

The F and G Savings bonds continue to hang heavy over the Government market, and until there is an announcement as to the kind of security which will be offered in exchange for these bonds, there will be no lifting of the caution and uncertainty that is shrouding this phase of the money market. It seems to be the opinion of not a few money market followers that a long-term Government bond will be offered to the holders of the F and G Savings bonds and this will be done, at least, in time to appeal to the June maturities of these savings bonds. It appears as though guesses as to the amount of savings bonds which might be converted into a long-term marketable Government issue cover a very wide range. However, it looks as though exchanges in excess of a half-a-billion dollars would not be considered unfavorable as far as some of the so-called well informed spokesmen are concerned.

Savings Banks Up Rates in Drive for Savings

The higher rate of 3¼% for Government savings bonds may have set in motion a movement by savings banks to protect their position in this field, so that they will be better able to meet this new competition. Thus far, several important mutual savings institutions in the New York area (Brooklyn, to be specific), have announced that extra dividends of ¼% would be paid on savings for the quarter ending June 30th, in addition to their regular 3% rate. It is the opinion of some money market specialists that competition for the savers' money will be intensified with the passing of time.

Public pension funds, according to advices, continue to be the main buyers of long-term Government bonds, with somewhat larger commitments being reported in the recent weakness. Nonetheless, this buying has not been heavy and it has been done in what is being called a cautious manner.

Alan Rice Joins John Small & Co.

John Small & Co., Inc., 25 Broad Street, New York City, underwriters and dealers in municipal securities, have announced that Alan H. Rice is now associated with the firm. He has been with Bear, Stearns & Co. since 1950 in the municipal bond department.

Mr. Rice, a graduate of the University of Minnesota, was a member of the 1956 U. S. Olympic wrestling team.

C. C. Seward Partner In Yarnall, Biddle Co.

PHILADELPHIA, Pa.—C. Carroll Seward will be admitted to partnership in Yarnall, Biddle & Co., 1528 Walnut Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, on May 9. Mr. Seward has been with the firm for some time in the Municipal Bond Department.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Roger M. Keefe has been appointed a Vice-President of the **Chase Manhattan Bank, New York,** it was announced over the week-end by George Champion, President. Joining the bank in 1945, Mr. Keefe was assigned to the national territorial organization in 1947 and was appointed to the official staff as an Assistant Treasurer in 1950. He was promoted to Assistant Vice-President in 1953 and since 1955 has been with the district group managing the Bank's relationships in the Far West.

Named Assistant Vice-Presidents were Irvin L. Dyer in the New York City district and William H. Siddons, Jr. in branch administration. Arthur H. Wages, Charles W. Deveney, Joseph H. Hirtz, Edward R. Mooney, Charles P. O'Beirne and Harold V. Radut were appointed Assistant Treasurers. Christopher Gerould was appointed information officer in the public relations department.

The Chase Manhattan Bank also announced the appointment of Manuel I. Prado to be the Bank's representative in Venezuela. He will have his office in Caracas.

In 1944 Mr. Prado joined the official staff of the **Banco Popular in Lima,** rising to Assistant General Manager during the next 12 years. In April, 1956 he became associated with The Chase Bank, Chase Manhattan's overseas affiliate, at the head office in New York.

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The First National City Bank of New York announced on May 1 the appointments of T. Conway


T. Conway Brew


Sven B. Jensen

Brew and Sven B. Jensen as Vice-Presidents.

Mr. Brew will be in charge of the bank's office at 26 Broadway, Manhattan, succeeding Thomas Chisholm, Vice-President, who retires May 1. Mr. Jensen is in the European district of the overseas division at head office. Both were formerly Assistant Vice-Presidents.

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

Mr. Needham joined Manufacturers Trust Company in 1947. He was appointed an Assistant Manager and credit committee chairman of the Bank's Personal Loan department in 1952, and was appointed an Assistant Secretary in 1954.

At present Mr. Needham is assigned to the bank's Personal Loan department, 67 Broad Street.

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Irving Trust Company, New York, announces the promotion of Arthur G. Boardman, Jr. and William E. Petersen from Vice-President to Senior Vice-President.

Mr. Boardman is in charge of the International Banking Division. Associated with the Irving since 1932, the greater part of his service with the company has been devoted to its foreign business both in this country and abroad.

Mr. Petersen heads the Branch Office Division, supervising activity in Irving's branches. He joined the Irving staff in 1928. For many years Mr. Petersen has been closely associated with the branch offices and was at one time in charge of the bank's Empire State Office.

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A major phase in the 12-floor modernization project being effected by **The New York Trust Company, New York,** at its main office, 100 Broadway, has been reached with the completion of the first three floors according to the announcement from Mr. H. S. Aldrich, President of the banking corporation.

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John S. Bliven and Peter J. McBride, both formerly Assistant Treasurers, were named Assistant Vice-Presidents and Francis C. Papen was elected an Assistant Treasurer at **Bankers Trust Company, New York,** on April 23, it was announced by S. Sloan Colt, Chairman of the Board.

Mr. Bliven, a member of the bank's National Division covering the Middle and Far West Territories, joined the company in January of 1946. After serving in the Corporate Trust and Credit Divisions of the bank, Mr. Bliven began his present work in 1952. He was elected an Assistant Treasurer in 1953.

Mr. McBride, with the Banking Operations Division of the bank, began his career with Bankers Trust Company in 1946. Appointed an Assistant Treasurer in 1954, he has served in his present capacity since the early part of 1955.

Mr. Papen joined Bankers Trust Company in 1951 and is presently assigned to National Division III, serving the Middle and Far West Territories. Mr. Papen began his present duties in 1954 after having previously served with the Credit Division of the bank.

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George O. Nodyne, President of the **East River Savings Bank, New York,** announced on April 29 installation of the College Club savings plan in all five of its Manhattan offices, thus becoming the first bank in New York City to offer this family service exclusively in the area. It joins some 300 other progressive banks in the United States, who are contributing to the national effort to make a college education available to more youngsters.

Mr. Nodyne said he believes a college education is fast becoming essential to a successful career in today's world of specialization and scientific progress. According to the U. S. Office of Education, said Mr. Nodyne, the cost of going to college has about doubled since 1940, and expenses which then ran from $750 to $1,000 per year have jumped to a present average of $1,500 to $2,000.

The East River Savings Bank official feels that College Club offers every family the ideal method for gaining its college goal. It is a single-purpose savings plan to help parents accumulate the money they will need for college bills.

Commenting further on the advantages of a college career, East River's President pointed to a recently completed government survey, which said the average college student earns $103,000 more in a lifetime than the average high school student.

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The Bank for Savings in the City of New York has opened a new branch at 1120 Lexington Avenue, near 78th Street. Its branch at Second Avenue and 23rd Street will be closed.

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A proposed merger of the **College Point National Bank, College Point, New York,** into the **Trust Company of North America, New York,** was announced on April 29. The new bank would have resources of $32,783,000 and deposits of $29,711,000, based on Dec. 31 statements.

Under terms of the agreement, College Point National's shareholders would receive three shares of Trust Company stock and $200 cash for each share held. Two thousand College Point shares of $100 par value were outstanding Dec. 31. Capital funds were carried at book value of $486,000.

The plan also provides for a 6% stock dividend payable to shareholders of the merged bank. On last Dec. 31, 105,000 shares of $5 par value stock of the Trust Company were outstanding. The name of the merged bank would be changed to the **Bank of North America.**

The plan is subject to approval by the stockholders, the State Superintendent of Banks and the Federal Deposit Insurance Corporation.

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The Central Bank and Trust Company, Great Neck, N. Y., celebrated the opening of its new Great Neck building, on Saturday, April 20.

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State Bank of Long Beach, Long Beach, N. Y., which officially opened its doors for business on April 28, has been admitted to membership in the Federal Reserve System. The capital of the bank is $650,000, and its surplus, $550,000.

Officers of the bank are: Frank W. Breitbach, President; Morris A. Vogel, Vice-President; Walter W. Fry, Cashier; Michael Koses, Secretary; Bernard H. Reich, General Counsel.

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Chautauqua National Bank of Jamestown, Jamestown, N. Y., with common stock of $1,150,000; and **The Lake Shore National Bank of Dunkirk, Dunkirk, N. Y.,** with common stock of $200,000, consolidated effective as of the close of business April 12. The consolidation was effected under the charter and title of **Chautauqua National Bank of Jamestown.** At the effective date of consolidation the consolidated bank will have capital stock of $1,350,000, divided into 67,500 shares of common stock of the par value of $20 each; surplus of $2,450,000 and undivided profits of not less than $1,051,961.

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A merger of the **Stamford, Conn. Trust Company** and the **Trust Company [illegible]** has been approved by directors of each bank. Stockholders, the Connecticut Banking Commission and the Federal Deposit Insurance Corporation also must approve the proposal. The merger would be based on an exchange of 27,500 shares of $10 par value capital stock of the Stamford Trust Company plus $55,000 cash for all 11,000 shares of the $25 par value capital stock of the Trust Company of Old Greenwich.

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Kenneth John Hanan, Chairman of the Executive Committee of the **National State Bank of Newark,** died on April 27 at the age of 61.

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The Provident Trust Company, Philadelphia, Pa., and **Tradesmens Bank and Trust Company, Philadelphia, Pa.,** consolidated under the name of **Provident Tradesmens Bank and Trust Company.** The new bank becomes the fourth largest bank in Philadelphia and the sixth largest in Pennsylvania, with approximately half a billion dollars in resources and over a billion dollars in trusts.

The four senior executives are: James M. Large, Chairman of the Board; William R. K. Mitchell, Vice-Chairman of the Board and Chairman of the Executive Committee; Benjamin F. Sawin, President and Warren H. Woodring, Executive Vice-President.

Two Senior Vice-Presidents were elected by the Board of Directors, William G. Foulke and Joseph B. Roberts.

Members of the Board of Directors of Provident Tradesmens are: David C. Bevan, Joel Claster, Philip H. Cooney, Albert S. Corson, John Curtin, Jr., Edwin K. Daly, Ralph Earle, W. R. Gerstnecker, Gordon B. Hattersley, Birkett Howarth, James M. Large, M. Albert Linton, Wm. R. K. Mitchell, DeLong H. Monahan, George S. Munson, Thomas L. Prendergast, Benjamin F. Sawin, Claude C. Smith, Herbert P. Stellwagen, J. Tyson Stokes, R. Livingston Sullivan, Charles I. Thompson, H. Chandlee Turner, Jr., George D. Widener, Howard A. Wolf.

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Dauphin Deposit Trust Company, Harrisburg, Pa., and **Carlisle Trust Company, Carlisle, Pa.,** merged under charter and title of **Dauphin Deposit Trust Company** effective April 15.

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Merim B. France, President of the **Society for Savings in the City of Cleveland,** and Arthur P. Williamson, Chairman of the Boards **Society National Bank of Cleveland,** announced that William Harvey Kyle assumed his duties as President of Society National Bank of Cleveland on May 1.

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American Fletcher National Bank and Trust Company, Indianapolis, Ind., increased its common capital stock from $4,000,000 to $5,000,000 by the sale of new stock effective April 12. (500,000 shares, par value $10.)

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The Geo. D. Warthen National Bank of Sandersville, Ga., with a capital stock of $50,000, was converted into a state bank under the title **The Geo. D. Warthen Bank,** as of March 18.

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Hazen S. Arnold, Jr. has been named Manager of the investment department of the **First National Bank of Arizona, Phoenix, Ariz.** J. H. Brahm, Executive Vice-President, of the statewide financial institution, announced on April 24.

Mr. Arnold, formerly Assistant Manager of the municipal department of **The First Boston Corporation, Chicago, Ill.,** succeeds David Larson, who will leave May 1 to join Transamerica Corporation, San Francisco.

Mr. Larson has been with First National since January 1955.

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The United States National Bank of San Diego, Calif. increased its common capital stock from $2,750,000 to $2,887,500 by a stock dividend effective March 25. (288,750 shares, par value $10.)

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Herbert Fleishhacker, retired banker, died on April 2 at the age of 84.

Mr. Fleishhacker became Manager of the **London, Paris and American Bank of San Francisco** in 1907 and was named President of the institution, renamed the **Anglo California National Bank,** in 1911. He held the post until 1938.

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A branch of the **National Bank of India, Limited, London, Eng.,** was opened at River Road, Nairobi, Kenya on April 15. This new branch will be known as **River Road Branch, Nairobi, Kenya.**

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California Bank, Los Angeles, Calif., and **Newport Harbor Bank, Corona del Mar, Calif.,** merged under charter and title of **California Bank** effective April 15.

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Central Valley National Bank, Oakland, Calif., increased its common capital stock from $1,760,000 to $2,200,000 by the sale of new stock effective April 17. (220,000 shares, par value $10.)

With C. J. Devine

George D. Jones has joined the municipal department of C. J. Devine & Co., 48 Wall Street, New York City, underwriters and securities dealers, it has been announced by the firm.

Howard G. Graham

Howard G. Graham passed away suddenly April 23 at the age of 46. Mr. Graham was an officer of DePontet & Co., Inc., members of the New York Stock Exchange.

High Capital Spending to Continue In Next Four Years, Survey Finds

Business outlays for plant and equipment in 1957 planned at 12% increase over 1956, McGraw Hill study finds. Great future increases in research expenditures noted.

American business plans to maintain a very high level of capital expenditures during the next four years. And, plans for research and new products are up sharply.

Dexter M. Keezer

These are two of the principal findings of the tenth annual McGraw-Hill survey of Business' Plans for New Plants and Equipment, just announced by Dexter M. Keezer, Vice-President and Director of the Department of Economics which conducted the survey.

Companies participating in the survey employ over 40% of all industrial employes in the United States. Their responses to the survey questionnaire were made during recent weeks.

The level of business investment in new producing facilities is commonly regarded as the most important single contributor to general prosperity, or the lack of it. Other key findings made by the McGraw-Hill survey were the following:

In 1957, business now plans to spend 12% more than in 1956 for new plants and equipment. This is about the same increase shown by the McGraw-Hill check-up last fall.

For 1958-1960, business already has plans for almost as much capital spending as in 1956. And since these are preliminary plans, the actual expenditures may turn out higher.

Business plans to increase research expenditures 20% in 1957, and to continue stepping up research during the years 1958-1960. By 1960, at least 10% of total manufacturers' sales are expected to be in products not made in 1956.

One-third of all manufacturing firms are planning capital expenditures in 1957 for the purpose of bringing out new products. This is a significant increase from the number who were planning to do so in 1956.

Manufacturing companies expect to need 7% more scientists and engineers in 1957—and an additional 15% by 1960—to carry out their research and development programs.

Manufacturing capacity increased 6% in 1956. Plans call for another 6% increase in 1957, but only 15% for the three years 1958-1960. Manufacturing companies, on the average, were operating at 86% of capacity at the end of 1956, compared to a preferred operating rate of 90%.

Expansion will take 52% of manufacturers' capital expenditures in 1957, but only 47% in 1958-1960. Industry is shifting toward modernization, and toward increased expenditures on research and product development, in its long-range plans.

Manufacturing companies expect sales to increase 26%, on the average, by 1960. But growth industries — including most capital goods industries—expect sales to increase 30% to 36%.

Failure of Spring Pickup to Materialize Leaves Business Good, Not Better

Leveling-out instead of expected Spring upsurge strikes "a faint but audible blue note" for many of the purchasing agents comprising the N. A. P. A. Business Survey Committee.

Business is good—but not quite as good as expected—is the composite diagnosis of the purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Chester T. Ogden of the Detroit Edison Company, Detroit.

The end of April report points out that:

"The expected Spring pickup has, as yet, failed to materialize." The Survey finds that "production and new orders remain substantially unchanged from last month and this failure to improve has resulted in a faint but audible blue note.

"Many cite the reduction in housing starts, the failure of automobile production to meet earlier favorable estimates, the reduction in steel output, and the situation in which the appliance industry finds itself as reasons for their curtailed optimism.

"On the other hand, most hasten to say—business is good—just not quite as good as they expected.

"There is a renewed effort to reduce inventories, to be sure they are in tune with present sales volume. As a corollary to this, there is also a distinct unwillingness to make buying commitments any further ahead than necessary.

"Employment is down and there are clear indications that factory hours are being lowered.

"This month's special question asked purchasing executives to predict what they expected would happen to commodity prices during the balance of 1957. There was general agreement that labor costs would be higher, that the entire increase could not be offset by improved methods, but that competition would prevent manufacturers from passing all of their increased costs on to the buyer. Statistically, 58% look for prices to inch upward, 36% to remain the same, and only 6% believe they will be lower."

Commodity Prices

"Further easing of the supply-demand ratios and renewed competition have combined to hold prices in check. Only 25% of our reporting members say they are paying more for the items they buy. Not since 1954 have so few reported price increases. The majority (66%) say prices are steady and 9% say they are lower. Over-all, there is the feeling that, because of probable higher labor costs, prices will nudge upward during the remainder of the year —but not as much as costs—so that there will be a further profit squeeze."

Inventories

"Inventory corrections were the order of the day, as softer sales and management's concern about the cost of money created a need for general reduction.

"Since the first of the year, the number reporting inventories lower has ranged from 20% to 22%. This month, 37% indicate reductions in this area. There are many who indicate a further, but gradual, working down program over the next two months."

Employment

"With reduced production in many lines and a stoppage of overtime, April reports indicated a measurable change in the employment picture. The March report showed little change since the first of the year. This month, those indicating less employment climbed to 31%. Those reporting employment up dropped to 13%, with 56% showing no change."

Buying Policy

"Purchasing executives remain cautious about making long-term commitments. On production materials, 83% are holding their coverage to 60 days or less. On MRO supplies, 91% are unwilling to go beyond this 60-day limit and, even on capital expenditures, there is a noticeable drop in the number who have placed orders more than 90 days ahead.

"There seems to be general agreement that the safest policy in the present market is one of limiting forward coverage to that which is necessary to assure needed deliveries."

Specific Commodity Changes

"There is no marked change in the price pattern, as a reduction in those reporting prices higher is offset by a similar reduction in those reporting prices to be lower.

"On the up side are: Steel items other than scrap, coal, chemicals, paper, foods, machine tools, lubricating oils, cement, and freight rates.

"On the down side are: Brass, copper, steel scrap, paper scrap, and textiles.

"In short supply are: Nickel, steel plate, and structurals."

Bert Horning Joins Dempsey-Tegeler Co.

ST. LOUIS, Mo.—The partners of Dempsey-Tegeler & Company, 10th & Locust Streets, members of the New York and Midwest Stock Exchanges, have announced that Mr. Bert H. Horning, formerly Vice-President and director of Stifel, Nicolaus & Company, has joined Dempsey-Tegeler & Company as Manager of the firm's syndicate department. Mr. Horning had been with Stifel, Nicolaus & Company for over 36 years, beginning with that firm as office boy in 1920.

Bert H. Horning

He is presently serving as a Governor of the Investment Bankers Association of America. A former Chairman of the Mississippi Valley Group of the IBA, he is now serving on its Executive Committee. He is also a former Governor of the Midwest Stock Exchange.

In addition, Mr. Horning is a Past Chairman of District Seven of the National Association of Security Dealers and is a member of the Security Traders Club of St. Louis.

Chicago Analysts to Hear

CHICAGO, Ill.—The Investment Analysts Society of Chicago will have as speaker at their luncheon meeting, to be held in the Adams Room at the Midland Hotel, Walter E. Hoadley, Jr., Treasurer of the Armstrong Cork Co., who will speak on the outlook for the industry with particular reference to Armstrong Cork.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Where solid statistical reasons for investors going into the bank stocks have had little influence on market levels for these conservative media, a new law has given them a fillip, pricewise. The law is one just enacted, which broadens the eligible list of investments into which life insurance company funds may be put. Until now the life companies in New York State were not permitted to buy either bank shares or those of fire or casualty insurance stocks. The investment by life companies in bank and insurance stocks will be subject to the regulations and supervision of the state insurance department.

Besides permitting New York State-domiciled life companies thus to expand their list of "legals," out-of-state life companies doing business in New York State will enjoy the same permission. The authorization to invest in common stocks (now including bank and insurance issues) is increased from the lesser of 3% of assets or one-third of surplus, to the lesser of 5% of assets or one-half of capital.

A check with the investment officers of several of the large New York insurance companies brought out that so far as concerns the purchase of either fire or casualty insurance stocks by life units, little if any of it will be done under present conditions. Life companies, obviously, will be very "choosy" about the quality of fire-casualty insurance stocks they will buy at any time. And, say these officials, they will do no chasing of even the top grades at the current very low yields when the life companies have available to them so many investments at so much higher returns.

For example, Hartford Fire yields currently only about 1.85%; Continental Casualty about 1.60%; Insurance Co. of North America around 2½%. Home mortgages now give the life companies around 5%, and there are other high-grade fixed income media that will also return much in excess of the fire-casualty present yields.

Besides, the fire companies are faced with another very unsatisfactory underwriting year in 1957, with 12 months' fire losses through March 31, 1957, some 14% higher than the preceding like period; and with tornadoes beginning early to scatter destruction in the middle-west.

But what of the bank shares? Again, in the 1957 first quarter, bank holdings of government obligations declined by $79,160,000 (1.4%) for the leading New York City banks, while loan volume in the quarter was up by $1,131,000,000, or about 7.6%. The point of this divergence lies in the fact that the average rate of return of these banks in their loan portfolios is running about double the figure they derive from their governments.

Parenthetically, it may be added that the New York City banks, being in a central reserve city of the Federal Reserve System, must, perforce, keep pretty much to very short-term government paper, on which the yields are lower.

Another important factor in the life of the banks is that probably never have their loan accounts been of better quality. As money is relatively tight a bank loan officer can dictate terms to the borrower, where at other times, with money cheap, the borrower did some of the dictating.

Bank earnings have been increasing quite steadily; prices have not. Book values have been consistently higher; prices have not. Hence, price:earnings ratios have been more favorable to the investor, and he has seen a steadily higher rate of earnings on his equity. Also, with pay-out ratios comparatively low in relation to operating earnings, some dividend increases are probable over the remaining months of 1957.

Bank shares are at low levels; most other equities, and certainly this applies to the "blue chips," are still high despite such declines from their peak prices as they have had. While there is no present indication that life companies will act quickly to add bank stocks to their holdings, there can be scant doubt that they will in due course be adding them.

It is well, also, to bear in mind that a large number of out-of-state life companies that are now given permission to hold bank stocks under the new New York law, have for years been holding very large blocks of them. A few examples of the extensive holdings of New York City bank stocks follow:

	Number of Shares Held By— Travelers	Aetna Life	Conn. Mutual
Bankers Trust Co.	19.000	18,000	18,000
Chemical Corn Exchange Bank	3,000	18,000	24,000
First National City Bank	20,000	19,000	40,000
Guaranty Trust Co.	47,000	15,000	20,000
The Hanover Bank	20,000	23,000	20,000
New York Trust Co.	19,000	15,000	25,000

These amounts are all rounded figures as of the end of 1955, and are used only to show the large interest that bank stocks already have for important life insurance companies.

RICHFIELD 1956

a corporation serving the fast-growing far west

We will be pleased to send you a copy of our 1956 annual report. Write: Secretary, Richfield Oil Corporation 555 South Flower Street, Los Angeles 17, California

BALANCE SHEET AT DECEMBER 31, 1956 AND DECEMBER 31, 1955

Assets

	1956	1955
Current Assets:		
Cash	$ 15,240,810	$ 13,755,825
United States Government securities, at cost	7,998,012	13,900,000
Accounts receivable, less reserves	43,898,472	35,701,797
Inventories:		
Crude oil and refined products, on basis of cost determined by the annual last in first out method and, in the aggregate, below market	27,616,388	29,549,873
Materials and supplies, at or below cost	8,355,892	7,148,438
	$103,109,074	$100,055,933
Investments and Advances, at cost, less reserve	$ 8,854,177	$ 7,017,494
Properties, Plant and Equipment:		
Oil and gas lands and leases, oil wells and equipment, refineries, marketing facilities, transportation equipment and facilities, terminals, office buildings, etc., at cost	$395,338,467	$366,523,696
Less—Reserves for depreciation and depletion	195,524,998	174,194,264
	$199,813,469	$192,329,432
Deferred Charges:		
Taxes, insurance and rents	$ 4,684,471	$ 4,147,709
Other	705,470	939,183
	$ 5,389,941	$ 5,086,892
	$317,166,661	$304,489,751

Liabilities and Capital

	1956	1955
Current Liabilities:		
Accounts payable	$ 12,803,367	$ 11,877,068
Federal taxes on income less United States Government securities of $12,000,000 in 1956 and $16,100,000 in 1955 held for payment thereof	86,792	49,810
Other taxes	9,552,787	8,176,437
Instalments due within one year on long term debt	3,000,000	3,000,000
Other liabilities	4,540,682	3,777,024
	$ 29,983,628	$ 26,880,339
Long Term Debt (due after one year):		
Notes payable to banks (3.25%), due in equal annual instalments to 1963	$ 15,000,000	$ 17,500,000
Twenty-five year 2.85% sinking fund debentures, due 1974	25,000,000	25,000,000
Thirty year 3.85% sinking fund debentures, due 1983	38,000,000	38,500,000
	$ 78,000,000	$ 81,000,000
Stockholders' Equity:		
Capital stock:		
Authorized —7,500,000 shares without par value Outstanding—4,000,000 shares	$ 74,699,277	$ 74,699,277
Earnings employed in the business	134,483,756	121,910,135
	$209,183,033	$196,609,412
	$317,166,661	$304,489,751

Operating Statistics—Barrels	1956	1955
Production of crude oil—gross		
Western Hemisphere	26,566,000	26,723,000
Eastern Hemisphere	2,369,000	1,500,000
Production of crude oil—net		
Western Hemisphere	20,743,000	20,729,000
Eastern Hemisphere	2,073,000	1,312,000
Crude oil processed at refinery	44,479,000	44,508,000
Sales of refined products	47,887,000	50,876,000
Employees and Payroll		
Payroll and employee benefits	$37,272,408	$33,939,000
Number of employees at year end	5,914	5,666

INCOME ACCOUNT FOR THE YEARS 1956 AND 1955

	1956	1955
Gross operating income	$254,043,152	$245,295,088
Cost of sales and services	$146,566,979	$139,782,484
Selling, general and administrative expense	32,202,627	26,336,783
Depreciation and depletion	23,959,839	22,493,965
Dry hole losses and abandonments	8,704,941	7,611,309
	$211,434,386	$196,224,541
	$ 42,608,766	$ 49,070,547
Nonoperating income	1,334,441	1,381,179
	$ 43,943,207	$ 50,451,726
Interest on bank loans and debentures	2,869,586	2,942,278
	$ 41,073,621	$ 47,509,448
Provision for Federal taxes on income	14,500,000	17,900,000
Net income	$ 26,573,621	$ 29,609,448
Net income per share	$6.64	$7.40

RICHFIELD OIL CORPORATION

Executive offices *555 South Flower Street, Los Angeles 17, California*

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Savings Banks' Future Role And Prospects in the Economy

ened from two sides. On one hand there is the rapid growth of contractual savings in the form of social security, pension plans and life insurance, which could contract what is left for discretionary saving in the form of savings bank accounts. On the other side looms the threat of inflation, which whittles away at the purchasing power of the dollar and stimulates a shift from dollar into equity investment.

Twofold Threat

Let us look at the facts about this twofold threat to the future of the savings account.

True, contractual saving has expanded greatly in volume. But as people accumulate more savings in pension and similar plans, this only serves to enhance the attraction of the liquidity and ready availability of savings accounts. A savings account alone assures that funds will always be readily available for family emergencies whenever they may arise. Savings accounts assure that funds will be on hand for the education of children and similar heavy outlays as they are required. And savings accounts have an important role in supplementing contractual retirement benefits after retirement.

The whole economy is learning to appreciate the benefits of liquidity in the current period of credit stringency. This applies to individuals as well as to business and financial institutions.

Inflation poses a threat of a different and more serious nature to the future of the savings account. If the decline in the purchasing power of the dollar persists, a shift from dollar to equity saving media is bound to gain momentum in time.

Major war periods apart, the United States has not suffered sustained, serious inflation before. But there is widespread fear that chronic inflation will result from two new forces—the full employment policy that greatly enhances labor's collective bargaining position and powerful labor unions which are in position to take full advantage of that stronger bargaining position. At the same time, we must recognize that it is far from certain that inflation will be a one-way street. The restrictive credit policy being pursued by the Federal Reserve System and the current outcry against rising government expenditures give concrete evidence that inflation will meet strong and perhaps effective resistance. Expanding capacity in industry intensifies competition. We have yet to learn whether last year's 3% rise in the cost of living was part of a chronic trend or only the usual tendency for commodity prices to strengthen in a boom period.

Equities as Long Run Hedge

Even if the trend of the cost of living continues upward, it is far from certain that equities offer an effective future hedge against inflation to the saver. It is true that equities proved an effective hedge over the long run in the past, but there have been periods, like 1946-49, when the cost of living rose while stock prices declined. At this time, when industrial stock prices are double the level of three years ago and there is evidence of a squeeze on profits in many industries, the risks of equity investment could well outweigh their attraction as an inflation hedge.

Weighing the considerations on both sides of the question, it is apparent that the inflation threat calls for some flexibility of attitude on the part of savings bankers taking a long view of the future.

So long as serious doubts exist whether inflation constitutes a real long-term threat to the purchasing of the dollar, rather than a temporary result of boom conditions, savings banks must stress the safety of savings accounts as compared with the many risks and uncertainties that attend equity investment, especially at the current advanced level of stock prices. But if the battle against inflation should prove a losing struggle, which is possible, savings bankers would have to give serious threat to adapting their service to equity investment. After all, the chief economic role of savings banks is to provide a specialized service to conserve and invest personal savings. If a much larger proportion of future savings is to flow into equities instead of fixed income investments, it would become the duty of savings banks to adapt their service to this shift so far as practicable.

Some life insurance companies, perhaps prematurely, have already come to this conclusion and are seeking to adapt their service to a future inflation trend by means of the variable annuity.

Variable Savings Accounts

Mutual savings banks could similarly seek legal authority to open variable savings accounts to be invested in equities. Dividends and principal payments would then be based upon the value of investment units held for the depositor, rather than dollar amounts. At the same time, the depositor in a variable savings account would retain certain benefits of a savings account, such as the flexibility of a passbook and the ability to make small or large deposits and withdrawals, always based on the current value of the investment units of which the variable savings account would be composed.

The inflation threat will bear close watching and calls for a great deal of circumspection. Premature action by savings institutions to turn to equity investment on a large scale could add to inflationary pressures by fostering a boom in the stock market. On the other hand, if present-day national economic policies are going to bring chronic inflation, as not a few economists here and abroad are convinced will be the case, it will be necessary to adapt savings bank service to the changes in savings and investment patterns that this will bring about.

The Future of Mutual Savings Banks

Now we come to the question that summarizes the most serious causes of concern among savings bankers. Even if the future volume of savings and the proportion of such savings going into savings accounts are maintained at a high level, will mutual savings banks continue to attract as large a proportion of the funds flowing into savings accounts?

There are a number of reasons for such concern. For one thing, commercial banks, under the attraction of high interest rates, have embarked upon a campaign to secure a larger share of the savings account business for themselves by paying higher rates on savings and by emphasizing the advantage to the depositor of one-stop banking. Another factor is the attack that is being made on all mutual institutions through sought-for changes in tax and other laws. A third is the apparent readiness of legislatures, particularly in New York, not only to continue existing discriminatory restrictions upon savings banks, but to add new ones such as the 3% ceiling voted on regular dividend rates, which would further limit the ability of savings banks to compete for deposits by crude legislative fiat.

Intensified Future Competition

There can be no doubt that savings banks face intensified competition in the future. A decade ago, commercial banks accounted for some 60% of the year's increase in all savings deposits and accounts. Last year, their proportion was closer to 20%. Many commercial banks are determined to secure a larger proportion of savings deposits for themselves.

It is too early, however, to conclude that this competition is bound to curtail severely the future growth of deposits in savings banks.

For one thing, savings banks possess well-defined advantages as specialized institutions. The more successful commercial banks become in attracting great numbers of persons into their branches for consumer loans, checking accounts and a host of other banking, trust and investment services that they promote aggressively the more of a crowded beehive of activity they will become. Savings banks, by emphasizing speed and convenience of saving deposit service, can turn their specialized character into a competitive advantage.

Commercial banks are becoming increasingly department stores of finance. The growth of department stores has not prevented well-run specialty shops from giving a good account of themselves in the retail field.

Removing Unfair Restrictions

Attacks on mutual institutions through efforts to change tax and other laws are not likely to get very far if the facts are presented to the people and Congress. Under our free enterprise system, profit and mutual institutions are free to compete for the privilege of serving the public. Each possesses certain advantages and certain handicaps. In industry and trade, the profit motive has generally given the best results. In providing thrift service, however, mutual institutions have won a dominant position in free competition. Nearly two-thirds of the life insurance of the country is written by mutual companies. Almost 60% of the funds in savings accounts are in savings banks, savings and loan associations and credit unions, all mutual institutions. Provided they are not hampered by discriminatory and burdensome restrictions, there is no reason why mutual institutions should not continue to hold the leading place in these specialized fields where time and experience have proved their advantages.

The chief threat confronting mutual savings banks for the future, so far as their competitive position is concerned, is that they will not win or hold the right to compete on terms of near equality with other institutions that offer savings account service. If mutual savings banks are to obtain the legislative changes required to enable them to compete on more nearly equal terms, they must seek fuller public and legislative understanding of their economic function of providing a specialized, highly efficient savings account service. Certainly, the action of the New York legislature at its last session gives little reassurance on this score, and much reason for worry.

But what happened at the 1957 legislative session in Albany, must be viewed in its proper perspective. The savings banks lost a battle; they did not lose the war. True, this has been one more in a series of disappointments. But it is reassuring to remember that, no matter how many times you are disappointed, the problem will be solved with the enactment of a constructive program of legislation just once.

Lack of Unanimity

This year's experience has demonstrated the necessity for the industry to unite whole-heartedly and with conviction upon a constructive program to strengthen the ability of savings banks to compete for savings deposits on a basis of reasonable equality, even one considerably less ambitious than what many savings bankers would desire. Lack of unanimity among savings bankers greatly weakens the industry's pleas for legislative relief.

May I add my belief that the primary job in winning relief from discriminatory curbs will have to be done in New York State. The dream of Federal charters that would wipe away such curbs as by a magic wand is enticing, but there is danger in placing undue reliance upon what is at best a hope. It is one thing to introduce a bill in Washington. It is quite a different matter to get it passed in the face of probable strong hostility from commercial bankers and savings and loan associations operating in 48 states, and perhaps from the Federal supervisory agencies as well. It is not necessarily wise to scatter one's shots, just because the chosen target is a difficult one to hit.

With the passage of time, new economic changes and new shifts in population and industry are bound to increase the savings banks' need for relief from restrictive and outworn curbs. This will strengthen the case for modernization of the law.

Research and Development

One of the characteristic trends in American business today is to set up research and development departments to assure that the enterprise will initiate and keep abreast of economic, technological, product and market changes. The profession of savings banking also can use a research and development committee to study the impact of economic changes and report regularly to the industry, the public and the legislature on how savings banks can continue to make their full contribution to the future growth of our dynamic economy.

Conclusion

The past record and present performance of mutual savings banking, particularly in New York State, are brilliant. There are reasons for fearing that the future will be less satisfactory. Inflation can dim the appeal of savings accounts to the public, at least in their present form. Intensified competition for savings accounts particularly from commercial banks, which discriminatory restrictions on branch and other powers of savings banks can make so much more effective, can cut down substantially the share of savings banks in the future growth of savings deposits.

Recognizing these threats, I nevertheless cannot feel pessimistic about the future. I have been a teacher and student of banking for nigh upon 40 years. I have never known a time when savings bankers were not worried about their future role in the economy. Yet the deposits of mutual savings banks today are six times as large as they were in 1921, when I made my first study of the industry. Surely, mutual savings banking must possess great innate strength to have achieved this growth in the face of the problems and threats that have constantly beset it.

Let me hasten to add that, while I feel confident about the future of mutual savings banking, I am far from complacent. We cannot take the future for granted. You offer a specialized service that people have needed and wanted. But this service must be adapted to our changing economy if it is to retain its appeal. Above all, as a closely regulated industry, the law under which you function must be modernized to enable you to offer a safe, efficient and fully competitive saving service in the future, as you have been able to do in the past.

The future role of savings banks in the economy is, in the last analysis, in the savings bankers hands. It may well prove necessary for this industry to work harder, think harder and, at times, fight harder for the right to do as good a job in the years ahead as it has done in the past.

Soren Nielsen With Beil & Hough, Inc.

ST. PETERSBURG, Fla.—Soren D. Nielsen has become associated

Soren D. Nielsen

with Beil & Hough, Inc., 350 First Avenue, North, as Manager of the unlisted trading department. Mr. Nielsen was formerly with Tucker, Anthony & R. L. Day and prior thereto with the New York Hanseatic Corporation.

Murch & Co. to Be Formed in Cleveland

CLEVELAND, Ohio—Murch & Co., Inc. will be formed as of May 9 with offices in the Hanna Building to engage in a securities business. The firm will be a member of the New York Stock Exchange. Officers will be Boynton D. Murch, President and Treasurer, who will hold the Exchange membership; Frederick F. Leustig, Vice-President and Secretary; Warren G. Steffen, Vice-President, and Elliot B. Lemon, Assistant Treasurer.

Mr. Murch was formerly local Manager for Cosgrove, Whitehead & Gammack and prior thereto was partner in Fulton, Reid & Co. Mr. Steffen was with Gottron Russell & Co. Mr. Leustig was Manager of the unlisted stock department for L. B. Schwinn & Co. Mr. Lemon was with Fulton, Reid & Co.

Stone & Webster Marks 50 Years in Chicago

CHICAGO, Ill. — The Chicago office of Stone & Webster Securities Corporation this month celebrates its 50th year at the same location — 33 South Clark Street, in the First National Bank Building, Robert G. Mead, Vice-President in charge of the office, announced May 1.

The office was first opened on May 1, 1907 by George Higginson who came here from Boston; there are now 25 people employed here.

Stone & Webster Securities Corporation also has offices in New York, Boston, Philadelphia, Providence, Syracuse and Hartford.

Joins Remmele-Johannes

(Special to The Financial Chronicle)

GRANVILLE, Ohio—Harold L. Long has become associated with Remmele-Johannes & Co., 118 East Broadway. He was formerly with Slayton & Company, Inc.

Continued from first page

Is the Business Boom Dead?

moods, or changes in expectation, are based on real changes which are occurring in the economy, but sometimes they seem to develop quite independently, representing apparently unexplainable shifts in mass optimism or pessimism.

During the past several months, you may have observed the development of one of these shifts —a sudden cautiousness, and depressing bearishness, spreading throughout the business and financial community. This recent trend seems to have developed about the time that Mr. Hoover and Mr. Humphrey warned that we were all in danger of having our hair curled. Since then, more and more businessmen and economists have delivered ominous statements predicting various degrees of downturn. To cite just two of these predictions—a well known economist and former bank officer recently stated that "an economic recession of rather sharp proportions is very possible during 1957," and a leading brokerage house is already referring to "the current business recession."

Pessimistic Factors

Now, the question is: What is behind this cautious mood? Is it entirely a matter of psychology, or are there real factors in the economy which make a recession in the near future probable?

In answer to this question, let me remind you that the first quarter of the year is a traditional time for pessimism. Whether this seasonal slump into bearishness is due to the weather, is a reaction from the glowing year-end forecasts, or is related to income tax payments, I do not know. But there is no doubt that year after year, businessmen seem to react in January, February, and March with something less than their usual cheery outlook.

In addition to this seasonal mood, however, it must be admitted that thus far in 1957 there have been some real factors in the economy which provide at least a partial excuse for pessimism. In January, employment fell more than usual for that month. Construction contract awards also took a nose-dive. Freight carloadings were down from a year ago. Automobile sales were not measuring up to previous optimistic expectations. The stock market was down sharply. Yields on debt securities weakened markedly. Home building fell off still further. And there was growing talk of a coming reduction in steel output.

I shall not try to minimize these factors. The areas I have mentioned are all important forces in the economy, and only an inveterate optimist could claim at this point that there is no reason for doubt about the future. But I should like to remind you that there is never a time when *all* indexes of business activity are headed upward. Even in the strongest boom there are usually parts of the economy which are experiencing temporary adjustments. In order to retain perspective it is, therefore, usually a good idea to try to get as broad a view of the total economy as possible. I will try to take this broad view and discuss the course which I think is likely to be taken by the major segments of the economy—not ignoring the unfavorable factors I have mentioned but also not losing sight of other equally important trends in the economy.

Let me discuss briefly what is likely to happen to consumer buying, to business capital and inventory purchases, and to government spending, and conclude with an estimate of probable gross national product for the year 1957.

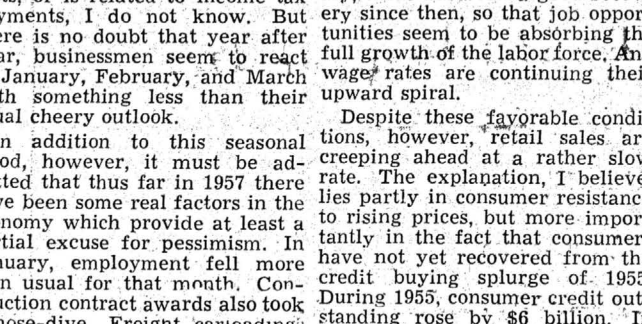
Consumer Buying

I do not believe that 1957 will go down in the record books as a big consumer spending year. Although consumers are confident and are slowly but steadily increasing the volume of their purchases, there is a notable lack of the buoyancy which characterized a year like 1955.

This restrained mood of the consumer does not stem from a lack of income. Total consumer income after taxes is now running at an annual rate of about $297 billion—$16 billion above the rate a year ago. Nor do we have a problem with unemployment or falling wage rates. Although employment fell more than seasonally in January, there has been a good recovery since then, so that job opportunities seem to be absorbing the full growth of the labor force. And wage rates are continuing their upward spiral.

Despite these favorable conditions, however, retail sales are creeping ahead at a rather slow rate. The explanation, I believe, lies partly in consumer resistance to rising prices, but more importantly in the fact that consumers have not yet recovered from the credit buying splurge of 1955. During 1955, consumer credit outstanding rose by $6 billion. In 1956, it rose only $3 billion, and this year I should not be surprised if the increase were cut to not much more than $1 billion. I believe it will take consumers the rest of this year to put themselves in a favorable position creditwise. Largely because of this factor, consumer spending is likely to rise during 1957 by only 4%, compared to a rise of 7% in the boom year 1955.

Although the general mood of consumers during the rest of this year is likely to be a restrained one, even a moderate increase in consumer spending can have an important effect on total output.



Since consumers account for almost two-thirds of all spending in the United States, a 4% rise in their purchases will mean an increase of $12 billion in the demand for goods and services. Business activity during 1957 will therefore be pulled upward by that amount because of the rise in consumer spending.

Business Capital Expenditures

There is no area of the economy which has given rise to more doubt and discussion in recent months than business spending on plant and equipment. It is not so much that businessmen have already cut back on their capital programs as that they may do so in the future. During the past two years, the capital boom has provided the main driving force behind the economy. Now that there are some evidences of a slackening in the pace of this type of spending, it is natural that there should be speculation as to whether the economy can keep going without this dynamic force.

It is true that evidences of a leveling off in capital expenditures are multiplying. Heavy construction contract awards in the last half of 1956 were not as high as in the first half, and in January and February of this year they declined still further. New orders for machine tools in January and February and March of this year were substantially behind the average for 1956, and since they are running behind shipments the order backlog is declining. The most recent SEC-Department of Commerce survey of businessmen's capital spending plans indicates that businessmen expect to spend less on plant and equipment in the second half of this year than in the first half. And capital appropriations by the 1,000 largest manufacturing companies were 14% lower in the fourth quarter of 1956 than they had been in the fourth quarter of 1955.

All of these factors indicate quite clearly that business capital spending will not advance as rapidly this year as in either 1955 or 1956. But I think the topping out in capital expenditures has been greatly overplayed. Even though businessmen expect to spend less in the last half of this year than in the first half, they still will spend at a higher rate than in any quarter in 1956. And I should not be at all surprised to see spending plans raised above current expectations as the year progresses. Even though heavy construction contract awards were down in January and February, the March figures released this morning indicate a tremendous upward surge. Despite the fact that machine tool shipments are exceeding new orders, the industry still has a six months' backlog at current production rates. All in all, the capital boom is far from dead.

My own estimate is that the rate of capital spending at the end of the year will be at least as high as at present, which will mean a 1957 total about $5 billion above the 1956 figure. The economy as a whole will, therefore, not be pulled down by this important factor.

Business Inventory Spending

The inventory position of individual industries and businesses differs so widely that it is difficult to generalize about this type of spending. It seems to me quite clear, however, that inventories in the economy as a whole do not constitute a danger at present. In fact, inventory-sales ratios in most lines are unusually good. It is true that automobile inventories are rising more rapidly than had been expected, but here again we are at least in a better position than in 1956. I believe there is little doubt that automobile output for this year can exceed that in 1956 without running into a serious inventory problem.

In the first quarter of this year, the rate of total business inventory accumulation has slowed down markedly from the rate which characterized both 1955 and 1956. This reduction in inventory buying is one of the factors which has imparted a certain sluggishness to over-all business activity. The reduction is, however, a very healthy correction and goes a long way toward ensuring that there will be no inventory recession in the last half of this year.

For the economy as a whole, inventory spending is likely to continue at about current levels throughout the year. Since, however, the current rate of spending is somewhat below last year, we must put this type of spending down as a minus factor. Compared to 1956, inventory purchases will contribute about $1 billion less to total business activity.

Change in Housing Decline

Another area which has contributed to current doubts about the business outlook is residential construction. The rate of housing starts in the United States has been declining more or less steadily for two full years. The peak rate was reached at the end of 1954, when houses were being started at a seasonally adjusted annual rate of almost 1,500,000. By the end of 1955, this rate had fallen to 1,200,000, and by the end of 1956 it was down to 1,000,000. In March, 1957, the rate reached a seven-year low of 880,000 starts.

Faced with so steady and persistent a decline in the output of a major product, it is a little difficult for an economist to take the position that housing will not decline further. Yet that is the position I am going to take. I believe that housing starts for the full year 1957 will be very close to an even 1,000,000. In other words, I am saying that we have about reached the end of the long decline and that later this year there may even be a mild recovery in residential construction.

I base this conclusion on extensive studies which we have made at Prudential over a number of years — studies designed to estimate the probable average demand for new homes over the next three or four years. Our studies indicate that housing demand under what might be called normal conditions will average in the neighborhood of 1,100,000 a year until 1960.

Now I realize that 1957 conditions are not normal in two major respects: (1) Mortgage loans are difficult to get, and (2) the price of homes is reaching the point where it is quite literally pricing a good deal of the volume out of the market. These two conditions will prevent housing from reaching the 1,100,000 start level it might otherwise achieve this year. But I do not believe that they will drag housing for the full year below 1,000,000 starts.

It should be remembered that the March rate of 880,000 starts does not yet fully reflect the rise in the FHA maximum contract rate, nor the lowering in the FHA down payment minimum.

The reason why housing has been particularly hard hit by the general scarcity of funds is that the Federal Government, through the artificial maximums placed on FHA and VA contract rates, has ensured that the supply of money available for these types of mortgages would be drastically curtailed. Through these controls, it has lowered housing output just as effectively as had it frozen wages, or any other item of cost, in the building industry. Even though the new 5% maximum on FHA mortgages is below the free market rate, the recent increase in this rate will provide at least a partial remedy to repair the legislative discrimination which has existed against housing. It might be noted that housing starts under conventional loans, which reflect the free market rate, reached almost exactly the same total in the first three months of this year as in the comparable months of 1956.

As far as over-all business activity is concerned, housing is thus not likely to be a depressing factor over the remainder of this year, and might even contribute a mild upward push in late 1957.

Government Spending Rise

Almost 20% of total purchases of goods and services in the U. S. today are made by some branch of government — federal, state, or local. Even though government spending is thus an important factor in the business situation, it is worth noting that the growth of the economy in recent years has been due to an expansion in private demand rather than in government demand. In 1952, government spending accounted for 25% of gross national product. By mid-1956, the government proportion had fallen below 20%. This relative decline was accounted for entirely by the Federal Government, since state and local expenditures have been rising throughout the postwar period.

Anyone who has been reading the newspapers lately, however, knows that Federal Government spending in 1957 is headed upward. The rise actually started in the last half of 1956, but the rate of increase has moved even more sharply upward in recent months. Federal Government spending in the first quarter of this year has been running almost 10% higher than in the same months of 1956. And, of course, state and local government spending is still moving upward.

We have heard a great deal lately about cutting the Eisenhower budget for the fiscal year beginning this July. Although I am heartily in favor of such a move—in fact, sound fiscal policy makes such a move imperative when the economy is booming and prices are rising — as a hard-headed economist I must consider what is likely to occur, rather than what I think should occur. I do not believe any substantial reduction in the budget is likely.

It seems to me probable that Federal Government purchases of goods and services in 1957 will amount to $3 billion more than in 1956, and that the trend will be steadily upward throughout the year. State and local government expenditures, which are now 70% as large as Federal expenditures, will also rise by $3 billion. Total government spending in 1957 will thus provide $6 billion more impetus to business activity than in 1956.

Adds Up to Satisfactory Increase

Now, what does all this add up to in terms of gross national product for 1957? I have estimated that in 1957 business capital expenditures will total $5 billion above the 1956 rate; inventory buying will run about $1 billion below last year; although the number of housing starts will be down somewhat from 1956, spending on homes will be very close to last year's total; consumers, though in a restrained mood, will nevertheless spend $12 billion more than last year; and government will increase its purchases by $6 billion. Adding together these different segments of the economy, we find that total spending, and therefore total business activity, is likely to rise in 1957 about $22 billion above the 1956 total.

The gross national product in 1956 amounted to $412 billion. Adding the estimated increase of $22 billion in spending, my prediction for GNP in the full year 1957 is that it will come very close to $435 billion. This is not one of the most remarkable increases ever shown by our economy, but considering the fact that we started the year with labor and resources virtually fully employed it is a very satisfactory increase. It is an increase, in fact, sufficient to account for continued pressure for further price rises.

The Federal Reserve and the Money Market

Now, what about the bond market? Can we draw any conclusion from this forecast of general business activity which will help us in estimating the trend of bond prices in the coming months?

In the first month and a half of this year, bond prices and yields exhibited a markedly different trend from that which had characterized the last half of 1956. Whereas security prices had been falling and yields rising all during the latter part of 1956, the current year opened with a decided reversal in security quotations. Aaa corporate bond yields fell from a peak of 3.82% early in January to 3.66% by mid-February. The decline in average yields on Aaa municipal bonds was 29 basis points during this period, and long-term Government security yields fell from an average 3.45 to 3.26%. In other words, sensitive security prices appeared to support the growing feeling of pessimism about the business outlook. The question was frequently asked whether the days of tight money were about over and we were now headed for a period of money market ease.

I realize the hazards of attempting to predict the future movement of interest rates, but I see no reason why I should not get out on a limb on this. My answer to this question is that the days of tight money are not over and that there will be no appreciable easing in the money market in the months ahead. Here are my reasons for this conclusion.

Sustaining Tight Money Pressures

First, the easing in the market at the beginning of this year was, I believe, a temporary situation arising more from a miscalculation, or at least an over-cautiousness, on the part of the Federal Reserve than from a deliberate change in credit control policy. The commercial banks, as the accompanying chart reveals, had been held in a *negative* reserve position averaging about $300 million during the last half of 1956. That is, their borrowings at the Fed exceeded their excess reserves by about $300 million. In January of this year, however, they found themselves for a short period with positive free reserves for the first time since August, 1955. Under these circumstances it is not surprising that sensitive security yields should have reflected the temporary easing in bank reserve positions.

The important thing to note, however, is that the Federal Reserve did not permit this condition to exist for very long. By mid-February the banks had once again been pushed into a $300-$400 million negative reserve position. As might be expected, sensitive security yields ceased to fall and there has been some recovery since in many of the yield indexes.

Second, the January decline in money rates certainly did not stem from a decline in the demand for funds. The volume of new security issues in January was, as a matter of fact, one of the heaviest ever experienced. And this insistent demand for money has continued in the months since January. Public security offerings in the first quarter of 1957 totaled about 75% higher than in the first quarter of 1956.

Third, if the experience of the life insurance industry can be taken as a general guide, there is no indication of a slackening in the need for capital funds, and no sign of a weakening in the rate structure. Applications for loans far exceed the cash flow of the life companies, and the industry is committed for from six months to a year ahead.

Moderate Restraint to Continue

Finally, I do not believe that the general business and price outlook at present justifies a change in Federal Reserve policy toward one of positive ease. I have already indicated that I believe business will move forward moderately but steadily over the rest of the year. Although some pressure for large price increases has abated, the cost of living index will undoubtedly be higher at the end of this year than it is now. Under these conditions, Federal Reserve policy should be one of moderate restraint. In order to keep up with the growth of the economy, the Federal Reserve will probably permit some increase in bank reserves. But I believe it will continue to hold the banks in a negative reserve position, thus forcing the economy to depend largely on the growth of basic savings.

If my analysis turns out to be correct, the most reasonable estimate for interest rates over the remainder of this year is that they will flatten out at about the current level, and that minor movements above or below that level will be due more to technical conditions in the bond market than to any fundamental change in the credit situation.

Chicago Bond Club To Hear G. Thorold

CHICAGO, Ill.—There will be a luncheon meeting of the Bond Club of Chicago, Wednesday, May 15, 1957 at 12:15 p.m. in the Red Lacquer Room of the Palmer House.

Guy Frederick Thorold, C.M.G., Financial Advisor, Minister (Economic) and Head of the United Kingdom Treasury and Supply Delegation, British Embassy, Washington, will be guest speaker.

Mr. Thorold, in private life, is governing director of A. W. Bain & Sons Limited, Insurance Brokers. During the war and since, he has held important economic posts in Europe and the United States.

Reservations should be made with F. Girard Schoettler, Wayne Hummer & Co. Members may avail themselves of the opportunity to invite guests at a charge of $4 per person.

Elected Director

J. Blyth Taylor, partner in Osler & Hammond, Toronto, has been elected a director of Merrill Petroleums Limited.

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The Squeeze on Prices, Profits and Production

And these increases have been quite steady. But corporate profits, both before and after taxes, have gone up considerably less, and the increases have been erratic. The ratio of corporate profits, whether before or after taxes, to stockholders equity and to sales was lower in 1956 than in 1955 and below the average for the years 1947-1950. The year 1956, in contrast with other recent years, also saw a decline in corporate liquidity and a considerable increase in corporate debt.

This uninspiring experience accompanied a massive capital goods expansion program, part of which I have already referred to. Now this is important because business expansion has come to be financed mainly through retained earnings; and if retained earnings diminish, business expansion is bound to diminish. Whether we have reached a downturn is not clear, but the rising trend seems slowed down.

As many economists will agree, the amount of investment year-in and year-out determines the kind of economy we have. If business investment slows down, then we not only have a slowdown in demand for producers goods but also for consumers goods and services as a result of smaller payrolls.

Production

The net result of our present trend of higher unit labor costs, level prices, and lower profits is bound to be a slowing down of our rate of growth, and therefore of production, subject to two factors. First, a relaxation of present credit controls might open the faucet—but monetary policy seems more capable of slowing down than speeding up our economy. The other would be heavy government expenditures for producers goods. But this would present an interesting spectacle of loose spending policies in government at a time of tight money policies applicable to individuals.

But, if we rule out the two exceptions, then we may be heading for a squeeze on production caused to some extent by wage-cost-price-profit squeeze. The result is showing up in reports of layoffs. I could cite evidence to show a slowdown of production throughout industry. Let me give you some figures cited by a builder concerning the downtrend in housing in February, when I believe 217,000 fewer housing units were started than in February, 1956. This decline meant, he said, a reduction of:

(1) 400,000 manhours of work, half in on-site construction and half in materials production.

(2) More than $2½ billion in direct construction expenditures.

(3) More than 2 billion board feet of lumber.

(4) More than 100 million bricks.

(5) More than 5 million gallons of paint.

(6) More than 250,000 bathtubs.

(7) More than 2 million kitchen cabinets.

(8) Nearly a billion board feet of gypsum board products.

(9) More than 2 million electric switches.

(10) More than 8 million pounds of copper wire.

Although American business probably will be able to absorb the 1957 wage-cost punishment, along will come 1958 to present a new and ominous cloud on the horizon, and it may not be too soon to begin considering it.

Labor negotiations in 1958 may well start us on another jag. Wage and fringe settlements such as we had in 1955 and 1956 would tighten the prices-profits-production squeeze another notch, unless we are ready for more inflation.

What, If Anything, Can Be Done About It?

Here we move out of the area of economics and into the even more murky areas of sociology, psychology, and politics. I have very little faith that marshalling the economic facts alone will solve the problem. People seem to be singularly unimpressed by figures, especially when figures reflect the over-all economy rather than the close-to-home condition, the long-range rather than the short-range situation.

The President has called for restraint, but I have very little hope that labor leaders will exercise restraint, simply of their own accord. In fact, I am not at all certain that I would like to see our economy so organized that these major decisions would be made by a few labor union leaders. In any event, experience has amply demonstrated that leaders of organized labor either cannot or will not refrain from trying to get the best bargain they can — even if the long-run effect is harmful to their own membership. The polities of labor union management leaves little room for temperance.

There have been some strong hints that we need governmental controls on wages and prices. I don't have words strong enough to reflect my feelings that this might be the worst remedy of all. Experiences with governmental efforts to control wages during wartime leave me with very little confidence that they would be effective in peacetime. But worst of all, we have so many other problems created when government intervenes, not to speak of the red tape and the complexities compounded with confusion. For my part, I would rather take my chances with more of the inflation that we have thus far experienced than resort to government intervention.

Up to Business

The only group which can really do anything about the situation is the business community. Obviously it is no easy job, and indeed may be insoluble. The continued squeeze on profits will lead to stronger employer resistance to increased labor costs. But sometimes a businessman cannot resist the unreasonable demands of his labor unions. None of us is interested in being a dead hero—strikes are costly. Customers may be more understanding these days when their supplier is afflicted with a strike, but that is small consolation. And if you are selling to the general public which wants a product off the shelves, right now—and will use a substitute—it isn't simple to accept a shutdown. Loss of revenue and customers through a strike may be more serious than the squeeze on profits.

One obvious tool is more complete communications with employees to explain the facts of life. Employees don't want inflation any more than we do, so we have a job to do in explaining to them the causes of inflation. But this will not work with explanations of economics alone; it hasn't in the past.

Suggests Industrial Relations

Here we enter the over-all field of industrial relations. For communications to be effective we must first have the attention of employees and their confidence that management is sincerely interested in their security and their improved standard of living. Communications will not be effective if we imply to employees that improvements in their standard of living will be shut off entirely or that they must await these improvements through the medium of a gradually declining price level.

If an American businessman expects employees to temporize in their demands, he may have to make some long-term commitments to improve wages and benefits, at least as fast as the national long-term increase in output per manhour, just as he is willing to make capital investments for long-term projects. In that way, employees will come to realize that they will enjoy a gradual increase in their rates of pay and in fringe benefits, that these improvements need not be squeezed out of business by large and powerful labor unions.

This might soften demands; obviously it will not eliminate them, for men will not cease in their efforts to get more and more for themselves and their families. But the alternatives of inflation or government control or dependence on "labor statesmanship" are even more illusory. Businessmen have handled much more difficult problems; I am confident businessmen can handle this one.

F. S. Smithers Co. Observes Centenary

May 1 marked the hundredth anniversary of the investment banking firm of F. S. Smithers & Co., 1 Wall Street, New York City. Although organized under the name of Charles Unger & Co., it had operated only a short time when the original F. S. Smithers was admitted as a general partner, and since then the firm has always had among its partners at least one direct descendant of the first Smithers partner.

C. Francis Smithers, now a general partner, and Austin L. Smithers, a limited partner, represent the third generation of the family in the firm. R. Brinkley Smithers, nephew of F. S. Smithers, is also a limited partner.

The Smithers firm has long been identified with the investment field in Wall Street, and for many years it has been increasingly active in corporate security underwritings and in the purchase and distribution of municipal and other tax-exempt securities.

For nearly half a century the firm has also been well known for its active connection with the oil and other extractive industries. This interest began in 1911 following the U. S. Supreme Court's dissolution decree in the Standard Oil case. With the break-up of the old Standard Oil Company of New Jersey, the Smithers firm was one of the leaders in Wall Street making markets for the "scrip" which represented the fractional interests of stockholders in the subsidiary companies which were separated from the New Jersey company.

The firm acquired its New York Stock Exchange membership in 1880. It is also a member of the American Stock Exchange. Present partners, in addition to the Messrs. Smithers are: Arthur B. Lawrence, Peter J. Murphy, Hamilton D. Schwarz, Walter W. Cooper, Cleveland S. White, Thomas C. Cherry, Marquette de Bary, Donald B. Macurda and Charles F. Zeltner.

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As We See It

not most of the great nations. Among all these only the United States has shown any disposition to take action in areas or in quarrels in which it has no direct national interest. Britain and France were little concerned with the Korean situation, but were ready enough (though horribly incompetent and irresolute) to take forceful action in the Middle East. The Kremlin from time to time meddles in this, that and the other dispute or conflict in one way or another—at times when it would appear on the surface that nothing was to be gained by it, but the fact is that the purpose is usually to gain influence and to make trouble for capitalist nations.

Spheres of Interest

Of course, the Korean intervention was a United Nations affair only in a strictly Pickwickian sense. In reality it was a unilateral intervention by the United States of America. Much pains has been taken by the United States to get the Egyptian affair before the United Nations and to keep it there. The fact is, though, that even the United States has merely used that organization as a means with which to make its own policy or program effective, and the Administration soon found it necessary to initiate an "Eisenhower doctrine" in the Middle East and to get an approval of it from Congress. Earlier the so-called Truman doctrine and the Marshall Plan were policies of the United States, not of the United Nations. Issues are debated after a fashion in the United Nations, but for the most part action when taken has come as it always has from individual nations.

What all this seems to suggest is that a good many idealists and others endeavoring to banish war have often been laboring under serious misconceptions of the problems by which they were faced. The world is made up of numerous groups or peoples with interests of their own often conflicting with those of another. These nations are often full of prejudices, suspicions and ill-will toward one another. All of them and their interests have long histories which tend to set one against the other. Applied to such a situation the concept of justice often becomes more than elusive. Banishment of "aggression" seems to many of them to be nothing more than confining them in a *status quo* which is hardly more than historical accident.

Add to all this certain conditions which are a product of what is now known as colonialism and the state of affairs becomes even more complex. Millions, yes hundreds of millions of men and women inhabit lands which were for a long, long time ruled by other peoples foreign to them in race, religion and mores. Some of these colonial areas are now found to be enormously rich in natural resources. Racial and national ambitions are naturally aroused by such facts — as, of course, is the desire of former imperialist nations to continue their hold on to such lands. The mere geographical location of some of the undeveloped areas renders them of vital interest to other and often more advanced peoples. Through the years, too, private capital has entered various areas, and naturally does not wish to be expelled or hurt by revolutionary adventures of native peoples.

What to Do?

How is a world situation like this to be dealt with except on the basis of the largest share to the most powerful or the shrewdest? That is the real question before the world today. Through the ages matters were for the most part left to work themselves out. Various interests maneuvered and sometimes fought. Little by little there was a sort of crystallization of the situation, which however did not always survive the passage of long periods of time. Something called "balance of power" arose, and was employed after a fashion to keep the peace. That is to say nations, the large and powerful nations, grouped themselves in such a way that no one of them or combination of them could be regarded as having dominance over the others. This was supposed to render it more profitable to negotiate than to fight.

This system broke down when World War I fell upon us. The old alliances and the like faded. Nations had become exhausted, and peoples formerly under their thumbs could be more effective in seeking their interests. A revolution in human thinking about colonialism and the like swept round the world. Hitler saw in the situation an opportunity to replace some of the older and now fading countries of the old world. He was crushed but the fighting left most of the European countries far from the first rate countries that they had been. Japan also fell by the wayside. The "balance of power" today is largely that between the Kremlin and its satellites and allies and the United States and its friends.

Not so much is now heard about "balance of power," but it is essentially this matching of might with might that seems at this time to keep war away from the world. Nearly all the programs and nearly all the preachments about providing for peace in the years to come turn about this concept—of having at our disposal power sufficient to deter the Kremlin. And there is little doubt that the power of the Kremlin is deterring some other countries from action they would like to take in the Middle East. Actually, the world seems to be about where it has been for a long time in these matters. It is not a particularly heartening fact but we should do well to face it.

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Proper Functions and Supply of Our Different Kinds of Currency

to the standard gold unit, in so far as they perform their various monetary functions. (f) As a standard money metal, it would perform the function of ultimate reserve against all non-gold currency.

(2) Proper supply of monetary gold. The proper supply of monetary gold is that which a nation obtains by an exchange of its goods and services for the standard gold coin or bullion or by borrowing it against a promise to repay at some future date.

Since gold is the most universally marketable of all monetary materials, it tends to go where greatest value is attached to it. To hold it, therefore, requires that its use and value not be abused. People, individually or collectively, can obtain all the gold that their goods and services can command, provided they are operating with a gold standard and redeemable currency, and to the extent they are disposed to exchange their goods, services, and other currency for gold at a rate that will effect the exchange.

Resort to Devaluation

The supply comes from mining or importation. An increased scarcity of gold arises from inability or unwillingness of people to exchange a sufficient volume and value of goods and services to obtain it at a rate which reduces its degree of scarcity. A common practice of governments, particularly since World War I, has been to increase the number of their monetary units of gold by reducing the size of the standard unit (devaluation). This is a case of departing from the fixity of a standard unit; and the usefulness of a standard is impaired to the extent it is not fixed. If a town which normally uses 500 million gallons of water per day faces an abnormal scarcity of water because of lack of rainfall, it could provide itself with the normal number of gallons by reducing the size of the gallon measure. Similarly, our Federal debt could be paid off in gold dollars if the size of each dollar were reduced sufficiently to make our good stock equal in dollars to this debt.

Once a nation assigns a specified number of grains of gold to its standard gold unit, the fixity of that unit should not be altered. The supply of gold which a nation may be expected to obtain and to hold is determined by its ability and desire to exchange its goods and services for gold. Those are the considerations which determine the proper supply of gold in a nation.

(3) Proper functions and supply of monetary silver

(1) Functions of silver. Since silver ranks second to gold in world-wide acceptability as a money metal, it performs the function of a money standard only in those countries which cannot afford to employ a gold standard or prefer a silver standard because they are accustomed to it. In all such cases, it is a second-rate standard as compared with gold, and the functions it can perform as a standard are limited—chiefly to domestic monetary transactions.

A silver standard would possess the following characteristics: (1) The standard money unit would be defined in terms of grains and degree of fineness of the silver employed. (2) Silver of standard fineness would be coined freely into money of convenient size to enable it to perform the functions of a medium of exchange and a storehouse of value in so far as people may choose to employ it for these purposes. (3) Silver bullion of standard fineness would be freely interchangeable for silver coin of the same fineness and value to permit silver to serve the people as a standard of value, as a storehouse of value, as a reserve against non-silver currency, as a medium of exchange, according to their desires, in the form of coin or bullion. (4) Standard silver coin and bullion would be freely imported or exported by its owners in accordance with their desires. But since silver ranks second to gold as a monetary commodity in international exchanges, it would tend to pass at the market value of silver as expressed in terms of gold. (5) All varieties of substitute media of exchange would be freely exchangeable for, or redeemable in, standard silver coin or bullion at face value in order to make all types of currency legally issued equal in value to the standard silver unit in so far as they perform their various monetary functions. (6) As a standard money metal, it would perform the function of ultimate reserve against all non-silver currency.

In countries on a gold standard, silver money performs other functions than those of a standard money metal. It may perform the functions (1) of a convenient and relatively cheap substitute for gold as a medium of exchange, (2) of a storehouse of value, and (3) of a reserve, but not the ultimate reserve, against silver certificates and other forms of currency other than gold or silver.

(2) Proper supply of monetary silver. If a nation is on a silver standard, the appropriateness of the supply of monetary silver is determined by the same considerations as those outlined in respect to gold.

When a nation is on a gold standard and silver is employed in a secondary role, the proper supply is that which meets the needs of the people for silver coin as a medium of exchange, storehouse of value, and reserve against other forms of currency—for example, as the reserve held by the United States Treasury against silver certificates or by banks outside the Federal Reserve System against their deposits. These needs are revealed by the exchange of other currency for silver coin; and the supply needed to accommodate the public, banks, and Treasury, is, or should be, obtained by the government through the purchase of the needed silver in the world market.

Profit From Silver Coinage

The weight and fineness of legally-issued silver coins must be specified by law if chaos is to be avoided. For example, the silver dollar of the United States is given a weight of 412.5 grains, 9/10 fine, or 371.25 grains fine. Thus an ounce of fine silver coins up into \$1.2929 since the ounce (Troy) weighs 480 grains. If the government purchases silver in the market at, say, 60 cents per ounce, the profit (sometimes called seigniorage) derived by converting it into coin would be 69.29 cents per ounce. If the market price for silver were above \$1.2929 per fine ounce, the tendency of the public would be to sell their silver dollars for their bullion value and the supply of these dollars could be expected to contract.

The proper supply of silver dollars is, therefore, determined by the needs of the people as expressed by their willingness to exchange other currency for silver dollars and by the market value of silver bullion, standard or fine.

Since two 50-cent pieces, or four quarters, or ten dimes are 6.47% lighter (385.8 grains, 9/10 fine) than the silver dollar, the market price for fine silver must rise above \$1.38 cents per fine ounce before the bullion value of fractional silver coins exceeds their face or nominal value and before such coin could be sold profitably for their bullion value.

The proper supplies of the various fractional silver coins are determined by the needs of the people for each size of coin, as manifested by the offering of other forms of currency for such coin, and by the market price of silver bullion.

(4) Proper functions and supply of minor coin

(1) Proper functions of minor coin. Minor coins, such as our 5-cent and 1-cent pieces, facilitate monetary transactions involving relatively small values. Specifically, the proper functions of such money are (1) to act as media of exchange, (2) to serve as a storehouse of value, and (3) to constitute reserve in non-member banks against deposits.

(2) Proper supplies of minor coins. The proper supplies of these coins are determined, ordinarily, by the demands of the people for them as measured by the offerings of other currency in exchange. Only in rare instances is the bullion value of the metal used in such coins a factor affecting their supply since the market value of the material employed in them is ordinarily far below the face value of these coins.

(5) Proper functions and supply of representative paper money (gold and silver certificates)

(1) Proper functions of gold and silver certificates. These certificates are in nature warehouse receipts for a deposit with the United States Treasury of gold or silver equal in monetary value to the number of dollars stated on these certificates. They are issued as a matter of convenience to those who prefer redeemable certificates to the bulkier and less convenient gold or silver held as 100% reserve against such paper money. Since gold and silver as money may be issued properly only by a nation's central government, gold

and silver certificates should be issued only by that government. They are the only variety of paper money which a government may properly issue.

The proper functions of gold and silver certificates, when a nation employs a gold standard and redeemable currency, are to serve as (a) a medium of exchange, (b) a storehouse of value, and (c) a reserve in various types of banks against non-gold or non-silver currency (notes or deposits).

(2) *Proper supply of gold and silver certificates.* The proper supply of these certificates is determined by the supply of monetary gold and silver and by the desire of the people to substitute gold certificates for monetary gold and silver certificates for monetary silver.

(6) Proper functions and supply of fiduciary paper money

This type of paper money consists of that not fully covered by a reserve of gold and silver. Our United States notes and Federal Reserve notes provide examples.

(A) *United States notes as fiduciary money.* Evidence and logic seem to be to the effect that a government should not issue any paper money other than gold and silver certificates. United States notes were originally fiat money (1862-1878) with no specific reserve behind them. In 1900 the United States Treasury was required to place $150,000,000 of gold behind the $346,681,016 United States notes outstanding; since then, the reserve has increased to $156,039,431 in gold, some of which may be used to retire the approximately $1,000,000 of Sherman Treasury notes of 1890 which are being retired and which are redeemable in either gold or silver.

By the Act of May 12, 1933, Congress authorized the President to increase the supply of United States notes to $3 billion; but, fortunately for this country, he never used that authority. The passage of that Act illustrates the dangers inherent in the theory that a government may properly issue fiduciary paper money. Today, under our restricted international gold bullion standard, with only irredeemable currency available domestically, the gold held against those notes is frozen in the Treasury and cannot be employed. Were the United States on a full gold standard and the currency redeemable domestically, the functions which United States notes would perform would be the following, with the word "proper" omitted.

(1) *Functions of United States notes when redeemable.* (a) Such fiduciary money provides the questionable means of economizing in the use of gold. (b) It serves as a medium of exchange. (c) It provides a storehouse of value. (d) Since it is a Treasury currency, it serves as a reserve against deposits in various types of banks.

(2) *Proper supply of United States notes.* Such notes should not be issued by a government, and the present supply of these notes should be retired. The gold held behind them should be used as a reserve against a corresponding supply of gold certificates.

Federal Reserve Note's Advent

(B) *Federal Reserve notes as fiduciary money.* These notes are issued by Federal Reserve banks against a minimum reserve of gold certificates of 25%, the uncovered portion of the notes being secured by United States securities and commercial paper discounted by the Reserve banks. If these notes cannot be redeemed or retired by the Reserve banks, they become a liability of the United States Treasury. The fractional reserve employed against them rests upon the principle of probability as to demands for redemption, a sound principle provided additional means are available to meet possible contingencies. The collateral above the minimum reserve and the secondary and remote liability of the United States Treasury for the redemption of these notes provide additional, and presumably adequate, security along with the prescribed reserve.

(1) *Proper functions of Federal Reserve notes.* (a) They are designed as a medium of exchange, and, as such, they enable the Reserve banks to provide notes in lieu of deposits to the extent that their customers so desire and can command them. (b) They serve as a storehouse of value. (c) They may serve as reserves in banks not members of the Federal Reserve System.

(2) *Proper supply of Federal Reserve notes.* From 1914 to 1932, the general principle involved was that these notes should expand as commercial paper discounted by the Federal Reserve banks was posted as collateral with their respective Federal Reserve Agents, along with the required minimum gold reserve (then 40%), to obtain these notes, and that they should contract under the operation of opposite forces.

Emergency Made Permanent

Fundamentally, that principle was correct; but difficulties arose during the sharp business recession following 1929 when commercial paper was not available as security for such notes and because proper provisions had not been made to meet a widespread and destructive economic disturbance such as that of 1929-1933. For example, during 1930-1931, and early in 1932, there was no legal means available by which to expand these notes to meet the hoarding and other cash demands during that period of business recession and depression, not only because of lack of provision for the use of emergency collateral in the absence of normally eligible commercial and other short-term, self-liquidating paper but because of a ruling by the Federal Reserve Board that gold placed by a Federal Reserve bank with its Federal Reserve Agent as security, above minimum reserve requirements, against Federal Reserve notes must be held exclusively for that purpose. To obtain Federal Reserve notes in the absence of eligible commercial paper, the Reserve banks utilized their surplus gold with the consequence that the percentage of gold held against those notes reached unprecedented heights in 1930-1931. For example, on Jan. 31, 1931, the ratio of gold to Federal Reserve notes was 122%.

(a) *The Glass-Steagall Amendment.* To free the excess gold above the requirement for reserve and to permit an expansion of Federal Reserve notes to meet emergency demands for them, the Glass-Steagall Amendment to the Federal Reserve Act was enacted Feb. 27, 1932, to enable Federal Reserve banks to use United States Government obligations as collateral security for Federal Reserve notes.

Although that Amendment was designed to be an emergency measure and was to have expired March 3, 1933, it was extended on every expiration date and, on

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Proper Functions and Supply of Our Different Kinds of Currency

June 12, 1945, it ceased to be an emergency provision and was given an indefinite life in the Act. The date Feb. 27, 1932, marked the beginning of an expansion of Federal Reserve notes against the security of United States obligations, and a decline in the use of commercial and other short-term business paper as collateral against them. The expansion and contraction of Federal Reserve notes—and the general tendency since 1932 has been that of expansion in the volume of these notes—have been linked more closely to gold and government debt than to the volume of paper arising from business transactions and eligible for discount by the Reserve banks.

How Should Government Obtain Money?

(b) The question of issuing Federal Reserve notes against Federal debt. The fundamental considerations here are (1) that the basic principle underlying the proper issuance and contraction of Federal Reserve notes should not be confused with devices designed for short-term emergencies only; (2) that the non-emergency principle properly applicable to the issuance and contraction of these notes is that they should expand and contract as the Reserve banks offer to their respective Federal Reserve Agents, or withdraw from them, short-term, self-liquidating business paper as collateral, along with the required gold or gold certificate reserve; and (3) that conversion of Federal debt into currency by the Federal Reserve banks in the form of Federal Reserve notes and deposits, and by other banks in the form of deposits, is wrong in principle.

(c) Why government debt should not be monetized. The validity of the principle that government debt should not be converted into money lies in the consideration that government debt can, by "the stroke of the pen," as it were, be raised to any amount, and, if it is made the basis for the issuance of money or the creation of bank deposits, the supply of paper money and bank deposits can be increased accordingly and without respect to productive activity of the people. There is no limit to such a procedure until worthlessness in the monetary unit is reached.

One of the basic functions of a good purchasing medium or currency—money and bank deposits—is to facilitate the exchange of goods and services without being a disturbing factor in the making of prices. The medium of exchange is proper and good if it involves real wealth of wide or universal acceptability, such as coin and paper money or bank deposits which are self-liquidating and redeemable in the standard coin.

It is not a proper function of a government to create money for itself either by direct issuance (fiat money) or by using indirect devices such as obtaining Federal Reserve notes or bank deposits against its debt instruments. A government should obtain money for the performance of its functions by taxation or by borrowing from the savings of the people—its own or others. In either case, the people transfer some of their currency to the government; new currency is not created.

Currency should not be created by the government except in response to the presentation of gold and silver—real wealth—for conversion into coin at standard rates or except as certificates are issued against, and are redeemable in, coin. Additional currency in the form of bank deposits or Federal reserve notes should not arise from the needs of the government.

Sound Money Provides Ample Credit

Such currency, as an addition to the existing supply, should arise only from an increase in productive activities of the people and from additions to the nation's monetary stock of gold and silver. As people expand their activities in fabrication and exchange, they may wish to utilize credit as a convenient means of facilitating their activities. Credit extended for these purposes is sound if the transactions which give rise to it provide the wealth with which to liquidate it when the debt matures, and if the credit, in the form of paper money or bank deposits, can be converted at any time into real wealth in the form of gold or silver. Thus, productive activity and goods and services can expand with the use of self-liquidating credit up to the limit made possible by the gold and silver reserves of the Treasury and banking structure. With the proper organization of the banking system, including the employment of a well-organized clearing and collection system for credit instruments, a nation's typical supply of gold and silver can support a relatively large volume of credit and, consequently, of productive and exchange activities.

When automatically self-liquidating credit is utilized in this manner, it has the effect of making nearly all goods and services easily exchangeable. In principle, all goods and services constitute a demand for all other goods and services; but, if the exchanges were restricted to direct barter with its handicaps, the total exchanges could be expected to be reduced much below what is made possible by the use of a good currency. Automatically self-liquidating credit can effect the bulk of desired exchanges. Money in the form of the ultimate settler of balances—gold—can effect the exchange of the remainder.

This accomplishment is one of the basic functions of a good money and good credit. But if, now, a government, to meet its expenses, resorts to an expansion of paper money and deposits, instead of using its proper powers of taxation and borrowing from the savings of the people as a means of transferring some of the people's currency to itself, an undesirable state of affairs arises.

Creates a Disturbing Factor

The new currency created by the government, either by the direct printing of paper (fiat) money, which is in principle an activity comparable to that of the counterfeiter, or by converting its debt instruments into Federal Reserve notes or bank deposits by the sale of its securities to the Federal Reserve and commercial banks, bears no proper relation to the production and exchange of goods and services. The credit does not arise out of actual or anticipated productive and exchange activities which will liquidate it automatically when it matures. Instead, it reflects actual or anticipated expenditures by the government in excess of receipts derived by a transfer of currency by the people to their government in response to its taxation and borrowing of savings.

Currency created in this manner constitutes a new demand for goods and services, this demand arising from a source other than the production of goods and services. Prices tend to differ from what would otherwise be their proper barter relationships. They tend to rise. Proper economic relationships are disturbed by this outside force. The purchasing power of the people's currency tends to decline. The value of their savings is impaired. With such power in its hands, a government can command the wealth of a people and easily become their master. Its capacity to manufacture such purchasing power is unlimited as is, consequently, its capacity or power to ruin a people.

In contrast, a people cannot be injured, they can only be benefited, by the use of a sound money—metallic currency and redeemable paper money—and credit which is automatically self-liquidating and redeemable in the standard metallic money.

(7) Proper functions and supply of deposit currency in Federal Reserve and commercial banks

(1) Proper functions of Federal Reserve deposits. These consist of service (a) as a medium of exchange for member banks and other agencies including the Federal Government, (b) as a storehouse of value for those institutions, and (c) as a reserve for member banks and others.

The word "proper" points to the well-tested principles that a central banking system should be the holder of the ultimate reserves for a commercial banking system and should, consequently, be of a commercial nature, and that deposits carried for the Federal Government should arise from the services performed by the Reserve banks as fiscal agents for the government in receiving proceeds of taxes and borrowing from the people and in paying out such receipts. Such deposits should not arise from monetization of Federal debt.

Respect for these principles of good central banking would require reform in Federal Reserve and Treasury procedures and pursuit of a wise program of demonetization of Federal debt.[1]

(2) Proper supply of deposits in Federal Reserve banks. This is determined by the amount of cash deposited by member banks, non-member clearing banks, foreign central banks and governments, the Federal Government, and other institutions authorized to carry deposits with the Federal Reserve banks. To these cash (primary) deposits may be added those derived from loans, advances, and discounts made by the Reserve banks to, or for, their customers. These should rest upon short-term self-liquidating paper. Government securities should enter the portfolios of the Reserve banks as a basis of derivative deposits only as part of transactions arising from, or for the purpose of providing funds for, short-term self-liquidating business transactions, and for the purpose of providing some stability or orderliness in the money markets in which the supply of money and credit affects commerce, agriculture, and industry.

Should Not Finance the Government

These banks should not purchase government securities directly from the United States Treasury; but, in the interests of orderly money markets during tax-paying periods or during the flotation of government securities, it is sound principle for the Reserve banks to purchase so-called "one-day" Treasury overdrafts. This is, fundamentally, a procedure for helping to maintain a smooth-operating money and credit mechanism while the people are financing the government rather than a case of financing the government by the Reserve banks.

It also represents an effort of these banks to provide a smooth-working mechanism as fiscal agents of the government.

It is not a proper function of the Reserve banks to finance the government; their basic function is, instead, to maintain a sound currency — the integrity of the dollar—for the people of this nation. A sound currency does not refer to a relatively stable index of prices. Instead, it involves the maintenance of a fixed gold standard, the preservation of the redeemability of all non-gold currency in gold, and the confinement of the uses of credit to transactions which will liquidate that credit when it matures.

These are the controlling considerations which should determine the volume of deposit currency in the Federal Reserve banks.

(3) Proper functions of deposits in commercial banks. The proper functions of demand deposits are to serve (a) as a medium of exchange, (b) as a storehouse of value, (c) as a reserve for various other financial institutions. The proper function of time deposits is to serve as a storehouse of value.

(4) Proper supply of deposits in commercial banks. This is determined in part by the ability of these banks to accumulate cash (primary) deposits. All time deposits are primary while the proportion of primary deposits in demand deposits varies from time to time. As business expands, the proportion derived from loans and investments (derivative deposits) tends to increase; as business contracts, the proportion of such deposits tends to decrease. Derivative deposits expand properly as commercial banks extend credit against short-term, self-liquidating paper. They contract properly when applications for such loans diminish in volume.

(8) The question of currency manipulation to obtain "the proper supply" of currency

The aggregate supply of currency is proper only if the parts of the currency which comprise the aggregate are in harmony with the functions which each type of currency performs.

Theories to the effect that the aggregate supply of currency should be expanded or contracted to accomplish some such purpose as stabilization of the price level, or rising productivity, or "full employment," are invalid for the following reasons: (1) They ignore the fact that the proper supply of each type of currency is determined by the correct performance of its appropriate functions. (2) They rest upon an assumption as to the relationship between the total quantity of the various types of currency on the one hand, and, on the other, prices, or productivity, or employment—an assumption which is much too simple to fit the facts involved. (3) They confuse cause and effect relationships.

The contention that concepts of the proper supply of our currency should not be separated from the functions of our various kinds of currency probably needs no further elucidation.

The second assumption, involving acceptance of a quantity theory of the value of money—a common form is that of an equation of exchange presented by Irving Fisher in his book *The Purchasing Power of Money* (The Macmillan Co., New York, 1911)—is not supportable by evidence and is consequently fallacious.

The confusion of the cause and effect aspects of the currency supply seems to arise, in part at least, from failure to perceive that expansion of the supply of a sound currency is chiefly the result of an increase in business activity and the supply of monetary metals, and that it is an unsound currency, or the improper use of a sound currency, which can act as an important causal factor in respect to prices.

A Contradiction in Terms

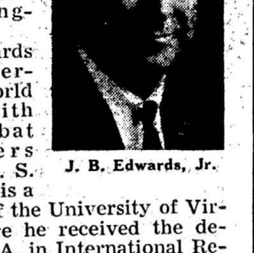
If the supply of currency is to be manipulated to accomplish some purpose—for example, expanded to raise prices—the program can be effective only if the currency is unsound in quality or the use of a sound currency is improper. Currency managers who endeavor to make the currency supply a causal factor require unsound currencies and unsound currency procedures for their manipulative purposes. Management, in the sense of manipulation, of a sound currency is fundamentally a contradiction in terms. A sound currency is essentially a passive agent; it could not be manipulated and remain a sound currency.

The theory frequently advanced these days to the effect that our supply of currency should be increased at a yearly rate of, say, 3% to stabilize the price level as production increases at the same rate and to maintain "full" employment lacks scientific justification. It rests upon a quantity theory of the value of currency which is invalid. It makes the currency supply a causal force whereas a fundamental characteristic of a sound currency is that it is a passive, resultant instrument in exchanges. The theory attaches an unwarranted virtue to a stable index of prices whereas the proper important consideration is economic harmonies—harmonious balance among the forces of production, exchange, consumption, and distribution of national income. These balances tend to be obtained by the operation of free and fair competitive markets with a sound currency. They are not obtained by currency manipulation.

[1] Such a program has been outlined by this author in a pamphlet, *Demonetization of the Federal Debt* (Economists' National Committee on Monetary Policy, One Madison Avenue, New York 10, N. Y., May, 1953), 50 pp.

Edwards Appointed by Crosby Corporation

BOSTON, Mass.—The Crosby Corporation has announced the appointment of James B. Edwards, Jr., as wholesale representative for the States of Maryland, Virginia, West Virginia, Delaware and The District of Columbia, with headquarters in Washington, D. C.



J. B. Edwards, Jr.

Mr. Edwards served overseas in World War II with the Combat Engineers of the U. S. Army. He is a graduate of the University of Virginia where he received the degree of B. A. in International Relations. For five years he served as a civilian Job Analyst with the Navy Department and for over two years was a registered representative of Auchincloss, Parker & Redpath, members of the New York Stock Exchange, in their Washington office.

Mr. Edwards will represent The Crosby Corporation in the wholesale distribution of Fidelity Fund, and Puritan Fund. He will devote himself to working with the dealers and salesmen in the above-mentioned states.

Kenneth J. Hanau

Kenneth John Hanau passed away April 27 at the age of 61 following a brief illness. Mr. Hanau, who was Chairman of the Executive Committee of the National State Bank of Newark, in the past was associated with J. & W. Seligman & Co., Redmond & Co., and Spencer Trask & Co.

Securities Salesman's Corner

By JOHN DUTTON

Selling Mutual Funds

The emphasis of the regulatory agencies and the N.A.S.D. on the full disclosure of such items as "acquisition cost" (sometimes referred to as the load), the rate of return based upon average month-end offering price, the segregation of dividend income and capital gain distributions are all directed toward a laudable objective. It is important that the investor be fully informed of exactly what the Fund in question has earned. It is also proper that no representations be made that past performance will be the same in the future. (It would take a pretty dull person, or one woefully uninformed, to imagine such a thing, but there are some people who have no knowledge of investment who might believe such a statement.) The rules and regulations are no doubt set up with good intentions behind them. Unfortunately, honorable investment salesmen don't need them and the unscrupulous Mutual Fund salesmen who come into the business ignore these rules anyway. But regardless of the merits or demerits of the present statement of policy, regulations, etc., the point is that the rules are there and they should be scrupulously obeyed.

A Good Sales Presentation Is Not Based Upon Technicalities

When you are talking to a prospect about a Mutual Fund, it is requisite that you as a salesman believe that the Fund is what that investor needs. There are many people who will be better off with their funds invested in one or several Mutual Funds than if they tried to manage a diversified investment portfolio. I am not going into a classification of these individuals here, but when you can conscientiously see that a Mutual Fund is a good investment for a client, then you can offer one that you believe is suitable—with conviction and sincerity. I certainly don't believe that the Funds are the best investment for everyone.

When It Comes to the Question of Income Return

When a person asks "What does it pay?" it is much better sales technique to handle the question honestly but BRIEFLY AND CASUALLY. You can take the offering circular and the prospectus and you can laboriously go over the past ten years' record and you can confuse, and scare your prospect enough to lose the sale (especially if he is not too well versed in the technical analysis of figures and financial statements). It is better to simply state, "During the past ten years, based upon an average month-end offering price, the return from dividend income has been 4%. In addition, during the past ten years there have been years when this Fund has paid an additional income to the shareholders from capital gains and other sources, and on an investment of $10,000 these capital gains have amounted to so much during the past ten years.

Then let the prospect ask some questions. Don't overemphasize these points. Take them naturally and easily. Don't allow yourself to become all tense when the subject of yield, income, capital gains, load charge or any other factor arises. MINIMIZE THESE POINTS. I am writing this for salesmen, not for lawyers or government bureaucrats. N.A.S.D. officials or the like. From a sales point, these are the least important factors you can bring to the attention of your client. My point is, cover them completely, according to the rules, both in writing and in personal conversation with an investor, but they are mere technical details involved in the operation of the "Funds." Load, capital gains distributions, dividend income, these things are how the Funds operate but they are not the important thing the investor will buy (if he buys at all).

What the Investor Buys

The investor buys INCOME! He either buys INCOME now or he buys it for the FUTURE. He wants checks. He also wants an investment that will help him to live better (NOW OR LATER). He wants to protect his savings against depreciation through depreciated dollar savings. He wants freedom from care. He wants to be as SAFE IN HIS MIND as is reasonably possible.

These are the things in which HE IS INTERESTED. If he can see a Mutual Fund investment as a vehicle that will give him the foregoing opportunity of investing his capital, he is not going to be interested in a labored, detailed discussion of the way the fund is put together.

I handle the acquisition cost early in my discussion. With new investors I am doubly careful to tell them that this is a long-term investment. I state specifically what the acquisition cost will be and I make mention of the fact that this covers both the buying and the selling fee. I avoid being drawn into a long discussion of costs by simply stating, "This is an investment program with all the following features, it is not like any other single investment in a stock or a bond." I make the simple statement that the costs of merchandising the Funds has been established by competition among over a hundred Mutual Funds, and "a good horse is worth his hire."

Regarding future performance all you have to say is, "This is the record of this Fund during the past ten years. They have been prosperous years as we know. Possibly this Fund won't do as well in the next ten years, or it might do as well or better, but if we believe that business (with all its ups and downs) will grow and the top companies in this country will have a good future, then this investment should certainly make a good showing. At least, I feel that way about it and I think that is sensible, don't you?"

My point in this column is, as a salesman don't become tense when it comes to a discussion of the "load," past performance, income production, capital gains, etc. Don't take out your pencil and laboriously go through these things. Don't be led off on tangents of discussion. Keep your prospect THINKING on the larger view of what he really desires. MORE INCOME NOW, OR FOR THE FUTURE.

The other day an investor telephoned and asked me to send him a prospectus of a certain Mutual Fund. After he received the literature, he told me that he had two sisters who might be interested in a fairly substantial investment. This was a man who knew the score when it came to investing. He said. "What will it pay?" I gave him the answer, "So much from dividend income during the past ten years, so much from capital gains, that's on page so-an-so in the prospectus." He asked me a few more questions and I told him to look on the required page of the prospectus. All this was done over the phone. He hasn't bought yet, but he also asked about the load. I briefly told him what it was and referred to the proper page of the prospectus, also mentioning the reduced load on amounts over $25,000.

I haven't spoken to him for a few days but I am sure that no amount of sales talk is going to make a whit of difference with this man. He is a sophisticated investor. He has bought stocks and bonds all his life. What he likes about this Mutual Fund idea is that it is good for his two sisters who don't know investment procedure. He likes the diversification principle, the excellent and able men who manage this fund, its long record of continuous income production during the past quarter of a century, and the fact that he thinks they have too much now in dollars and this is one of the best ways to protect their future income needs with a minimum of bother and responsibility to himself and to them if he predeceases them.

Each case must stand on its own. This man will buy these Funds if he thinks it will reasonably meet the foregoing requirements. He can read it all in the prospectus if he wants the details of costs, expenses, and what have you.

I believe it is laudable for the industry, through the N.A.S.D., and for the S.E.C. to make rules that will attempt to stop the type of salesmanship that willfully misrepresents the facts regarding load, income production, or future possibilities. However, these restrictions should not penalize the conscientious salesman who sells the Funds where the need is indicated and where the buyer will benefit. The honorable investment salesman won't misrepresent. He doesn't have to do this. Just use common sense and don't tighten up when you come to such questions as I have indicated here—they are minor points of interest in the mind of the investor—don't enlarge them into something which is all out of proportion to their importance.

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Funds' Portfolio Policies Less Defensive

While blue-chippy chemicals, as duPont, Dow, and Union Carbide; drugs as Schering and Pfizer; and reserve-rich oils as Amerada and Superior, continued to be accumulated; there also occurred some concentrated selling in several other of the growth leaders, as General Electric, Sperry Rand, W. R. Grace and Minneapolis-Honeywell. Minnesota Mining & Manufacturing was completely shunned.

The Buyers

Among the funds particularly aggressive as net common stock buyers during the quarter, while the market as measured by the Dow-Jones Industrial Average showed a net decline of 4.9%, were Axe-Houghton Fund B, Commonwealth, Delaware, Dividend Shares, Dreyfus, Eaton & Howard Stock Fund, Institutional Foundation Fund, Investors Mutual, Massachusetts Life Fund, Stein Roe & Farnham, Wellington, Fundamental Investors, Fidelity, Incorporated Investors, Investment Co. of America, M.I.T., Massachusetts Investors Growth Stock, Scudder Stevens & Clark Common Stock, the United Funds Group, Adams Express, and General American Investors.

The Sellers

On the other hand, common stock sellers on balance included Boston Fund, National Securities Income and Stock Funds, Affiliated Fund, Blue Ridge, State Street, Wisconsin, American-European, Johnston Mutual Fund, Niagara Share, and Tri-Continental. Not buying a single share were American Business Shares, Value Line, and as for some time back, U. S. & Foreign Securities.

Tri-Continental, the largest closed-end investment company, sold common stocks on balance in the amount of about $2 million; and placed all of the $13.1 million received from the exercise of its warrants and as a capital gain dividend from Tri-Continental Financial Corp. into cash account, short-term senior securities and corporate bonds.

Confident Managements

Foremost among the optimists is Edward P. Rubin, President of Selected American Shares. Asserting that "broadly comprehensive figures for the American economy in the first 1957 quarter were good. Industrial production held near the all-time high and above 1956's first quarter. Employment reached a new March high, unemployment was down from a year ago. Personal income was at a new high annual rate . . . In the year-and-a-half since the President's heart attack, the Dow-Jones Industrial Average has traded in a relatively narrow range 7% above and 7% below the Sept. 23, 1955 figure . . . and the stock market gives gratifying evidence of overall stability in the face of "rolling readjustments" in many individual stocks. Mr. Rubin then reports his investment conclusion as follows: "This management continues to be convinced that well-chosen common stocks represent excellent long-term investments. Thus the main body of security holdings of this company continues to be diversified common stocks which are believed to be attractively priced in relation to current and prospective earnings and dividends."

Also expressing confidence in the limitation of readjustment to the "rolling" category is National Securities & Research Corp., sponsors and managers of a large group of mutual investment funds. "Expenditure for consumer services rose $6.8 billion last year and expenditures for non-durable consumer goods rose $6.7 billion, far more than offsetting a $1.7 billion decline in consumer durables and a $1.3 billion decline in home building. These trends provide another illustration of the resiliency of the American economy which we described in previous forecasts. They again prove its ability to make 'rolling adjustments' while aggregate employment and production remain on a high plateau."

That this management's investment confidence is rather on the long-term side is indicated by its common stocks' sales on balance and the increase in net cash and governments by its two funds here under review.

Long-term confidence in common stocks, after citing economic soft spots and possible readjustments ahead, was voiced by Francis F. Randolph, Chairman, reporting for National Investors of the Tri Group.

The Case for Defensiveness

Reporting for the Johnston Mutual Fund Inc., which has "gone defensive" over the past nine months, Douglas T. Johnston, Chairman and M. Jennings von der Heyde, President, say: "Our last two reports commented briefly on the strains which had been placed on our economy by the exceptionally high level of business activity and the rapid rate of industrial expansion. It was suggested that the resulting rise in interest rates and the steps taken by the Federal Reserve Board to curtail inflationary pressures might result in some slowing down in the economic pace. To date there has been no appreciable drop in the overall rate of industrial activity although in some instances there is evidence of some decline in demand and a rise in the competitive pressure on prices. It seems probable that this pattern may become more pronounced before the current period of readjustment is concluded. In the interim there may readily be some easing in stock prices. It has, therefore, seemed advisable to build up our reserves for the time being, pending new opportunities for additional common stock investments."

In a communication to this paper, commenting on his fund's sales of commons, with the proceeds swelling reserves to 23% of the portfolio at the quarter's end, Gordon P. Baird, an officer of the T. Rowe Price Growth Stock Fund, Inc. says: "It is our intention to continue this cautious policy until such time as the extent of the downtrend in business and corporate earnings can be more accurately determined."

Harold W. Story, President, emphasizes the fact that Wisconsin Fund, for the first time in a number of years, includes in its portfolio a substantial amount of long-term bonds; and that it further added strength to its portfolio by increasing its holdings of public utilities securities.

After expressing worry over uncertain automobile demand, the trustees of General Investors Trust conclude: "At this time we see no justification for undue pessimism as to the future, but neither are we persuaded that the economic cycle is a thing of the past."

The note of underlying confidence amidst short-term doubts is typified by the statement of Lawrence A. Sykes, President of the Trustees of the Massachusetts Life Fund: "General business during the first quarter, as anticipated, held up remarkably well. However, soft spots appeared in several industries including steel, paper, and building; and prices of certain key materials such as copper and scrap iron have shown a definite tendency to decline. While we continue to remain somewhat cautious in our overall outlook, nevertheless, certain selective situations have appeared to enter a buying area and on this basis, we have added to our oil and drug holdings in particular. Our investment in common stocks still remains conservative and represents 59.52% of our overall portpolio. In addition, during the period we took advantage of the attractive interest rates now available to add to our bonds."

Similarly in the mixed-to-constructive vein is the following from the Trustees of Shareholders' Trust of Boston: "While the volume of overall business activity continues at a high level conflicting trends which have been developing in our economy have recently intensified. In anticipation of these developments, your management during the past year has been making significant changes in the trust's investments which have been reported to you. In summary bond and preferred stock holdings have been adjusted to reflect developments in the money market. Substantial investments in high grade short-term securities affording satisfactory rates of income were acquired over an extended period and recently they have been reduced in favor of attractively priced higher yielding convertible issues as they became available. Common stocks of companies whose earnings prospects have lessened have been eliminated in favor of those whose profit potentials appear promising. Your management believes, regardless of the divergent economic trends, that a sound investment program should continue to reflect the long-term inflationary forces and the inherent growth factors in our economy."

Expressing satisfaction over their recent defensive policies are the Trustees of New England Fund: "Experience in the 12 months . . . demonstrates the value of maintaining reserves of cash and short-term bonds and notes during times of market uncertainty."

And from George A. Bailey, President of Sovereign Investors:

"Your management is following a conservative investment policy until there is more convincing evidence that a major market upturn is at hand."

POLICY TOWARD INDUSTRY GROUPS

Our analysis of specific portfolio changes, which are tabulated in this study reveals that bullishness during the quarter was largely concentrated in the following industry groups: agricultural equipments, chemicals, coal, container and glass, drugs, insurance, finance companies, machinery, aluminum, special metals, natural gas, oils, paper, utilities, steels, broadcasting, merchandising, rubbers, and textiles.

Industry bearishness by the fund managements during the

Continued on page 32

Balance Between Cash and Investments of 75 Investment Companies

End of Quarterly Periods December 1956 and March 1957

Security Transactions During January-March 1957

	Net Cash & Governments Thousands of Dollars —End of—		Net Cash & Governments Per Cent of Net Assets —End of—		Investment Bonds and Preferred Stocks* Per Cent of Net Assets —End of—		Com. Stks. and Lower Grade Bonds & Pfds. Per Cent of Net Assets —End of—		(In Thousands of Dollars) Portfolio Securities Other than Governments		Of this: Portfolio Common Stocks	
	Dec.	Mar.	Dec.	Mar.	Dec.	Mar.	Dec.	Mar.	Total Purchases†	Total Sales**	Total Purchases†	Total Sales**
Open-End Balanced Funds:												
American Business Shares	3,789	3,692	13.5	13.2	33.6	35.6	52.9	51.2	548	939	None	530
Axe-Houghton Fund A	4,979	4,093	10.8	9.0	36.8	38.7	52.4	52.3	1,646	897	1,121	897
Axe-Houghton Fund B	4,386	3,772	6.4	5.4	22.9	25.1	70.7	69.5	3,675	215	2,064	215
Axe-Houghton Stock Fund	557	663	7.8	9.5	28.0	28.7	64.2	61.8	150	418	307	281
Axe Science & Electronics	331	36	3.0	0.3	28.6	28.1	68.4	71.6	325	1,142	N.A.	N.A.
Boston Fund	7,754	2,000	5.4	1.4	¶29.9	¶33.2	‡64.7	‡65.4	10,804	7,093	1,550	2,944
Bowling Green	64	24	11.2	4.6	17.5	21.5	71.3	73.9	53	68	53	68
Broad Street Investing	1,620	1,814	1.7	1.9	17.9	20.3	80.4	77.8	6,006	3,400	3,008	2,685
Commonwealth Investment	11,787	9,403	9.9	7.9	17.1	18.5	73.0	73.6	7,444	2,083	4,864	1,971
Diversified Investment Fund	2,271	1,672	3.4	2.5	23.1	26.6	73.5	70.9	5,115	3,042	2,328	2,002
Dodge & Cox Fund	442	387	8.4	7.4	22.8	26.7	68.8	65.9	429	203	429	203
Eaton & Howard Balanced Fund	13,005	10,702	7.5	6.1	23.2	25.2	69.3	68.7	9,331	6,313	3,365	3,087
General Investors Trust	354	337	10.2	10.0	9.1	12.3	80.7	77.7	292	250	191	246
Group Securities— Fully Administered Fund	696	495	8.8	6.1	20.5	22.9	70.7	71.0	1,344	931	1,142	931
Institutional Foundation Fund	478	835	5.0	8.3	7.8	9.5	87.2	82.2	1,943	495	1,789	484
Investors Mutual	11,816	4,293	1.2	0.4	28.6	33.0	70.2	66.6	72,899	47,306	26,106	13,333
Johnston Mutual Fund	570	499	9.9	8.5	21.1	27.1	69.0	64.4	1,000	519	178	278
Knickerbocker Fund	1,337	1,353	10.3	10.1	24.1	20.4	65.6	69.5	1,840	1,442	1,840	1,442
Loomis-Sayles Mutual Fund	8,465	8,626	15.8	15.5	28.7	26.9	55.5	57.6	5,827	4,443	378	223
Massachusetts Life Fund	3,058	2,779	9.7	8.5	29.9	31.4	60.4	60.1	2,142	429	1,579	340
Mutual Investment Fund	1,034	1,259	8.4	9.5	9.9	11.4	81.7	79.1	1,081	9	‡‡785	9
National Securities—Income	1,558	3,782	3.0	7.1	11.2	9.2	85.8	83.7	2,481	3,197	1,245	1,925
Nation-Wide Securities	1,386	1,672	5.3	6.3	34.6	32.5	60.1	61.2	2,158	1,865	N.A.	N.A.
New England Fund	1,424	1,390	10.1	9.9	30.9	30.5	59.0	59.6	598	625	46	None
George Putnam Fund	4,867	5,942	3.6	4.3	23.4	25.1	73.0	70.6	12,063	8,519	4,574	4,242
Scudder, Stevens & Clark Fund	2,651	1,838	3.8	2.6	34.2	37.9	62.0	59.5	6,881	5,733	1,886	1,775
Shareholders' Trust of Boston	1,446	765	7.5	4.1	19.9	21.3	72.6	74.6	2,441	1,594	1,580	1,348
Stein Roe & Farnham Fund	2,306	1,507	13.9	8.6	30.8	36.3	55.3	55.1	2,280	366	997	365
Value Line Fund	3,744	3,497	35.4	34.9	20.4	23.2	44.2	41.9	141	81	None	81
Value Line Income Fund	4,197	4,792	5.8	6.5	1.2	1.1	93.0	92.4	4,499	2,974	4,499	2,862
Wellington Fund	42,108	41,100	7.3	6.9	26.1	29.6	66.6	63.5	60,314	35,225	30,318	25,332
Whitehall Fund	89	243	1.1	3.0	46.5	44.7	52.4	52.3	541	443	210	196
Open-End Stock Funds:												
Affiliated Fund	37,187	48,581	10.3	13.4	0.6	0.5	89.1	86.1	3,596	13,647	3,596	13,647
Blue Ridge Mutual Fund	1,821	2,629	6.7	9.8	0.4	0.6	92.9	89.6	505	665	454	665
Bullock Fund	5,144	3,698	15.7	11.5	None	None	84.3	88.5	3,483	1,344	N.A.	N.A.
Delaware Fund	5,725	3,423	12.1	7.1	3.6	5.4	84.3	87.5	9,008	4,471	8,443	4,471
de Vegh Mutual Fund	1,510	1,073	10.6	7.6	5.0	6.8	84.4	85.6	1,917	1,609	‡‡1,417	‡‡1,609
Dividend Shares	29,079	28,024	13.6	13.4	None	None	86.4	86.6	9,040	5,780	9,040	5,780
Dreyfus Fund	230	221	2.3	2.0	None	None	97.7	98.0	4,775	3,434	4,775	3,434
Eaton & Howard Stock Fund	9,619	8,036	12.9	10.3	1.3	1.9	85.8	87.8	6,185	435	6,185	435
Energy Fund	43	53	1.4	1.6	None	None	98.6	98.4	401	229	388	229
Fidelity Fund	23,277	23,629	9.0	9.4	4.4	4.6	86.6	86.0	14,900	8,318	‡‡13,950	‡‡8,118
Fundamental Investors	8,308	5,968	2.2	1.6	None	None	97.8	98.4	18,244	8,292	18,244	8,292
General Capital Corp.	61	128	0.4	0.9	None	None	99.6	99.1	2,611	2,846	2,611	2,846
Group Securities — Com. Stock Fund	597	2,337	2.5	9.6	None	None	97.5	90.4	3,804	4,150	3,804	4,150
Incorporated Investors	8,112	8,183	3.0	3.2	2.0	0.6	95.0	96.2	12,588	7,578	12,588	3,578
Investment Co. of America	9,984	4,053	10.5	4.3	0.5	0.2	89.0	95.5	10,279	2,389	10,279	2,389
Massachusetts Investors Trust	1,762	3,344	0.2	0.3	0.5	1.5	99.3	98.2	43,681	24,254	28,338	18,211
Massachusetts Investors Growth Stock	2,986	2,231	2.6	1.9	None	None	97.4	98.1	9,012	2,790	9,012	2,790
National Investors	869	827	1.3	1.3	None	None	98.7	98.7	1,688	1,238	1,688	1,238
National Securities—Stock	1,889	7,749	1.4	6.1	None	None	98.6	93.9	220	3,170	220	3,170
Pine Street Fund	561	651	4.3	4.9	7.9	7.2	87.8	87.9	950	767	599	244
T. Rowe Price Growth Stock	1,520	1,691	18.5	19.1	2.1	2.4	79.4	78.5	1,373	766	913	555
Scudder, Stevens & Clark— Common Stock Fund	1,189	217	8.4	1.5	None	None	91.6	98.5	1,649	90	1,649	90
Selected American Shares	9,768	10,530	15.0	16.8	1.0	1.1	84.0	82.1	15,037	14,655	8,713	8,412
Sovereign Investors	46	24	2.4	1.3	2.1	2.5	95.5	96.2	95	None	95	None
State Street Investment	21,583	22,743	13.0	13.9	0.4	0.4	86.6	85.7	6,525	7,665	6,525	7,665
United Accumulative Fund	12,041	10,682	9.5	8.2	8.2	10.8	82.3	81.0				
United Continental Fund	1,664	1,650	6.2	6.1	0.6	1.0	93.2	92.9				
United Income Fund	7,777	7,111	4.9	4.7	0.7	0.8	94.4	94.5	24,986	9,613	22,056	9,379
United Science Fund	3,229	2,227	8.4	5.7	0.6	1.2	91.0	93.1				
Value Line Special Situations	659	453	7.5	4.9	None	None	92.5	95.1	507	208	372	208
Wisconsin Fund	205	166	1.8	1.4	1.2	8.9	97.0	89.7	1,563	1,311	670	1,311
Closed-End Companies:												
Adams Express	3,881	4,472	4.0	4.8	0.7	1.0	95.3	94.2	1,507	830	1,322	829
American European Securities	546	661	2.8	3.6	12.4	20.7	84.8	75.7	2,335	2,344	464	1,777
American International	1,913	1,752	4.7	4.5	1.1	1.6	94.2	93.9	939	714	814	714
Carriers & General	1,143	1,101	6.7	6.6	2.8	2.7	90.5	90.7	711	656	711	608
General American Investors	3,987	3,843	6.0	5.9	1.7	1.8	92.3	92.3	376	257	376	162
General Public Service	2,116	2,012	8.5	7.8	None	None	91.5	92.2	1,271	1,005	1,271	1,005
Lehman Corporation	7,013	8,245	3.0	3.6	0.4	0.2	96.6	96.2	3,794	4,951	3,794	4,500
National Shares	2,700	2,454	10.5	10.0	1.5	2.1	88.0	87.9	1,445	1,171	‡‡1,328	‡‡1,171
Niagara Share	3,387	2,494	6.9	5.4	2.9	3.0	90.2	91.6	1,134	1,448	1,134	1,448
Overseas Securities	----	----	----	----	§11.2	§11.6	§87.4	§86.8	285	323	285	278
Tri-Continental	3,481	a8,731	1.1	a2.8	21.1	21.8	77.8	75.4	14,948	8,071	4,120	6,115
U. S. & Foreign Securities	13,318	13,511	10.6	11.3	None	None	89.4	88.7	None	225	None	225
Grand Total									459,758	295,958	290,875	202,253

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB (or approximate equivalents) for preferreds. ¶Bonds and preferreds irrespective of quality classification. ‡Common stocks only. §In percent of gross assets. (a) Increase due chiefly to $13,114,745 received from exercise of warrants and as capital gain dividend from Tri-Continental Financial Corp. †Cost of purchases. **Proceeds from sales ‡‡Estimated.

SUMMARY

Changes in Cash Position of 74 Investment Companies March 31, 1957 vs. Dec. 31, 1956

	Plus	Minus	Approx. Unchanged	Total
Open-End Companies				
Balanced Funds	8	16	8	32
Stock Funds	8	11	12	31
Closed-End Companies	5	3	3	11
Totals	21	30	23	74

Average Allocation by 75 Companies of Assets to Cash and Equivalent, Defensive Securities, and Risk Securities

	Dec. 31, 1956	Mar. 31, 1957
Net cash, etc., and Governments	7.3%	6.9%
Defensive securities (investment bonds and preferreds)	11.6	12.5
Risk securities (common stocks plus lower grade bonds and preferreds)	81.1	80.6

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Funds' Portfolio Policies Less Defensive

quarter was centered in the aircraft manufacturers and the airlines.

A mixed attitude was shown toward the automotives, banks, building, electrical equipment and electronics, coppers, railroads, and railroad equipments.

INDUSTRY GROUPS BOUGHT

Farm Equipments Favored

Apparent rebirth of confidence in recovery in the troubled agricultural situation is indicated by substantial buying of Deere and International Harvester.

Chemicals Widely Bought

In the face of the prevalent talk of profit squeeze, chemical issues enjoyed broad and steady buying. DuPont was purchased by nine managements, with three funds selling a total of only 800 shares. Air Reduction was bought by five managements, two of them being new acquirers, with liquidation by one management. The largest buyer was the United Funds Group to the tune of 46,000 shares. Affiliated Fund disposed of 45,200 of its holdings but retained 30,300 shares. American Potash was 4-1 on the buying side. U. S. Borax & Chemical, on the other hand, was completely closed out by two managements, including the same United Funds Group; with no buyers. Monsanto was bought by six managements, including Wellington, and sold by two including Chemical Fund. High-priced Rohm & Haas was bought by four managements, with no sellers. In American Cyanamid, whose market price rose sharply during the quarter, profits were taken by five managements, including a 22,000-share close-out by Fundamental Investors; with only one buyer, in the amount of 1,400 shares.

Unanimity In Coal

Possibly as an indirect result of the Suez crisis, as well as mechanization progress, the three active coal issues, Island Creek, Pittsburgh Consolidation, and diversified Pittston were well-bought, with nary a selling transaction.

Containers and Glass Retain Popularity

Container and glass stocks remained in favor, all nine issues finding a majority of buyers.

Drugs Well-Bought

Again continuing the trend of the previous quarter, drug issues were widely bought. Bristol-Myers was purchased by eight managements, three of them newly, the United Funds Group being the largest in the amount of 17,600 shares. There was no sale of this issue. Parke Davis, Merck, and McKesson & Robbins were also heavily bought. Ten thousand shares of Parke Davis were picked up by Investors Mutual, which also bought 11,900 Merck. The largest single buyer of Merck, however, was Chemical Fund to the tune of 12,300 shares. McKesson & Robbins was newly acquired by Broad Street in the amount of 18,000 shares, while Eaton & Howard Balanced Fund closed out its 16,000 share holding. Eli Lilly was bought by four funds, including an initial commitment by Investment Co. of America of 18,300. Pfizer was bought by six managements, and closed out by one. Schering was newly acquired by three managements, with no seller. On the liquidation side in this industry were Sterling Drug, with two managements disposing of 29,600 shares composed of 24,600 by Affiliated Fund and 5,000 by Commonwealth Investment; and G. D. Searle with two funds selling and none buying.

Finance, Banking and Insurance Popular

Despite the highly unfavorable recent and current operating results of the industry, the casualty companies joined the stock life companies in the experts' esteem. American Insurance, Continental Casualty, Firemen's Fund, Continental Assurance, Great American, Hartford Fire, Maryland Casualty, and U. S. Fidelity were all well bought. In the life field, the blue chippy Connecticut General was bought by Fundamental Investors and Commonwealth Investment, while Travelers was purchased by five managements, including two newly.

Machinery and Industrial Equipments Favored

Buyers outnumbered sellers in Allis-Chalmers, Babcock & Wilcox, Caterpillar, Combustion Engineering, Dresser, and United Shoe Machinery. In Chicago Pneumatic Tool, which split three-for-one, Joy, and Link-Belt they were even. Sellers predominated in Black & Decker and Bucyrus-Erie.

Aluminum and Special Metals Bought; Coppers Mixed

The Big Three in the aluminum industry, namely Alcoa, Kaiser, and Reynolds, were all well bought; as was Anaconda among the coppers, buying in the latter issue being swelled by the exercise of subscription rights. Among the other coppers, sellers matched buyers in Kennecott and predominated in Phelps Dodge. Good buying also occurred in New Jersey Zinc, American Smelting, Cerro de Pasco, International Nickel (with no sellers), Tennessee Corp., and Vanadium. Particular bearish sentiment was directed against Hudson Bay Mining & Smelting and St. Joseph Lead, both of which attracted no buyers.

Canadian uranium mining companies constituted important portfolio holdings by a number of funds. Thus, Energy Fund's ownership of 6,000 Algom stock and 2,000 warrants, 2,500 Consolidated Denison stock and 1,000 warrants, and 3,500 Northspan presumably served as a major factor in that fund's outperformance of the general market average during the past six months.

Tri-Continental increased its holdings of Canadian uranium mining companies' bonds to $6 million face value; namely, in Northspan and Stanrock (the latter issue with stock).

Natural Gas Stocks Generally Favored

In this group American Natural Gas attracted buying by as many as 15 fund managements, largely through the exercise of rights. In Northern Natural Gas six managements bought against three selling; among the buyers Fidelity Fund predominating with a new commitment of 12,000 shares. Republic Natural Gas was also in good demand, here again Fidelity Fund being a buyer, of 15,400 shares; Niagara Share, as the only seller, closed out its holding of 14,000 shares. Also in demand was United Gas, with Dividend Shares buying 14,800 shares and Group Securities making an initial commitments of 9,000 shares. Of El Paso Natural Gas, Investors Mutual sold 19,260 common shares but added 317,206 shares of Class B common newly-created under El Paso's acquisition of Pacific Northwest Pipeline Corp.; less than 140,000 Class B shares came from the conversion of interim notes held.

Oils Well Bought

The ever-popular oils continued in good demand. The high-priced Amerada and Superior attracted a preponderance of buyers. The former was bought by six funds, with State Street, which for some time has also favored selected Canadian oils, constituting the largest buyer with an addition of 8,800 shares. Four hundred shares of Superior were added by Selected American Shares (a large commitment in this high-priced issue), with further buying scattered among three other funds. Two hundred shares of this issue were disposed of by Commonwealth Investment.

Another stock particularly favored was Atlantic Refining, wherein four large initial commitments were made; namely, 25,000 shares by Incorporated Investors, 20,000 by Pennroad, 10,000 by Fidelity Fund, and 9,400 by Dividend Shares. Standard of New Jersey and Texas were also well-bought; Fundamental being the purchaser of 26,000 of the latter. Socony Mobil Oil was purchased by as many as 24 managements. While this largely reflected the rights offering, three managements made initial commitments in the issue. Wellington Fund bought the large amount of 140,800 shares, which was far in excess of its rights participation. Royal Dutch, in which the total of buying and selling transactions was fairly evenly matched, was completely eliminated by the Bullock Group in three of its funds, at a total of 35,000 shares.

Oil issues in which sellers outnumbered buyers included Phillips, Pure Oil, Sinclair, and Standard of Ohio.

Papers Bought

In the face of overproduction statistics and other bearish indications, paper issues were bought.

Continued on page 34

Changes in Common Stock Holdings of 56 Investment Management Groups

(January — March 1957)

Issues in which transactions by more than one management group occurred. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios. *(Purchases shown exclude shares received through stock splits or stock dividends. Changes through mergers also disregarded.)*

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment		
6(1)	67,500	Deere & Co.	13,000	2(1)
4(1)	55,200	International Harvester	300	1(1)
		Aircraft and Aircraft Equipment		
4(1)	16,700	Bendix Aviation	4,600	3(2)
5(1)	37,560	Boeing Airplane	96,240	4(2)
2	3,300	Garrett	None	None
4(2)	21,721	General Dynamics	None	None
3(1)	44,500	Martin Co.	3,280	1(1)
2(2)	18,000	McDonnell Aircraft	10,920	2(1)
1(1)	*10,300*	*Aeroquip*	*1,460*	*2*
1	*1,000*	*Curtiss-Wright*	*16,000*	*2(1)*
3(1)	*46,400*	*Douglas Aircraft*	*31,000*	*5(3)*
1	*2,275*	*Lockheed Aircraft*	*3,517*	*3(2)*
1	*4,000*	*North American Aviation*	*355,300*	*9(3)*
1	*4,300*	*United Aircraft*	*26,000*	*5(2)*
		Airlines		
1	2,050	Northwest Airlines	7,500	1(1)
2	*25,300*	*American Airlines*	*52,600*	*5(1)*
None	*None*	*Delta Airlines*	*3,500*	*2*
2(1)	*1,900*	*Eastern Air Lines*	*34,120*	*7(3)*
1	*27,900*	*United Air Lines*	*58,705*	*6(2)*
		Automotive and Parts		
3	12,000	Borg-Warner	15,000	2(2)
3	9,000	Briggs & Stratton	None	None
2	4,500	Chrysler	None	None
5	29,500	Ford Motor	2,100	1(1)
2	4,500	Kelsey-Hayes	None	None
2	23,660	Stewart-Warner	None	None
3(2)	4,500	Thompson Products	4,000	1
4	*8,000*	*General Motors*	*195,900*	*8(2)*
1(1)	*3,700*	*Mack Trucks*	*967*	*2*
None	*None*	*Rockwell Spring & Axle*	*21,111*	*3(2)*
1	*1,500*	*Timken Roller Bearing*	*6,500*	*3(1)*
		Beverages		
4(1)	3,200	Coca-Cola	None	None
2(1)	*26,800*	*Pepsi-Cola*	*29,500*	*3(2)*
		Building, Construction and Equipment		
4	32,500	Armstrong Cork	5,000	1(1)
2(1)	7,200	Carrier Corp.	1,300	1
1	1,000	Celotex	500	1(1)
3(1)	1,300	General Portland Cement	6,300	2(1)
3(1)	6,500	Lone Star Cement	500	1
3(2)	4,400	Minneapolis-Honeywell	14,800	2
2(1)	8,000	Missouri Portland Cement	7,506	1(1)
3	3,940	National Lead	100	1
3(2)	49,500	Otis Elevator	None	None
1	250	Penn-Dixie Cement	5,000	1(1)
3	2,200	Sherwin-Williams	None	None
4(1)	14,800	U. S. Gypsum	7,000	1
1	1,000	U. S. Plywood	1,500	1(1)
2(1)	41,500	Weyerhaeuser Timber	23,000	1(1)
1	*3,000*	*American Radiator*	*38,000*	*3(3)*
None	*None*	*Flintkote*	*685*	*2*
None	*None*	*Johns-Manville*	*1,000*	*2(1)*
1(1)	*19,700*	*National Gypsum*	*20,100*	*3(2)*
None	*None*	*Yale & Towne*	*9,000*	*2(1)*
		Chemicals		
5(2)	53,000	Air Reduction	45,200	1
3(1)	9,400	Allied Chemical & Dye	13,568	1(1)
4(1)	8,900	American Potash & Chemical	3,540	1
2	7,300	Atlas Powder	None	None
6(2)	16,000	Diamond Alkali	29,870	1(1)
5	6,198	Dow Chemical	25,100	2
9	32,400	Du Pont	800	3(1)
2	1,028	Eastman Kodak	575	1
1	800	Food Machinery & Chemical	1,000	1(1)
3(1)	9,300	Hercules Powder	8,500	2
2	5,000	Interchemical	1,300	1(1)
2	1,900	Lindsay Chemical	100	1
6(1)	37,790	Monsanto Chemical	20,400	2
2	5,000	Olin-Mathieson	2,000	1(1)
2(1)	15,300	Pennsylvania Salt	None	None
4(1)	2,068	Rohm & Haas	None	None
2(1)	4,500	Spencer Chemical	None	None
4(3)	21,000	Stauffer Chemical	2,038	1(1)

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
6	7,672	Union Carbide & Carbon	5,500	2(1)
3(1)	5,000	United Carbon	None	None
1	*1,400*	*American Cyanamid*	*29,600*	*5(2)*
1	*3,200*	*Koppers*	*1,800*	*2*
None	*None*	*U. S. Borax & Chemical*	*8,000*	*2(2)*
		Coal & Coke		
2(2)	10,000	Island Creek Coal	None	None
3(1)	12,297	Pittsburgh Consolidation Coal	None	None
4	19,500	Pittston	None	None
		Containers & Glass		
2	3,300	American Can	10,000	1
1(1)	2,000	Anchor Hocking Glass	1,000	1
3	4,000	Continental Can	8,400	3(2)
4	6,100	Corning Glass Works	2,800	3
1(1)	1,500	Dixie Cup	1,375	1
2	2,300	Libbey-Owens-Ford Glass	3,000	2(1)
4	7,800	Owens-Illinois Glass	20,800	2(2)
2(1)	5,400	Owens-Corning Fiberglas	2,600	2(2)
1	10,700	Pittsburgh Plate Glass	3,700	1
		Drug Products		
3(2)	23,600	Abbott Laboratories	6,400	3(2)
8(3)	42,900	Bristol-Myers	None	None
4(2)	36,500	Lily (Eli) "B"	None	None
5(2)	24,000	McKesson & Robbins	17,500	3(1)
3	4,200	Mead Johnson	1,000	1
5(1)	34,700	Merck	6,500	2(1)
5(1)	31,200	Parke, Davis	4,000	1(1)
6	17,800	Pfizer (Chas.)	4,000	1(1)
3(3)	5,500	Schering	None	None
2(1)	12,300	Smith, Kline & French	5,000	1(1)
1(1)	6,300	U. S. Vitamin	5,000	1(1)
4(1)	15,900	Warner-Lambert	9,200	1
None	*None*	*Searle (G. D.)*	*6,700*	*2(1)*
1	*3,000*	*Sterling Drug*	*29,600*	*2*
		Electrical Equipment & Electronics		
2	13,400	International Tel. & Tel.	None	None
5(3)	28,100	McGraw-Edison	None	None
4	4,900	Radio Corp.	58,000	4(3)
2	6,000	Sperry Rand	20,000	2(2)
3	9,300	Sunbeam	1,000	2
2	3,500	Texas Instruments	14,200	1
4(1)	10,800	Westinghouse Electric	None	None
7(1)	*20,600*	*General Electric*	*127,700*	*8(4)*
None	*None*	*Sprague Electric*	*12,800*	*2(1)*
1(1)	*1,000*	*Square D*	*12,000*	*4(1)*
		Finance, Banking and Insurance		
3(1)	35,520	American Insurance (Newark)	None	None
3(1)	2,300	Associates Investment	None	None
5(1)	34,500	C. I. T. Financial	None	None
3(1)	8,900	Chase Manhattan Bank	500	1
3(1)	20,000	Commercial Credit	None	None
2	2,600	Connecticut Gen'l Life Insurance	200	1
2	675	Continental Assurance	None	None
3(1)	4,500	Continental Casualty	None	None
4(1)	21,800	Fireman's Fund Insurance	None	None
1(1)	3,000	General Reinsurance	12,000	1(1)
2(1)	2,053	Gov't Employees Insurance	None	None
3(3)	11,100	Great American Insurance	1,000	1
1(1)	5,000	Guaranty Trust	1,240	1
2(2)	3,000	Hartford Fire	None	None
2	6,000	Industrial Acceptance Ltd.	None	None
1(1)	3,500	Maryland Casualty	200	1(1)
1	1,500	Mellon Nat'l Bank & Trust	2,000	1(1)
1	2,566	National City Bank of Cleveland	8,000	1(1)
1(1)	15,000	Seaboard Finance	3,000	1(1)
5(2)	13,350	Travelers Insurance	None	None
2(2)	2,350	U. S. Fidelity & Guaranty	None	None
None	*None*	*Bank of America*	*29,000*	*3(1)*
2(1)	*8,200*	*First National City Bank (N. Y.)*	*11,100*	*4(1)*
		Food Products		
2(1)	8,200	Borden	None	None
2	2,600	Campbell Soup	None	None
1	500	Corn Products Refining	10,800	1
2(2)	5,500	General Foods	900	2
1	1,000	National Biscuit	13,000	1
2	10,520	National Starch Products	None	None
3	7,500	United Fruit	5,900	2(2)
1(1)	*10,000*	*National Dairy*	*14,600*	*2(1)*

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Funds' Portfolio Policies Less Defensive

Crown Zellerbach, Great Northern Paper, Kimberly-Clark, Marathon, Mead, and St. Regis, and Container found more buyers than sellers. International Paper constituted a stand-off between managements.

Interest in Utilities

Here interest was greatest in Arkansas & Louisiana Gas, which had been already strongly favored in the preceding quarter. The largest buyer during the March quarter was Affiliated Fund, with a new commitment of 50,000 shares. A 168,000-share initial commitment by Tri-Cintinental swelled purchases of American Gas & Electric. Also quite popular were Central & South West, Consumers Power, Houston Lighting & Power, Louisville Gas & Electric, and South Carolina Electric & Gas. Greatly stimulated by rights offerings was the buying in Dayton Power & Light, General Public Utilities, Ohio Edison, Southern Co., and West Penn Electric.

Issues wherein sellers outnumbered buyers were New England Electric System, American Tel. & Tel., International Utilities, and Utah Power & Light. In AT&T and New England Electric the Scudder Fund sold its entire holdings of 4,300 and 37,200 shares, respectively. In Niagara Mohawk, M.I.T. sold its entire holding of 115,000 shares. The same fund eliminated its 60,000 share block of Consolidated Edison of N. Y.

Steels Largely Favored

Among the steel issues attracting a majority of buyers were Allegheny Ludlum, and Youngstown. In Granite City and Sharon there were only buyers and no sellers. In Bethlehem Steel, which was split 4-for-1, buyers exceeded sellers by four to three, with one fund, Selected American Shares, making an initial commitment.

Wellington Fund was a heavy seller, in the amount of 40,000 shares. In U. S. Steel there were four managements on each side of the fence, with Wellington a substantial seller here also.

Other Popular Groups

Other industry groups favored during the quarter included broadcasting — namely ABC and CBS; merchandising — namely First National Stores, Kroger, Montgomery Ward, National Tea, and Sears Roebuck; rubbers and tires — Goodrich, Goodyear, and U. S. Rubber, with liquidation of Firestone; and the cyclical textiles—with only buying in American Viscose, Beaunit, Burlington, and J. P. Stevens; and two eliminations of Cluett Peabody.

INDUSTRY GROUPS SOLD

Liquidation in Aircrafts

North American Aviation again bore the brunt of selling in its industry group. While in the December quarter seven managements had sold over 49,000 shares, liquidation in the March quarter mushroomed to 353,300 shares, including 243,000 shares by M.I.T. and 69,000 shares by Fundamental Investors and Diversified Investment Fund of the Hugh W. Long Group. The only buyer of this issue was the United Funds Group, in the amount of 4,000 shares. Selling also predominated in Curtiss-Wright, Douglas, Lockheed and United Aircraft. The selling in Douglas was importantly offset by some heavy buying, including 40,000 shares by M.I.T.

General Dynamics and Martin stood out among the issues bought, National Investors and National Aviation each making new commitments of 10,000 shares in the former. Opinions were divided on Boeing and Bendix.

Airlines Freely Sold

Selling pressure prevailed in the airline group, especially against American and Eastern. United, strongly favored in the preceding quarter, also joined the group under selling pressure. Only Investors Mutual continued as a large-scale buyer of American and United.

GROUPS ENCOUNTERING DIVERGENT POLICIES

Automotive and Parts

Chrysler, Ford, Stewart-Warner, and Thompson Products were among those liked. On the other hand, General Motors was again subjected to concentrated selling by eight fund managements which disposed of nearly 20,000 shares. The largest blocks sold were 115,000 shares by M.I.T. and 40,000 by Wellington.

Demand for Bank Stocks Waning

While some buying of bank shares continued midst the period of raised interest rates, the popularity of the previous quarter was replaced by considerable liquidation. Chase Manhattan was bought by George Putnam Fund as a new commitment in the amount of 6,500 shares, and by Blue Ridge and Nation-Wide Securities (in the Bullock Group). The only sale was 500 shares by the Knickerbocker Fund. Guaranty Trust of New York, which paid a 20% stock dividend during the quarter, was also bought by the George Putnam Fund as a new commitment, here in the amount of 5,000 shares; with Knickerbocker also being a seller in this bank issue. In the cases of Mellon National Bank & Trust and National City Bank of Cleveland, the number of buyers and sellers constituted a stand-off. Bank of America was sold by three funds. Investors Mutual disposing of 25,000 shares, and Wisconsin Fund eliminating its 3,000 shares. First National City Bank (N. Y.), which had been bought liberally in the preceding quarter, now found four sellers against two buyers. American European Securities made a complete elimination of its 5,000 shares, while Putnam here also made a new commitment of 5,200 shares.

Building, Construction and Equipment

In Otis Elevator and Sherwin Williams there were only buyers. In the former, they comprised the United Group with 44,500 shares and General American with a 5,000-share new commitment. The good buying of Armstrong Cork also came mostly from the United Funds Group (29,000 shares). Demand also was noticeable in Lone Star Cement, National Lead, U. S. Gypsum, and Weyerhaeuser Timber. On the other hand, selling predominated in American Radiator, Johns-Manville, National Gypsum, and Yale & Towne.

Electrical Equipment and Electronics

Issues in this category to attract buyers only were IT&T, McGraw-Edison (which had a 2-for-1 split), and Westinghouse Electric. A divided attitude prevailed toward Radio Corp., of which Fundamental Investors and the Putnam Fund eliminated their holdings of 33,000 and 16,000 shares, respectively; and towards Sperry Rand. General Electric, favored in the preceding quarter, was subjected to heavy selling, especially by Incorporated Investors (a 60,000-share closeout), the Tri-Continental Group (43,000 shares), and M.I.T. (20,000 shares). Among the

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Changes in Common Stock Holdings

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Machinery and Industrial Equipment		
4(1)	15,400	Allis-Chalmers	18,000	2(1)
1	6,264	American Machine & Foundry	1,996	1
5(3)	10,560	Babcock & Wilcox	2,252	3
5(2)	16,600	Caterpillar Tractor	10.000	3
2	7,000	Chicago Pneumatic Tool	13,400	2
4(3)	22,500	Combustion Engineering	19,200	2(1)
5(1)	27,200	Dresser Industries	41,000	4
2	2,800	Joy Manufacturing	4,000	2
2(1)	3,500	Link-Belt	30,500	2(2)
2(1)	5,000	United Shoe Machinery	6,500	1
1(1)	*3,000*	*Black & Decker*	*425*	*2*
1(1)	*2,300*	*Bucyrus Erie*	*13,000*	*2(2)*
		Metals and Mining		
2	2,000	Algom Uranium	1,000	1
4	2,700	Aluminium Ltd.	2,200	2
9(2)	11,300	Aluminum Co. of America	5,700	4
4(2)	6,800	American Smelting & Refining	2,500	2(1)
12(4)	45,860	Anaconda	200	1
3	3,350	Cerro de Pasco	None	None
2(1)	5,800	Cleveland-Cliffs Iron	500	1
1(1)	1,000	Consolidated Denison Mines	1,000	1
2(2)	14,100	Fansteel Metallurgical	215	1
3(3)	18,600	General Cable	1,500	2(1)
4(1)	23,500	International Nickel	None	None
4(1)	5,500	Kaiser Aluminum	4,500	2(1)
3(1)	3,050	Kennecott Copper	5,500	3
2	4,600	Magma Copper	200	1
4	20,800	New Jersey Zinc	17,800	2(2)
4(2)	12,100	Reynolds Metals	None	None
3(1)	3,000	Tennessee Corp.	None	None
2	5,000	Vanadium Corp.	500	1
None	*None*	*Hudson Bay Min & Smelt.*	*13,300*	*5(5)*
None	*None*	*O'okiep Copper*	*500*	*2*
2	*6,200*	*Phelps Dodge*	*14,700*	*5(4)*
None	*None*	*St. Joseph Lead*	*9,500*	*3(2)*
		Natural Gas		
15	52,861	American National Gas	10,327	4(1)
2(1)	5,200	Colorado Interstate Gas	3,000	1(1)
2(1)	33,000	Consolidated National Gas	9,500	2
1	100	Hugoton Production	2,700	1
3(1)	24,000	Lone Star Gas	46,100	3(1)
6(3)	27,400	Northern National Gas	14,900	3(2)
3(1)	20,400	Republic National Gas	14,000	1(1)
2(1)	35,500	South. Georgia National Gas	None	None
3(2)	20,483	Southern Natural Gas	5,650	2(1)
3(2)	7,200	Tennessee Gas Transmission	None	None
3(1)	24,800	United Gas	1.000	1
1(1)	*317,206*	*El Paso Natural Gas*	*22,760*	*4*
None	*None*	*Oklahoma Natural Gas*	*13,000*	*2(2)*
1	*10,000*	*Panhandle Eastern Pipe Line*	*1,500*	*2*
		Office Equipment		
1	200	Addressograph-Multigraph	4,405	1
3(1)	11,600	Burroughs	16,500	3(1)
6(1)	12,015	IBM	3,550	4
1	*1,600*	*National Cash Register*	*7,000*	*2(1)*
		Oil		
6(1)	15,000	Amerada Petroleum	8,200	4
5(4)	65,400	Atlantic Refining	2,000	1(1)
2	25,926	Cities Service	55,540	2(1)
4	9,550	Continental Oil	1,100	2(1)
2	45,000	Dome Exploration (West.) Ltd.	3,000	1
10(1)	31,805	Gulf Oil	340	2
2(1)	5,720	Hancock Oil "A"	2,402	1(1)
2(1)	9,000	International Petroleum	None	None
3(2)	26,611	Kerr McGee Oil	None	None
4	17,500	Ohio Oil	13,100	3
1	500	Richfield Oil	500	1(1)
4(2)	26,800	Royal Dutch Petroleum	48,800	3(2)
2	4,400	Seaboard Oil	2,000	1
2	10,500	Shamrock Oil & Gas	1,500	1
3	8,000	Shell Oil	25,400	2
2	5,050	Signal Oil "A"	500	1
4	32,200	Skelly Oil	3,000	2
24(3)	265,215	Socony Mobil Oil	1,000	1
2	15,400	Standard Oil of California	3,500	1
2(1)	3,000	Standard Oil (Ind.)	15,000	2(1)
9(2)	27,487	Standard Oil (N. J.)	6,276	5(2)
1	500	Sunray Mid-Continent Oil	5,000	1(1)
4	620	Superior Oil	200	1
6(1)	65,400	Texas Co.	3,000	1(1)
1	24,000	Texas Gulf Producing	5,000	1
1(1)	1,500	Union Oil of California	500	1(1)
1	*3,000*	*British Petroleum*	*5,800*	*2*
1	*11,300*	*Honolulu Oil*	*2,700*	*2*
1(1)	*16,000*	*Louisiana Land & Exploration*	*10,300*	*2*
2	*2,600*	*Phillips Petroleum*	*32,400*	*7(1)*
None	*None*	*Pure Oil*	*7,100*	*3*
3(1)	*17,400*	*Sinclair Oil*	*21,000*	*4(3)*
None	*None*	*Standard Oil (Ohio)*	*5,000*	*2(1)*
		Paper and Paper Products		
3	39,700	Champion Paper & Fiber	32,300	1(1)
4(1)	42,300	Container Corp.	17,000	2(1)
4	36,000	Crown Zellerbach	4,600	2
2(1)	6,500	Great Northern Paper	None	None
6(2)	12,302	International Paper	17,073	6(1)
4(1)	4,000	Kimberly-Clark	None	None
3	7,500	Marathon Corp.	2,000	1
4(2)	19,100	Mead Corp.	10,362	3(1)

Bought: No. of Trusts	Bought: No. of Shares		Sold: No. of Shares	Sold: No. of Trusts
3	10,500	Rayonier	20,000	1
4	34,800	St. Regis Paper	5,000	2(1)
3(1)	6,300	Scott Paper	7,700	1
2	20,000	Union Bag-Camp	7,800	2
2	7,100	Warren (S. D.)	None	None
1(1)	*2,900*	*West Virginia Pulp & Paper*	*700*	*2*
		Public Utilities		
1(1)	35,000	American & Foreign Power	81,800	1
3(1)	179,000	American Gas & Electric	5,030	2(1)
1	7,900	American Water Works	12,000	1(1)
10(7)	137,000	Arkansas & Louisiana Gas	None	None
4(3)	12,300	Baltimore Gas & Electric	70,000	2(2)
2(1)	35,700	Carolina Power & Light	6,000	2(1)
4	23,500	Central Illinois Public Service	None	None
6(1)	67,000	Central & South West	6,000	2
1	1,000	Columbia Gas System	20,000	1
2	3,000	Consolidated Edison (N. Y.)	60,000	1(1)
5(1)	41,550	Consumers Power	1,245	2
6(4)	36,200	Dayton Power & Light	3,000	1
1	8,300	Florida Power	2,500	1(1)
1	2,000	Florida Power & Light	3,000	1
12	60,722	General Public Utilities	3,000	2
1	1,000	Hawaiian Telephone	265	1
5(2)	25,282	Houston Lighting & Power	630	1(1)
2(1)	16,394	Idaho Power	1,211	1(1)
3(1)	22,750	Illinois Power	3,500	1
1	2,500	Interstate Power	5,000	1
2	2,400	Kansas City Power & Light	None	None
1	4,800	Kansas Gas & Electric	1,000	1(1)
2	3,000	Kansas Power & Light	None	None
3(1)	34,400	Louisville Gas & Electric	None	None
2(1)	21,000	Middle South Utilities	10,000	2(1)
2	13,400	Montana Power	None	None
3	3,500	N. Y. State Electric & Gas	100	1(1)
3	3,700	Niagara Mohawk Power	126,100	2(2)
2	11,000	Northern Indiana Public Service	5,000	1(1)
7	63,550	Ohio Edison	4,300	1
2	8,700	Pacific Gas & Electric	14,300	1
1	2,000	Philadelphia Electric	16,300	1(1)
1	2,000	Public Service Electric & Gas	2,000	1
2	22,000	Public Service of Indiana	None	None
2	11,600	Rochester Gas & Electric	51,200	1
2	36,600	San Diego Gas & Electric	None	None
5	64,209	South Carolina Electric & Gas	None	None
2	12,400	Southern California Edison	4,100	2(1)
10(1)	113,354	Southern Co.	None	None
4(1)	11,500	Southwestern Public Service	15,700	2(1)
2(1)	6,000	Texas Utilities	22,500	2(1)
2	4,700	Union Electric (Mo.)	45,000	1
2	8,000	Washington Water Power	7,000	1(1)
11(1)	64,481	West Penn Electric	9,300	1
2	2,000	Wisconsin Electric Power	40,000	1(1)
2(1)	6,200	Wisconsin Public Service	None	None
1	*2,000*	*American Tel. & Tel.*	*14,900*	*3(1)*
None	*None*	*International Utilities*	*2,300*	*2(1)*
1(1)	*3,000*	*New England Electric System*	*77,700*	*5(1)*
1	*10,000*	*Utah Power & Light*	*10,400*	*2(1)*
		Radio, Television and Motion Pictures		
4	34,000	Amer. Broadcast-Paramount	12,500	1
6(1)	31,260	Columbia Broadcasting "A"	15,200	2
6(1)	27,101	Columbia Broadcasting "B"	2,000	1(1)
2(1)	1,700	Magnavox	None	None
3(1)	1,100	Motorola	None	None
2	2,300	Paramount Pictures	None	None
1	1,000	Zenith Radio	3,000	1(1)
		Railroads		
3	10,000	Atchison, Topeka & Santa Fe	14,700	3(1)
1	4,700	Chesapeake & Ohio	4,000	1
3(2)	4,000	Great Northern	None	None
2	2,700	Illinois Central	20,000	2(2)
2	12,900	Kansas City Southern	8,000	2(1)
3	19,600	Missouri Pacific "A"	None	None
3(1)	15,300	Norfolk & Western	None	None
3(1)	17,600	Northern Pacific	92,000	2(1)
4(1)	22,450	Southern Railway	9,500	1

Bought: No. of Trusts	Bought: No. of Shares		Sold: No. of Shares	Sold: No. of Trusts
1	2,000	Western Pacific	2,000	1
None	*None*	*Atlantic Coast Line*	*17,200*	*2(2)*
None	*None*	*Baltimore & Ohio*	*3,400*	*2*
1	*12,300*	*Chicago & North Western*	*30,000*	*2(2)*
1	*1,600*	*Chicago, Rock Island & Pacific*	*25,600*	*3(2)*
1(1)	*30,000*	*N. Y., Chicago & St. Louis*	*2,300*	*2(1)*
None	*None*	*St. Louis-San Francisco*	*450*	*2(1)*
None	*None*	*Seaboard Air Line*	*35,000*	*3(2)*
1	*1,000*	*Southern Pacific*	*38,500*	*4(4)*
None	*None*	*Union Pacific*	*27,000*	*3*
		Railroad Equipment		
2	5,071	Union Tank Car	16,100	1
3(1)	5,100	Westinghouse Air Brake	None	None
2	*3,800*	*General Amer. Transportation*	*10,500*	*3*
1(1)	*10,000*	*General Railway Signal*	*10,700*	*2(1)*
		Retail Trade		
4(1)	27,800	Allied Stores	85,300	3(3)
2	14,000	Federated Department Stores	15,000	1(1)
2	3,500	First National Stores	None	None
1	1,800	Grand Union	5,000	1
2	8,400	Kroger	None	None
1	20,000	May Department Stores	10,000	1(1)
4	5,500	Montgomery Ward	None	None
2	4,000	National Tea	None	None
1	8,800	Safeway Stores	29,100	1
3(1)	11,400	Sears, Roebuck	1,661	1
1(1)	*2,900*	*Marshall Field*	*7,000*	*2(2)*
		Rubber and Tires		
4(2)	15,800	Goodrich	4,100	1
7(1)	18,646	Goodyear	13,146	6(2)
5(1)	4,372	U. S. Rubber	13,000	3(1)
2	*1,500*	*Firestone*	*7,700*	*4(3)*
		Steel		
5(3)	21,500	Allegheny Ludlum Steel	2,900	2(1)
21(2)	184,940	Armco Steel	1,500	1
4(1)	10,800	Bethlehem Steel	40,500	3
1	4,242	Crucible Steel	5,000	1(1)
2(1)	9,000	Granite City Steel	None	None
2(1)	9,700	Inland Steel	1,700	2(1)
1	10,700	Jones & Laughlin	7,500	1
2(2)	11,500	Sharon Steel	None	None
4	18,500	U. S. Steel	36,900	4
2	4,200	Youngstown Sheet & Tube	200	1(1)
None	*None*	*Carpenter Steel*	*1,600*	*2*
5	*34,200*	*Republic Steel*	*25,800*	*6(3)*
		Textiles & Textile Machinery		
5(2)	5,350	American Viscose	None	None
2	1,500	Beaunit Mills	None	None
2	11,300	Burlington Industries	None	None
2(2)	3,200	Lowenstein (M.)	24,000	1(1)
2	6,000	Stevens (J. P.)	None	None
None	*None*	*Cluett, Peabody*	*6,200*	*2(2)*
		Tobacco		
4	6,700	American Tobacco	500	1
2	5,000	Liggett & Myers	None	None
		Miscellaneous		
2	1,500	Colgate-Palmolive	7,000	1(1)
1(1)	16,615	Emhart Mfg.	1,000	1
4(1)	12,100	Gillette	3,000	1(1)
3	3,900	Halliburton Oil Well Cementing	2,600	2(1)
1	200	International Shoe	5,800	1
2(1)	2,500	Johnson & Johnson	6,700	1(1)
2(1)	15,500	Metals & Controls Corp.	None	None
1	1,600	Murray Corp. of America	900	1
3	5,800	Newmont Mining	11,300	3(1)
3	5,800	Newport News Shipbuilding	1,600	1
2(1)	4,500	Outboard Marine	16,400	2(1)
1(1)	3,000	Stone & Webster	20,000	1(1)
1	1,000	Wrigley	2,000	1
None	*None*	*Grace (W. R.)*	*39,400*	*4(2)*
1(1)	*10,000*	*Transamerica*	*11,500*	*3(3)*
None	*None*	*Visking*	*26,430*	*2(2)*

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Funds' Portfolio Policies Less Defensive In First Quarter

seven buying GE were Investment Co. of America with a new commitment 9,100 shares, and Wellington with 7,000 shares.

Railroads

Among the carrier issues encountered, buyers only were: Great Northern, Missouri Pacific, and Norfolk and Western. There was also particular interest in Southern Railway, and a mixed reaction toward Atchison. In Northern Pacific three managements bought and two sold. Among the latter was State Street Investment which sold all of its 88,000 shares. Selling predominated in Atlantic Coast Line, B. & O., Chicago and North Western, Chicago Rock Island, Seaboard Air Line, Southern Pacific, and Union Pacific.

Railroad Equipments

Here the favorite was Westinghouse Air Brake, with three managements buying and none selling. General American Transportation, which had been highly favored in the December quarter, met with profit-taking — with the sellers outnumbering the buyers, three to two.

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Government and Business

the question of direct control of instalment credit. Such controls would further reduce human freedom and create more "social overhead" in the form of laws, regulations, policing, bureaus—on and on.

This set of ideas on economic interrelationships has been inadequately discussed in the United States by those who favor human freedom and a free economy.

Opinion polls have found that a vast majority of persons for more than a decade consistently have said "Yes" when asked: "Do you favor price controls?" What they actually want is *lower* or *reasonable prices*. They see or understand only one way to get such prices, namely, price control.[1] And interest is the price of money.

Unless we can get more individuals all across the land, individuals in whom the people have confidence, to understand the anatomy of money, credit, commercial and central banking, and the function of a flexible interest rate, we may drift by default into the regimentation and controls which have gripped other nations.

Several members of the Joint Congressional Committee on the President's *Economic Report* in the *Joint Economic Report* of 1955 argued:

"Instead of being used to promote full-employment, maximum production and purchasing power, fiscal and monetary policies have been, and are being, used to promote the interest of the lending and investment classes and a handful of giant corporations at the expense of the farmer, small businessmen and employees." (page 43.)

"Even in High Places"

A number of members of Congress have continued to reiterate the same idea. Thus, on Oct. 2, 1956, a Congressman said that this policy "has been dipping in the pockets of small businessmen, home owners, farmers and consumers and exacting interest rates which favor lenders."

Thus, it is clear than the foundations of sound-money-maximum-employment policies are imperfectly understood, even in high places. Since the U. S. Treasury-Federal Reserve Accord of 1951, the Federal Reserve has been striving to protect the purchasing power of the dollar. The mechanics at its disposal are not perfect. But when everyone is trying to borrow the maximum and when our economy is apparently trying to do too much and we have over-full-employment, something has to give. By raising rediscount rates or reserve requirements and by handling open-market operations in a way which does not add to commercial bank reserves, the soundness of the dollar tends to be preserved. But this means that some potential borrowers or would-be borrowers are not only required to pay somewhat higher interest rates, but, perhaps, borrow somewhat less than they had intended. Again, something has to give.

At the same time, as the purchasing power of the dollar is preserved, all dollar savings, such as mortgages, bonds, life insurance, savings deposits, have their values preserved.

Honest Currency Defended

It is inevitable that lenders in such a period will get a better return. But this is not the objective of a sound money policy. It is an incidental effect. Increases in interest rates tend to raise the income of bankers and other money lenders. Critics of flexible interest rates are making a mockery of one of the essential functions of the government, namely, to maintain an honest currency.

While the 3% rediscount rate, existing in all 12 of the Federal Reserve banks is the highest in nearly a quarter of a century, this rate is not high by historic standards. Prior to 1930, 3% was the bottom of the range of rediscount fluctuations. Under boom conditions in earlier periods, the rate went to 6% in 1929 and 7% in 1920. In 1955, interest payments accounted for only 3.3% of the national income, as against 6.3% in 1939. These facts should help put the "money controversy" of recent years in better perspective.

Informed Thought Leaders Needed

The average person can never be expected to take the time and trouble to master these intricacies. But urgently needed are informed thought-leaders in every community, whose judgment and public spirit is unquestioned, who will lead in the struggle for freedom—including the flexible money market.

The power to prevent inflation (and to some extent, deflation) unquestionably is now at hand in the U. S. Treasury and the Federal Reserve System. Enlightened public support on the side of reasonable price stability is indispensable to strengthen the hand of these monetary authorities.

While the Federal Reserve or, even more carelessly, the Administration is blamed for tight money, actually, the Federal Reserve has *followed* the money market far more than it has led it.

For example, total loans and investments of commercial banks rose from $156 million at the end of 1954 to $165.7 billion at the end of 1956, or by $9.8 billion. *In this same two-year period, however, total private and public debt increased $84.3 billion.* In 1956, private and public debt increased by approximately $32 billion, while the rise in commercial banks' loans and investments was only $4.8 billion. In other words, in the overwhelming majority of loans, the borrower and lender are perfectly free to negotiate whatever rate is mutually satisfactory. The Federal Reserve has no legal or direct control over such transactions whatsoever. *The tail does not yet wag the dog.*

Nevertheless, because of the alleged tight money policy, innumerable efforts are made by politicians and government bureaus to get around this alleged credit restraint, via direct loans, via taking on state and local responsibilities and in other devious fashions.

C. Canby Balderston, Vice-Chairman of the Federal Reserve Board, made it clear that every attempt to create a preferred position for any group concentrates, in a full employment economy, the stringencies on the balance of the economy that much more fiercely. He put it this way:

"The alternative to free markets is to resort to government subsidies, guarantees and tax benefits. These may shelter preferred groups and meet apparent social needs, but we must not forget that each time we use them we subtract from the credit, materials, and labor available to others who must rely upon the free market. The greater the amount of special shelter provided by government, the more difficult becomes the situation of those not so protected. In a free society, it is axiomatic that not everyone can be sheltered. It is understandable, therefore, that free markets should be looked upon as the central feature of our private enterprise system."

Where Does the Pressure Come From?

It is common to argue that the people demand all these interventions and services from government. This is almost 100% hokum and bunkum.

The *Evening Star*, Washington, D. C., (Feb. 21, 1957) carried this headline: "Pressure Sought on Congress for Basin Funds."

The news story went on to say that "The emphasis on getting funds to complete the Engineer Corps' study as swiftly as possible stems from the remarkable display of public apathy. When the Engineers asked Congress for money to start the survey on the north branch last year nobody but the Engineers showed up to argue for it."

This is an excellent illustration of the fact that the demands for legislation, appropriations and new government programs do not come from the people. As a matter of fact, the masses never demand anything — except when their position is suddenly reversed.

Where, then, do ideas come from for new programs? New expenditures? They come originally, primarily, from the intellectuals, researchers, writers who make their living by digging up new ideas and new programs. Once these programs get to a certain stage of conversation and discussion, the politicians latch on to them and make them their own. Politicians are, by definition, people who can count votes. In fact, H. L. Menken once said that if a politician found that he had cannibals among his constituents, he would promise them missionaries for their Sunday dinner.

There are still a lot of naive people in Washington and in business who believe that the demands and the pressures for all these spending programs and interferences with the free market come from the people. This delusion is the result of domestic brainwashing. Lord Keynes had a good deal to say about the nature of ideas and their origin and how they are set in motion. He said, for example:

"The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men who believe themselves to be quite exempt from any intellectual influences are usually the slaves of some defunct economist, some mad men in authority who hear voices in the air, who are distilling their frenzy from some academic scribbler of a few years back."

Quotes Ex-Communist

William Schlamm, an ex-Communist, wrote a very important book called "The Second War of Independence." The fourth chapter deals with the intellectual as the problem child of democracy. He said this:

"In addition to being the problem child of modern civilization, the intellectual has also become one of its outstanding challengers, for it is simply untrue that the disintegration of democracy is the result of merely economic dislocations. It is simply untrue that Nazism, Bolshevism, and Fascism are the predestined reply to the appeal of hungry, unemployed, indebted farmers and underpaid toilers. Contrary to the general consensus of opinion, all brands of totalitarianism, and especially Bolshevism, are not social expressions of economically distressed underdogs, but rather diseases prevalent among rather well-fed intellectuals. A serious statistical checkup would certainly disclose that on the editorial staffs of metropolitan newspapers, among college teachers, among the stars of stage and screen, among successful writers and among students whose generous monthly allowances is regularly remitted by well-to-do parents, there is relatively fifty times more totalitarian lunacy than among the poverty-stricken Okies, the needleworkers of unemployed miners."

Then he went on to say:

"Within every society, be it ever so democratic, there is a relatively small group of intellectuals who give that society its tone and character. What 1,000 professors, writers, bishops think, write, preach, is handed on by 300,000 teachers, journalists, and ministers to the other Americans and forms the consciousness of the entire nation. Just cut these thousand key intellectuals out of the national body politic and the nation will, within a few years, have a completely changed complexion. The circulation of an author's book is unimportant, for its effectiveness depends not on the number but on the social importance of its readers. The book which has made an impression on 3,000 teachers and 2,000 journalists alters the essence of our national being more appreciably and enduringly than a novel which is read by 2,000,000 housewives. Ninety-nine and nine-tenths per cent of the American people have never held a work by John Dewey in their hands, but all Americans have, in some degree, been educated by him, simply because the thoughts of this great pedagogue have activized the transmission belts of our educational apparatus. In defending themselves, the opponents of Mr. Archibald MacLeish (now at Harvard, and generally considered a Leftist), could scarcely have found a more superfiscal argument than to point to the relatively small circulation of his works. Though its mass may be relatively insignificant, the catalytic agent will basically alter the larger chemical process."

If we are to preserve human liberty and freedom, we cannot leave it to the politicians, their paid agents and government bureaus. We must leave it to the people who are students of liberty and freedom, who understand that liberty is indivisible, who understand that the free market not only in ideas but the free markets in goods and service, including the money market, are integral parts of a free society.

This calls for dedicated spokesmen who will allocate several hours per day to the study and analysis of the philosophy and the literature of liberty. Every organization dedicated to this philosophy has a literature of its own. The U. S. Chamber of Commerce published, for example, *The Ethics of Capitalism* and *Free Markets and Free Men*, with plenty of additional references cited therein. Anyone can make a beginning.

Once this has been done, the next bold step is to make your influence felt in the community among the intellectuals, thought and opinion leaders, and among the politicians.

Convincing the Politicians

In order to get a hearing from your politicians, you must establish your credentials with them. The politician may ignore you, because he thinks you are smart enough to take care of yourself and you haven't many votes anyway. This, in one sense, is the highest flattery, but you ought not to let it go to your head, because if you let him alone, he will ruin you yet, without necessarily intending to do so. Because he figures you can take care of yourself, you must demonstrate to him when he acts in a way which hurts your business and ruins the free market *he may hurt a great many other people.* You must show him that when the free market or your business is hurt, it affects not only you but many others. Make it clear to him, establish your credentials, when you communicate with him, that any adverse effect on your business affects a lot of people, including:

Your own employees — count them;

Your shareholders—count them;

Your customers — count them;

Suppliers and their employees—count them; and

Your small business associates—count them!

The politician is interested first, last and always in one thing — votes (although he is no meaner than any of the rest of us, and even likes to do good in the best sense of the word, but he is in a stronger position to do all citizens infinite harm). And always remember, whatever you may think of any particular politician, at least he can count! In a controversy over telephone rate-making in New York, one legislator, in an unusual burst of candor, said:

"Does the telephone company have more votes than its 4,000,000 subscribers?"—*Barron's*, March 18, 1957.

Raymond Moley once put it this way:

"I have been convinced by no meager experience that the men who make our laws are seldom convinced by logic however true, by statistics however voluminous, or cocktail parties however resplendent. Their fundamental problem is not education or thirst. It is votes."

Business is not blameless for the social-political drift of the times. Much more could have been done, for example, to remove the archaic building codes, improve the property transfer laws, correct the obsolete mortgage lending arrangements in the 48 states—in general, to make it easier for the people in the local community to meet their own problems in their own ways, unfettered by outworn business practices and archaic laws and regulations.

Nor is it too late to do more—on all fronts. The basic drift of thought among the intellectuals throughout the western world is toward more conservatism. Now is the time to capitalize upon this drift by working with intellectuals, by nominating and electing better legislators and supporting them once elected—at all levels of government—local, state and national. If we *each* begin somewhere at the local level, within a few years we can change the socio-political climate in the direction of greater productivity and more freedom for all.

[1] For a careful appraisal of price control see: *The Price of Price Controls*, Chamber of Commerce of the United States, 53 pp., 50c.

Small-Milburn Opens New Branch Offices

WICHITA, Kansas—Small-Milburn Company, Inc., members of the Midwest Stock Exchange, announce the opening of a branch office in Kansas City, Mo. and in Hutchinson, Kansas.

The Kansas City office will be located in the Riss Building, with Mason H. Feese and John B. Markey, Vice-Presidents, in charge. Mr. Markey was formerly with Stern Brothers & Co. Mr. Feese has been with Small-Milburn in their main office.

The Hutchinson office will be located in the Walcott Building with George Ewald and Floyd Hazelton as Managers.

Eugene J. Meyer Joins Stern Brothers & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Eugene J. Meyer has become associated with Stern Brothers & Co., 315 North Seventh Street. He was formerly Vice-President of the Municipal Bond Corporation.

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Effect of Recent Court Decisions On Security of Municipal Bonds

however, was completely swept away by the decision of the Supreme Court of the United States in *Erie Railroad vs. Tompkins.* Since that decision, if you bring a suit upon the bonds in the Federal Court, the Court must ascertain what is the law of the state in which the defaulted municipality is located, and if the courts of that state do not recognize the estoppel doctrine, the municipality may set up as a defense to the suit any failure to comply with the conditions upon the exercise of the power to issue the bonds, regardless of the fact that when they issued them, they assured the investor that all such conditions had been complied with.

Under the circumstances if an attorney is required to bring a suit to enforce municipal bonds, today, he must ascertain what position the state courts have taken regarding any question which may arise in the suit. There will be no advantage in resorting to the Federal courts other than the belief that the creditor may obtain a more impartial trial of the issue in a Federal court than he would in a state court. The Federal judge is appointed by the President of the United States for life. The judge of the state court is usually elected by the people of the very locality in which the defendant municipality is situated, and often he is elected for a comparatively short term of office. Such facts *should* not be of any consequence in adjudicating the validity of the securities and quite often they are not. On the other hand the fact that the very people whom you are suing eleet the judge before whom the case is brought and who will shortly go before them for reelection, often has a decided influence on the outcome of the case.

Legal Contractual Impairment

Lest you think that this is a gratuitous indictment of the state courts, I would like to mention a few instances of state court procedure. One historic case in the municipal law of this country is the case of *Gelpke vs. Dubuque,* a decision of the Supreme Court of the United States rendered in the year 1863. The City of Dubuque, Iowa, had issued bonds under a state statute in full conformity with the act as it and similar acts had been consistently construed by the Supreme Court of Iowa. After the bonds were issued and a suit was brought to enforce them, the State Supreme Court overruled its prior rulings and, under the construction which it then placed upon the statute, the bonds were held to be void. The case was appealed to the Supreme Court of the United States and the Supreme Court held that where a municipality had issued bonds which complied with the rulings of the state courts at the time the bonds were issued, the Federal courts would not recognize a subsequent reversal of those rulings to the detriment of the holders of the bonds. In other words, the Supreme Court of the United States simply held that the rules could not be changed while the game was in progress.

This was a very important decision so far as concerns the rights of the holders of state and municipal securities. While the Constitution of the United States prohibits the state legislatures from passing acts impairing the obligation of contracts, there is nothing in the Constitution which prevents the impairment of such contracts by court decisions. In *Gelpke vs. Dubuque,* however, the Court, in effect, said that it would not stand for the impairment of contractual obligations by subsequent decisions of the state courts. If the bonds were valid under the law of the state, as it existed at the time they were issued, it would not countenance the invalidation of the bonds by subsequent decisions of the state courts.

The doctrine of *Gelpke vs. Dubuque,* however, is another of the casualties resulting from the decision in *Erie Railroad v. Tompkins.* Since that decision a suit was brought in the United States District Court by the owners of defaulted paving bonds issued by the City of Poteau, Okla. The District Court entered judgment in favor of the bondholders, whereupon a proceeding was brought in that court for a writ of mandamus to compel the levy of taxes necessary to pay the judgment. An appeal was taken to the United States Circuit Court of Appeals, in which it was contended that, under the decisions of the Supreme Court of Oklahoma, the levy of such taxes could not be compelled. The Circuit Court of Appeals, after examining the Oklahoma authorities upon which this contention was based, reached the conclusion that the contention was without merit and that the United States District Court had correctly directed the levy of taxes to provide for the payment of the obligations. A petition for rehearing was filed and denied.

About three months later a second petition for rehearing was filed in which the petitioners brought to the attention of the Circuit Court of Appeals a decision of the Supreme Court of Oklahoma, which had been rendered less than a month prior to the filing of the second petition, in which the Supreme Court of Oklahoma had overruled its earlier opinion upon which the Circuit Court of Appeals had relied in rendering its decision. The Circuit Court of Appeals, however, denied leave to file the second petition for rehearing. An appeal was taken to the Supreme Court of the United States and the decision of the Court of Appeals was reversed on the ground that a judgment of a Federal court, conforming to the law of the State as announced by the State courts at the time the judgment was entered, must be reversed on appeal if, in the meantime, the state courts have disapproved of their former rulings and adopted different ones. So by this decision the doctrine in *Gelpke v. Dubuque* was sunk without a trace.

A very similar case arose in Montana. There a suit was brought in the United States District Court upon bonds of a Montana irrigation district. Prior to the time the suit was brought, the Montana courts had held that such bonds constituted general obligations of the district. Subsequently the Supreme Court of Montana overruled these decisions. On appeal, the Circuit Court of Appeals held that under the doctrine in *Erie Railroad v. Tompkins* it was obliged to follow the latest decision of the Supreme Court of Montana, and the Supreme Court of the United States refused to issue a writ of certiorari to bring that decision before it for review.

It is apparent, therefore, that if bonds are issued by a municipality in full compliance with the law as announced by the state courts and, after the bonds are issued, the state courts reverse the rulings which were in existence at the time the bonds are issued, the Federal courts will no longer be able to afford any protection to the unfortunate bondholders, but will be obliged to follow every vacillation of the state courts, including those changes of opinion which might take place at any time while the Federal case is on appeal.

States Now Turn to Federal Courts

One very illuminating consequence of the decision in *Erie Railroad v. Tompkins* was the attitude taken by the attorneys for defaulted municipalities after the decision, compared with their attitude prior to the decision. During the late 1920s and early 1930s, when I was suing municipalities in many parts of the country on defaulted municipal bonds, I was continually confronted with motions and other proceedings designed to prevent me from bringing the suits in the Federal courts. After the decision in *Erie Railroad v. Tompkins* I began to be confronted with proceedings to prevent me from bringing the suit in the *state* courts. The reason for this curious reversal of position could easily be suspected. The courts of some states could not be depended upon by defaulting municipalities to be over-sympathetic with some of the positions which they took, but you will remember that, during the 1930s, President Roosevelt appointed a great many New Deal judges to the United States District Court. In some cases it was suspected that these new judges were not too sympathetic toward the claims of creditors. At least the attorneys for the municipalities thought they were not and preferred to have the case decided by the Federal judge rather than by one of their own courts. The Supreme Court of the United States found it expedient to promulgate a rule denying to a Federal court the power to enjoin the prosecution of a suit in a state court. I had to invoke this rule on more than one occasion.

Conclusion

I think it is obvious, therefore, that the position of public creditors in this country has been weakened by the decision of the Supreme Court of the United States in *Erie Railroad v. Tompkins.* How much it has been weakened depends upon the law of the several states. The courts of some states adopted the doctrine of estoppel by recital practically as it had been promulgated by the Federal courts. In those states, if the courts can be depended upon to adhere to their prior rulings, the position of the municipal bondholder is not much affected. Also, in some states where the estoppel doctrine was not recognized at all or only to a limited extent, the legislatures have attempted to provide protection to the bondholders in the form of statutory estoppels.

For instance, in some states, the legislatures have provided for a judicial proceeding for the validation of bond issues before the bonds are issued. Other states require the approval of the bonds by some state officer, usually the Attorney General, and his approval affords some protection to the creditor. These statutory protections, however, are not conclusive. The statutes providing for them usually state that they do not foreclose certain types of defenses to the validity of the securities, and in other cases the statutes declare that the approval is merely *prima facie* evidence of the validity of the securities. This simply means that the defendant municipality is required to prove the invalidity of the securities, but it is not foreclosed from doing so.

Then there are some states which have passed statutes providing that the bonds may not be contested except within a limited period. These statutes of limitations, so far as they go, are valuable. Some states have enacted laws which authorize the insertion of a recital in the bonds that they are issued under the enabling act, which recital is declared to be conclusive evidence of validity. Such statutes are, of course, a measure of protection to the bondholder, but they would not prevent the municipality from setting up as a defense the violation of some provision of the State Constitution.

In conclusion I want to say that the security of state and municipal bonds, today, depends upon the attitude of the courts of the several states. Unfortunately we will not be able to be sure of their attitudes until we reach some period during which there are widespread defaults upon state and municipal securities.

Laclede Gas Bonds Offered at 101.817%

Halsey, Stuart & Co. Inc., is manager of an underwriting group which is offering today (May 2) $10,000,000 Laclede Gas Co. first mortgage bonds, 4⅞% series due May 1, 1982, at 101.817% and accrued interest, to yield 4.75%. The underwriters won award of the issue at competitive sale yesterday (May 1) on a bid of 100.829%.

Net proceeds from the sale of the bonds will be used by the company to repay outstanding bank loans, and the balance will be added to working capital to be used for construction and general corporate purposes.

The bonds will be redeemable at general redemption prices ranging from 106.70% to par, and at special prices, including redemption through the Sinking Fund, which is designed to retire $5,500,000 (55%) of the bonds prior to maturity, receding from 101.82% to par, plus accrued interest in each case.

The company is an operating gas utility engaged in the distribution and sale of natural gas throughout the entire 61 square mile area of the City of St. Louis and about 135 square miles of the adjacent suburban areas in St. Louis County, Mo. Population of St. Louis and St. Louis County is estimated at 1,470,000 on Jan. 1, 1957.

For the year ended Sept. 30, 1956, Laclede Gas Co. had operating revenues aggregating $44,648,450 and net income of $4,020,204.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering today (May 2) $6,000,000 Chicago, Milwaukee, St. Paul & Pacific RR. 4⅜% equipment trust certificates, maturing semi-annually Aug. 1, 1957 to Feb. 1, 1972, inclusive.

The certificates, second and final instalment of an issue not exceeding $9,000,000, are scaled to yield from 3.80% to 4.50%, according to maturity. Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The entire issue of certificates is to be secured by 150 covered hopper cars and 1,000 box cars, to cost not less than $11,250,000.

Participating in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Baxter & Co.; Freeman & Co.; Ira Haupt & Co.; McMaster Hutchinson & Co.; New York Hanseatic Corp.; Wm. E. Pollock & Co., Inc.; Shearson, Hammill & Co.; and Suplee, Yeatman, Mosley Co. Incorporated.

Smith, Barney Adds

BOSTON, Mass. — Francis J. Madden is now connected with Smith, Barney & Co., 140 Federal Street.

With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Hercules Dantos is now affiliated with Dean Witter & Co., 19 Congress Street.

$60 Million Issue of State of Ohio Bonds Offered to Investors

An underwriting syndicate managed by The Chase Manhattan Bank, Bankers Trust Company, The First National City Bank of New York and Halsey, Stuart & Co. Inc. was awarded on May 1 an issue of $60,000,000 State of Ohio, Korean Conflict Compensation Bonds, due semi-annually May 15, 1958 through Nov. 15, 1972, inclusive.

The group submitted a bid of 100.442 for a 3% coupon, representing a net interest cost of 2.949% to the State of Ohio.

The bonds are being reoffered at prices scaled to yield from 2% to 2.95%, according to maturity.

Other members of the underwriting syndicate include—Chemical Corn Exchange Bank; Guaranty Trust Company of New York; The First National Bank of Chicago; Blyth & Co. Inc.; The First Boston Corporation; Lehman Brothers; Smith, Barney & Co.; Harriman Ripley & Co. Incorporated; C. J. Devine & Co.; Goldman, Sachs & Co.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; The Northern Trust & Savings Bank; Continental Illinois National Bank & Trust Co. of Chicago; Glore, Forgan & Co.

Blyth Group Offers Oregon Utility Shares

An underwriting group headed by Blyth & Co., Inc. on April 30 offered publicly 300.000 shares of Portland General Electric Company common stock (par $7.50) at $25 per share.

The proceeds will be added to the general funds of the company which has completed arrangements for the private placement to a group of institutional investors of $10,000,000 principal amount of first mortgage bonds, 4⅞% series, due June 1, 1987, at a price of 99.60% plus accrued interest. Delivery of these bonds is scheduled for June, 1957.

The net proceeds from the sale of the common stock and the bonds will be used to repay an equivalent amount of notes payable, representing loans obtained for temporary financing of the company's construction program. In addition, approximately $43.000,000 will be required to complete the construction program in 1957 and 1958.

Portland General Electric Co. supplies electric service to approximately 238,000 customers in an area of 2,700 square miles, embracing about one-half of the population of the State of Oregon.

During 1956, total operating revenues amounted to $34.510.000, compared with $31.872,000 in 1955; net income showed an increase to $5,192.000 in 1956 from $5,022,000 in 1955. Earnings per common share in 1956 amounted to $1.73, compared with $1.67 per share in 1955.

The current dividend rate on the common stock is $1.175 annually.

Bond Club of Baltimore Annual Outing

BALTIMORE, Md.—The Bond Club of Baltimore will hold its Annual Auting on Friday, May 24, 1957, starting at 1:00 p.m. at the Elkridge Club in Baltimore.

Golf, tennis and the usual stock exchange will precede dinner. Clinton P. Bamberger, Partner of Baumgartner, Downing & Co. is the President of the club this year.

With Hayden, Stone

BOSTON, Mass.—Ernest T. Andrews III is now affiliated with Hayden, Stone & Co., 10 Post Office Square.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Academy Life Insurance Co.
April 18 filed 750,000 shares of common stock (par 50 cents) to be offered for subscription by military, National Guard, active, retired or reserves, personnel and not to the public at large. **Price**—$1 per share. **Proceeds**—For operating capital. **Office** — Colorado Springs, Colo. **Underwriter**—None.

Acme Tool & Engineering Corp.
April 4 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For leasehold improvements; purchase of equipment, inventory material, etc.; and for additional working capital. **Office** — 4142 Howard Ave., Kensington, Md. **Underwriter**—Williams, Widmayer & Co., Washington, D. C.

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.

Alabama Power Co. (5/9)
April 12 filed $14,500,000 first mortgage bonds due May 1, 1987. **Proceeds** — For construction program. **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 at the office of Southern Services, Inc., Room 1600, 250 Park Ave., New York 17, N. Y.

Allied Finance Co., Dallas, Texas (5/13-17)
April 22 filed $1,200,000 6% sinking fund capital debentures due 1972. **Price** — At 100% of principal amount. **Proceeds**—For reduction of bank loans and working capital. **Underwriter**—The First Trust Co. of Lincoln, Neb.

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.

• American Hardware Corp. (5/6)
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. **Underwriter**—None.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

Apache Oil Corp., Minneapolis, Minn.
March 25 filed 50,000 shares of common stock (par $2.50). **Price**—$6 per share. **Proceeds**—For investment in stock of APAF Co., a subsidiary; to carry an inventory of leases for present and future drilling programs; and for general corporate purposes. **Underwriter**—APA, Inc., another subsidiary, Minneapolis, Minn.

Automatic Merchandising, Inc., Tampa, Fla.
April 17 (letter of notification) 85,714 shares of common stock (par 50 cents) to be offered for subscription by common stockholders at the rate of one new share for each 2.398838 shares held. **Price**—$3.50 per share. **Proceeds**—For expansion. **Office**—107-109 South Willow, Tampa, Fla. **Underwriters**—Stevens, White & McClure, Inc.; French & Crawford, Inc.; First Florida Investors, Inc.; Pierce, Carrison, Wulbern, Inc.; and J. Herbert Evans & Co.; all of Tampa, Fla.

Bonanza Oil & Mine Corp., Sutherlin, Ore.
Feb. 11 (letter of notification) 71,710 shares of common stock (par 10 cents). **Price** — 75 cents per share. **Proceeds**—To go to selling stockholder. **Underwriter**—L. D. Friedman & Co., Inc., New York, N. Y.

★ Boston, Fund, Inc.
April 29 filed (by amendment) an additional 1,000,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

Brantley Helicopter Corp.
April 8 (letter of notification) 21,818 shares of common stock (par 50 cents). **Price**—$13.75 per share. **Proceeds**—For working capital. **Office**—24 Maplewood Ave., Philadelphia 44, Pa. **Underwriter**—Drexel & Co., Philadelphia, Pa. No public offering expected.

• Browne Window Manufacturing Co.
April 10 (letter of notification) 82,500 shares of common stock (par one cent). **Price**—At market. Total offering not to exceed $300,000. **Proceeds**—To selling stockholders. **Office**—1400 East Jefferson Ave., Dallas, Tex. **Underwriter**—Wm. B. Robinson & Co., Corsicana, Tex.

★ Burton Manufacturing Co.
April 15 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$1.70 per share. **Proceeds**—For working capital. **Office**—Colorado Avenue & 26th Street, Santa Monica, Calif. **Underwriter** — Townsend, Graff & Co., New York, N. Y. **Offering**—Made on April 30, 1957.

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.
March 29 filed 226,820 shares of common stock (par $1) being offered for subscription by common stockholders of record April 24 on the basis of one share for each 2½ shares held; rights to expire on May 13. **Price**—$9 per share. **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 Hudson Gas & Electric Corp. (5/15)
April 22 filed 280,000 shares of common stock (no par). **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans. **Underwriters**—Kidder, Peabody & Co. and Estabrook & Co., both of New York.

Central Maine Power Co. (5/13)
April 17 filed $18,000,000 of first and general mortgage bonds, series W, due 1987. **Proceeds** — To repay bank loans ($14,000,000 at March 31, 1957) and for construction program. **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. **Bids**—Expected to be received up to noon (EDT) on May 13.

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**—To be received up to 11 a.m. (EDT) on May 7 at Irving Trust Co., One Wall St., New York, N. Y.

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.

★ Coastal States Gas Producing Co. (6/4)
April 30 filed $5,000,000 5½% sinking fund debentures due June 1, 1977 (with common stock purchase warrants). **Price**—To be supplied by amendment. **Proceeds**—To pay bank loans, for construction and acquisition of additional gas gathering systems, and for working capital. **Underwriter**—Paine, Webber, Jackson & Curtis and Blair & Co. Incorporated, both of New York.

Collins Radio Co., Cedar Rapids, Iowa (5/7)
April 17 filed $7,917,000 convertible subordinated debentures due June 1, 1977, to be offered for subscription by class A and class B common stockholders of record May 7, 1957 on the basis of $100 of debentures for each 19 shares of common stock held; rights to expire on May 21. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans of company and subsidiaries and for working capital. **Underwriters**—Kidder, Peabody & Co., and White, Weld & Co., both of New York.

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.

★ Colonial Stores, Inc. (5/20-24)
April 30 filed $5,000,000 of sinking fund debentures due May 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—For expansion and improvements. **Underwriter**—Hemphill, Noyes & Co., New York.

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. **Offering**—Postponed.

★ Community Public Service Co. (5/28)
April 25 filed $3,000,000 first mortgage bonds, series E, 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**—To be received up to 11 a.m. (EDT) on May 28 at 90 Broad Street, New York, N. Y.

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 Air Lines, Inc. (5/20-24)
April 29 filed 230,000 shares of common stock (par $1.25). **Price**—To be supplied by amendment. **Proceeds**—To help finance expanding operations. **Underwriter** — Lehman Brothers, New York.

★ Continental Mines & Metals Corp., Paterson, N. J.
April 24 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development of properties. **Underwriter** — Leward M. Lister & Co., Boston, Mass.

Continental Turpentine & Rosin Corp.
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. **Office** — Laurel, Miss. **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.

★ Dayton Rubber Co., Dayton, Ohio
April 24 filed $3,600,000 of Interests in company's Employee Stock Purchase Plan, together with 146,341 shares of common stock which may be purchased under the Plan.

★ Dorman, Long & Co., Ltd.
April 29 filed 80,000 American depositary receipts for ordinary shares. **Depositary** — Guaranty Trust Co. of New York.

• Drug Fair-Community Drug Co., Inc. (5/7)
April 15 filed 217,550 shares of common A stock (par $1) of which 160,000 shares are to be sold for account of selling stockholders and 57,550 shares for company's account. **Price**—$5 per share. **Proceeds**—To redeem on May 31, 1957, the outstanding 6% cumulative participating preferred stock and for working capital. **Office**—Arlington, Va. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C.

Du Mont Broadcasting Corp., New York (5/13)
April 18 filed 596,701 shares of capital stock (par $1) of which 314,812 shares are to be offered for subscription by stockholders at the rate of one new share for each three shares held on or about May 13; rights to expire on May 27. (Paramount Pictures Corp. has agreed to purchase 83,800 Du Mont shares to which it is entitle

to subscribe). Of the remaining 281,889 shares, 270,147 shares, together with $2,932,087.25 cash, will be used to purchase all the common stock of WNEW Broadcasting, Inc., and 11,742 shares will be issued to discharge certain of WNEW's liabilities. **Price**—To be supplied by amendment. **Proceeds**—To pay a portion of the cash requirements under the agreement to purchase WNEW. **Underwriters**—Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co., both of New York.

El Paso Electric Co. (5/8)
April 16 filed 119,522 shares of common stock (par $5) to be offered for subscription by common stockholders of record May 6, 1957, on the basis of one new share for each 15 shares held (with an oversubscription privilege); rights to expire on May 21, 1957. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for construction program. **Dealer-Manager**—Stone & Webster Securities Corp., New York.

El Paso Electric Co. (5/15)
April 16 filed $6,500,000 first mortgage bonds due May 1, 1987. **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** — To be received up to 11 a.m. (EDT) on May 15 at 90 Broad St., New York, N. Y.

El Paso Electric Co. (5/15)
April 16 filed 20,000 shares of cumulative preferred stock (no par value). **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** — To be received up to 11 a.m. (EDT) on May 15 at 90 Broad St., New York, N. Y.

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.

First Mississippi Corp., Jackson, Miss.
April 10 filed 10,000,000 shares of common stock (par $1), of which 2,500,000 shares are to be offered publicly at $4 per share prior to Nov. 30, 1957, each purchaser of one share to receive an option to purchase two additional shares at any time prior to Nov. 30, 1959 at $4.50 per share. The price of the remaining 2,500,000 shares will be $5 each, of which 500,000 shares are to be reserved for exercise of options to be granted to directors, officers and employees. **Proceeds** — For industrial and business development of Mississippi and the South. **Underwriter**—None.

Florida Power Corp. (5/15)
April 19 filed 255,813 shares of common stock (par $7.50) to be offered for subscription by common stockholders of record May 14, 1957 on the basis of one share for each 10 shares held; rights to expire on June 3. **Price**—To be announced on May 13. **Proceeds**—For construction program. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

Florida Power & Light Co. (5/15)
April 17 filed $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 up to 11:30 a.m. (EDT) on May 15.

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.

General Aniline & Film Corp., New York
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** — Had been scheduled 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., but bidding has been postponed.

★ General Telephone Corp., New York (5/17)
April 26 filed $46,000,000 of convertible debentures due 1977, to be offered for subscription by common stockholders of record May 16, 1957 on the basis of $100 of debentures for each 30 shares of common stock held; rights to expire on June 10. **Price**—At par. **Proceeds**—For investment in and temporary advances to telephone subsidiaries and for general corporate purposes. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York; and Mitchum, Jones & Templeton, of Los Angeles, Calif.

Gob Shops of America, Inc.
Jan. 21 (letter of notification) 240,000 shares of common stock (par 30 cents) of which 86,610 shares are being sold pursuant to outstanding warrants. **Price**—$1.25 per share. **Proceeds** — For additional discount department store operation; to increase the number of stores; and for working capital. **Office**—41 Stukely St., Providence, R. I. **Underwriter**—Bruns, Nordeman & Co., New York, N. Y.

★ Grolier Society, Inc. (5/16)
April 26 filed $2,500,000 of convertible subordinated debentures due May 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—For working capital to be used in general to finance installment sales contracts receivable. **Underwriter**—Dominick & Dominick, New York.

★ Grolier Society, Inc. (5/16)
April 26 filed 318,000 shares of common stock (par $1), of which 300,000 shares are to be sold for account of

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NEW ISSUE CALENDAR

May 6 (Monday)

American Hardware Corp.____Common
(Exchange offer to Kwikset Locks, Inc. stockholders—no underwriting) 118,000 shares

Associated Truck Lines, Inc.____Class A common
(Cruttenden, Podesta & Co.) 125,000 shares

Lake Lauzon Mines, Ltd.____Common
(Steven Randall & Co., Inc.) $300,000

May 7 (Tuesday)

Cincinnati Gas & Electric Co.____Bonds
(Bids 11 a.m. EDT) $25,000,000

Collins Radio Co.____Debentures
(Offering to stockholders—underwritten by Kidder, Peabody & Co. and White, Weld & Co.) $7,917,000

Seaboard Air Line RR.____Equip. Trust Ctfs.
(Bids to be invited) $4,650,000

Spalding (A. G.) & Bros. Inc.____Debentures
(Offering to stockholders—no underwriting) $2,017,300

May 8 (Wednesday)

El Paso Electric Co.____Common
(Offering to stockholders—Stone & Webster Securities Corp. will be dealer-manager) 119,522 shares

Mexico Refractories Co.____Common
(Reinholdt & Gardner) 80,000 shares

Missouri Pacific RR.____Equip. Trust Ctfs.
(Bids to be invited) $4,200,000

Potomac Edison Co.____Bonds
(Bids noon EDT) $14,000,000

May 9 (Thursday)

Alabama Power Co.____Bonds
(Bids 11 a.m. EDT) $14,500,000

Baltimore & Ohio RR.____Equip. Trust Ctfs
(Bids noon EDT) $3,585,000

Herold Radio & Electronics Corp.____Preferred
(Amos Treat & Co., Inc.) $800,000

May 13 (Monday)

Allied Finance Co.____Debentures
(The First Trust Co. of Lincoln, Neb.) $1,200,000

Central Maine Power Co.____Bonds
(Bids noon EDT) $18,000,000

Drug Fair-Community Drug Co., Inc.____Common
(Auchincloss, Parker & Redpath) 217,500 shares

Du Mont Broadcasting Corp.____Common
(Offering to stockholders—underwritten by Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co.) 314,821 shares

Magnetic Amplifiers, Inc.____Common
(D. A. Lomasney & Co.) $292,500

Sundstrand Machine Tool Co.____Common
(Offering to common stockholders—underwritten by Merrill Lynch, Pierce, Fenner & Beane; Bacon, Whipple & Co.; and Dean Witter & Co.) 175,118 shares

Topp Industries, Inc.____Debentures
(Dempsey-Tegeler & Co.) $2,750,000

May 14 (Tuesday)

Chicago, Rock Island & Pacific Ry.____Equip. Trust Ctfs.
(Bids to be invited) $3,000,000

Hawaii (Territory of)____Bonds
(Bids 10 a.m. EDT) $14,000,000

New York State Electric & Gas Corp.____Bonds
(Bids noon EDT) $25,000,000

Radiation, Inc.____Class A common
(Offering to stockholders and public—underwritten by Kuhn, Loeb & Co. and Johnson, Lane, Space & Co., Inc.) 226,333 shs.

May 15 (Wednesday)

Central Hudson Gas & Electric Corp.____Common
(Kidder, Peabody & Co. and Estabrook & Co.) 280,000 shares

Chesapeake & Ohio Ry.____Equip. Trust Ctfs.
(Bids to be invited) $3,000,000

El Paso Electric Co.____Preferred
(Bids 11 a.m. EDT) $2,000,000

El Paso Electric Co.____Bonds
(Bids 11 a.m. EDT) $6,500,000

Florida Power Corp.____Common
(Offering to stockholders—to be underwritten by Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.) 255,813 shares

Florida Power & Light Co.____Bonds
(Bids 11:30 a.m. EDT) $15,000,000

National Telefilm Associates, Inc.____Debentures
(Bache & Co.) $7,500,000

Paul Hesse 3-D Arts, Inc.____Common
(Reilly, Hoffman & Sweeney, Inc.) $300,000

May 16 (Thursday)

Grolier Society, Inc.____Debentures
(Dominick & Dominick) $2,500,000

Grolier Society, Inc.____Common
(Dominick & Dominick) 318,000 shares

Northern Pacific Ry.____Equip. Trust Ctfs.
(Bids to be invited) $6,000,000 to $8,000,000

Washington Gas Light Co.____Bonds
(Bids 11:30 a.m. EDT) $8,000,000

May 17 (Friday)

General Telephone Corp.____Debentures
(Offering to common stockholders — underwritten by Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Mitchum, Jones & Templeton) $46,000,000

May 20 (Monday)

Colonial Stores, Inc.____Debentures
(Hemphill, Noyes & Co.) $5,000,000

Continental Air Lines, Inc.____Common
(Lehman Brothers) 230,000 shares

Public Service Co. of Colorado____Bonds
(Bids noon EDT) $30,000,000

Qunita Corp.____Common
(Frederick H. Hatch & Co., Inc.; Clark, Landstreet & Kirkpatrick, Inc.; and Minor, Mee & Co.) $350,000

May 21 (Tuesday)

New York Telephone Co.____Bonds
(Bids to be invited) $70,000,000

May 22 (Wednesday)

International Business Machines Corp.____Common
(Offering to stockholders—underwritten by Morgan Stanley & Co.) 1,050,223 shares

Interstate Power Co.____Bonds
(Bids 11 a.m. EDT) $20,000,000

Interstate Power Co.____Common
(Kidder, Peabody & Co.) 680,000 shares

Niagara Mohawk Power Corp.____Preferred
(Harriman Ripley & Co. Inc.) 200,000 shares

May 23 (Thursday)

Reading Co.____Equip. Trust Ctfs.
(Bids to be invited) $2,550,000

May 27 (Monday)

Tennessee Gas Transmission Co.____Bonds
(Stone & Webster Securities Corp.; White, Weld & Co.; and Halsey, Stuart & Co. Inc.) $50,000,000

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

Wabash RR.____Equip. Trust Ctfs.
(Bids noon EDT) $6,615,000

June 3 (Monday)

Government Employees Corp.____Debentures
(Johnston, Lemon & Co.) about $500,000

June 4 (Tuesday)

Alabama Great Southern RR.____Equip. Trust Ctfs.
(Bids to be invited) about $3,000,000

Boston Edison Co.____Bonds
(Bids to be invited) $25,000,000

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)

General Telephone Co. of California____Bonds
(Bids to be invited) $20,000,000

Indiana Harbor Belt RR.____Bonds
(Bids 11:30 a.m. EDT) $8,125,000

June 6 (Thursday)

Columbia Gas System, Inc.____Debentures
(Bids to be invited) $20,000,000

Georgia Power Co.____Bonds
(Bids 11 a.m. EDT) $15,500,000

June 10 (Monday)

Metropolitan Edison Co.____Bonds
(Bids 11 a.m. EDT) $19,000,000

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)

Gulf States Utilities Co.____Common
(Bids 11 a.m. EDT) 200,000 shares

Public Service Electric & Gas Co.____Preferred
(May be Morgan Stanley & Co.; Drexel & Co.; and Glore, Forgan & Co.) $25,000,000

Southern Bell Telephone & Telegraph Co.____Debs.
(Bids to be invited) $70,000,000

June 25 (Tuesday)

Delaware Power & Light Co.____Bonds
(Bids to be invited) $15,000,000

Puget Sound Power & Light Co.____Bonds
(Bids to be invited) $20,000,000

June 26 (Wednesday)

Southern California Gas Co.____Bonds
(Bids to be invited) $35,000,000

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

July 31 (Wednesday)

Bell Telephone Co. of Pennsylvania____Debentures
(Bids to be invited) $50,000,000

September 10 (Tuesday)

Duke Power Co.____Bonds
(Bids to be invited) $50,000,000

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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company and 18,000 shares for a selling stockholder. **Price** — To be supplied by amendment. **Proceeds** — To finance instalment sales contracts receivable and for working capital. **Underwriter**—Dominick & Dominick, New York.

● Herold Radio & Electronics Corp. (5/9)
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.

● 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 being 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 being 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 are 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. Statement effective April 24.

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.

★ International Business Machines Corp. (5/22)
May 1 filed 1,050,223 shares of capital stock (no par) to be offered for subscription by stockholders of record May 21, 1957 on the basis of one new share for each 10 shares held; rights to expire on June 10, 1957. **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Underwriter**—Morgan Stanley & Co., New York.

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 Power Co. (5/22)
April 19 filed 680,000 shares of common stock (par $3.50). **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—Kidder, Peabody & Co., New York.

Interstate Power Co. (5/22)
April 19 filed $20,000,000 of first mortgage bonds due May 1, 1987. **Proceeds**—For purchase of certain properties of Kansas City Power & Light Co.; to redeem $1,585,000 first mortgage bonds of Northwestern Illinois Gas & Electric Co.; to repay bank loans; and for additions and improvements to properties. **Underwriter**—To be determined by competitive bidding. Probable bidders: 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. **Bids**—Expected to be received up to 11 a.m. (EDT) on May 22.

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.

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.

Janaf, Inc., Washington, D. C.
April 23 filed $10,000,000 of 5½%-8% variable interest sinking fund debentures and 400,000 shares of common stock (par 20 cents) to be offered in units consisting of $1,000 of debentures and 40 shares of stock. **Price**—$1,008 per unit. **Proceeds** — To be loaned to subsidiaries and used by them as working capital. Of total, $5,000,000 will be advanced to Janaf Shopping Center, Inc. for its shopping center near Norfolk, Va., and $500,000 to pay second deed of trust on the shopping center land and leases; $600,000 to Janaf Motor Hotels, Inc., for its Admiralty motor hotel adjacent to the shopping center; $200,000 to Janaf Homes, Inc.; $2,050,000 for acquisition of land and/or new development (new ventures); $750,000 to retire present preferred shares; and $100,000 for expenses. **Underwriter**—Name to be supplied by amendment.

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.

● Lake Lauzon Mines Ltd., Toronto, Can. (5/6-10)
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.

★ Lancashire Steel Corp., Ltd.
April 20 filed 80,000 American depositary receipts for ordinary shares. **Depositary** — Guaranty Trust Co. of New York.

● Lang Co., Inc.
April 9 filed 73,199 shares of common stock (par $5). **Price**—Expected to be $14 per share. **Proceeds**—To reduce bank loans and for working capital. **Underwriters**—Lee Higginson Corp., Chicago, Ill., and J. A. Hogle & Co., Salt Lake City, Utah. **Offering** — Expected today (May 2).

★ Lexington Funds, Inc., New York
April 24 filed $7,500,000 of Lexington Accumulation Plans. **Proceeds**—For investment.

★ Link-Belt Co., Chicago, Ill.
April 30 filed 26,791 shares of common stock (par $5) to be offered for subscription to a selected group of officers and employees of the company and its subsidiaries.

★ Madison Avenue & 58th Corp.
April 23 (letter of notification) 22,229 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital, etc. **Office**—465 Park Avenue, New York, N. Y. **Underwriter**—None.

★ Magnetic Amplifiers, Inc. (5/13)
April 29 (letter of notification) 90,000 shares of common stock (par 50 cents). **Price** — $3.25 per share. **Proceeds**—To retire $50,000 bank loan and for general corporate purposes. **Office**—632 Tinton Avenue, Bronx, New York 55, N. Y. **Underwriter** — D. A. Lomasney & Co., New York.

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.

★ McFaul (Claude) Corp.
April 18 (letter of notification) 10,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For acquisition of production machinery and equipment; purchase of materials and tooling; advertising; patent expenses and working capital. **Office**—560 Mills Tower Building, San Francisco, Calif. **Underwriter**—Financial Investors, Inc., Sacramento, Calif.

★ Mercantile Acceptance Corp. of California
April 22 (letter of notification) $21,900 of 12-year 5½% subordinate capital debentures. **Price**—At face amount. **Proceeds**—For working capital. **Office**—333 Montgomery Street, San Francisco, Calif. **Underwriter** — Guardian Securities Corp., San Francisco, Calif.

Mexico Refractories Co., Mexico, Mo. (5/8)
April 17 filed 90,000 shares of common stock (par $5), of which 80,000 shares are to be publicly offered and 10,000 shares offered for subscription by certain employees. **Price**—To be supplied by amendment. **Proceeds** — For expansion program and working capital. **Underwriter**—Reinholdt & Gardner, St. Louis, Mo.

Michigan Wisconsin Pipe Line Co.
July 2, 1956 filed $25,000,000 of first mortgage pipe line bonds due 1976. **Proceeds**—To pay off short term bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. **Bids**—Three bids were received on Aug. 1, all for 4¾s, but were turned down. Reoffering is expected sometime during the first six months of 1957.

● Midland Telephone Co.
March 13 (letter of notification) 170,154 shares of common stock (par $1) of which 151,487 shares are being offered to stockholders of record April 1, 1957 on the basis of seven shares for each six shares held (with an oversubscription privilege); rights to expire on May 31. The remaining 18,667 shares have been 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.
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.

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
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. **Offering**—Indefinite.

● National Telefilm Associates, Inc. (5/15)
April 15 filed $7,500,000 of convertible subordinated debentures due May 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—For reduction of short-term debt, working capital and other corporate purposes. **Underwriter**—Bache & Co., 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) being offered in exchange for capital stock of Lynn Gas & Electric Co. on the basis of two NEES shares for each Lynn share. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and F. S. Moseley & Co., both of Boston, Mass.

New York State Electric & Gas Corp. (5/14)
April 12 filed $25,000,000 of first mortgage bonds due May 1, 1987. **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.; 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**—To be received up to noon (EDT) on May 14 at 61 Broadway, New York 6, N. Y.

★ New York Telephone Co. (5/21)
April 26 filed $70,000,000 of refunding mortgage bonds, series J, due May 15, 1991. **Proceeds** — Together with proceeds from sale of 1,400,000 shares of $100 par common stock to American Telephone & Telegraph Co., parent, to retire bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Scheduled to be received on May 21.

★ Niagara Mohawk Power Corp. (5/22)
April 26 filed 200,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To reimburse the company's treasury and to finance in part the company's construction program. **Underwriter**—Harriman Ripley & Co. Inc., New York.

Northwest Telephone Co.
March 28 (letter of notification) 7,200 shares of common stock (par $5) to be offered first to stockholders on a preemptive basis; unsubscribed to employees; and remainder to public. **Price**—$16 per share. **Proceeds**—For construction, payment of current liabilities and working capital. **Office**—1313 Sixth St., Redmond, Ore. **Underwriter**—None.

Ohio Power Co.
Sept. 20 filed 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blyth & Co., Inc.; Kuhn Loeb & Co.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc. and Stone & Webster Securities Corp. (jointly); Lehman Brothers. **Bids**—The two received up to 11 a.m. (EST) on Oct. 30 were rejected.

★ Oxford County Telephone & Telegraph Co., Buckfield, Me.
April 18 (letter of notification) 6,000 shares of common stock to be offered to present stockholders on the basis of preemptive rights, thereafter to the public. **Price**—At par ($5 per share). **Proceeds** — For converting exchange at Turner from a manual service to a dial automatic exchange. **Underwriter**—None.

Paul Hesse 3-D Arts, Inc. (5/15)
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.

Pepsi-Cola Mokan Bottlers, Inc.
April 11 (letter of notification) 60,000 shares of common stock (par 50 cents). **Price**—$5 per share. **Proceeds**—For general funds of the company. **Office**—207 West 8th St., Coffeyville, Kan. **Underwriter** — G. F. Church & Co., St. Louis, Mo.

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**—To be received up to noon (EDT) on May 8 at office of West Penn Electric Co., 50 Broad St., New York, N. Y.

Public Service Co. of Colorado (5/20)
April 19 filed $30,000,000 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.; 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**—To be received up to 11:30 a.m. (EDT) on May 20 at Guaranty Trust Co. of New York, 35 Nassau St., New York, N. Y.

★ Public Service Co. of New Mexico
April 25 filed 181,997 shares of common stock (par $5) of which 166,997 shares are to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held. The remaining 15,000 shares are to be offered to employees. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—Allen & Co., New York, for offer to stockholders. **Offering**—Expected to be offered towards end of May.

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

Quinta Corp., Santa Fe, N. Mex. (5/20)
April 22 filed 700,000 shares of capital stock (par five cents). **Price**—50 cents per share. **Proceeds**—For building program, for future development of mineral deposits and working capital. **Underwriters**—Frederic H. Hatch & Co., Inc., New York; Clark, Landstreet & Kirkpatrick, Inc., Nashville, Tenn.; and Minor, Mee & Co., Albuquerque, N. M.

★ Radiation, Inc. (5/14)
April 25 filed 226,333 shares of class A common stock (par 25 cents), of which 186,333 shares are to be offered to stockholders of record about May 14, 1957 for subscription on the basis of one share of class A stock for each three shares of class A and common stock held; rights are to expire on May 28. The remaining 40,000 shares are to be offered publicly for account of selling stockholders. The subscription rights of certain principal stockholders would be purchased and exercised by the underwriters, and the new stock created thereby (129,733 shares) offered to the public. **Price**—To be supplied by amendment. **Proceeds** — For working capital and other corporate purposes. **Underwriters** — Kuhn, Loeb & Co., New York; and Johnson, Lane, Space & Co., Inc., Savannah, Ga.

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. **Investment Advisor**—Resource Fund Management Co., Inc., 60 Broadway, New York, N. Y.

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.

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).

Scruggs (Loyd) Co., Festus, Mo.
April 11 (letter of notification) 54,646 shares of common stock to be offered for subscription by common stockholders on the basis of one new share for each share held. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—1049 Front St., Festus, Mo. **Underwriter**—None.

★ Sears, Roebuck & Co.
April 25 filed 25,000 memberships in the company's Savings and Profit Sharing Pension Fund, together with 2,000,000 shares of common stock which may be acquired by the Fund.

Shop Rite Foods, Inc.
March 28 (letter of notification) 15,000 shares of common stock (par $5). **Price**—$11.50 per share. **Proceeds**—For fixtures and inventory. **Office** — 617 Truman St., N. E., Albuquerque, N. M. **Underwriters**—First Southwest Co., Dallas, Tex.; and Minor, Mee & Co., Albuquerque, N. M.

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.

Spalding (A. G.) & Bros. Inc. (5/7)
April 11 filed $2,017,300 of 5½% subordinated convertible debentures due June 1, 1962, to be offered for subscription by common stockholders of record May 7, 1957 on the basis of $100 of debentures for each 30 common shares held. **Price**—At par. **Proceeds**—To reduce bank loans. **Underwriter** — None. The largest stockholder, Pyramid Rubber Co., has agreed to purchase all of the debentures not subscribed for by the other stockholders.

★ Stanley Works
April 18 (letter of notification) an undetermined number of shares of common stock (par $25) to be offered to employees of company and of its designated subsidiaries on a payroll deduction plan. **Proceeds** — For working capital. **Office**—195 Lake Street, New Britain, Conn. **Underwriter**—None.

★ Stewarts & Lloyds, Ltd.
April 29 filed 80,000 American depositary receipts for ordinary shares. **Depositary** — Guaranty Trust Co. of New York.

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. Probable bidders include Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly).

★ Summers (John) & Sons, Ltd.
April 29 filed 80,000 American depositary receipts for ordinary shares. **Depositary** — Guaranty Trust Co. of New York.

Sun Oil Co., Philadelphia, Pa.
April 18 filed 15,000 memberships in the Stock Purchase Plan for employees of company and its subsidiaries and a maximum of 161,000 shares of common stock (no par) which it is anticipated may be purchased under the plan during the year ending June 30, 1958.

Sun Oil Co., Philadelphia, Pa.
April 18 filed a maximum of 228,904 shares of common stock (no par) to be offered for possible public sale during the year ended June 30, 1958. **Proceeds**—To selling stockholders. **Underwriter**—None. Such shares will be sold through brokerage houses on the New York Stock Exchange and the Philadelphia-Baltimore Stock Exchange.

Sundstrand Machine Tool Co. (5/13)
April 22 filed 175,118 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each eight shares held on or about May 10; rights to expire on May 27. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans and for working capital. **Office**—Rockford, Ill. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane, New York; Bacon, Whipple & Co., Chicago, Ill.; and Dean Witter & Co., San Francisco, Calif.

Supercrete, Ltd.
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.

● Topp Industries, Inc. (5/13-17)
April 19 filed $2,750,000 of 6% convertible subordinated debentures due May 1, 1977. **Price** — To be supplied by amendment. **Proceeds**—To reduce short-term borrowings by $1,250,000; $650,000 to purchase additional capital equipment; and the balance for working capital. **Office**—Beverly Hills, Calif. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

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.

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.

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 Leasing Corp.
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. **Offering**—Expected this week.

U. S. Semiconductor Products, Inc.
April 11 filed 500,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — For purchase of new materials and working capital. **Office** — Phoenix, Ariz. **Underwriter** — Jonathon & Co., Los Angeles, Calif.

★ United Steel Companies, Ltd.
April 29 filed 80,000 American depositary receipts for ordinary shares. **Depositary** — Guaranty Trust Co. of New York.

★ United Utilities, Inc., Abilene, Kansas
April 25 filed 105,000 shares of common stock (par $10) to be offered in exchange for stock of Oregon-Washington Telephone Co. on the basis of 2½ shares for each Oregon-Washington common share and five shares for each Oregon-Washington preferred share. This offer is subject to acceptance by not less than 80% of each class of stock. **Dealer-Manager**—Zilka, Smither & Co., Inc., Portland, Ore.

Valley Telephone Co., Silverton, Ore.
March 12 (letter of notification) 12,811 shares of common stock being offered to stockholders on the basis of one new share for each two shares held as of April 10; rights to expire on May 10. **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.
April 29 filed (by amendment) 380,000 additional shares of common stock. **Price**—At market. **Proceeds**—For investment.

★ Washington Gas Light Co. (5/16)
April 25 filed $8,000,000 refunding mortgage bonds due 1982. **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**—To be received up to 11:30 a.m. (EDT) on May 16.

● Western Electric Co., Inc.
April 16 (letter of notification) 2,856 shares of common stock (no par) being offered for subscription by minority stockholders of record April 9, 1957 at the rate of one new share for each nine shares held; rights to expire on

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June 3. An additional 1,565,662 shares will be subscribed for by American Telephone & Telegraph Co., the parent. **Price** — $45 per share. **Proceeds** — For expansion, etc. **Office**—195 Broadway, New York 7, N. Y. **Underwriter** —None.

Western Nuclear Corp., Rawlins, Wyo.
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.

★ Westinghouse Electric Corp.
April 25 filed 400,000 shares of common stock (par $12.50) to be offered for subscription by employees of this company and its subsidiaries under the company's Employee Stock Plan.

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.

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 May.

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. (6/4)
Bids are tentatively expected to be received by the company on June 4 for the purchase from it of about $3,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● American European Securities Co.
April 24 stockholders approved a proposal to increase 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 although no offering is presently planned. **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.

★ Arizona Public Service Co.
April 26 it was reported company plans to issue and sell in late Summer or early Fall an undetermined amount of bonds. **Underwriter** — Previous bond financing was done privately through The First Boston Corp. and Blyth & Co., Inc.

Associated Truck Lines, Inc. (5/6-10)
March 13 it was announced sale of 125,000 shares of class A common stock (par $3) is planned the latter part of April or early in May. Of the total 50,000 shares will be sold by company and 75,000 shares by selling stockholders. **Price** — $10 per share. **Proceeds** — For general corporate purposes. **Business**—A short haul motor common carrier operating over 3,000 miles or routes in Illinois, Indiana, Michigan and Ohio. **Office**—Grand Rapids, Mich. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

Baltimore & Ohio RR. (5/9)
Bids will be received by the company up to noon (EDT) on 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.

★ Bell Telephone Co. of Pennsylvania (7/31)
April 25 it was announced company plans to issue and sell $50,000,000 of new debentures due 1997. **Proceeds**—To redeem $50,000,000 of 5% series C bonds. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received on or about July 31.

Berks County Trust Co., Reading, Pa.
April 15 Bank offered to its stockholders of record April 8, 1957 the right to subscribe 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.

Birdsboro Steel Foundry & Machine Co.
April 19 it was announced company may have to obtain additional financing, probably this year, to continue building for the future and earning and paying dividends.

● Boston Edison Co. (6/4)
March 19 it was announced that company may issue and sell $25,000,000 of first mortgage bonds. Stockholders to vote May 6 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 June 4.

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.

★ Central Hudson Gas & Electric Corp.
April 9 it was announced company plans to issue and sell this year additional first mortgage bonds. **Proceeds**—To finance construction program. **Underwriter**—Probably Kidder, Peabody & Co., 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 Illinois Public Service Co.
April 9 it was reported company plans to issue and sell $10,000,000 of 1st mtge. bonds. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co.; and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly). **Offering**—Expected late in 1957.

Central Louisiana Electric Co., Inc.
April 8 it was announced company plans to issue and sell late this year $6,000,000 of first mortgage bonds. **Proceeds** — Together with $4,500,000 of 4⅜% 12-year convertible debentures to be placed privately, to be used to repay bank loans and for construction program. **Underwriters**—Kidder, Peabody & Co. and White, Weld & Co. about the middle of last year arranged the private placement of an issue of $5,000,000 series G first mortgage bonds.

Central Vermont Public Service Co.
April 15 it was reported company expects to offer publicly some additional common stock during 1957. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co.; Blyth & Co., Inc.; Lee Higginson Corp.; Harriman Ripley & Co. Inc.

Chance Vought Aircraft, Inc.
April 15 it was reported company plans to issue and sell $12,000,000 of convertible securities (debentures of preferred stock). **Underwriter**—May be Harriman Ripley & Co., Inc., New York.

★ Chesapeake & Ohio Ry. (5/15)
Bids are expected to be received by the company on May 15 for the purchase from it of $9,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● Chicago, Rock Island & Pacific Ry. (5/14)
Bids are expected to be received by this company up to noon (CDT) on May 14 for the purchase from it of $3,000,000 equipment trust certificates, series R, dated June 1, 1957 and due semi-annually Dec. 1, 1957 to June 1, 1972, inclusive. 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. (6/6)
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). **Bids**—Expected to be received on June 6 for $20,000,000 debentures with an additional $25,000,000 to be sold in September.

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 of $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.

★ Consumers Power Co.
April 22 it was reported company plans to issue and sell $40,000,000 of first mortgage bonds this Fall. **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. and Shields & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly).

Delaware Power & Light Co. (6/25)
April 26 H. H. Plank, President, announced that company plans to issue and sell $15,000,000 of first mortgage and collateral trust bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Wood, Struthers & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly); Francis I. duPont & Co. and Reynolds & Co. (jointly); Lehman Brothers. **Bids**—Tentatively scheduled to be received on June 25. **Registration**—Expected on May 9.

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.

★ Duke Power Co. (9/10)
April 22 it was reported company plans to issue and sell $50,000,000 of first refunding mortgage bonds. **Proceeds** —To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Stone & Webster Securities Corp. **Bids**—Tentatively scheduled to be received on Sept. 10.

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).

Eastern Utilities Associates
April 15 it was announced company proposes to issue and sell $3,750,000 of 25-year collateral trust bonds. **Proceeds** — For advances to Blackstone Valley Gas & Electric Co., a subsidiary. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co. (jointly).

Erie Resistor Corp., Erie, Pa.
April 23, G. Richard Fryling, President, announced that a new issue of 200,000 shares of preference stock (par $12.50) has been authorized and that the 62,475 shares of outstanding convertible preferred stock (par $20) are expected to be called for redemption at an early date. **Underwriter** — Fulton, Reid & Co., Inc., Cleveland, Ohio.

★ General Telephone Co. of California (6/5)
April 22 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Prob-

able bidders: Halsey, Stuart & Co. Inc.; Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly). **Bids**—Expected to be received on June 5.

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. (6/18)**
April 25 it was reported company plans to issue and sell 200,000 shares of 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. **Bids**—Expected to be received up to 11 a.m. (EDT) on June 18.

Gulf States Utilities Co.
April 8 it was reported company tentatively plans to issue and sell some preferred stock this year. **Proceeds**—To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly).

Hanna Steel Co., Birmingham, Ala.
April 8 it was reported company plans to issue and sell 120,000 shares of class A common stock. **Price**—$5 per share. **Underwriters**—Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala. **Offering**—Expected in May.

★ **Hawaii (Territory of) (5/14)**
Bids will be received by the Treasurer of the Territory at the Bankers Trust Co., Room 1515, 14 Wall St., New York City, up to 10 a.m. (EDT) on May 14 for the purchase from the Territory of $14,000,000 public improvement bonds dated May 15, 1957 and due $778,000 on May 1, 1960 to 1976, inclusive, and $774,000 on May 15, 1977.

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.

Indiana Harbor Belt RR. (6/5)
Bids are tentatively expected to be received by this company up to 11:30 a.m. (EDT) on June 5 for the purchase from it of $8,125,000 first mortgage bonds due 1982. **Proceeds**—To refund bonds due July 1, 1957. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kuhn, Loeb & Co.

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 Utilities Corp.
March 15 it was announced stockholders were to 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.

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.
April 10 stockholders approved a new issue of 50,000 shares of cumulative preferred stock (par $100). **Proceeds** — To finance expansion. **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.

Kentucky Jockey Corp.
April 15 it was reported corporation plans to issue and sell within the next six months $2,500,000 to $3,000,000 of new securities (probably debentures and common stock to be offered in units). This offer is expected to be underwritten.

Long Island Lighting Co.
April 16 it was announced company plans to sell later this year $40,000,000 of rist mortgage bonds, series J. **Proceeds**—To refund $12,000,000 of series C bonds due Jan. 1, 1958 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); W. C. Langley & Co. and Smith, Barney & Co. (jointly).

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. (6/10)**
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**—Expected to be received up to 11 a.m. (EDT) on June 10.

● **Michigan Consolidated Gas Co.**
April 24 it was announced company plans to issue and sell $30,000,000 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.; Smith, Barney & Co. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Lehman Brothers (jointly). **Bids** — Expected early in June.

★ **Michigan Wisconsin Pipe Line Co.**
April 24 it was announced company plans to issue and sell $30,000,000 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.; The First Boston Corp.; Blyth & Co., Inc. **Offering**—Expected late in June.

Missouri Pacific RR. (5/8)
Bids are expected to be received by the company on May 8 for the purchase from it of $4,200,000 equipment trust certificates. 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.

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.

★ **Niagara Mohawk Power Corp.**
April 22 it was reported company tentatively plans to issue and sell this fall about $40,000,000 of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly).

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 May, 1957.

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.

★ **Outboard Marine Corp.**
April 22 it was announced company plans to offer additional common stock (sufficient to raise about $10,000,000) first to stockholders and sell publicly $10,000,000 of debentures or notes. **Underwriter**—Morgan Stanley & Co., New York. **Meeting**—Stockholders will vote May 24 on approving financing proposals and a 3-for-1 stock split.

● **Pacific Power & Light Co.**
April 17, Paul B. McKee, President, announced that company expects to raise about $30,000,000 between now and the end of the year. Stockholders on April 16 approved an increase in the authorized serial preferred stock by 250,000 shares and the common stock by 1,200,000 shares. The type of financing has not been determined, but it is anticipated that about one-third of the funds required will be raised around mid-year and the balance in September or October. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds: Halsey, Stuart & Co. Inc.; Lehman Brothers, Bear, Stearns & Co. and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and Kidder, Peabody & Co. (jointly). (2) For preferred stock: Kidder, Peabody & Co. and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co., Inc., Salomon Bros. & Hutzler and White, Weld & Co. (jointly).

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 $5,490,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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).

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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. **Offering**—Expected in June.

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. **Registration**—Expected late in May.

Principal Retail Plazas of Canada, Ltd. (Canada)
Feb. 28 it was reported that early registration is expected of an issue of $15,000,000 of subordinated debentures due 1982 and 1,500,000 shares common stock to be sold in units of $50 of debentures and five shares of stock. **Proceeds**—For expansion and working capital. **Business** — Operates shopping centers. **Underwriter** — Eastman Dillon, Union Securities & Co., New York, for about two-thirds of issue. Balance to be underwritten in Canada.

Public Service Electric & Gas Co. (6/18)
April 15 it was announced company plans to issue and sell 250,000 shares of cumulative preferred stock. **Proceeds** — About $25,000,000 for expansion program. **Underwriters**—May be Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. (jointly).

Puget Sound Power & Light Co. (6/25)
April 12, Frank McLaughlin, President, announced that company plans to sell an issue of $20,000,000 first mortgage bonds. **Proceeds**—To retire bank loans. **Underwriter** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. **Bids**—To be received on June 25.

Reading & Bates Offshore Drilling Co.
April 18 it was announced company plans to do about $2,000,000 additional financing, which will include an issue of debentures not to exceed $1,700,000 and 500,000 shares of common stock. [Early registration of debentures (with stock purchase warrants) and about 170,000 common shares is expected.] **Proceeds** — To acquire a third offshore unit. **Office** — Tulsa, Okla. **Underwriters**—Hulme, Applegate & Humphrey, Inc.; The Milwaukee Co.; The Ohio Company; and Stroud & Co., Inc. **Offering**—Expected in May.

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.

★ San Diego Gas & Electric Co.
April 23, E. D. Sherwin, President, announced that company will probably raise about $7,500,000 late this fall through the sale of preferred stock. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

Seaboard Air Line RR. (5/7)
Bids will be received by the company on May 7 for the purchase from it of $4,650,000 equipment trust certficates. 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, including 1,200,000 shares of $25 par preferred stock early in June. **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 preferred stock: May be The First Boston Corp. and Dean Witter & Co. (jointly).

Southern California Gas Co. (6/26)
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). **Bids**—Tentatively expected to be received on June 26.

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.

Tennessee Gas Transmission Co. (5/27-29)
April 12 it was reported company plans to issue and sell $50,000,000 of first mortgage pipeline bonds due 1977. **Proceeds**—For expansion program. **Underwriters**—Stone & Webster Securities Corp., White, Weld & Co. and Halsey, Stuart & Co. Inc. (jointly).

Thorp Finance Corp.
Jan. 30 it was reported company plans to issue and sell locally 10,000 additional shares of 5% preferred stock and to sell generally some additional common stock during 1957. **Price**—Of preferred, $102 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Emch & Co. and The Marshall Co., both of Milwaukee, Wis.

Timken Roller Bearing Co.
April 16 company announced that it plans to raise additional funds for capital improvements and expansion. Stockholders on May 28 will vote on increasing the authorized common stock from 2,500,000 to 6,000,000 shares, one new share to be issued for each outstanding share. **Underwriter**—May be Hornblower & Weeks, 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 25 it was announced early registration is expected of 3,337,036 shares of common stock which are to be offered for subscription by common stockholders on a share-for-share basis. 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.

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.

Valley Gas Co.
April 15 it was announced company, a subsidiary of Blackstone Valley Gas & Electric Co., plans to issue, within one year, $4,000,000 of bonds, $1,100,000 of notes and $900,000 of preferred stock to its parent in exchange for $6,000,000 of notes to be issued in exchange for certain assets of Blackstone. The latter, in turn, proposes to dispose by negotiated sale the first three new securities mentioned in this paragraph.

April 15 it was also announced Blackstone plans to offer to its common stockholders (other than Eastern Utilities Associates its parent) and to common stockholders of the latter the $2,500,000 of common stock of Valley Gas Co., it is to receive as part payment of certain Blackstone properties. **Dealer-Manager**—May be Kidder, Peabody & Co., New York.

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 to be received 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. (5/28)
Bids are tentatively scheduled to be received by the company up to noon (EDT) on May 28 for the purchase from it of $6,615,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 (sale of up to $30,000,000 bonds is planned). **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.

★ Wisconsin Public Service Co.
April 24 it was announced stockholders will vote May 28 on increasing the authorized preferred to 300,000 shares from 200,000 shares and the authorized common stock from 3,000,000 shares to 4,000,000 shares. **Underwriter**—(1) For preferred stock, to be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Kidder, Peabody & Co.; The First Boston Corp. (2) For any common stock (probably first to stockholders), The First Boston Corp., Merrill Lynch, Pierce, Fenner & Beane, Robert W. Baird & Co. and William Blair & Co.(jointly).

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.

Yale & Towne Manufacturing Co.
April 11, Gilbert W. Chapman, President, stated that the company plans some long-term financing. **Underwriter**—Morgan Stanley & Co., New York.

Unterberg, Towbin Co. Offers Midwestern Instruments Stock

Public offering of 200,000 shares of Midwestern Instruments, Inc. common stock at a price of $5 per share was made yesterday (May 1) by C. E. Unterberg, Towbin Co. and associates.

Net proceeds from the financing will be used by the company for plant additions, product development, repayment of loans, additions to working capital and other general corporate purposes.

Midwestern Instruments, Inc., located in Tulsa, Okla., is engaged principally in the design and manufacture of industrial electronic and electro-mechanical equipment: primarily, recording oscillographs, recording galvanometers and magnetic structures, amplifiers and automatic control components. Its recently merged Magnecord Division which produces magnetic tape equipment, is located in Chicago, Illinois.

Upon completion of the current financing, the company will have outstanding 947,555 shares of common stock.

Participating in the offering are —Carl M. Loeb, Rhoades & Co.; Hayden, Stone & Co.; Hettleman & Co. and Underwood, Neuhaus & Co. Incorporated.

KLM Royal Dutch Airlines Common Stock Offered at $29 a Share

A syndicate headed jointly by Smith, Barney & Co. and The First Boston Corp., yesterday (May 1) offered publicly 250,000 shares of KLM Royal Dutch Airlines (Koninklijke Luchtvaart Maatschappij N. V.) common stock, par value 100 Dutch guilders ($26.32) at a price of $29 per share.

Simultaneously with the offering by the United States underwriters, an additional 150,630 common shares repurchased from the Dutch Government and now held in the company's treasury will be made available by the company for sale on the Amsterdam Stock Exchange through the agency of a group of Netherlands banking institutions, headed jointly by the firms of Heldring & Pierson, Pierson & Co., and The Netherlands Trading Society.

This will be the first time since the war that a European company has offered shares of its capital stock for public sale in the United States. The sale of the new shares is being made primarily to create a broad public market for the company's stock here and in Europe.

Proceeds from the sale will become a part of the company's general funds. In the five-year-period 1952-56, KLM made gross capital expenditures of approximately $88,000,000, of which $75,000,000 represented investment in flight equipment and $13,000,000 investment in ground facilities.

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rolling schedules on a more efficient basis. Maintenance and repair also are coming in for more attention, it notes.

Some mills, too, apparently are building inventories of ingots and semi-finished steel. This strategy would put them into a position to make a quick turnabout should market demand pick up suddenly. But it would also mean that the operating rates of these mills are likely to drop sharply when inventories get to where they want them.

Despite the current easiness in some products, however, the steel outlook for the year is considered good. There has been no let-up in demand for heavy plates, structurals and pipe for the oil and gas industries.

Construction, shipbuilding, freight cars, capital equipment and petroleum will be the mainstays of the market until automotive production catches its expected second wind in third and fourth quarters. Appliances also are showing signs of strength and the emphasis on inventory reduction should diminish toward end of the year, concludes "The Iron Age."

Steel Output Expected to Show a Fractionally Higher Trend to 89.0% of Ingot Capacity This Week

First quarter earnings of most metalworking companies are higher than they were a year ago and profits may reach an all-time high in 1957 if producers can keep earnings in step with sales, "Steel" magazine stated on Monday last.

Smaller first quarter net profits, as compared with a year ago, are reported by nine of 30 manufacturers listed in the weekly magazine and by seven of 18 steelmakers. The reason, it adds, are rising costs and special problems.

The profit situation is extremely bright in the aircraft and electrical industries which have substantial increases over the last year. On the minus side of the ledger, aluminum and copper generally showed first quarter declines, this trade weekly noted.

The earnings outlook for the other three quarters looks bright, although the profit squeeze will get rougher going into next year.

The publication said steel buyers are looking for the third quarter to bring about heavier demand for hot-rolled bars and light shapes, at the warehouse level; cold-finished bars, at the mills; drawn wire at warehouses and mills; hot-rolled sheets, at warehouses; cold-rolled sheets and hot-rolled strip, at warehouses and mills and cold-rolled strip at warehouse.

Products in which an easing is seen at mills and warehouses are heavy plates, structural shapes, tubular goods (including line pipe and oil country goods) and stainless steel. Buyers foresee an easing in tin plate at the mills. If an upturn in demand comes in the third quarter, it likely will be near the end of the period, that is, in September. By that time, the needs for 1958 model automobiles should begin to be felt, this trade magazine observed.

The long awaited spring tidal wave of car sales has turned out to be a small ripple, the metalworking publication said. Today's most optimistic forecasts peg sales at 6,100,000 and output slightly higher, in contrast to earlier predictions of about 6,500,000 cars.

The publication's arithmetical base price composite of finished steel remained at $139.71 a net ton for the week ended April 24. Its price composite on steelmaking scrap at $42.50 a gross ton, dropped 17 cents from the previous week.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry will be an average of 89.0% of capacity for the week beginning April 29, 1957, equivalent to 2,278,000 tons of ingot and steel for castings, as compared with 88.7% of capacity, and 2,269,000 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 90.6% and production 2,319,000 tons. A year ago the actual weekly production was placed at 2,373,000 tons or 96.4%.

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 Held to Downward Trend the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, April 27, 1957, was estimated at 11,310,000,000 kwh., according to the Edison Electric Institute. This represented a further decline below the preceding week.

The past week's output dropped 175,000,000 kwh. under that of the previous week; it increased 443,000,000 kwh. or 4.1% above the comparable 1956 week and 1,611,000,000 kwh. over the week ended April 30, 1955.

Car Loadings Advanced 1.9% Above Prior Week But Were 10% Lower Than Like 1956 Period

Loadings of revenue freight for the week ended April 20, 1957, advanced by 12,986 cars or 1.9% above the preceding week, the Association of American Railroads reports.

Loadings for the week ended April 20, 1957, totaled 686,950 cars, a decline of 76,487 cars, or 10% under the corresponding 1956 week, and a decrease of 14,482 cars, or 2.1% below the corresponding week in 1955.

U. S. Automotive Output Showed Modest Gains In Latest Week Above That of Prior Period

Automotive output for the latest week ended April 26, 1957, according to "Ward's Automotive Reports," displayed modest progess above the level of the preceding week.

Last week the industry assembled an estimated 120,997 cars, compared with 118,327 (revised) in the previous week. The past week's production total of cars and trucks amounted to 146,734 units, or a gain of 5.041 units above that of the preceding week's output, states "Ward's."

Last week the agency reported there were 25,737 trucks made in the United States. This compared with 23,366 in the previous week and 21,954 a year ago.

Last week's car output rose above that of the previous week by 2,670 cars, while truck output increased by 2,371 vehicles during the week. In the corresponding week last year 127,189 cars and 21,954 trucks were assembled.

Canadian output last week was placed at 9,900 cars and 1,846 trucks. In the previous week Dominion plants built 8,151 cars and 1,514 trucks, and for the comparable 1956 week, 11,045 cars and 2,948 trucks.

Business Failures Decline Further the Past Week

Commercial and industrial failures fell to 263 in the week ended April 25 from 302 in the preceding week, according to Dun & Bradstreet, Inc. Despite this decrease, the toll remained above the 236 last year and the 212 in 1955. Failures were 12% below those of the comparable week of pre-war 1939 when 326 occurred.

Casualties with liabilities of $5,000 or more declined to 228 from 264 a week ago, but exceeded the 207 of this size recorded last year. There was a slight dip among small failures with liabilities under $5,000, to 35 from 38 in the previous week. They continued above the 29 occurring in the similar week of 1956. Twenty-three businesses failed with liabilities in excess of $100,000 as against 30 in the preceding week.

Wholesale Food Price Index Reacts to Sharply Lower Trend in Latest Week

There was a rather sharp drop in the Dun & Bradstreet wholesale food price index the past week. The index for April 23 fell to $6.11, from the previous level of $6.19. It compared with $6.04 on the corresponding date last year, the year-to-year gain being narrowed to 1.2%.

Higher in wholesale cost last week were wheat, bellies, butter, coffee and cocoa. On the down side were flour, corn, rye, oats, barley, lard, cottonseed oil, tea, eggs, 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 Rose Slightly the Past Week

Price gains in some basic commodities lifted the general commodity price level slightly above that of the preceding week. The index stood at 286.98 on April 22, compared with 286.64 a week ago, the 1957 low. On the corresponding date last year the level was 294.86.

Reports of favorable growing conditions somewhat discouraged grain trading the past week and prices weakened slightly. Although transactions in cash wheat were sluggish, prices were steady. Wheat futures prices slipped below those of the prior week. Local wheat supplies were moderately reduced, but stocks of red winter wheat in store in Chicago were expected to be shipped out last week.

Despite an increased call for corn, prices dipped moderately. There were slight price declines in oats, barley and soybeans. In Chicago purchases of soybeans dropped to 49,376,000 bushels from 64,658,000 bushels in the preceding week. This compared with 151,611,000 bushels in the comparable week a year ago. On the Chicago Board of Trade average daily purchases of grains and soybeans were estimated at 35,000,000 bushels as against 40,000,000 a week earlier and 67,000,000 last year.

Except for some scattered small lot inquiries for immediate needs, trading of bakery flours was sluggish a week ago. Increased stocks and improved weather conditions in the winter wheat belt discouraged buying. Activity in family flour markets also slackened.

There was a noticeable rise in cocoa futures prices last week.

Trade was stimulated by the reported move of the Brazilian Government to help growers raise their prices and indications that demand from Russia will increase.

Trends in the coffee market were mixed. The buying of Santos 4s expanded somewhat following reports that the Brazilian supply is dwindling and prices continued at the levels of the previous week. In contrast, prices on Milds slipped, as demand weakened.

Prices of cotton futures moved within a narrow range and on Thursday were slightly higher than those of the preceding week. Cotton exports last week were estimated by the New York Cotton Exchange Service Bureau at 194,000 bales, compared with 105,000 bales in the prior week and 97,000 bales in the corresponding week last year. For the current season through April 15 exports totaled 5,933,000 bales as against 1,338,000 bales in the similar 1956 period.

Trade Volume Reflected a Sharp Rise In Consumer Spending In the Latest Week

The total dollar volume of retail trade in the period ended on Wednesday of last week was 8 to 12% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England and East North Central +9 to +13; Middle Atlantic +10 to +14; West North Central and Pacific Coast +7 to +11; South Atlantic, East South Central and Mountain +4 to +8; West South Central +6 to +10%.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended April 20, 1957, advanced 13% from the like period last year. In the preceding week, April 13, 1957, an increase of 7% (revised) was reported. For the four weeks ended April 20, 1957, an increase of 5% was recorded. For the period Jan. 1, 1957 to April 20, 1957, an increase of 2% was registered above that of 1956.

Retail sales volume in New York City last week, in keeping with the post-Easter lull, dipped 6 to 8% below the like period a year ago, trade observers report.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended April 20, 1957 rose 11% above that of the like period of last year. In the preceding week, April 13, 1957, an increase of 11% (revised) was reported. For the four weeks ending April 20, 1957 a gain of 5% was registered. For the period of Jan. 1, 1957 to April 20, 1957 the index recorded a rise of 4% above that of the corresponding period in 1956.

British Columbia Guaranteed Debens. Offered to Investors

Financing Includes $25,000,000 British Columbia Power Commission and $20,000,000 Pacific Great Eastern Ry. Debentures.

Bond issues of two instrumentalities of British Columbia aggregating $45,000,000 are being offered for public sale by a nation-wide group of 76 investment firms headed jointly by Morgan Stanley & Co.; Harris & Partners Limited, Inc., and Burns Bros. & Denton, Inc. The issues are:

$25,000,000 British Columbia Power Commission 4⅜% sinking fund debentures, series L, due April 15, 1987, priced at 98% and accrued interest to yield approximately 4.50% to maturity;

$20,000,000 Pacific Great Eastern Railway Company 4⅜% sinking fund debentures, series C, due April 15, 1982, priced at 96½% and accrued interest to yield approvimately 4.61% to maturity.

Both issues will be unconditionally guaranteed as to payment of principal and interest by the Province of British Columbia. Principal and interest are payable in New York in U. S. dollars.

The most recent previous public sale of obligations of the Province of British Columbia in the United States was in June, 1956, when $40,000,000 sinking fund debentures of three instrumentalities of the Province were offered. Each of the issues being offered has a specific sinking fund which is designed to retire the particular issue in its entirety by maturity.

British Columbia is the third largest province in Canada both in area and population; and is the most rapidly growing of the provinces in population. In the last six fiscal years the Province has reported a surplus of revenues over expenditures for current account ranging from $14,000,000 in the fiscal year ended March 31, 1953, to an estimated $63,000,000 in the fiscal year ended March 31, 1957. The provincial government is carrying out its announced objective of full repayment of all net direct Provincial debt by 1962.

The proceeds from the sale of the Power Commission debentures will be used in connection with the commission's construction program which provides over the next two or three years for the addition of approximately 194,650 kw of additional generating capacity, which would nearly double the commission's present capacity. The commission, which proposes to spend about $38,000,000 for capital expenditures in the fiscal year ending March 31, 1958, supplies power to most of the province except the more densely populated sections, including the cities of Vancouver and Victoria.

Pacific Great Eastern Railway will use the proceeds from the sale of its debentures for payment of short-term indebtedness incurred for capital expenditure purposes. The railway is now engaged in another major construction program, the Peace River Extension. This line will extend the northern end of the railway from Prince George 194 miles to a junction at Little Prairie from which one line will run 65 miles to Dawson Creek and another line approximately the same distance to Fort St. John. It is expected that the extension, when completed in 1958, will materially increase the railway's volume of traffic and will be a major factor in the development of the extensive area north of Prince George. The cost of this construction is estimated at about $49,000,000, of which $21,535,000 had been expended to Dec. 31, 1956.

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)	May 5	§89.0	*88.7	90.6	96.4
Equivalent to—					
Steel ingots and castings (net tons)	May 5	§2,278,000	*2,269,000	2,319,000	2,373,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Apr. 19	7,550,850	7,441,950	7,819,000	7,129,900
Crude runs to stills—daily average (bbls.)	Apr. 19	¶7,690,000	7,899,000	7,976,000	7,436,000
Gasoline output (bbls.)	Apr. 19	26,370,000	26,322,000	25,060,000	24,599,000
Kerosene output (bbls.)	Apr. 19	2,156,000	2,134,000	2,265,000	2,044,000
Distillate fuel oil output (bbls.)	Apr. 19	11,942,000	12,451,000	12,855,000	11,982,000
Residual fuel oil output (bbls.)	Apr. 19	8,345,000	7,828,000	8,385,000	8,182,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 19	201,945,000	202,904,000	205,521,000	192,933,000
Kerosene (bbls.) at	Apr. 19	19,779,000	19,823,000	19,978,000	17,867,000
Distillate fuel oil (bbls.) at	Apr. 19	72,801,000	74,156,000	77,603,000	61,926,000
Residual fuel oil (bbls.) at	Apr. 19	36,943,000	36,758,000	36,886,000	32,829,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 20	686,950	673,964	685,833	763,437
Revenue freight received from connections (no. of cars)	Apr. 20	613,805	612,180	646,840	674,968
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Apr. 25	$439,627,000	$394,532,000	$358,987,000	$525,982,000
Private construction	Apr. 25	258,720,000	227,801,000	133,498,000	347,686,000
Public construction	Apr. 25	180,907,000	166,731,000	225,489,000	178,296,000
State and municipal	Apr. 25	136,704,000	140,284,000	141,245,000	163,676,000
Federal	Apr. 25	44,203,000	26,447,000	84,244,000	14,620,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 20	10,200,000	9,900,000	10,340,000	9,785,000
Pennsylvania anthracite (tons)	Apr. 20	482,000	498,000	407,000	553,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Apr. 20	128	122	113	113
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Apr. 27	11,310,000	11,485,000	11,694,000	10,867,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Apr. 25	263	302	290	236
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 23	5.670c	5.670c	5.670c	5.179c
Pig iron (per gross ton)	Apr. 23	$64.56	$64.56	$64.56	$60.29
Scrap steel (per gross ton)	Apr. 23	$42.17	$42.17	$45.83	$55.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Apr. 24	31.550c	31.525c	31.500c	46.075c
Export refinery at	Apr. 24	29.500c	29.725c	28.900c	46.375c
Lead (New York) at	Apr. 24	16.000c	16.000c	16.000c	16.000c
Lead (St. Louis) at	Apr. 24	15.800c	15.800c	15.800c	15.800c
‡Zinc (delivered) at	Apr. 24	14.000c	14.000c	14.000c	14.000c
Zinc (East St. Louis) at	Apr. 24	13.500c	13.500c	13.500c	13.500c
Aluminum (primary pig. 99%) at	Apr. 24	25.000c	25.000c	25.000c	24.000c
Straits tin (New York) at	Apr. 24	100.000c	100.000c	99.500c	98.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Apr. 30	89.65	89.50	91.33	93.20
Average corporate	Apr. 30	96.23	96.54	96.69	104.83
Aaa	Apr. 30	100.65	100.98	101.47	107.44
Aa	Apr. 30	99.04	99.36	99.36	106.92
A	Apr. 30	96.54	96.69	96.69	104.83
Baa	Apr. 30	89.09	89.51	89.92	100.65
Railroad Group	Apr. 30	94.56	95.16	95.32	103.64
Public Utilities Group	Apr. 30	96.69	96.85	97.00	105.00
Industrials Group	Apr. 30	97.31	97.47	97.94	105.86
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Apr. 30	3.37	3.38	3.23	3.03
Average corporate	Apr. 30	3.99	3.97	3.96	3.46
Aaa	Apr. 30	3.71	3.69	3.66	3.31
Aa	Apr. 30	3.81	3.79	3.79	3.34
A	Apr. 30	3.97	3.96	3.96	3.46
Baa	Apr. 30	4.48	4.45	4.42	3.71
Railroad Group	Apr. 30	4.10	4.06	4.05	3.53
Public Utilities Group	Apr. 30	3.96	3.95	3.94	3.45
Industrials Group	Apr. 30	3.92	3.91	3.88	3.40
MOODY'S COMMODITY INDEX	Apr. 30	405.6	407.3	410.6	421.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 20	229,036	259,607	257,167	241,807
Production (tons)	Apr. 20	282,574	284,442	288,866	281,098
Percentage of activity	Apr. 20	94	94	95	99
Unfilled orders (tons) at end of period	Apr. 20	403,901	463,194	408,010	557,227
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Apr. 26	110.61	110.97	110.72	109.06
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Apr. 6	1,249,660	1,119,610	1,138,740	1,881,630
Short sales	Apr. 6	219,350	169,320	212,910	403,300
Other sales	Apr. 6	977,890	928,980	986,820	1,460,050
Total sales	Apr. 6	1,197,240	1,098,300	1,199,730	1,863,350
Other transactions initiated on the floor—					
Total purchases	Apr. 6	283,670	199,310	237,000	406,940
Short sales	Apr. 6	31,300	14,400	29,900	39,990
Other sales	Apr. 6	283,310	223,350	301,400	409,510
Total sales	Apr. 6	314,610	237,750	331,300	449,500
Other transactions initiated off the floor—					
Total purchases	Apr. 6	559,720	383,380	496,296	633,258
Short sales	Apr. 6	162,470	128,840	104,330	93,720
Other sales	Apr. 6	567,932	501,480	492,390	806,002
Total sales	Apr. 6	730,402	630,320	596,720	899,722
Total round-lot transactions for account of members—					
Total purchases	Apr. 6	2,093,050	1,702,300	1,872,036	2,921,828
Short sales	Apr. 6	413,120	312,560	347,140	537,010
Other sales	Apr. 6	1,829,132	1,653,810	1,780,610	2,675,562
Total sales	Apr. 6	2,242,252	1,966,370	2,127,750	3,212,572
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	Apr. 6	1,130,815	964,343	1,177,300	1,711,897
Dollar value	Apr. 6	$52,823,642	$44,658,718	$55,432,432	$90,602,135
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Apr. 6	946,835	855,302	857,273	1,389,593
Customers' short sales	Apr. 6	12,817	9,809	8,728	8,609
Customers' other sales	Apr. 6	934,018	845,493	848,545	1,380,984
Dollar value	Apr. 6	$44,008,703	$38,786,084	$40,190,410	$70,967,466
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 6	233,340	226,880	197,500	342,490
Short sales	Apr. 6	------	------	------	------
Other sales	Apr. 6	233,340	226,880	197,500	342,490
Round-lot purchases by dealers—					
Number of shares	Apr. 6	417,490	343,330	501,530	653,300
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	Apr. 6	594,510	453,720	481,960	661,650
Other sales	Apr. 6	9,599,560	8,408,770	9,486,490	14,101,860
Total sales	Apr. 6	10,194,070	8,862,490	9,968,450	14,763,510
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Apr. 23	117.3	117.2	117.0	113.7
Farm products	Apr. 23	90.7	90.7	89.1	88.6
Processed foods	Apr. 23	104.8	*104.6	104.1	101.2
Meats	Apr. 23	88.0	86.6	84.7	77.5
All commodities other than farm and foods	Apr. 23	125.4	125.3	*125.3	121.4

*Revised figure. ¶Includes 892,000 barrels of foreign crude runs. §Based on new annual capacity of 133,459,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of January	147,029	148,391	140,394
Stocks of aluminum (short tons) end of Jan.	145,131	102,789	19,816
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of March	10,591,000	*9,987,206	10,924,788
Shipments of steel products (net tons)—Month of February	7,066,732	7,809,451	7,468,393
AMERICAN PETROLEUM INSTITUTE — Month of January:			
Total domestic production (barrels of 42 gallons each)	257,515,000	254,494,000	243,081,000
Domestic crude oil output (barrels)	231,880,000	228,684,000	223,180,000
Natural gasoline output (barrels)	25,611,000	25,781,000	24,854,000
Benzol output (barrels)	24,000	29,000	67,000
Crude oil imports (barrels)	24,941,000	27,071,000	24,944,000
Refined products imports (barrels)	19,243,000	18,526,000	19,137,000
Indicated consumption domestic and export (barrels)	353,108,000	321,406,000	312,004,000
Decrease all stocks (barrels)	51,409,000	21,315,000	13,842,000
AMERICAN TRUCKING ASSOCIATIONS, INC. Month of February:			
Intercity general freight transported by 355 carriers (in tons)	4,745,394	5,104,831	4,861,219
COKE (BUREAU OF MINES)—Month of Feb.:			
Production (net tons)	6,211,653	6,857,640	6,482,738
Oven coke (net tons)	5,967,098	6,604,384	6,234,670
Beehive coke (net tons)	244,555	253,256	248,068
Oven coke stock at end of month (net tons)	2,013,208	2,096,373	1,634,689
COPPER INSTITUTE—For Month of March:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	105,987	*101,449	115,055
Refined (tons of 2,000 pounds)	143,961	*134,291	143,558
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	113,571	101,565	139,453
Refined copper stocks at end of period (tons of 2,000 pounds)	140,191	*136,502	53,263
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average=100— Month of March:			
Adjusted for seasonal variations	129	*124	122
Without seasonal adjustment	107	*97	111
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of February:			
Contracts closed (tonnage)—estimated	265,894	297,629	331,497
Shipments (tonnage)—estimated	272,453	262,177	235,380
METAL PRICES (E. & M. J. QUOTATIONS)— March:			
Copper—			
Domestic refinery (per pound)	31.452c	32.576c	46.728c
Export refinery (per pound)	29.555c	30.553c	48.532c
††London, prompt (per long ton)	£239.548	£245.556	Not Avail.
††Three months, London (per long ton)	£239.137	£244.100	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)	£113.104	£113.150	£121.125
††Three months, London (per long ton)	£112.345	£112.344	£118.696
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)	£96.613	£99.444	£101.560
††Zinc, London, three months (per long ton)	£94.789	£96.850	£98.696
Silver and Sterling Exchange—			
Silver, New York (per ounce)	91.375c	91.375c	91.143c
Silver, London (per ounce)	79.744d	79.888d	78.962d
Sterling Exchange (check)	$2.79305	$2.79806	$2.80494
Tin, New York Straits	99.577c	100.506c	100.616c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$255.000	$255.000	$258.778
¶Antimony, New York boxed	36.590c	36.590c	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)	$93.000	$98.000	$103.000
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97% grade	$2.00000	$2.00000	$2.60000
Aluminum, 99% grade ingot weighted average (per pound)	27.100c	27.100c	24.621c
Aluminum, 99% grade primary pig	25.000c	25.000c	Not Avail.
Magnesium ingot (per pound)	35.250c	35.250c	32.500c
**Nickel	74.000c	74.000c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.25
MONEY IN CIRCULATION—TREASURY DEPT.			
As of Feb. 28 (000's omitted)	$30,575,000	$30,614,000	$30,163,000
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of February:			
Passenger Tires (Number of)—			
Shipments	7,536,015	*7,809,691	6,396,214
Production	8,047,177	8,296,362	7,571,033
Inventory	17,375,929	16,977,616	17,701,211
Truck and Bus Tires (Number of)—			
Shipments	1,000,789	*1,064,571	1,076,597
Production	1,122,243	1,207,524	1,326,262
Inventory	3,632,540	3,512,054	3,232,246
Tractor-Implement Tires (Number of)—			
Shipments	287,908	*280,244	301,005
Production	292,135	285,826	351,273
Inventory	787,334	780,080	876,576
Passenger, Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,291,161	3,828,811	2,920,554
Production	3,361,557	3,364,259	2,968,804
Inventory	5,959,580	5,788,703	6,546,703
Tread Rubber (Camelback)—			
Shipments (pounds)	28,902,000	35,417,000	25,314,000
Production (pounds)	30,545,000	37,518,000	27,330,000
Inventory (pounds)	31,047,000	28,977,000	28,900,000
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS—Month of February (000's omitted):			
Exports	$1,583,000	$1,537,300	*$1,361,500
Imports	1,004,000	1,116,500	*1,051,200
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of March 31	$275,108,008	$276,377,955	$276,403,742
General funds balances	7,673,283	3,849,243	7,071,786
Net debt	$267,434,725	$272,528,712	$269,331,956
Computed annual rate	2.726%	2.719%	2.533%

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne, U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange.

Forms Abbott & Co.

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Gardner Abbott, Jr. is engaging in a securities business from offices in the Williamson Building under the firm name of Abbott & Co.

MEETING NOTICE

Continued from page 11

Industrialization's Impact on U. S. Exports

plication forms, some for less than $1,000, are now being processed by the Bank for financing of completed export sales. Required credit information on the borrower and purchaser have been limited and the commission charge abandoned.

Fifth, do not be lax in making changes in your agents or representatives abroad if they are falling down on the job. A recent McGraw-Hill survey of New York exporters shows that 90% put the blame on economic or political conditions instead of the agents themselves for reduced sales or inefficient handling of collection payments.

Sixth, the small exporter cannot expect to profit from the rapid pace of world industrialization unless he is prepared to promote his goods abroad. By far the bulk of advertising in U. S. magazines distributed overseas comes from the large established firms whose products are known in every corner of the globe.

It is needless to say that with the rapidly spreading world industrialization of the 1950's both the small and large U. S. exporter has had to cope with a new kind of foreign competition. There is greater need today than ever before in America's history for close study of what foreign manufacturers have to offer in new products and in selling techniques. One astute medium-sized automotive exporter located in New England has on display in his office every available European and Japanese competitive product to his many lines. He is as familiar with the deficiencies and advantages of his competitor's goods as his own.

When it comes to selling techniques, he does not sit back and say to his Venezuelan customer, "All right, if the Germans will give you five years' credit, go ahead and get it from them." Instead, if he cannot sell on the strength of a better and more durable product, he then explores every one of the several available methods of financing overseas sales today. As a last resort, he will compromise on longer terms, and sometimes even price, to retain a satisfied customer.

East-West Management

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—East-West Management Services, Inc. is engaging in a securities business from offices at 430 North Camden Drive. Officers are Karl C. Vesper, President and Treasurer and Cecil E. Abbett, Vice-President and Secretary.

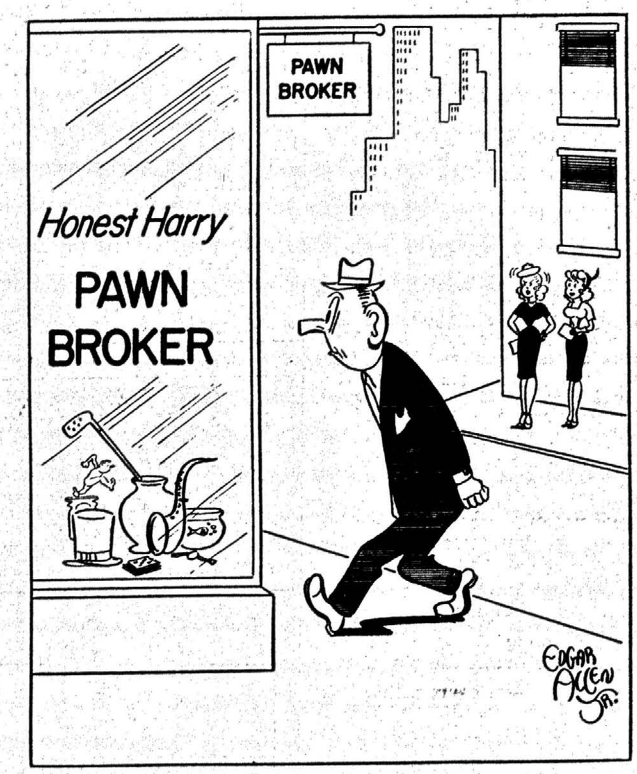
Continental Secs. Formed

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Continental Securities Corp. is engaging in a securities business from offices in the V. F. W. Building. Officers are Robert C. Allen, President; Edward B. White, Vice-President and A. D. Allen, Secretary and Treasurer.

DIVIDEND NOTICES

BUSINESS BUZZ



"So THAT'S what he means by going down to see his broker!"

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—George Humphrey has indicated that he is ready to go. While he might leave any day, most observers would expect him to postpone his departure until it suits the convenience of the President.

If this motivates the timing, then Mr. Humphrey probably will not leave until some time after Congress adjourns for the summer. While Congress remains in session it will be a forum from which the President's budget will be subjected to continuous public criticism. Since Mr. Humphrey himself complained last January about the size of the budget as it came out, if Mr. Humphrey were to take his leave of this political circus while it was still grinding out the criticisms of the budget, this would look like a Humphrey step to demonstrate his disagreement with the President.

Another thing may operate to hold the present Secretary of the Treasury in office for maybe three months longer. Senator Harry Byrd through his Finance Committee is going to investigate fiscal policy (while simultaneously "liberals" on the committee will be flaying "tight money and high interest rates").

Should Secretary Humphrey depart too soon, it might look like he was running out on the inquiry as well as letting Mr. Eisenhower down.

One of the facets of the Humphrey personality is that apparently he definitely wants to avoid embarrassing the President. His friends even state that the Secretary is NOT quitting because he disagrees with the President on the size of the budget.

Does Disagree

The purported intelligence that Mr. Humphrey is not resigning because he disagrees with the White House on the budget, is taken with great reservation by political observers.

That is because, they report, Mr. Humphrey in the last several months has in his private conversations with his comparatively few intimates in certain circles, been disclosing a personal keen dissatisfaction with the way things are going.

It has been difficult heretofore to believe that Humphrey was a personal zealot for economy. It has been difficult because for some time public statistics available to persons outside the government have shown that Mr. Eisenhower was moving with no particular slowness toward high spending. The trend has been evident ever since the death of Senator Taft removed that restraining influence on Federal extravagance.

Therefore it was felt that since Mr. Humphrey has undoubtedly known the drift of things, he must at least be accepting it because he was staying in Mr. Eisenhower's Cabinet.

Secretary of Everything

Thus, to all appearances, Mr. Humphrey, like the great bulk of the uninformed population, only came to give up the hope for a reversal against big spending with the announcement of the 1958 fiscal year budget and that understandable figure of $71.8 billion which, by its dramatic size, indelibly brought home finally the drift of things.

As to why George Humphrey waited so long to give up hope that he could reverse the trend, observers of fiscal affairs offer a simple and human explanation. It had been the custom of the big national media of news and information to portray the Secretary of the Treasury as having a hand in all sorts of major Administration policy decisions outside the fiscal area. This led to the widely accepted popular observation that George Humphrey was the "Secretary of Everything."

If there is any area of policy in which a Secretary of the Treasury is by tradition supposed to have a dominant voice, it is fiscal policy. Thus, it would appear that after being billed as the "Secretary of Everything," Mr. Humphrey was lulled into such a sense of imperception of trends that he only belatedly found he was not, in a manner of speaking, the Secretary of the Treasury.

Self-Entrapment

That George Humphrey could fail for so long — if he is the true economy advocate his friends say he is — to evaluate his actual influence in the Eisenhower Administration, is explained as being the consequence of some of Mr. Humphrey's own concepts of how to play his role in government.

One of these was the Treasury Secretary's relations with other figures of government, particularly in the Congress.

A man of outstanding accomplishment in the industrial world before Mr. Eisenhower recruited him to be Secretary of the Treasury, Mr. Humphrey acted as though he abhorred wasting time with scores of supposedly unimportant people in this political town.

In his Congressional relations he would seek out the one man with the apparent primary power of decision, and cultivate that man. Simultaneously, however, he would ignore the several others who had a very real hand in reaching the decision the Secretary wanted. The word got around to these other people ultimately that the Secretary had ignored them. Many regretted that with his outstandingly winsome personality and his undisputed charm and salesmanship, Mr. Humphrey should ignore them.

Press Relations

Likewise, the Secretary ignored all but the "very important people" in the press. He rarely held press conferences. Instead he cultivated writers with syndicated news columns, big magazines, chiefs of Washington bureaus of newspapers, or TV and radio news commentators with national shows. He invited them to dinners. That is how Mr. Humphrey, who certainly made personal advocates of these writers with his charm, came to be written up so often as the "Secretary of Everything."

Congressional Advocates

Another of Mr. Humphrey's omissions was his failure to cultivate continuously and assiduously those members of Congressional committees which handled legislation affecting the Treasury.

Not all members of the Cabinet have done this, but the politically smarter ones have done so. In legal theory the member of a Cabinet is, as it were, the hired hand of the President. However, many a member of the Cabinet in the past has kept up good relations personally and continuously with the members of the Congressional committees important to their department's work.

This reflects no particular disloyalty of the Cabinet members who do this to their President. Such a practice actually smooths the way for Administration legislation in Congress. The member of the Cabinet gets the private pitch of the thinking of the legislators, and he can be a help in brokering things between the White House and Congress.

This would be especially helpful to a Cabinet member in the Eisenhower Administration, where legislators are usually called in after decisions are made and are told what the Administration wants.

Cabinet Depreciated

On the other hand, even if George Humphrey had tended to his fiscal knitting and had not dispersed his influence by taking a hand in affairs outside his jurisdiction, and even if he had cultivated the press and Congress, it may be doubted that despite his outstandingly forceful personality, he could have achieved a great deal for economy.

What is bound to limit the cleverest member of the Eisenhower Cabinet is the depreciation which the Cabinet has taken under the Eisenhower Administration in comparison with the President's personal staff, the White House Establishment, or "politbureau."

The depreciation of the Cabinet's status is not qualitatively but quantitatively new with Mr. Eisenhower. With the enormous development of the personal staff of the President in the White House Establishment, the members of the Cabinet have come to be more and more to be like managers of a branch plant in Texas or Canada. Usually they are at arm's-length from the President. The President is surrounded by a coterie of personal assistants who anonymously make initial decisions by the thousands. These initial decisions are made in the name of the President, and often they foreclose Cabinet members from making policy. It is a practical physical impossibility for the member of the Cabinet to discuss with the President more than a few of these more important decisions.

Staff System

Under a $70 billion government the staff system is inescapable. However, Mr. Eisenhower has emphasized the staff system for its own sake, having inherited a love of it from the Army. He openly glories in letting staff men make decisions. Apart from that, however, the staff of the White House is compelled to take a greater and greater load of decision because the President is patently off the job such a great deal of the time.

Practical observers understand that it is love of power more than anything else which causes men to seek top positions in public life. Hence, they view it as natural that this love of very real and large power should be acquired by these comparatively unknown and anonymous staff men. When that staff has the complete confidence of the President, when even important members of the Senate cannot get through to the President on the phone, then that staff becomes a formidable thing.

That White House staff is no lover of economy and no friend of the man who opposes the Welfare State. Under those circumstances, even as forceful a personality as Mr. Humphrey finds himself, instead of making fiscal policy, merely fronting for it.

[*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.*]

American Nat'l Planning

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — American National Planning Corporation has been formed with offices at 430 North Camden Drive to engage in a securities business. Officers are Cecil E. Abbett, President and Karl C. Vesper, Secretary-Treasurer and Vice-President.

Birkenmayer Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Evelyn M. Bakke has been added to the staff of Birkenmayer & Co., Denver Club Building.