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EDITORIAL

As We See It

The President submitted a surprising and, we think, indefensible budget to Congress early this year. It shocked a substantial part of the electorate. Numbered among its critics have been some of the leading figures in the country. So far as it goes all this is as it should be, but numerous aspiring politicians, who really have little interest in reducing public expenditures, have found, so they think, an excellent opportunity in this same budget. They hope that they have been provided an excellent means of attacking the President and gaining strength with the electorate either for their party or for some faction in it.

On balance the picture thus presented is not a heartening one. A few like Secretary Humphrey, Senator Byrd and doubtless others here and there in both houses of Congress are sincerely desirous of reducing the level of outlays proposed by the President, and at least some of them are probably willing to do what is necessary to make such reductions feasible. A great many more of the President's critics are chiefly interested in making political capital of the situation. Reductions are being made by the House, many of which almost certainly are not expected to stick or if they do stick will have to be restored later by deficiency appropriations unless legislation requiring the funds in question is substantially modified or repealed—which no one at this time expects.

Those in the Democratic party who have been cherishing hope of having their party gain handsomely by the situation that has thus developed received a rather rude shock last week when

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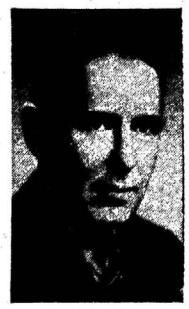
Tight Money in Canada

By NIGEL H. GUNN*

President, Bell, Gouinlock & Co., Ltd., Toronto
President, The Investment Dealers' Ass'n of Canada

Though appreciative of Canada's investment-development growth, Canadian Investment Dealers' head describes present inflationary developments and in supporting credit-restraining measures undertaken, warns that tight money should be everybody's business in order to achieve "full knowledge of what is at stake and the unpleasant alternative." Referring to past traditions of thrift, Mr. Gunn believes higher interest rates and lower taxes might encourage increased savings. Defends capital in-flow from abroad and disagrees that Canada should "sit idly on a treasure house of natural resources."

One hundred years ago, when Confederation was still a dream in a few men's minds, the railway was just coming to Canada. In 1853 the Charter of the Grand Trunk Railway was passed by the Canadian Legislature, and the capital needed was £9½ million. This sum was of course beyond the capacities of the young colony and was to be raised in London through the facilities of Baring Bros. & Company.



Nigel H. Gunn

Mr. Baring and his Canadian Colleagues (none of whom were investment dealers because our profession did not come into existence until late in the century) faced some pretty substantial difficulties in persuading English investors to risk their savings in a new and untried enterprise in an undeveloped land. But, as you know, the required capital was eventually raised and in time the Railway was completed. It is interesting to note that the two groups of contractors who undertook to build the railway were hard hit by the sharp rise in prices which took place during the period of construction. Wage rates for unskilled labor

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*An address by Mr. Gunn before the Ottawa Board of Trade 99th Annual Meeting.

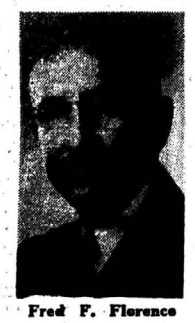
A Banker Examines Closely Current Business Outlook

By FRED F. FLORENCE*

Chairman, Executive Committee
Republic National Bank of Dallas, Texas

Fortifying expectation of resumed expansion later this year with deep conviction that our economy is vigorous, resilient, and possesses old fashioned common sense, former American Bankers' head asserts downward inventory adjustment and slowed capital expenditures growth rate has been more than offset by continued consumer and government spending rise. Although confident any downward trend will be followed by resumed normal real economic growth rate, so long as business-consumer confidence remains high, Mr. Florence, nevertheless, singles out such causes for serious concern as pace of welfare spending, resort to credit inflation to fight first sign of recession, and lack of budget and tax reduction. Does not anticipate easier money market now or in the near future.

The state of the Nation's economic condition is a subject of almost constant discussion and debate. On the one hand we have the eternal optimists who seize upon every sign of strength or expansion as a convincing indicator of good business, both present and future. Nothing short of sharp declines in output and employment could shake the confidence of these observers. On the other hand we have the eternal pessimists—sometimes referred to as the prophets of gloom and doom. To them, any deviation from capacity operation in any line of business is a harbinger of dark days ahead. Indeed, they think that our economy is continually poised upon the brink of recession, needing but a slight downward shove to bring on economic chaos. These are extreme views. Bankers, because of the nature of



Fred F. Florence

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*An address by Mr. Florence before the Economic Club, Oklahoma City, Oklahoma, April 22, 1957.

STANY DINNER PICTORIAL COVERAGE—Candid pictures taken at the 21st Annual Dinner of the Security Traders Association of New York appear in the SECOND SECTION of today's issue.

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

Lockheed Aircraft Corp.—Creighton Hartill, of Arnold & S. Bleichroeder, Inc., New York City. (Page 2)

Inspiration Copper Co.—Bradbury K. Thurlow, Partner, Osborne & Thurlow, New York City. (Page 2)

CREIGHTON HARTILL
Arnhold & S. Bleichroeder, Inc., New York City

Lockheed Aircraft Corporation

Lockheed offers the investor a broad participation in military and commercial aviation. It produces 12 varied types of aircraft, and in addition to the Air Force and Navy its customers include most major airlines. The company has a large, rapidly growing missile division, and is the pioneer in the design and development of a nuclear aircraft.


Creighton Hartill

On Dec. 31, 1956 Lockheed's backlog totaled $1.6 billion, up 50% since 1954. Of this sum 52% is Air Force, 20% Navy, and 28% commercial. Lockheed is well protected against shifting emphases in the Department of Defense. Its backlog is concentrated in new designs with several years of expanding and profitable production ahead. Five Lockheed models first flew during 1956, another in January, with a seventh scheduled for September.

Militarily the F104A is Lockheed's prize. The world's fastest jet, it is the only production aircraft which outmaneuvers the prototype B58 bomber, which the Soviets are striving to emulate. Orders for several hundred have already been received, including a two seat version the F104B. Other Lockheed aircraft perform equally vital Air Force and Navy missions. The WV-2 is used by the Navy on continuous off-shore patrol against surprise attack. The PTV-7 is an anti-submarine aircraft, a type increasingly important as the menace of Soviet atomic underwater craft grows. The T33, TV-2, and T2V-1 are in widespread use as jet trainers. So far orders for the C130 troop carrier-transport total $239 million, with the expectation of quantity production for at least ten years.

During 1953 Lockheed concentrated its missile activities in a separate Missile Systems Division. In 1956 MSD sales were $52.7 million, with a 50% increase projected for 1957. It is systems manager for the Polaris IRBM, for another, still secret, project, and a participant in ten other missile programs. Its X-17, the fastest man-made object yet built, plays a vital role in missile research.

Lockheed's current commercial mainstay is the Super Constellation, available in several passenger and cargo configurations. A new transport, the Starliner, enters airline service in July. In 1958 the new Lockheed Electra will be available. Designed for short and medium haul operations, which constitute 75% of all scheduled passenger business, it has the highest payload/weight ratio of any aircraft in its field. Orders for 133, totaling $247 million, have already been received. This is the largest pre-production commercial model order in Lockheed's history.

Design and development of a nuclear aircraft is underway at the Georgia Division. Still primarily a military project, its long range civilian possibilities are even more intriguing because of the enormous energy released by atomic materials and their fuel cost reduction potentials.

Lockheed's financial progress has been obscured by accounting conventions. In 1956 net earnings before Electra development expenses were $23,300,000, or $8.13 per share, a record high. Electra development expenses totaled $17.4 million with no offsetting income from deliveries. This reduced reported net earnings to $15 million, or $5.10 per share. In view of Lockheeds' expanding backlog and the non-recurring nature of the heavy charge offs substantially greater sales and earnings appear likely over the next few years. Working capital of $108 million seems adequate to handle further growth without additional equity financing.

At their present price of $45 the shares are selling at 8.8 X 1956 earnings without allowing for a 20% potential debenture conversion but only 5.8 X the reported net income peak of $7.71 per share in 1954. The current cash dividend of $2.40 yields 5.3%. Last year this was supplemented with a 3% stock dividend and stock dividends appear likely to become an annual feature. Purchase at current levels should work out favorably for the value minded investor.

BRADBURY K. THURLOW
Partner, Osborne & Thurlow, New York City
Members New York Stock Exchange and American Stock Exchange

Inspiration Copper

If a public opinion poll were to be held in today's stock market, it is a safe guess that copper stocks would rate far down on the list, and that even among the coppers, Inspiration would receive few votes. Yet there are excellent reasons for believing that the copper stocks in this year's market are repeating almost exactly the performance of steel that, combining as they do excellent growth possibilities with good inflation protection, they appear at once conservative and dynamic —*provided* the investor is willing to give up the generation old dream that our economy is governed by strong cyclical variations in business activity, which in themselves presuppose a stable currency.


B. K. Thurlow

No one will deny that the copper industry is volatile, centered as it is on a product whose price is allowed by the major producers to fluctuate in apparently random fashion following the smallest variations in demand. In the past year we have seen an extraordinary demonstration of producers' inability, or unwillingness, to stabilize the price of their product. In the face of only minor changes in demand the price of copper ran up in early 1956 to better than 55 cents a pound in the free market only to tumble recently below 30 cents. The problem at this point is to determine whether future changes in supply and demand are likely to exert upword or downward pressure on the price of the metal.

Since this is not the proper place to go into a long disquisition on copper prices and their outlook, suffice it to observe that world copper production is scheduled to increase around 20% during the next five years, while estimates of potential increased demand run as high as twice that amount. obviously if such estimates prove correct, substitutes will have to be found, but it seems clear that demand will first seek satisfaction by forcing the price to rise to a point where it becomes profitable for companies to undertake long-term development of low grade reserves. In my opinion such a long-term "normal" price for copper, assuming today's costs should average around 40 cents.

If the price should fall below 30 cents it seems likely that there could be an immediate and substantial loss in production. 22.6% of U. S. Production (6.6% of the world total) had costs last year of 29 cents a pound or higher, and 33.1% of domestic output (9.5% of world) cost 25 cents a pound or more. When supply and demand have returned to an almost exact balance, after a year of steady inventory liquidation by consumers, it would seem foolish to endanger the long-term supply by lowering prices from here, particularly since it must by now be clear to the most obtuse copper executive that cutting prices does not increase demand for his product.

Assuming then a favorable outlook for the price and production of copper, I believe Inspiration is the most attractive investment among the producers for one seeking to combine maximum possible appreciation with minimum risk. The company's management (since it is controlled by Anaconda) seems far and away the most able and aggressive in the industry. Like Anaconda, Inspiration is embarked on a large expansion program, which could raise production over 90% from present rates by 1961 or 1962. Unlike Anaconda, Inspiration has no debt, no foreign commitments, no fabricating subsidiaries, and no diversification outside the field of copper. Its operation is completely simple: it digs copper out of the ground and sells it; it has enough copper in the ground to last probably 15 to 20 years, even at increased rates of production; its costs of recovery are probably below 18 cents a pound, making it one of the three or four lowest cost mines in the United States. (By 1960, when the current high stripping ratio can be reduced and if by-product molybdenum can be economically treated, it has been estimated that costs might fall as low as 15 cents a pound in Inspiration's open pit.)

At present the earnings picture is clouded because the company has been engaged in two large scale activities, neither of which has yet brought in any profit and both of which have resulted in substantial charges against current and recent earnings. The first of these, the so-called "Dual Process," will enable the company to produce about 20,000,000 pounds of additional copper a year by subjecting the ore to an additional leaching process when it is in the concentrator. About $5 per

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"What's Wrong With The Life Stocks?"

By SHELBY CULLOM DAVIS*
Managing Partner, Shelby Cullom Davis & Co.
Specialists in Insurance Stocks and Members N. Y. S. E.
and Former First Deputy Supt. of Insurance, N. Y. State

Mr. Davis lists public's recent speculative excesses, low dividend yield, some disappointment over 1956 earnings, and costs entailed in expansion of sales, as causes of current loss of investor enthusiasm in life stocks. Contends on basis of fundamentals, as sales, interest earnings and mortality, many issues are once more cheap and market rises of 100-150% are probable over next five years.

There are four things wrong with the life stocks:

Too much market.
Too much business.
Too little yield.
A little disappointment over 1956 earnings.

The "too much market" refers to the 1954-55 spree in which many life stocks advanced nearly 200%. This heady pace could not be prolonged indefinitely. Bellwether Lincoln National Life for example, soared 100% in 1954 and then another 50% until the lofty peaks of August 1955. Speculation was rampant in the summer of that year. in June alone Aetna Life, a "blue chip" with a large capitalization, skyrocketed 42%. Nurtured by these successes, the public got the bit in its teeth and simply staged a run away with the life market until a correction was plainly called for. This correction or consolidating movement has now lasted one year and eight months and many life stocks are off 20-30% from their peaks. This correction has been both natural and healthy.


Shelby Cullom Davis

How can any business have "too much business"? Because of the high cost of placing first year business on the books, life insurance is a prime example of a business whose earnings are decreased rather than increased by a sales boom. It costs a company at least $1.50 in expenses for each $1.00 of new premiums. Under certain circumstances this $1.50 may become approximately $2.00 for each $1.00 of new income received.

Recently in a public talk the President of a New York life insurance company gave the figures illustrating high acquisition costs in black and white and they are worth repeating. Out of each $1.00 received in new insurance premiums, at least 50¢ is paid out immediately in commissions, another 20¢ in expense allowances, etc., to general agents, 8¢ for medical and other inspection reports, 2¢ in premium taxes and an estimated 20¢ in home office overhead, advertising, etc. That makes $1.00 of expense. Then a reserve of 50¢ must be added, not a cash, but an accrual expense, placed in the reserve for death claims. That makes $1.50 of total expense—without a single death claim being paid. In states other than New York commissions would be more than 50¢ so it is quite possible for many companies that $1.00 of new business on the books results in $2.00 of expenses. Hardly a way to improve earnings or make immediate money. The wonder is with ordinary sales running 26% ahead of a year ago in the first quarter and 28% in March, that the companies are able to make any money at all. It is as if an oil exploration company, such as Amerada, suddenly decided to drill a great many new wells charging all of these up to current expenses, of course—although in other businesses these expenses, similar to the cost of new business for life insurance companies—might well be capitalized.

"Too little yield" requires little further explanation. Most life insurance stocks are selling around a 1% yield basis, some considerably less, and others somewhat more. None of the life stocks yield as much as a government bond. While no investor in his right mind ever bought life stocks for yield, still the high yields obtainable in today's tax exempt market no doubt have attracted high tax bracket investors who otherwise might have been interested in low yield growth situations such as the life stocks.

There has been some disappointment expressed at 1956 life earnings. Most of this is believed to spring from the chagrin in Lincoln National's figures, adjusted earnings being 11% below a year ago. Growth stocks, by definition, never should report lower earnings! And yet an analysis of the Lincoln National figures shows just where the trouble lay. There was an unexpected bulge in mortality, of three points related to earned premiums, compared with the previous year. Had Lincoln National's mortality been the same percentage as a year ago, an additional $2.10 in earnings would have resulted. Its group accident and health department had a greater loss by $1.00 per share than a year ago—so taken together these two figures alone accounted for the disappointing report. In addition Lincoln National put up a number of new offices

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*An address by Mr. Davis before the Financial Analysts of Philadelphia, April 25, 1957.

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Articles and News Page

Regular Features

*Column not available this week.

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Copper Bottom?

By IRA U. COBLEIGH

Enterprise Economist

A review and a view of past and present prices of copper and some thoughts about current commitments in copper shares.

Some 2800 years ago, King Solomon "in all his glory" was importantly grubstaked to a plush palace, and resplendent regal opulence, by the profits from copper mines he owned, located at the head of the now familiar Gulf of Aqaba. Some centuries later, under Roman management, the Island of Cyprus gave the name to what economists are so fond of calling "the red metal" (with a pigmentary, not a political connotation), and Cyprus became the leading copper producer of antiquity. All this happened a couple of milleniums before we learned either about electricity, or that copper is the best conductor of same.

Ira U. Cobleigh

In the intervening centuries the uses of copper were broadly expanded and we now use the metal in everything from cents to circuits, from roofs to resistors; conductors, cables and coils; armatures and armaments, to magnetos, missiles, ships and skyscrapers. We need a lot of copper in our world today, and it would, indeed, be helpful if we could gain some foreknowledge of its probable price trend.

When the prices of most items advance importantly, usually the producers thereof rub their hands with glee. Higher prices are supposed to connote higher profits. But this crude economic formula has proved troublesome in copper. After selling at around 30 cents a pound from 1951 to early 1955, copper soared. By the end of 1955 it reached 46 cents a pound in North America, and a price on the London Metal Exchange as high as 55 cents. For actual producers this was all a bonanza, albeit a temporary one. But it also created certain longer range problems, especially in the areas of optimism and overproduction. For 46 cents copper, the highest price in 91 years, brought many marginal mines into production; speeded entry into new major production by Magma and White Pine; and brought forth a spate of new development companies, particularly in Canada.

If the high copper prices of 1955 and early 1956 spurred production they also spurred competition. Aluminum has always been waiting in the wings to displace copper in certain areas, and 46 cents copper gave it a chance. A month or so ago, Mr. Roy H. Glover, Chairman of Anaconda, noted that while, since 1919, U. S. industry has used, on the average, 1.4 lbs. of copper for each 100 lbs. of steel, since September of 1956, this historic ratio has dropped to 1 to 100. Somewhere along the line people had stopped buying and/or stopped using copper. In any event, within 18 months copper backed off from its highs to around 30 cents, and has stabilized at 32 cents, among domestic producers, since about Feb. 15, 1957. Strikes this Spring, in Chile and Canada, if they had been prolonged, might have caused an upswing, but they were settled in short order.

All of which brings us pretty nearly up to date, and raises a crucial question for investors. What assurance do we have that 30 cents is the bottom? Well, first of all, as the price fell, buying was lessened or suspended. Industrial inventories were worked off so that today they represent no more than a 60-day supply. Automotive and building demand has not worsened in recent weeks, wire demand has bettered, and the electronics industry, a major copper buyer, is one of the very brightest stars in our economic firmament.

Overseas a most significant meeting took place around April 15. Sir Ernest Oppenheimer and Sir Ronald Prain, renowned British copper tycoons, met in Rhodesia to discuss African copper prices, and marketing procedures. The results of their lucubrations have now been made public. Rhodesian copper production (which delivers about 15% of the non-Cummunist world total—450,000 tons in 1956) is to be price-stabilized. The Rhokana group (Sir Ernest's) and Rhodesian Selection Trust Ltd. (Sir Ronald's) have agreed, in principle, to sell their output (subject to the approval of English manufacturing companies) at a single-uniformed price. This should not only stabilize the price, but operate against dumping by either party. It should give rather a bullish turn to the whole price picture, since production in this area should now be more accurately geared to demand than ever before.

In consonance with the lines of reasoning just advanced, we are inclined to take a rather positive view about copper—the view that it will go up from here. Not in leaps, but gradually, in line with higher production costs, rising inventory demand, and the sentiment that since lower prices are not to be expected, there is no longer logic in deferring purchase. We have seen the copper bottom.

Having thus boldly announced a trend, the next thing to do is to look over some copper equities which seem likely to reflect in earnings and market price, production and sale of copper at prices no lower than today's, and possibly somewhat above.

Kennecott Copper earned $13.18 a share in 1956 and paid $9.50 in dividends. It could earn at least $8 on 30 cents copper. Kennecott, a generous dividend payer always, looks pretty solid at around 115. It's a stock of such quality that savings banks in New York can buy it.

Anaconda delivered almost 900 million pounds of copper to its customers in 1956 at an average price of 39.976 cents a pound. While 32 cents copper would suggest lower earnings this year, Anaconda has other strings to its bow—rising and profitable production of uranium and aluminum. Anaconda's ore supply in Chile is virtually inexhaustible. (If it were in Arizona, Anaconda would sell today at $120.) Be that as it may, Anaconda is not devoid of merit at 65¾ paying $5 in 1956. Dividends have been paid without interruption since 1936.

Phelps Dodge common is another top-favored copper equity with a highly respected management. Dividends here have been regularly paid since 1934 with $5 being paid out last year. At 55½ PD is down from 63⅛, and even if only $3.50 or $4 may be distributed in dividends this year, the stock does not look inflated at today's quote.

Abroad, Rhodesian Selection which paid 26½ cents last year and sells on N.Y.S.E. at 2⅞ may merit a look because of its yield, and its low price. Few shares selling below $3, assay so high in investment elements as does this one.

In Canada, there's quite an assortment led by Noranda, with Campbell Chibougamau, Gaspe Copper Mines and Opemiska in the production column and some attractive comers, Maritimes Mining Corp. at around $1.66 is moving up production in Newfoundland. (There's also a first mortgage 6½% bond recently offered in Canada on this property carrying 100 shares of common.)

Out in British Columbia, there's an interesting property nestling near a glacier and four miles from Alaska, and two or three years away from production — Granduc Mines Ltd. Sponsorship is excellent with control resting jointly with Newmont Mining and Granby Consolidated. The last estimate of indicated reserves (in the 1955 report) was 26 million tons of 1.65% copper. Here's a real exciting large scale ore body with the stock a long shot speculation, due to remoteness of both the ore and actual production. Granduc sells at $3.60.

Again for the more daring, there's a Canadian company with an African property — Kilembe Copper Cobalt Ltd. It's located in Uganda, a British protectorate. A rising producer under the sponsorship of Frobisher Ltd., Kilembe common sells presently in Toronto at $2.20 and there are warrants to buy this common at $3 till Oct. 1, 1960, which sell around 80 cents. There's also a 5½% bond carrying 150 of these warrants, which sells around 97. So you have three choices if you want to enter this situation.

We couldn't begin to cover all the copper stocks, speculative or otherwise, here—Magma, Inspiration, Copper Range, Cerro de Pasco (we definitely like this one), Tanganyika, O'Okiep and Katanga, etc.

The principal purpose of this piece, however, was to suggest that copper has ceased its decline; and, to make the limb we're out on look a little sturdier, may we close with a recent quote from Mr. H. L. Roscoe, President of Normetal Mining Corp. and Quemont Mining Corp., and Vice-President of Noranda: "In the long term, the price per pound of copper will probably go up."

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Howard R. Bouton will retire from partnership in Murphy & Company April 30.

Lucian F. Martino will withdraw from Osborne & Thurlow April 30.

Rudolf Smutny will retire from Salomon Bros. & Hutzler April 30. Ferdinand Mayer, general partner in Mayer & Hart, will become a limited partner April 30.

Opens Office

FLUSHING, N. Y.—Camilla Bila is engaging in a securities business from offices at 164-18 29th Avenue under the firm name of C. A. Bila & Co.

NSTA Notes

BOND TRADERS CLUB OF CHICAGO

The Board of Officers of the Bond Traders Club of Chicago for the year 1957 have selected the following men as Directors and Chairmen for coming Club events:

John P. Pollick, Swift, Henke & Co., Chairman Field Day, June 22, 1957, Midwest Country Club; William J. McGregor, Taylor, Rogers & Tracy, Inc., Chairman Fall Party, Oct. 29, 1957, Furniture Mart; Orville H. Strong, First National Bank, Chairman Annual Winter Party, Jan. 27, 1958, Sheraton Hotel; Edward A. Roob, Salomon Bros. & Hutzler, Director.

BOND CLUB OF DENVER

The Denver Bond Club Keglers completed the 1956-47 season Friday afternoon and evening, April 26, with the final session and banquet for members and alternates at the Republican Club.

Prizes and trophies were awarded to winners for the season by Orville C. Neely (Merrill Lynch, Pierce, Fenner & Beane), President of the Denver Bond Club, who acted as Master of Ceremonies.

FINAL STANDING OF TEAMS FOR THE SEASON

	Won	Lost
Founders Mutual Fund	53½	24½
J. A. Hogle & Co.	45	33
J. K. Mullen Corp.	42	36
Garrett (Garrett Bromfield & Co.)	41	37
Mountain States Securities	40½	37½
Bosworth Sullivan & Co.	39½	38½
Harris Upham & Co.	39	39
Colorado Grain Co.	38½	39½
Boettcher & Co.	34½	43½
Bromfield (Garrett Bromfield & Co.)	32½	45½
Merrill Lynch, Pierce, Fenner & Beane	32	46
Peters, Writer & Christensen	30	48

High Team Game: Bosworth, Sullivan & Co. 573
High Team Series: J. A. Hogle & Co. 1651
High Individual Game: Harry Hunt (Founders Mutual Fund) 233
High Individual Series: Oscar Hasselgren (Colorado Grain Co.) 601

League Committee Members for the Season—Oscar Hasselgren, Colorado Grain Co.; James Hill, Boettcher & Co.; and Russ Chatlain, Bosworth, Sullivan & Co.

Newly Elected Committee Members for the Season 1957-58—Oscar Hasselgren, Colorado Grain Co.; George Davis, Harris Upham & Co.; Andrew Beasley and Karl Mayer, J. A. Hogle & Co.

The State of Trade and Industry

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

Notwithstanding the fact that the current Spring pick-up showed signs of falling short of expectations in such important areas as automobile sales, home building contracts, commodity prices and manufacturers' sales and orders, reports this week on heavy construction, farm prices, export volume and capital spending were encouraging. Better-than-expected profit levels in the first quarter of 1957 were also reflected in the upward movement of stock prices.

On May 3, it is reported, automobile dealers expect new car sales for the year to pass the 2,000,000 mark, two days behind last year. Many officials revised their sales estimates for 1957 downward from 6,500,000 units to about 6,000,000, or approximately the same as last year. The daily sales rate for the first 10 days of April fell 12% below last year's pace. Although it picked up in the second 10-day period, it was 1.2% less than in the comparable 1956 period.

Manufacturers' sales in March rose slightly to $30,000,000, but the rise was somewhat less than usual for this time of year. Inventories rose slightly too. There was a slight decline in unfilled orders for both durable and nondurable goods.

In March total construction contract awards climbed 11% over a year ago. This increase occurred despite a 7% decline in home building awards and a 33% drop in plant construction contracts, according to F. W. Dodge Corp. The rise was attributed to an upsurge in activity in heavy engineering construction. A survey conducted by the McGraw-Hill Co., revealed that expenditures for new plants and equipment may reach $40,979,000,000, or 12% over 1956. This is about the same amount anticipated in estimates last Fall.

The employment situation in the latest week shows that claims for unemployment insurance by newly laid-off workers went down 11,500 during the period ended April 27 to a total of 224,300, states the Bureau of Employment Security.

Declines were reported in 28 states which the agency attributed to a seasonal slackening in layoffs, particularly in the clothing industry. The total of initial claims for the like week of 1956 was 202,100.

Insured unemployment went down 4,500 during the week ended April 20, the seventh straight week of decline, to a total of 1,481,500, the Bureau noted. The total for the like week of last year was 1,346,000.

Next July's steel price increase could turn out to be bigger than some of the estimates to date. The mills figure their labor costs will be up 20 cents an hour this year. On the basis of the usual yardstick of a 40-cent steel price rise for each penny rise in employment costs, this could mean an average steel price boost of as much as $8 a ton. The best estimate up to now has been $5 to $6 a ton, according to "The Iron Age," national metalworking weekly.

Although base wage rates will be up only 7 cents an hour on July 1, that's only part of the story. Increments between job classes will rise two-tenths of a cent. Sunday pay, holiday pay and vacation pay will also increase. The cost-of-living clause is putting more money into steel paychecks. Pension costs will rise in November and taxes figured on payroll will increase accordingly. The mills also figure in subsequent increases in their own raw materials and services costs.

Competition may tend to hold down the amount of the steel price boosts, but that's a slim hope at best. Despite weakness in demand for some steel products, the over-all market outlook is good, states this trade journal.

This week a few mills detected a slight fluttering of the pulse from Detroit. One automaker jacked up his cold-rolled sheet orders for June. Another moved tonnage scheduled for June into May. A third sent in a rush order to plug a hole in inventory.

But the mills look on this as little more than a nervous reaction, for the moment. The battle cry of the sheet and strip producers now is "out of the doldrums by August." They are pinning their hopes on a pick-up by appliances to stock up for Christmas selling, and by the automotive industry for the new-model offensive.

Order backlogs are holding up fairly well, and even better than expected. Some mills report incoming business has taken a turn for the better. Order cancellations are down, but at the same time, other producers admit they are maintaining present operating rates only by borrowing on future business, concludes "The Iron Age."

Manufacturers' March sales and new orders rose less than seasonally from February, while inventories went up more than usual, the United States Department of Commerce revealed.

The actual dollar volume of manufacturers' sales totaled $30,000,000 in March, marking a monthly gain for both durable and non-durable goods industries. The total compared with $27,800,000,000 in February and $28,500,000,000 a year earlier.

However, the department noted that after seasonal allowances, March sales were slightly below the record January-February rates. This brought the agency's seasonally adjusted volume for March to $28,900,000,000, down from $29,100,000,000 the month before.

Inventories followed another trend, rising both in actual dollar value and more than seasonally. Stocks came to $52,600,000,000 for March, on an unadjusted basis, $300,000,000 higher than the month before, and substantially above the $47,700,000,000 figure a year earlier. With seasonal factors taken into account, stocks totaled $52,200,000,000, up from $51,900,000,000 in February.

Manufacturers' backlogs of unfilled orders fell $500,000,000

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Observations . . .

By A. WILFRED MAY

THE EVERGROWING PRESSURES FOR GLOBAL SPENDING

HARRIMAN, N. Y.—The pressure to increase our foreign aid programs becomes ever more intensified and broadened. It will be recalled that the Committee for Economic Development in a major study issued a month ago, pleading for increased Federal foreign assistance, stated that our present outlays for areas containing nearly two thirds of the Free World's population have been "negligible."

A. Wilfred May

Again, typically, international needs and "opportunities" were brought forth in a fulldress three-day weekend discussion here at Arden House by business, governmental and educational leaders under the aegis of Columbia University's General Assembly.

The Big Fund Again

This group strongly supported the key proposal for a new Economic Development Fund. Under the keynote contention that "a new sense of purpose and a new spirit of drive, energy and imagination are needed," a rise in the Fund's initial authorization to a billion dollars was advocated. This new fund would operate in the same sphere as the controversial *SUNFED* (Special United Nations Fund for Economic Development), which the United States does not support. It would be established with an authorization covering several years, with emphasis on Congressional intent on continuity; and on a "loan" basis.

Along with this Development Fund idea, the Administration plans to propose doubling the size of the present United Nations' Technical Aid and Assistance Program.

Our own aid outlays, as proposed earlier by Secretary Dulles and reiterated here by Under-Secretary of State for Economic Affairs Douglas Dillon, are to be made more palatable by centering budgetary responsibility for the military portion of the program in the Pentagon; and shifting our economic development programs from a grant to a "soft loan" basis, as "a platform of security from which true peace will come." Most of the currently promulgated proposals, as by the National Planning Association, are urging that foreign aid be extended in the form of repayable loans instead of grants, with the setting-up of a $1 billion Government Corporation to administer it.

More Softening-Up

The degree of "softness" or "bargain basement-ism" implied in such lending may be open to question; but it should be noted that the American Assembly group advocates repayment in local currency. Its final formal recommendation stated this as an alternative to "long terms," after the first draft, with strong endorsement, had called for "unusually easy terms." This privilege of payment in local currency constitutes a major concession against which the World Bank has steadfastly held out, with key instances in Latin America. And further loosening of the Export-Import Bank's lending policies are envisaged in the suggestion to put the development fund's administration under that institution.

The Arden House meeting also grasped the opportunity to give a pat on the back to technical assistance expenditures. In advocating expansion of the present expenditure total above the present $150 million annual total, "both bilateral and through the United Nations," it avoided the current either/or Un-bilateral issue.

The Role of Private Enterprise

Highly significant is this group's lukewarmth and temporising on the rights of the private international investor. "While not making revision of foreign governmental attitudes toward enterprise a condition of economic assistance, much greater efforts should be made, both by government and by private organizations to encourage an appreciation that progressive private enterprise methods offer the best long-range prospects of sound economic development, while strengthening the democratic foundations of societies," expressing the report's relevant conclusion, surely constitutes a mere "cream-puff" gesture, especially in the context of the private enterprise neglect which has been chronically reflected in UN deliberations.

Domestic Operating Bootstrap

In conclusion, it is most interesting to this observer that even this sophisticated group thought it expedient to use the percentage-of-Gross National Product device to justify the budget burden ("Foreign assistance as a whole accounts for only about 1% of Gross National Product today, as compared with over 2% in the peak year of 1949"). This increasingly popular pro-spending argument, used by President Eisenhower in defense of his budget (as taught by Truman, Keyserling & Co.), represents a mere self-lifting bootstrap operation. Federal spending leads to the expansion of GNP, which in turn is cited to justify the increased spending.

The pressures for global spending are indeed becoming far-flung!

Yates, Heitner Admit G. R. Eckhardt to Firm

ST. LOUIS, Mo.—Yates, Heitner & Woods, Paul Brown Building, members of the New York and Midwest Stock Exchanges, will admit Gerhard R. Eckhardt to partnership on May 16. Mr. Eckhardt has been President of Eckhardt-Peterson & Co., Inc.

Examining Price Inflation And the Business Outlook

By JULES BACKMAN*

Professor of Economics, New York University

Noting the absence of the traditional monetary and fiscal pressures for inflation, Economist Backman analyzes the expanding, neutral, and negative forces impinging upon the economy and finds: (1) it does not seem probable that over-all physical volume of activity will change significantly from the level now prevailing, and (2) pressure for inflationary price rises can be expected to continue to subside. The New York University Professor, in his anaylsis, questions whether mortgage credit supply has been instrumental in the housing decline; believes most, if not all, of the housing decline has already occurred; and explains why and when unit labor cost increases need not necessarily be followed by higher prices.

The creeping advance in wholesale prices (see table) from June, 1955, to December, 1956, and the accompanying rise in retail prices right up to the present time has created concern that a new inflation spiral is under way. In light of the substantial increases in prices during World War II and the postwar period and during the early part of the Korean War, concern over a possible third leg in the inflation spiral is understandable.

Jules Backman

It is important, therefore, to examine the nature of the recent price rises in order to determine the forces which have created pressure for higher prices.

Changes in Prices

(1947-49 = 100)

	Price Index		
	Wholesale	Indust'l	Consumer
1939	50.1	58.1	59.4
Sept. 1948	106.1	105.1	104.8
% Increase	111.8	80.9	76.4
June 1950	100.2	102.2	101.8
Mar. 1951	116.5	117.3	110.3
% Increase	16.3	14.8	8.3
June 1955	110.3	115.6	114.4
Feb. 1957	117.0	125.5	118.7
% Increase	6.1	8.6	3.8

Price inflations in this country traditionally have been associated with unbalanced Federal budgets and with sharp increases in money supply. Since June, 1955, the Federal budget has been in the black and the rate of increase in money supply has been below the long term average. However, there has been an increase in the velocity of money. It is the absence of these monetary and fiscal pressures for inflation which distinguishes significantly the recent developments from those which characterized World War II and its aftermath and the Korean War.

To understand the nature of the price rise in 1956, it is necessary to review briefly the trends of business in that year. In the fourth quarter of 1956, gross national product reached an annual rate of $424 billion. The increase in 1956 was 5½% of which about half was attributable to the rise in prices.

In 1956 there were many cross currents despite the rise in total economic activity. Thus, for example:

Automobile production decreased 27%, while production of new plant and equipment increased 22.3%.

Private Residential building declined 7.8%, while private nonresidential building rose 10.7%.

Production of farm machinery decreased 5.5%, while output of industrial and commercial machinery increased 15.6%.

The steel industry operated close to capacity except for the strike period, while textiles operated below capacity.

Where Price Rises Occur

These diverse trends are reflected in the pattern of price changes. The largest price rises since mid-1955 have occurred in the areas of the economy in which we have been having the greatest boom. Included in this category are prices for metals and metal products, machinery and motive products, and pulp, paper and allied products. Coal prices, which are included in the fuel, power and lighting materials index, also have risen substantially.

Prices have declined or shown little changes for lumber and wood products, textile products and apparel, and rubber. The decline in residential building and in automobile production accounted for several of these price declines while the relative doldrums in the textile products and apparel industries help explain the others.

It should also be noted that prices of tobacco manufacturers, bottled beverages, and chemicals and allied products also have recorded only nominal changes during this period of price rise. These are industries in which labor costs account for relatively small proportions of the sales dollar.

The upward movement of the wholesale prices index from mid-1955 to the end of 1956 was interrupted from April to July, 1956. During that period the all commodities index was stabilized around 114.0 (1947-49=100) and the industrial price index fluctuated around 121.5. These indexes have again been stabilized since the end of 1956 or for a period of about four months. This recent stability by itself is no assurance that the price rise will not be resumed in the immediate future. On the other hand, there is no reason why the experience of last summer and fall need be repeated. It is because of this background that it is particularly important to examine the nature of the pressures at work in our economy over the next year as we attempt to evaluate the outlook for price inflation.

I shall confine myself to the factors affecting the business outlook. However, I should like to make one general observation concerning the wage area. The term wage inflation would seem to be significant primarily as a description of the relationship between changes in total labor costs, which include wages as well as fringes, and changes in output per manhour. When total labor costs rise more than productivity, unit labor costs increase and there tends to be pressure for price rise. However, it does not follow that all unit labor cost increases must be or will be accompanied by higher prices. Selling prices are determined by many factors of which labor costs are only one. Rising unit labor costs are passed on to the buyer most easily in industries which experience high level demand for their products. Under conditions of decreasing demand, this wage inflation may be reflected in unemployment of resources rather than in higher prices.

I should like to turn now to a consideration of the main forces which will affect the business outlook. I have found that it is useful to know where you are before you try to determine where you are going so I shall review briefly where we are in the business cycle and then consider the major forces under three headings: expanding, neutral, and contracting.

I am more concerned with giving you the raw materials out of which a forecast may be made than with the forecast itself. However, I shall weigh these factors and offer my conclusion as to what they suggest.

Where We Are

The boom has been grinding to a halt in the past few months. The rising trend of 1956 has given way to a broad sidewise movement. For example, the Federal Reserve Board index of industrial production was 144 (1947-49=100) in December, 1955, 146 in October, 1956, 147 in December, and 146 in March, 1957. The expansion in new plant and equipment appears to be losing its momentum. Automobile production and sales have failed to show the vigor earlier anticipated. Residential building continues to be cut back and steel output has been slipping. Inventory accumulation appears to be taking place at a slower rate. Reflecting these underlying pressures, the wholesale price index has recorded little change in the past three months. However, the consumers' price index has continued to inch upward reflecting the earlier rises in wholesale prices and the persistent increase in the price of services.

Expansionary Forces

The expansionary forces include the following:

(1) Government and Armament Spending

In the coming year, it is anticipated that Federal, state and local spending will increase between $5 and $6 billion. Slightly more than half of this increase will take place in Federal spending largely as a result of the increase in national defense spending. It is estimated that national security expenditures will rise by $2.3 billion while non-defense, or civilian, spending will increase by $600 million. The rise in military spending is due to the more complex nature and increased cost of modern equipment.

During the postwar years, state and local spending has been increasing between $2 and $2½ billion annually. In light of the large number of new projects approved at the last election and the need for new schools, hospitals, highways and other local capital construction, a continuation of this trend seems assured. In addition, all layers of government have been affected by higher wages and prices which have raised the cost of government significantly. The projected expansion in Federal, State and local spending will be one of the most important plus factors through the remainder of 1957. This area accounts for about one-fifth of the Gross National Product.

(2) High Disposable Income

Consumers' disposable income has been increasing steadily. The total was at the annual rate of about $296.0 billion in the first quarter of 1957. Further rises in disposable income seem probable in the months ahead. Under long-term contracts, wage increases of six cents to seven cents an hour are scheduled to take place in a number of important industries including steel, automobiles, railroads, and electrical equipment. In addition, many contracts provide for cost of living escalator clauses. At least three or four cents an hour should be added to wages as a result of rises in the consumer price index. Thus, the outlook is for a wage pattern of ten cents or more an hour for 1957. These wage increases in the so-called key bargain industries, will become the goal for workers in other industries in which contracts are reopened. The increase in total labor income should be somewhat smaller than the rise in wages as a result of the reduction in overtime hours.

In addition, various fringe benefits will be liberalized in the steel industry and other industries. On balance, it appears that hourly labor costs will increase about 5% this year. Long-term rates of gain in productivity in our economy average only about half as much as the projected increase in labor costs. Should the long-term productivity pattern develop in 1957, unit labor costs would rise further with the consequent pressure for higher prices.

The United States Department of Agriculture is projecting a small increase in farm income for 1957. Dividend incomes should show little change, while interest income will rise further. Since consumer buying is closely related to the level of incomes, expanding disposable income should be accompanied by a further rise in personal consumption expenditures.

Neutral Forces

The more important neutral forces include the following:

(1) Plant and Equipment Expenditures

Plant and equipment expenditures were the dynamic force in the 1956 rise in business activity. Total expenditures rose by 22.3% over the preceding year. The estimated increase for 1957 is 6.6%. However, it should be noted that such spending is projected by the Department of Commerce and the SEC at $37.4 billion for the entire year of 1957, while the estimate for the first half of the year is placed at slightly above that level. Thus, it appears that capital expenditures will show little change from the current level during the rest of the year. As a result, such spending will act as a neutral force.

The factors which are slowing up the expansion in plant and equipment spending include a probable decrease in undistributed corporate profits, narrowing profit margins in many lines of activity, greater difficulty in obtaining outside funds, higher interest rates, a reduction in corporate liquidity, and the substantial increase in capacity already experienced.

(2) Residential Construction

Residential construction has declined sharply from the peak annual rate of about 1,400,000 housing starts early in 1955 to a rate of 900,000 early in 1957. Most of the decline had taken place by mid-1956. The decline in new housing starts has been attributed by many persons to the lack of availability of mortgage credit. It is interesting to note, however, that the increase in mortgage debt on 1-to 4-family houses was more than $11 billion in 1956 or the second largest increase on record. The tremendous rise in mortgage debt during the postwar years is shown by the following tabulation:

	Mortgage Debt 1- to 4-Family Houses
1940	$17,300,000,000
1946	23,000,000,000
1949	37,600,000,000
1950	45,200,000,000
1951	51,700,000,000
1952	58,500,000,000
1953	66,100,000,000
1954	75,700,000,000
1955	88,100,000,000
1956	99,200,000,000

I question whether the tightening of the supply of mortgage credit has been the major factor in the decline which has taken place in housing.

A more logical explanation of this decline is found in the temporary overstimulation of housing which followed the enactment of the Housing Act in August of 1954. Lengthening of maturities for mortgages and the decrease in down payments provided in that Act resulted in a sharp upsurge in new building to a level which could not be sustained. Most of the decline from that peak has reflected the elimination of this excessive stimulation. I believe that most if not all of the decline in housing has already been witnessed and that the outlook is for little change from the present levels.

The recent reduction in down payments on Federally insured mortgages will not be too significant as a stimulant to new housing. Many lenders undoubtedly will favor loans which are not insured because of the higher interest charge on such loans. Hence, I have included residential building among the neutral factors.

(3) Nonresidential Construction

In 1956, nonresidential construction rose almost 10%. This increase reflected the boom in new plants, and the boom in shopping centers, churches, highways, and other nonresidential facilities. Part of the increase reflected the rise in prices. Nonresidential construction is now at annual rate of about $30 billion. With the leveling off of plant and equipment spending and a subsiding of the boom in shopping centers, it is probable that the total will not change much from the present

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*An address by Dr. Backman before the Spring Meeting of The Academy of Political Science, New York City, April 22, 1957.

The Investor Attitude Toward Municipal Bonds

By ARTHUR W. GREGORY, JR.*
Assistant Vice-President, Hartford Fire Insurance Company

Mr. Gregory alleges need for better municipal accounting procedure and reporting, as being helpful to bond sales. Points out, in addition to recognized basic ratios, other factors requiring consideration, including municipality's revenue structure, debt retirement plans, potential debt emissions, amount of state and Federal aid, year-end position of current account, developments in the basic economy, per capita government cost, community's willingness to pay, and standing of law firm issuing legal opinion. Cites additional detailed information to seek.

My Company pretty much limits their purchases of municipals to general obligation bonds. We do own, however, certain water and sewer revenue obligations and also some gas tax supported state credits. As perhaps some of you may know, we have been very active purchasers of municipal bonds during the last five years. At the end of 1951 our state, county and municipal bond holdings on a consolidated basis totaled $8,677,444 which represented 1.65% of our total assets. At the end of 1956, our municipal bond holdings totaled $182,375,060 or 23.7% of total assets. As you can readily see, this is a very sizable increase and during this time, in order to accomplish a purchase program of this kind, we have naturally become well acquainted with many new municipal credits. At the same time, we have been trying to formulate what we think are helpful methods of municipal bond analysis.


A. W. Gregory, Jr.

This subject is constantly receiving a great deal of study but so far there is not too much standard accounting procedure in your particular field; but we hope, with the aid of certain other large buyers of municipal bonds, to try and stimulate a little more thinking generally along the lines of better or, let us say, more detailed municipal accounting procedure and reporting. It certainly will be helpful to the buyer and it will be helpful to your communities when it comes to sales of your bonds. In this kind of a market you need to put "your best foot forward."

I should say that by and large the accounting practices employed by the Connecticut Municipal Finance Officers, who prepare the annual reports and supervise the daily accounting entries, are above average for those employed by most New England communities and I should say that your methods are on about a par with the best municipal accounting practices. You can readily appreciate the usefulness for all parties of standard budget and accounting procedures. I should like to recommend those procedures which have been advocated from time to time by the National Committee on Governmental Accounting.

On the subject of annual reports, we feel that they should include, among others, the following items:

(1) Receipts and expenditures for all town funds.

(2) Detailed operating statements and balance sheets of all public utility enterprises.

(3) Detailed operating statements of the Town itself, which of course include receipts and expenditures and a comparison with the budget for that year.

(4) Anticipated revenues and expenditures as disclosed by the budget adopted for the ensuing fiscal year.

(5) Detailed closing balance sheets including all town funds.

(6) Tax collection record showing current collections in the year of levy.

(7) A reasonably complete summary of the next annual budget. This should include a narrative message which hits the high spots, including the whys and wherefores of increased expenditures, if any, and where the additional money is coming from.

(8) Annual reports should be prepared and distributed with reasonable promptness.

* * *

In the analysis of any municipal credit, there are certain basic ratios which all buyers employ. As you probably are all well aware these ratios are—the ratio of direct debt and overall net debt to assessed valuation and to estimated full valuation; the overall net debt per capita and the ratio of overall net debt per capita to per capita income. In addition to these basic ratios, we feel that there are other factors which have to be considered and I should like to discuss these briefly.

First, what about the revenue structure of a municipality? Is it adequate and what about its stability? In this connection, it is important to know what are the sources of money which finance the operations of the municipality. Does the community rely heavily upon the ad valorem property tax? Does it share in certain state income taxes? Does it have its own wage and profits taxes? I realize, in talking to this audience, that in Connecticut we are concerned primarily with the ad valorem tax on real property. Another factor which does not apply in Connecticut, but which comes under this heading, is the consideration of whether or not there are statutory limitations which may cramp the municipality in carrying on its functions.

Second—The way in which the community's debt is planned for retirement is of importance. Does the maturity schedule place increasing obligations on the budget or is the schedule a declining one?

Third—The potential debt emissions are a significant factor. The community should be studied as to whether or not it has sizable capital requirements which call for more debt, i.e., any good-sized community which has no sewer system is likely to be required by the state for sanitary purposes to build one. Another example with which we are all very familiar is the community school needs. In addition to new capital requirements the current condition of the municipal plant is of great importance. This is particularly so in Bloomfield, Conn., at the present time because of the questions raised as to the adequacy of the present Town Hall. Has the community been lax in its street maintenance program? Are the public buildings and parks well maintained? There are, as you well know, a variety of other ways in which money can be spent on municipal plant maintenance and improvement. And last but by no means least under this heading, how much money is being set aside out of current revenues for capital improvements?

Fourth — The amount of state and/or Federal aid is important. In Connecticut, as you know, the state aid for our local educational programs is sizable and is used for both operating purposes and for school building construction purposes.

Fifth — We feel that the most sensitive way of following any community's financial position is to watch the year-end position of the current account. The balance sheet analysis of any community is very important. Current liabilities at the year-end should be related to cash and this trend should be watched carefully.

Sixth — Developments in the basic economy of the area are important. You are all very well aware of what has happened in such New England textile communities as Lowell, Lawrence, Haverhill, Manchester, New Hampshire, Fall River and New Bedford. Even in Connecticut, we have had our share of troubles caused by the textile industry moving South. You are all aware of what the term "bedroom community" means and what has caused this reference. It reflects the fact that the economy of an adjoining area or areas is undergoing a change—in this instance the direct opposite of what was cited a moment ago with respect to the textile communities.

Seventh—We feel that a very

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*From an address by Mr. Gregory before the Fifth Annual Forum on Municipal Finance sponsored by the Connecticut Bank & Trust Company at the Hotel Statler, Hartford, Conn.

Dealer-Broker Investment Recommendations & Literature

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

America's Water Needs—Study—Dominick & Dominick, 14 Wall Street, New York 5, N. Y.

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., 1038 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.**

Capitalism in Action . . . Democracy at Work—Article in "American Investor"—American Stock Exchange, 86 Trinity Place, New York 6, N. Y.—15c per copy; $1 per year. Also in the current issues are articles on **Knott Corporation, Talon, Inc., Micromatic Hone Corp., Angostura-Wuppermann Corp.**, and **Basic, Incorporated.**

Copper Stocks—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is an analysis of the Canadian Market and bulletins on **Western Union Telegraph, International Telephone & Telegraph**, and **Champion Oil & Refining.**

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

Long Distance Investing—In current issue of "The Exchange"—Exchange Magazine, 11 Wall Street, New York 5, N. Y.—10c a copy; $1 per year.

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.

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.

Pocket Guide—Discusses 20 stocks most favored by institutional investors—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **Stone & Webster, Inc., The Texas Company**, and **Vick Chemical Company.**

Products and Processes—Booklet on products of Union Carbide—Union Carbide Corp., Department E, 30 East 42nd Street, New York 17, N. Y.

Real Estate Bond Averages—Tabulation for April—Amott, Baker & Co., Inc., 150 Broadway, New York 38, N. Y.

Southern California—Analysis of business conditions—Security-First National Bank of Los Angeles, Box 2097 Terminal Annex, Los Angeles 54, Calif.

* * *

Aetna Insurance Company—Study—Robert H. Huff & Co., 210 West 7th Street, Los Angeles 14, Calif. Also available are studies of **Maryland Casualty Company, North River Insurance Company, Pacific Indemnity Company, United States Fire Insurance Company, Bankers and Shippers Insurance Co., Hartford Steam Boiler Inspection & Insurance Co., Pacific Fire Insurance Co.** and **Jersey Insurance Co. of New York.**

American Box Board Co.—Memorandum—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich. Also available are memoranda on the **Cross Co., Michigan Plating & Stamping Co.**, and **Peninsular Metal Products Corp.**

Anaconda Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Associated Oil & Gas Company—Analysis—Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Bausch & Lomb Optical Company—Analysis—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y. Also available is a comparative tabulation of leading **Banks & Trust Companies of the United States** for the quarter ended March 31, 1957.

Bucyrus Erie Co.—Bulletin—Georgeson & Co., 52 Wall Street, New York 5, N. Y.

Carrier Corporation—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also in the same bulletin are data on **Borg-Warner Corp.**

Clinton Machine Co.—Memorandum—Securities Corporation of Iowa, Merchants National Bank Building, Cedar Rapids, Iowa.

Eastern Stainless Steel Corporation—Report—Van Sant, Dugdale & Co., Inc., 15 East Fayette Street, Baltimore 2, Md.

Edgewater Steel Company—Analysis—Singer, Deane & Scribner, Union Trust Building, Pittsburgh 19, Pa.

Electrolux Corporation—Analysis—Security Adjustment Corp., 16 Court Street, Brooklyn 1, N. Y.

Great Lakes Power Corporation Limited—Analysis—McLeod, Young, Weir & Co., Ltd., 50 King Street, West, Toronto, Ont., Canada.

Hertz Corporation—Analysis—Bacon, Whipple & Co., 135 South La Salle Street, Chicago 3, Ill.

Ling Electronics Inc.—Research study—W. F. Taylor, 639 South Spring Street, Los Angeles 14, Calif.

Marshall Field & Co.—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

National Bankers Life Insurance Co.—Analysis—Ralph B. Leonard & Co., Inc., 25 Broad Street, New York 4, N. Y.

Nuclear Chicago Corporation—Review—Edward H. Nelson, Cruttenden, Podesta & Co., 209 South La Salle Street, Chicago 4, Ill.

Ohio Edison Company—Annual report—L. I. Wells, Secretary, Ohio Edison Co., Akron 8, Ohio.

Parke Davis & Co.—Data in current issue of "Gleanings"—Francis I. du Pont & Co., One Wall Street, New York 5, N. Y. Also in the same issue are nine portfolios for the investment of $10,000, to meet varying requirements of stock buyers.

Permutit Company—Analysis—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

Pure Oil Co.—Memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Republic Supply Company of California—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Southern Colorado Power Company—Analysis—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Also available is a table of comparative figures for **Public Utility Common Stocks.**

Standard Oil Company (New Jersey)—Annual report—Standard Oil Company (New Jersey) 30 Rockefeller Plaza, Room 1626, New York 20, N. Y.

Suburban Gas Service Inc.—Analysis—Wagenseller & Durst, Inc., 626 South Spring Street, Los Angeles 14, Calif.

Tidelands Royalty Trust "B"—Analysis—Carothers & Co., Inc., Mercantile Bank Building, Dallas 1, Texas.

Transamerica—Bulletin—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. In the same bulletin are data on **ABC Vending.**

Universal Transistor Products Corp.—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Wagner Electric Corporation—Analysis—Blair & Co., Inc., 20 Broad Street, New York 5, N. Y.

Western Air Lines, Inc.—Bulletin—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

COMING EVENTS

In Investment Field

May 8-11, 1957 (White Sulphur Springs, Va.)
Investment Bankers Association Spring meeting at the Greenbrier Hotel.

May 16-17, 1957 (Nashville, Tenn.)
Security Dealers of Nashville annual spring outing - dinner May 16 at Hillwood Country Club; field day May 17 at Belle Meade Country Club.

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

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

May 19-23, 1957 (Cleveland, Ohio)
National Convention of Investment Analysts Societies.

May 20-23, 1957 (Cleveland, Ohio)
National Federation of Financial Analysts at the Hotel Statler.

May 24, 1957 (Baltimore, Md.)
Bond Club of Baltimore annual Outing at the Elkridge Club.

June 11, 1957 (Detroit, Mich.)
Bond Club of Detroit annual summer outing at the Orchard Lake Country Club.

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

June 13-14, 1957 (Cincinnati, Ohio)
Cincinnati Municipal Bond Dealers Group annual spring party at Sheraton Gibson and the Maketewah Country Club.

June 14, 1957 (New York City)
Municipal Bond Club of New York annual field day at Westchester Country Club and Beach Club, Rye, N. Y.

June 19-20, 1957 (Minneapolis-St. Paul)
Twin City Bond Club annual outing and picnic with cocktail party at Hotel Nicollet June 19 and an all day sports program at the White Bear Yacht Club, White Bear Lake, Minn. June 20.

June 21, 1957 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia, summer outing at Whitemarsh Country Club, Whitemarsh, Pa.

June 21, 1957 (Philadelphia, Pa.)
Philadelphia Securities Association annual outing at the Overbrook Golf Club, Ithan, Pa.

June 28, 1957 (New York City)
Investment Association of New York annual outing at Apawamis Club, Rye, N. Y.

June 28, 1957 (New York City)
Syndicats annual outing at the Nassau Country Club, Glen Cove, Long Island, New York.

Aug. 1-2, 1957 (Denver, Colo.)
Bond Club of Denver-Rocky Mountain Group of IBA annual summer frolic and golf tournament at the Columbine Country Club.

Sept. 25-27, 1957 (Santa Barbara, Cal.)
Investment Bankers Association Fall Meeting at Santa Barbara Biltmore.

Oct. 7-8, 1957 (San Francisco, Cal.)
Association of Stock Exchange Firms Board of Governors meeting at Mark Hopkins Hotel.

Oct. 10-11, 1957 (Los Angeles, Calif.)
Association of Stock Exchange Firms Board of Governors meeting at Beverly Hills Hotel.

Nov. 3-6, 1957 (Hot Springs, Va.)
National Security Traders Association Annual Convention at the Homestead.

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

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

Apr. 23-24, 1958 (Houston, Tex.)
Texas Group Investment Bankers Association annual meeting at the Shamrock Hotel.

Join Thomas Bowles

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Henry Baker, Herbert J. Hilgen, and Everett A. Reiten, all formerly with Gross Rogers & Co., have joined the staff of Thomas C. Bowles, 8941 Santa Monica Boulevard, member of the Pacific Coast Stock Exchange. Robert W. Hudson has also become associated with Mr. Bowles.

Revolutionary Plastics Face Great Growth Prospects

By RUSSELL C. WEIGEL*
Manager, Plastics Sales Division, Polychemicals Dept.
E. I. du Pont de Nemours & Company, Inc.

The increasingly growing acceptance of plastics, marked by entry of such large manufacturing firms as steel, paper and glass, and the diminishing supply of raw materials in the face of rising population, indicate, according to du Pont executive, plenty of old and new markets in the near future, and great long range opportunities. The author discusses plastic's applications: as a competitive substitute for other materials, in combination with other materials when they cannot be used alone, where it creates new markets of its own, and where plastics replace other plastics. Commends designers' maturity, the employment of standards and research, and finds no longer so visionary the possibility of plastic automobile bodies.

In the plastics industry we do a lot of crystal-gazing. We are prone to talk about the plastic house of the future with its one-piece molded bathroom; giant plastic domes that will permit big-league ball games to be played on schedule, rain or shine; the plastic train; and even, as I read recently, about solar stills of plastic film that will convert enough salt water to fresh water for whole cities to drink.


R. C. Weigel

Far be it from me to say that the plastics industry will not accomplish, even surpass, these predictions. But as we talk about the future, I think we sometimes overlook the solid accomplishments of the present.

Leaders of the industry are undoubtedly aware, to some degree, of the impact of plastics on business and on daily life. They may, however, be unfamiliar with the changing character of the plastic industry; the nature of plastics applications and their effects on industry in general; and the extent to which plastics have come to be accepted as genuinely new engineering materials, with characteristics all their own.

I think of the plastics industry today as showing definite signs of adulthood. Further, I believe that this coming of age by our industry is being accepted as such by the rest of the business community. There are many indications of this, as I will point out in this discussion.

If you have read any of the many articles in the trade press on the statistical growth of the plastics industry, you have undoubtedly found such qualifying comments as, "This rapid growth, of course, cannot continue." This may well be true, but it's interesting to note that the same things were being said by people well qualified to make such statements about 15 years ago.

Sales Growth

The total sales of the plastics industry in the 1920's and 1930's were, by today's standards, relatively small. The first sharp rise began to take place in the early 1940's. A growth curve based on total sales through 1942, would have indicated a volume of about 650 million pounds a year by 1956. There were those, however, who maintained that this recent upturn of plastics consumption was an unnatural one, and that a direct projection of this curve was unwarranted. Subsequent results showed all these predictions to be somewhat conservative, as 1956 sales reach, not 650 million pounds, but over 3 billion pounds.

These figures are from "Modern Plastics" magazine, January, 1957, and include molding and extrusion materials and laminating resins, and other materials conventionally regarded as within the plastics industry, but not the alkyd-type coating resins, which would add another 500 million pounds.

Now, if we project this growth rate to 1975, we would come up with the total sales figure of **18 billion pounds** (Paley Committee Report, with alkyds removed).

Please let me make one point clear — I am not predicting any such figure here now. On the other hand, far be it from me to predict that it won't happen. What I am saying is that this is what has happened in the past, so don't be surprised at anything that might come from the plastics industry in the next 20 years.

To provide a quick idea of how this figure of over 3 billion pounds compares with other basic materials: 1956 sales of aluminum, the most widely used non-ferrous metal were a little over 3 billion pounds; refined copper ran a little over 3 billion; and 2 billion pounds for slab zinc. So, we're talking about pretty big business here. (Figures from Survey of Current Business and U. S. Bureau of Mines.)

We in the plastics business, because of conditions in our new business, have been a great industry for soul-searching, and for self-criticism. Some of the experiences that we went through during the early postwar period left us all with somewhat of a complex, and made us tend to be on the defensive. I'll have to admit that, at times, there has been good cause for us to search our souls, to criticize ourselves, and to put forth a nervous defense. But I honestly believe that we can view our present and future with pride and optimism.

Three Phases in Plastics' History

At this time in our life, the history of the plastics industry breaks down rather neatly into three periods. Our infancy was a rather lone one, extending from the discovery of celluloid in 1868 up to the time of the Second World War. There were important uses during this period, such as the interlayer for safety glass and phenolic electrical fixtures, but the industry was not a spectacular one. The real drama was yet to be enacted.

The second stage, which was our childhood with all its problems, included the war years and the early postwar period. In spite of the many excellent, and even essential, jobs done by plastics materials during that period, events moved too fast for the hands and mind of man. We in the plastics industry found ourselves with at least two major problems on our hands—plastics had come to be thought of, by industry and by consumers, as substitutes for the real thing. And our reputation had suffered because of mistakes in material applications. There were many unavoidable instances in which scrap was used—because it was the only thing available with over 85% of plastics production going into military applications. Even beyond this, however, many headaches arose from the very nature of the industry—the fantastically rapid growth of the business, the existence of a seller's market, and the economic character of the plastics business. By this I mean the small investment needed for many types of production, and the opportunities for quick, large profits. This combination of factors brought on to many misapplications, and too many instances of low quality.

It is to the everlasting credit of the plastics industry that it recognized this problem and tackled it in a forthright manner. We cannot claim that we have completely erased all the harm done in that period, or that we have removed all possibility of more of the same, but we have taken a giant step in that direction.

Code of Conduct

As one major corrective step, the major trade societies within the industy adopted a code, or "Statement of Principles," in which all members pledged to take a number of steps "all to the end that plastic materials already available, and others that may come, will bring to industry and public alike all the benefits, economies, and satisfaction inherent in these versatile engineering and construction materials." It is the spirit expressed in this statement that characterized the third place of our history.

I would like to devote most of my discussion here to some of the major trends that have brought on this growth and success.

An important factor throughout the history of plastics, or at least the industry's modern history, has been the relationship between the materials supplier and the processor, fabricator, or converter—the person who buys the initial material, usually in the form of pellets, called molding powder, and molds, extrudes, or otherwise converts it into a useful form. There are about 50 suppliers of molding compounds. Inasmuch as substantial investments are required in the manufacture of plastics materials at this stage, the producers of these compounds are primarily chemical manufacturing companies—like Du Pont, Bakelite, Monsanto, American Cyanamid, and Dow—who manufacture from one to six or seven plastics materials.

Then there are the very large groups of firms who process these materials. These companies range from small owner-operator organizations to very good-sized manufacturers. There are about 1,500 molders and extruders, plus a still larger number of fabricators, who machine or form products from standard shapes, such as sheets, rods, and tubes; there are laminators, converters of film; and a variety of other operations.

Then, too, many of the large users of plastic components, such as the automotive and appliance manufacturers, have their own so-called "captive" molding and extrusion divisions.

In most instances, of course, it is the processor who has the direct contact with the end-user, and the immediate control over the quality of the molded or extruded product. The growing realization that our well-being is mutual, and that we are linked to a common destiny, has brought a more responsible relationship between the supplier and the processor. Today the supplier devotes an impressive amount of time, money and manpower to technical assistance on end-use problems.

Advantages of Research

Most of the processors do not have the research facilities, nor the resources, nor the basic knowledge of the behavior of the widely different molding materials, with their countless variations to do the exploratory work that is so often needed in new use developments. As a result, the materials suppliers have devoted more and more efforts to applications research—the study of the performance of their materials in specific uses, as well as in general, development of new molding and extrusion techniques, and refinement of existing ones; and so on. So important is this type of work that, even as our customers—the fabricators — have come to do much of their own research and development work, the materials suppliers have invested more and more millions of dollars into this type of service. Practically all of the materials suppliers have constructed new facilities within the past few years, just for this purpose.

This relationship works in our favor, too. It enables us to keep in close touch with the use of our materials, keeps us informed as to their performance, and with respect to needs for improvements, or even new materials. Processors use this service, and make more and more enlightened use of it. With the tools that he now has at his disposal, the processor is engaging in more aggressive, and at the same time more responsible, salesmanship.

Another trend in the plastics industry, and another indication of its growing acceptance by the business community, is the entry of some large manufacturing companies into the field—not as materials suppliers, but as processors, fabricators, or converters. We mentioned the fact that large users of plastics components, such as automobile and appliance manufacturers, often have their own molding and extrusion operations. But here I am thinking primarily of the cases in which big steel companies are manufacturing plastic pipe to supplement their own lines of metal pipe; glass companies are making plastic bottles, manufacturers of paper and cardboard containers are making plastic film, and so on. This, to me, shows the recognition of the increasing importance of plastics in the industries involved by the people who know best, and who are affected most directly.

Designers Bridge the Gap

Certainly one of the most important trends in the healthy, sound growth of the plastics industry has been the increasing realization of the need for correct design of the end-use article—including both choice of the most

Continued on page 33

*An address by Mr. Weigel before the Commercial Chemical Development Association, New York City.

Current Credit Developments

By C. CANBY BALDERSTON*

Vice-Chairman, Board of Governors of the Federal Reserve System

Failure to grapple with immediate credit problems can jeopardize our hopeful economic prospects, Mr. Balderston warns, in reviewing current credit developments. The central banker presents pro and con selective credit control arguments; distinguishes fiscal from monetary policies; and looks forward to the ability of fiscal and monetary general controls to foster sound economic growth without price inflation.

Fortunately the long future of our economy is one of rich promise. Thanks to technological advance and population increase, the long-term prospects are superb. The wide recognition of this fact leads to the speculative enthusiasm that inspires some of the current plant expansion. These prospects are so full of hope for high employment and an ever-rising scale of living that it would be a pity indeed if their realization were to be lost through failure to grapple with the immediate problems. These problems stem from the fact that aggregate demand is currently in excess of supply. Prices are being pushed upward, the economy endangered by cost squeezes, and values inflated by speculation. Too often binges have led to painful hangovers.

C. Canby Balderston

At a time when the general business climate is inflationary, it is obviously necessary to pursue policies designed to restrain excessive credit expansion. Also it is obviously not feasible for commercial banks to provide for the accommodation of all who wish to borrow. Some loans must necessarily be refused or deferred by commercial banks, even though the applicants may be technically credit-worthy.

The goal of economic progress is more jobs and more good combined with a dollar of stable buying power. The road toward this goal stretches ahead as an inviting path for us and our children provided the current economic traffic does not become snarled. Into the road there is now pouring more economic traffic than the present road capacity will permit to move forward at one time.

What is the nature of this traffic jam that threatens to impede economic progress? Too many people want too many things too fast. They want to build new plants, office buildings, ships and planes at an unheard-of rate and still retain record rates of production for residences and autos. The resultant pyramiding of demand not only creates scarcities for materials like steel and cement, but for certain labor skills as well.

Tight Money Facts

What is so clearly evident in the case of scarce materials and labor applies also to money and credit. The so-called tightness of credit is often attributed to insufficient supply, whereas it has in fact resulted chiefly from a pyramiding of demand. Actually, the supply of money and credit is larger than a year ago, instead of being smaller as many imply when they use the phrase "tight money."

Moreover, money is being made to work harder. Demand deposits are being turned over about 8% faster than a year ago. This increase in money activity is to be expected in a period of credit stringency, and has the effect of making the supply of money more active.

The aggregate and rival demands of corporations and individuals to borrow heavily in order to buy more goods than exist at the moment explain the concern over the cost and availability of credit. When the demand for credit exceeds its supply, the marketplace allocates the existing supply among the rival claimants for it. In the process, the cost of credit rises and many individuals and companies are disappointed that they cannot borrow all they wish in order to buy what they want right away. As a nation we are trying to spend faster than we save. If we should succeed, the higher prices that would result spell inflation with all its dread consequences to savings and to those dependent upon them. The well-being of wage earners who have pension rights is involved as well as that of widows, school teachers and all whose incomes are fixed.

The three inter-related instruments—reserve requirements, discount rates and open market operations—are tools for carrying out general, flexible monetary policies. They help to control the supply of money and credit in total, leaving its allocation to the competitive forces of the free market. Credit is allocated in the marketplace to those borrowers who are willing to pay the price of money. At a time when that price is high, the weaker demands for funds are set aside and with them some of the demands for goods.

Direct Controls

In contrast to this relatively impersonal allocation of the money supply are so-called selective or direct controls. These represent efforts by government to intervene in the operation of the free market. Broadly speaking, they embrace rationing, price and wage controls, and regulation of specific uses of credit. Of course the government also intervenes when it uses subsidies, price supports and guarantees to shelter particular groups of citizens.

In wartime, spending has been curbed through price controls and rationing by many nations, including our own. Even though supported by wartime patriotism their success was limited. They did *not* prevent eventual loss in the purchasing power of the monetary unit. They *did* involve the policing of hundreds of thousands of enterprises and of private citizens. It is little wonder, therefore, that country after country shook off this harness of governmental controls when conditions permitted restoration of free markets. Even though many individual spending decisions be unwise, the free market gives people the satisfaction of relying on their own knowledge, judgment and initiative.

The proper role of government in these matters is to be responsible for fiscal policy, including the balancing of its own budget, and for general monetary policy. Responsible for the fiscal policy are the Treasury and the Congress. Responsibility for monetary policy has been assigned by the Congress to the Federal Reserve System with a mandate to serve as a trustee over the total supply of money, and to carry on its work without fear or favor, unaffected by partisan political pressure on the one hand, or private business pressure on the other. Its particular role is to regulate the reserves available to the commercial banks so that bank credit may expand and contract flexibly in accordance with the fluctuating needs of the economy.

If the supply of credit becomes excessive in relation to the goods and services available, prices tend to rise; if the converse is true, prices tend to fall. Therefore, if the value of money is to be stable and to assist the economy to move steadily upward, its supply (at the current rate of deposit turnover) must be harmonized with the flow of goods. Hence, the supervision of government is needed over the total supply of money and credit. The apportionment among individual borrowers, however, is best left to competition between private borrowers and private lenders. It is the responsibility of the central bank to influence the total supply of credit, but the selection of the particular customers to whom loans are to be made should be left to the discretion of commercial bankers and other private lenders.

Federal Reserve Experience

Of the selective controls over the use of credit, the Federal Reserve has had experience with three forms. The first of these is the control over stock market credit, which was delegated to it by the Congress in 1934 and still remains its responsibility. The second is the control over mortgage credit which took the form of Regulation X. The third is the control over consumer instalment credit which took the form of Regulation W.

The control of stock market credit is exercised through the System's authority to prescribe margin requirements applicable to registered securities. This particular form of selective control has been effective. The customer credit flowing into the stock market through both banks and brokers is 5% less than a year ago. Throughout the current boom, it has never risen much above $4 billion in contrast to the $145 billion in mortgages and $42 billion in consumer credit. This direct control has worked chiefly because it has been easy to administer.

This brings me to the control of consumer instalment credit, which the Board was asked by the President to study. Probably the concern of the President and of Dr. Arthur Burns stemmed from the liberalization of the terms of automobile instalment credit in 1955 and the stimulation that its use gave to the sale of an abnormal number of autos in that year (at least a million more than would have been sold otherwise.) The study has flowered into a massive 6-volume report.

Volume 1 deals with the changing role of consumption, the types of instalment credit and credit institutions, their operating experience, the effects of changes in instalment credit terms and their impact upon aggregate demand and economic stability.

Volume 2 deals with the financial characteristics of principal consumer lenders and their responsiveness to changing credit conditions. It also contains the results of the national survey of households as to their debt status, car purchase and home ownership.

Volume 3 presents the proceedings of a conference of the National Bureau of Economic Research, dealing with the position of consumer credit in the economy and its bearing on the problem of regulation.

Volume 4 is likewise the outgrowth of the National Bureau conference and deals with the pros and cons of consumer credit regulation.

Volume 5 sets forth the views of the consumer credit industry.

Volume 6 is a pioneering analysis of new car financing in 1954-55 that, when available shortly, will prove of tremendous interest.

Arguments for and Against Controls

Advocates of selective control think of it as a useful supplement when consumer credit spending threatens instability. For example, an officer of the Bank of England has observed that Britain's monetary restraint would have had to have been even more severe than that reflected by last year's 5½% "bank rate," with the 3½% War Loan bond selling at 68 to yield over 5.1%, had Britain not used selective control over what it calls hire-purchase credit. The principal argument favoring standby authority to regulate instalment credit is based on the view that booms and depressions are serious wastes and that governmental regulation can moderate unstabilizing fluctuations in selected credit areas. According to this reasoning, the national cost of economic stability is the waste of resources that are overcommitted in periods of inflationary upsurge and boom. Such waste leads later on to the unemployment of labor and other resources, and to capital losses.

The arguments opposed to regulation center in its alleged distortion of the allocation of resources by the market, in its interference with economic growth, and in the administrative difficulties of enforcement. It is argued that additional selective regulation would divert the attention of credit and monetary policymakers from the important problem of promoting stable economic growth without inflation or deflation. Monetary management is seen by these opponents of standby control as difficult enough, without adding the complex task of deciding whether particular sectors are using too much credit, or too little.

From the point of view of the control of money and credit, the central question concerning consumer instalment credit is its responsiveness to general controls. Those who believe that the traditional tools of credit and monetary action are adequate point to the fact that lenders of instalment credit also have to pay higher interest costs when interest rates rise.

It may be observed that the sudden liberalization of terms that took place in 1955 with some disturbance to the economy may not be repeated soon. At least the incentive to stretch terms further is not strong.

The regulation of consumer credit for which the Federal Reserve has had the responsibility on three occasions, imposed tremendous administrative burdens. It was onerous to both the regulators and to the regulated. Developments in consumer credit since 1955 have not been of as great concern as those during that year, but the Board is continuing to study the problem.

Summary

The expansion of credit which has characterized the current boom has been world-wide. Other countries, like our own, have faced the evidences of incipient inflation: efforts to invest more than is saved and to spend more than is produced. As a result, debt has mounted but the demand for credit has mounted still faster. Future students of financial history will doubtless study this era with especial interest because nations have been relying more heavily upon general monetary and fiscal controls than upon selective ones. If sound fiscal policy, which includes budgeting and taxing, together with sound monetary policy should provide reasonable protection for the dollar's buying power, they will take their places as among our country's greatest boons. For they will have demonstrated that in peacetime they, with public understanding and support, can help to foster sound economic growth without inflation.

*An address by Mr. Balderston before the 13th Annual Consumer Credit Conference, Syracuse University, April 16, 1957.

Walter C. Gorey Welcomes Jr. Exec.

SAN FRANCISCO, Calif.—Walter C. Gorey, Walter C. Gorey Co., is the proud father of a 7½ pound son, Walter C. Gorey, Jr. Both Mrs. Gorey and Junior are doing well, and the happy father is still passing out cigars.

Walter C. Gorey

Charles B. Kane, Mr. Gorey's partner in the investment business, was the godfather.

Stone & Webster Houston Branch

HOUSTON, Texas — Stone & Webster Securities Corporation has opened an office in Houston, Texas, according to an announcement by E. K. Van Horne, President of the investment banking firm. The office, which will be located in the Commerce Building, will be under the mangement of H. G. Symonds, Jr.

The office in Houston is the first for Stone & Webster Securities Corporation in the southwestern area. The firm's principal offices are in New York, Boston, Chicago and Philadelphia.

Mr. Symonds, who has been with Stone & Webster Securities Corporation since 1955, is a graduate of Stanford University and the Harvard Business School. He served with the United States Army and was discharged with the rank of 1st Lieutenant.

Two With First Calif.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Brown W. Ellzey and Harry R. Hyde are now with First California Company Incorporated, 647 South Spring Street.

James McKenna

James McKenna, member of the New York Stock Exchange and senior partner of James McKenna & Co., passed away May 3 at the age of 71.

Management's Responsibilities In Aiding the Free World

By T. S. PETERSEN*

President, Standard Oil Company of California

Mr. Petersen expresses deep convictions regarding what he terms, "American Management's responsibility toward the political and social development of under developed countries . . .", particularly in view of the communist challenges. The oil head details the reciprocal advantages in helping to build-up the economies of under developed countries, and avers it is "plain part of good sense for industry to shoulder all that it probably can. . . ." Believes the impact of our economic and political revolution upon the world is our most powerful foreign policy asset, calls attention to conditions constituting a favorable investment climate, and suggests rules for proper conduct of U. S. firms operating abroad.

Our free economic institutions require expanding opportunity in an ever-improving world economic environment. I believe that free enterprise and democracy here at home will not continue to prosper unless we in business—private citizens apart from Government — take the responsibility of contributing to this process of growth.

T. S. Petersen

It is a school-book truism that the political revolution which created the United States has had a greater influence for good on the rest of the non-Communist world than any other single political event in history. That influence is still visibly strong and vital. Within the past ten years nations comprising half a billion people have borrowed the U. S. Constitution almost bodily as the framework of their new, free societies.

We here, however, are more particularly concerned with the *economic* revolution which our country has let loose upon the world. This revolution has given the American people the world's highest living standard, a standard which, incidentally, doubles every 40 years. Every day we learn of some new enlargement of our economic potential. New products cascade onto the market; whole new systems of production, such as automation, bring new forces into play.

We in the management of industry are fully aware of the impact of these changing and expanding forces on the domestic American market, for it is our function to direct them. I wonder, however, if we are sufficiently aware that they constitute the most powerful foreign policy asset of the United States.

Using Our Economic Capacity

Many foreigners have been heard to express mistrust of the material success of this country. But that doesn't mean they are not eager to borrow from and pattern after us! Even the Communists find much to learn here, as Khrushchev admits now and then at cocktail parties. We would be less than hard-headed if we failed to make the utmost use of our economic capacity to advance our national interests.

So here we come to a fundamental question: What are our objectives in the world? To make the United States secure, certainly. But we cannot hope to do that by military strength alone. Government pays out billions of dollars every year to American industry to design and develop the weapons and facilities of our armed forces, and industry not only builds them, but our companies pay in taxes a large share of their heavy cost.

Yet clearly the responsibility of American industry and its management toward an effective, strong and peaceful foreign policy for the United States goes far beyond forging its weapons.

There is, for example, the necessity of obtaining readily available supplies of raw materials. Both the requirements of our military security and our peacetime needs have accelerated the demand for these. We must import virtually all our requirements for natural rubber, manganese, chromium and tin, much of the bauxite and uranium we use, and substantial percentages of our lead, zinc, copper, iron ore, lumber and petroleum supplies.

Reciprocal Advantages

The task of producing and bringing in these raw materials falls in large part to American industry, with the government constantly pressing it to expand its long-term plans for developing foreign supplies. Since the United States consumes about half of the raw materials used by the entire free world, this responsibility is an enormous one.

Aside from the importance of securing the raw materials, industry and its management are bound to recognize that the development of the countries in which these materials are found is a good thing in itself. An increase in their prosperity leads to an increase in ours by stimulating demand for American goods.

We hardly have to remind ourselves that the over-all level at which we trade, the volume of goods we sell in foreign markets and the volume we buy in them, has a determining effect on our domestic economic strength. Overseas investments of money, energy and brainpower by American corporations stimulate this health-giving flow of trade. Commercial exports from this country now account for about $17 billion worth of the nation's yearly business. President Eisenhower was in dead earnest in saying:

"If we fail in our trade policy, we fail in all. Our domestic employment, our standard of living, our security and the solidarity of the free world—all are involved."

Other countries obtain the dollars to pay for our goods in, of course, a variety of ways. One of the ways we are particularly concerned with today is through the development of their own economies made possible by American private investments.

Our Foreign Investments

It is a somewhat disquieting fact that, since the war, investments abroad of long- and short-term capital by private U. S. investors have financed, on the average, only about 7.5% of our exports. We are investing overseas at the modest (for us) rate of about a billion dollars a year, only 60% of that representing new capital, the other 40% reinvestment of foreign earnings.

All told, Americans have about $50 billion invested abroad. (Practically all of this money has come from corporations, since so-called portfolio investments by private individuals in foreign bonds or stocks have never recovered their former popularity, after the mass defaults of the 1930's.)

While the outflow of American capital each year is substantial, is it as great as it could be? I think not. There is no doubt in my mind that the uniquely productive United States economy could put three or four times as much into the development of overseas enterprises as it is currently doing.

Such enlarged participation by American corporations in overseas investment would be desirable for a number of reasons. One obvious reason is that the more private investment we have, the less we need to spend for government foreign aid programs.

On this point, a committee headed by Ben Fairless which recently reported to the President on the foreign aid program reached this conclusion:

"Foreign investment of private capital is far more desirable than investment by government . . . Such investments provide much more than capital to the cause of economic development, for they carry with them the initiative, the managerial skill and the technical aptitude which has proven of great worth to the American economy."

Private investments and foreign aid spending have in common the objectives of enlarging the area of free enterprise and strengthening the countries to which the money goes. But the differences between these two forms of economic development abroad should be of lively concern to all citizens, particularly businessmen responsible for meeting the heavy burden of Federal corporate taxes.

Private foreign investments create benefits which truly increase the wealth of the host country. Among these benefits are, of course, new tax bases, new employment, the opportunity to acquire American industrial techniques, and a number of other values that I shall discuss later.

At the same time, by returning profits to the investing corporation, overseas investments add to the wealth of American stockholders. The 2,500 corporations of this country which have interests abroad number their stockholders in the millions. These are also, of course, taxpayers, sharing in the total burden of paying for foreign aid expenditures. One way or another each of us is an investor overseas.

Foreign vs. Private Aid

Some $50 billion have been expended on foreign economic and military aid in the past 10 years. That represents an out-of-pocket payment by the taxpayer with no direct payback. This is not to say that there is no *indirect* economic return to the United States economy from foreign aid. The $50 billion not only has promoted our military security and raised world-wide levels of economic activity; part of it has come back home in the form of payments made by foreign countries for goods and services purchased from American sellers. Indeed, around a quarter of our exports are financed by foreign aid dollars.

No qualified and unprejudiced observer regards the whole foreign aid program as one big rat-hole down which all the dollars simply disappear. But any qualified observer will agree with the Fairless Committee that the less government aid and the more private investment abroad, the better.

Accepting the fact that we are in for a long period of continuing demands for economic assistance to the underdeveloped countries, it would seem the plain part of good sense for industry to shoulder all that it profitably can. It is my sincere belief that this is in the best interests of the free enterprise system.

It is peculiarly the obligation of American management to promote free enterprise abroad. We cannot fairly leave that job to diplomats and the Voice of America. The 3,500 men and women in the State Department and the International Cooperation Administration who expend foreign aid funds cannot be expected to provide the best managerial knowledge and skill that foreign countries seek from America.

True, diplomats can provide funds in quantity so long as Congress votes them. But money is not everything; it is perhaps the *least scarce* of all the commodities needed to do a good job.

So I suggest that American management, by stepping up the pace of foreign investment, would greatly help to advance the broad objectives of American policy.

Higher Than Domestic Return

Foreign investment, furthermore, can be a profitable field for your corporate growth. Since the war, the average rate of return on total direct foreign investments by U. S. corporations has generally run above the domestic rate. Since 1951, for example, returns from abroad have averaged about 15% of investment, as compared to a domestic rate of roughly 11%.

Not only are the foreign fields profitable in themselves, but frequently profits from abroad cover the margin between a merely good and a highly successful year in the over-all results of a corporation's activity.

Billions have been invested in the American search for oil overseas by some 30 American oil companies. Considerably more than half of all postwar investments abroad by private American companies have been made by the oil industry in exploration, and in production, refining, sales and marketing facilities. The program has been tremendous, and it has transformed the economic and social character of great regions of the earth.

Why has the American oil industry been responsible for this? One of the weightiest reasons is that almost any venture for oil requires a sizable investment. In the case of underdeveloped countries with average incomes of, say, $200 a year or less, there simply isn't enough capital to be had for such enterprises, quite apart from the lack of know-how.

Certainly, U. S. oil companies have played the dominant role in opening up and developing the great reserves of Saudi Arabia, Bahrain Island, Kuwait, Venezuela and Sumatra.

Favorable Investment Climate

American companies that have ventured into the production of oil abroad have had to make sure of one thing about all others—a secure prospect of getting out their profits, if any. When management risks large amounts of money in geological exploration, field production, pipelines and terminals, it must have a secure prospect of getting its money back.

An investment of such magnitude can only be justified if the investing corporation and the government of the host country reach an agreement laying down the rules of the game. Such agreements covering oil exploration and production are almost universal. Usually they run for a sufficiently long period of time to permit proper exploration and development and are regarded as a guarantee of the respective rights and obligations of the parties.

The government of any underdeveloped country desiring investments by the American oil industry—or any other industry—for the development of its economy needs to ask itself one question: Is its word as good as its bond? Here is the very heart of the problem. Private investments (as contrasted with U. S. Government aid) are totally dependent upon the recognition of the sanctity of contracts. A foreign government that offers assurance of equitable treatment to American companies on terms not subject to change at a passing political whim will not suffer from lack of investor interest.

This, then, is the first and most basic condition—the assurance of a favorable climate for free enterprise. Without that assurance no private company can exist abroad — or for that matter at home.

In some countries it is necessary to establish the free-enterprise terms of business by written, long-term contracts with the government. Even though these govern-

Continued on page 40

*An address by Mr. Petersen before the Dallas Chapter for the Advancement of Management, Dallas, Texas, April 24, 1957.

British Inflation Must Proceed!

By PAUL EINZIG

British public's false conception of Court of Inquiry makes, Dr. Einzig avers, recent wage-inflation recommendation dangerous for the economy. Finds decision is calculated to discourage industrialists from fighting inflation, particularly in view of the implied admission that annual increases are justified regardless of cost of living or of productivity. Sees British press unaware of inflationary implications involved.

LONDON, Eng. — Those who entertained any lingering hopes that inflation in Britain might be halted received a severe shock when the report of the Court of Inquiry into the wages dispute in the engineering and shipbuilding industries was published on May 2. The report, like practically every public pronouncement these days, pays of course lip service to disapproval of inflation. But the recommendations of the report will inevitably aggravate the pressure for inflationary wages increases.

Paul Einzig

While the employers were prepared to concede an increase of 3½% in return for the abolition of restrictive practices by the employees, the report recommends an unconditional increase of 5%, or an increase of 6½% in return for the abolition of restrictive practices, and an undertaking on the part of the trade unions not to put forward further wages demands for 12 months. This latter formula is, if anything, even more inflationary than the proposed increase of wages in excess of the increase in the cost of living and in the absence of any increase of productivity. For it does imply the admission of the principle that workers are entitled to an annual increase in wages, regardless of the cost of living or of productivity.

Courts of Inquiry's Influence

Indeed, on the basis of the recommendations of the Court of Inquiry, the interval of 12 months between two wages increases will come to be regarded as a maximum. The report implies that employers must purchase the willingness of employees not to demand wages increases even more frequently by an extra increase in wages.

The trouble is that any findings of a Court of Inquiry in Britain are apt to be regarded with a degree of reverence bordering on the superstitious. Such Courts are looked upon as being supremely impartial dispensers of supreme wisdom. While arguments put forward by politicians or by spokesmen of employers or employees are treated with scant respect by those who disagree with them, recommendations made by Courts of Inquiry, or Courts of Arbitration, or Committees of Conciliation, carry very considerable weight, well beyond the immediate dispute dealt with in the findings.

Thus when two years ago such a Court ruled that the government should cover the deficit of the nationalised railways arising from wages increases, this ruling gave rise to a general stimulus to wages demands in nationalised industries. Until then the national boards were able to argue against excessive wages increases on the ground of the need for balancing expenditure by revenue. But when Lord Cameron ruled that this was not necessary, the granting of excessive wages increases regardless of the solvency of the industries became inevitable.

False Analogy

Courts of Inquiry in general, and this Court dealing with engineering wages in particular, are regarded with such respect because of the high and well deserved prestige of British Law Courts. Yet the analogy is entirely false. Judges are in a position to be impartial in interpreting the law, and usually live up to their reputation of impartiality. But those called upon to make a ruling on an economic question such as a wages claim are bound to be influenced by their views on the expediency of their findings. In the present instance, refusal by employees to accept the recommendations would have meant a major strike, and the Court of Inquiry interpreted its task in the sense that it must produce a report which would avert the strike. The terms of the findings had nothing to do with the economic aspects of the problem. The chairman of the Court, a professor of economics, must have been well aware that this wages demand had no economic or moral justification in existing circumstances. But he made his ruling, nevertheless, in a sense as to support unjustified wages claims, in the hope that the employers would abide by his ruling against them, so that the strike would be avoided.

The Court's recommendation that some permanent body should be set up to deal with the wages question appears to be of small practical value. If the men serving on the proposed body should make an honest attempt at laying down rules impartially, their findings, would be rejected by the trade unions. If, on the other hand, the Court were composed of opportunists their findings would merely cover the inflationary wages spiral with a cloak of respectability.

Sees One Solution

Worst of all the report condemns any group of employers which would attempt to "offer stubborn resistance to wages claims." On the other hand, it admits that "a general acquiescence in these recurring wages claims worsens the inflationary situation." The logical conclusion that emerges from these remarks is that employers' federations should combine in a united front to resist. But this is not what the Court has in mind. Indeed such a combined effort at resistance would be denounced by Socialists as a "capitalist conspiracy" and the outcome might well be a general strike. What is needed is that some strong group should make a long-overdue stand against unjustified inflationary wages demands, even at the risk of a prolonged major strike. The failure of a single major strike to achieve its aims would act as a strong deterrent to excessive wages claims in other industries. But the condemnation by the Court of Inquiry of any such attempt by a group of employers to break the inflationary spiral is calculated to discourage industrialists from fighting inflation even if they were prepared to face the costs of a prolonged strike.

There is hardly any indication in the British Press that the inflationary implications of the Court's report are realised. Newspapers, like the rest of the public, are hypnotised by the undeserved prestige of such Courts, and most comment on the report is devoted to the discussion of the proposed permanent body to inquire into wages problems. The adoption of this proposal would be a piece of escapism, and continued inflation would be the price the public would have to pay for its unwillingness to face realities.

John Bunn Named V.-P. & Syndicate Mgr. Of Stifel, Nicolaus

ST. LOUIS, Mo.—John W. Bunn, formerly Assistant Vice-President and Manager of the trading department of Stifel, Nicolaus & Company, Incorporated, 314 North Broadway, members of the Midwest Stock Exchange, was elected Vice-President and Manager of the firm's syndicate department on May 1. Mr. Bunn, 38 years of age, will observe his 20th anniversary with the firm next July 1. He is a past President (1955) of the National Security Traders Association; past President (1949) of the Security Traders Club of St. Louis; and is presently Committee Member of NASD Business Conduct Committee No. 7, a position which expires Jan. 15, 1960.

John W. Bunn

L. H. Whitehead Gives Course at Hunter

Louis H. Whitehead, partner in Cosgrove, Whitehead & Gammack, New York City, is now conducting a course on investments at the School of General Studies of Hunter College. Meetings are held Tuesday evenings at 7:15 and the classes last for two hours. The course is designed to tell how to plan and follow an investment program.

Louis H. Whitehead

Mr. Whitehead was invited to conduct the course by Dr. Edward Davison, Dean of the School of General Studies of Hunter College because of his previous teaching experience. He has been on the faculty of the New York Institute of Finance for 16 years. Formerly, he was a regular member of the faculty of the College of Business Administration of Syracuse University for several years, having gone there after he graduated from the Wharton School of Finance & Commerce of the University of Pennsylvania. The next series of lectures will begin in September.

Edw. S. Flynn Joins First Secs. of Chicago

CHICAGO, Ill.—Leston B. Nay, President, First Securities Company of Chicago, 134 So. La Salle Street, members of the Midwest Stock Exchange, announced that Edward S. Flynn has joined their company as a registered representative.

He had been associated with Kneeland & Co. since 1930.

From Washington Ahead of the News

By CARLISLE BARGERON

With the passage of the Hawley-Smoot tariff bill back in 1930, the protective tariff became an ugly word in this country. It had always been highly controversial. The Republicans had usually been high tariff, the Democrats switched back and forth between tariff for revenue only to what they called competitive tariff, depending upon whom their Presidential candidate was at a particular time. Generally speaking, however, they were "liberal" or low tariff, the Republicans were protectionists. As old Joe Grundy, President of the hide-bound Pennsylvania Manufacturers' Association and still living in his 80's, put it frankly before a Senate committee in 1930, if he had his way he would build such a high wall around this country that no foreign imports could come in.

Carlisle Bargeron

But with the passage of the Hawley-Smoot bill the depression came on with full force, coincidentally, and not because of the bill. However, the history of the tariff was that every President who opened it up, sought to tamper with it, came to grief. Hoover who had opened it up in 1929, against his will, was no exception. A group of several hundred economists — the economists were just beginning to feel their oats—urged him to veto it. He didn't do it and so there are many of these gentlemen who say that this worsened the oncoming depression which I think, under the circumstances, is nonsense.

Anyway, the depression having come, and the Hawley-Smoot bill having been passed, the way was paved for the low tariff people headed by Cordell Hull. As a relative youngster on the Washington scene I can recall the Judge, as we called him, bemoaning on every possible occasion that "hear, thar and everywhar these tariff barriers prevent trade."

When he took over the post of Secretary of State, he had little interest and little experience in international affairs. His sole ambition was to put over his reciprocal tariff treaties by which, as he visualized it, all the world would exchange its goods on a good, friendly and profitable basis. He devoted his time to this and let Under-Secretary Sumner Welles run the State Department.

Then, and this had an impact on our history, he became very belligerent when Hitler went in for barter and took Austria with him, largely nullifying his great dream.

Well, we have moved along over the years. We have become world-minded, a global leader. We have been and are engaged, after destroying a good part of the world, in rehabilitating it. We have done this at a cost of some $60 billion since World War II. Regardless of which Administration is in power, Republicans or Democrats, the impression is that they are more concerned about rehabilitating or building up other countries than they are about our own, certainly in the matter of taxes.

Our most influential editors and commentators are "liberals" and their articulation seems to prevail regardless of the Administration in power. Even our labor organizations which used to be high tariff have become "liberal" and internationalist minded. They have sold the government, indeed, on the proposition that a labor representative should be on every embassy staff, along with the naval and military attaches. They have come to have a piece, so to speak, of the business of internationalist mindedness. It is quite a big industry.

Out of all this has come a slogan that we have got to sell abroad and we can't sell abroad unless foreign nations can sell to us. This means that if necessary we shore up the economies of foreign nations so they can sell us. This they are doing with their cheaper costs, cheaper labor, cheaper standards of living. Apparently the theme is that the picture of steamships moving back and forth across the Atlantic and the Pacific and the Gulf is something beautiful that should be endowed like an art exhibit.

The fact is, however, that it is hurting essential American industries. It is causing unemployment in these industries. It is all very well to say, as the "liberals" do, that if American industries with their technical skills and their mass production can't compete with foreign imports they should go out of business. Where does that leave American workers? American industry is not free to bargain with them. Their conditions of employment and their wages are fixed by law, if not by definite statutory scriptures, by the fact that the labor unions are supported by the government.

The Tariff Commission is now supposed to have authority to give relief to hard pressed industries but the chances are nine out of ten that if it rules in favor of American industry, the Administration will, rather than hurt the feelings of a foreign nation, overturn the commission's decision.

There has got to be some realistic, rather than "liberal" thinking on the question of the tariff.

Champion Director of Discount Corp.

George Champion, President of the Chase Manhattan Bank, has been elected a director of the Discount Corp. of New York.

George Champion

He succeeds Percy J. Ebbott, Chairman of Chase Manhattan's trust advisory board. Mr. Champion, who was named President of Chase Manhattan last December, is also a director of the American Smelting and Refining Co., and the Travelers Insurance Companies.

Jarvis, Wisener Named Directors

TORONTO, Canada — Wisener and Company Limited and Mackellar, Wisener Limited announce that Ernest P. Jarvis and Robert A. Wisener have been appointed directors of these affiliated companies.

UNION PACIFIC RAILROAD COMPANY

SIXTIETH ANNUAL REPORT — YEAR ENDED DECEMBER 31, 1956

REPORT OF THE BOARD OF DIRECTORS

New York, N. Y., April 25, 1957.

TO STOCKHOLDERS OF UNION PACIFIC RAILROAD COMPANY:

The Board of Directors submits the following report for the Union Pacific Railroad Company, including its Leased Lines,* for the year ended Dec. 31, 1956.

CONDENSED STATEMENT OF INCOME

	1956	1955	Increase (+) Decrease (—)
Operating revenues	$514,316,828	$509,362,476	+$4,954,352
Operating expenses	$376,254,724	$370,526,330	+$5,728,394
Taxes (including taxes on income from oil and gas operations and other non-transportation sources)	73,538,270	72,517,848	+ 1,020,422
Equipment and joint facility rents—net charge	22,386,672	22,578,806	— 192,134
Net income from transportation operations	$ 42,137,162	$ 43,739,492	—$1,602,330
Net income from oil and gas operations (excluding income taxes)	26,603,162	28,075,475	— 1,472,313
All other income	15,380,910	13,207,325	+ 2,173,585
Total income	$ 84,121,234	$ 85,022,292	—$ 901,058
Interest on funded debt	$ 4,670,071	$ 4,955,347	—$ 285,276
Miscellaneous rents and charges	882,318	839,689	+ 42,629
Total fixed and other charges	$ 5,552,389	$ 5,795,036	—$ 242,647
Net income from all sources	$ 78,568,845	$ 79,227,256	—$ 658,411

Net income per share of Union Pacific Railroad Company common stock, after preferred dividends, amounted to $3.36. This is three cents less than net income per share in 1955 stated on the basis of shares outstanding December 31, 1956. Total dividends declared on common stock during 1956 ($1.60 per share on shares outstanding at close of the year) represented 47.7 per cent of net income after preferred dividends.

The large expenditures that have been made for improvements to the Company's properties have been necessary both to meet the expansion of traffic arising from the growth of population and industry in the West, and to produce economies required to keep pace with rising wage scales and material prices.

To a very large extent the funds realized from transportation operations have been retained by the Company to finance these improvements, and only the fact that the Union Pacific enjoys substantial income from sources other than transportation has made possible the distribution of dividends at the levels of recent years.

OPERATING REVENUES

The increase in **Freight revenue** was due to an increase of 1.5 per cent in average revenue per ton-mile. Although tons of revenue freight handled were somewhat greater than in 1955, the average distance hauled was less and as a consequence the ton-miles declined slightly. The higher revenue per ton-mile resulted from the increase in freight rates authorized by the Interstate Commerce Commission, effective March 7, 1956, to compensate the railroads for higher wages and material prices. This was a general increase of 6 per cent, but with exceptions on many commodities, such as lumber, agricultural products, coal, etc., and as a result of these "hold-downs" the over-all increase on Union Pacific traffic amounted to much less than 6 per cent. Another increase was authorized by the Commission, effective December 28, 1956, with a maximum of 5 per cent for Western railroads and with "hold-downs" similar to those in the previous increase. In an effort to improve the rate of return on railroad investment to a basis more nearly comparable with that of other important industries, the Western railroads have made application for an additional 17 per cent increase in freight rates.

As indicated above, if there had not been an increase in rates in 1956, freight revenue would have decreased, due to a reduction in the movement of certain kinds of long-haul traffic. The most important commodities in this category were *automobiles and parts*, of which shipments were sharply reduced compared with 1955 when output and sales exceeded all previous records, and *lumber*, which suffered a severe decline in shipments due to unfavorable market conditions and reduced production, and also because of Interstate Commerce Commission Service Order No. 910 (in effect during latter half of the year) prohibiting intentional delays to freight shipments while in transit, ordinarily desired by lumber shippers for marketing reasons. The purpose of the order was to improve the utilization of freight cars, but so far as the Union Pacific was concerned, the practical effect was substantial diversion of lumber traffic to other lines having longer and more round-about routes to markets.

Some commodities moved in greater volume, the most outstanding of which were *wheat*, because of increased shipments between Government storage points and to Pacific Northwest and Gulf ports for export; *iron and steel products, bituminous coal*, and *iron ore*, chiefly due to greater output by steel plants, despite the 5-week strike of steel workers during the summer; *plywood*, resulting from expanded production with increased use in residential and industrial construction; and *canned and packaged food products*, for which there was improved demand.

The decrease in **Passenger revenue** was due to continuation of the decline in rail travel by the general public which started several years ago, and to fewer movements of military personnel.

The decline in **Express revenue** was occasioned by a decrease in less-than-carload shipments, principally to Midwestern points which were affected by less favorable farm conditions.

The decrease in **Other revenue** was principally in receipts from dining and buffet cars, due to the decline in passenger travel, and from boarding outfits operated for employes, because of a lesser number of outfits in service; offset in part by increases in demurrage, particularly on shipments held for export in the Pacific Northwest, and in switching revenue due to increased rates.

* Leased Lines are: Oregon Short Line Railroad Company, Oregon-Washington Railroad & Navigation Company, Los Angeles & Salt Lake Railroad Company, and The St. Joseph and Grand Island Railway Company. Figures in the Income Account and other tables are stated on a consolidated basis, excluding offsetting accounts between companies.

OPERATING EXPENSES

The increase in **Operating expenses** was principally due to increases in wage rates and additional "fringe" benefits granted to employes effective late in 1955 and 1956, higher prices for material and supplies used, increased depreciation charges, and greater payments to other railroads for maintaining facilities jointly used by the Union Pacific; offset in part because of reductions in freight and passenger-train miles operated, more extensive use of diesel and gas-turbine locomotives, lower charges to operating expenses in connection with retirements of nondepreciable property and improvements to freight cars, less need for removal of snow and ice, and increased receipts from sales of scrap material (credited to operating expenses).

Quantities of rails, ties, and ballast used in main track renewals were as follows:

	1956	Decrease under 1955
New rails (track miles)	224.26	13.47
Second-hand rails (track miles)	90.66	4.29
Total rails (track miles)	314.92	17.76
Ties (number)	812,622	19,946
Ballast (cubic yards)	444,424	10,399

The principal increases in wage rates and other employe benefits effective in 1956 were an increase in wage rates of 10 cents per hour, together with an allowance of 2½ cents per hour to cover medical and hospitalization insurance for dependents, granted to nonoperating employes (such as shop, maintenance, and clerical employes) commencing November 1st, and an equivalent increase to firemen and hostlers. Operating expenses were also charged with estimated additional wages payable to other operating employes (such as conductors, engineers, brakemen, and switchmen), assuming the grant to them of similar wage increases retroactively.

The 1956 wage agreements also provide for further increases in wage rates of 7 cents per hour effective on November 1, 1957, and again on November 1, 1958, and semi-annual cost-of-living wage adjustments of one cent per hour for each change of one half point in the consumers' price index of the U. S. Bureau of Labor Statistics (downward adjustments being made only to the extent of previous upward cost-of-living adjustments). The agreements further provide that there shall be no additional requests by the employe organizations concerned, for any wage rate increases to take effect before November 1, 1959. Effective March 1, 1956 (as mentioned in the 1955 report) the Company commenced paying the entire cost of the existing plan covering medical and hospitalization expenses of nonoperating employes (beginning February 1, 1955, the Company paid one half of such cost).

TAXES

The decrease in **Federal income taxes** was due to an adjustment in 1956 of overaccruals in 1955. In determining taxes in recent years, taxable income has been reduced by substantial amounts representing excess of (a) deductions for amortization, on a 5-year basis, of portions of the cost of equipment and other improvements certified by the Office of Defense Mobilization to be necessary in the interest of national defense, over (b) annual charges against income, under Interstate Commerce Commission regulations, for depreciation based on estimated lives of such improvements. Approximate amounts involved for 1956 compared with 1955 were:

	1956	Decrease under 1955
Amortization deductions	$27,836,710	$823,078
Excess of amortization over depreciation	21,396,565	1,537,549
Reduction in income taxes	11,126,214	799,525
Betterment in net income per share of common stock outstanding December 31, 1956	$.50	$.04

The reduction in income taxes is more of a tax deferment than a true tax saving, because in future years, after the cost of the improvements has been amortized, income taxes will be greater than if the accelerated amortization had not been allowable. The decrease in amortization deductions in 1956 resulted from completion of the 5-year amortization periods for property acquired in 1950 and 1951, partially offset by an increase in deductions occasioned by acquisitions in recent years. The granting of certificates has been discontinued for amortization of railroad property except property for which firm orders had been placed, or construction authorized, by a railroad on or before December 31, 1955.

The increase in **Federal unemployment insurance tax** resulted chiefly from tripling the tax rate (applied to the first $350 of each employe's monthly wages) from ½ per cent in 1955 to 1½ per cent in 1956. Employes bear no portion of this tax.

State and county taxes decreased due to reduced ad valorem and other property taxes because of lower assessments in some States, partly offset by increased State income and franchise taxes.

Total taxes for 1956 were equivalent to 14.3 per cent of total operating revenues and to $1,553.21 per employe. They were also equivalent to $3.31 per share of common stock outstanding December 31, 1956, or only 5 cents less than the Common Stockholders' equity ($3.36 per share) in net earnings.

OIL AND GAS OPERATONS

	1956	1955	Decrease	Per Cent
Receipts from sale of oil, gas, and other products	$42,678,455	$44,929,079	$2,250,624	5.0
Production expenses (including depreciation)	$8,155,183	$8,326,066	$170,883	2.1
Taxes (other than income taxes)*	3,170,973	3,281,629	110,656	3.4
Intangible drilling and development costs†	4,749,137	5,245,909	496,772	9.5
Total charges against receipts	$16,075,293	$16,853,604	$778,311	4.6
Net income from oil and gas operations	$26,603,162	$28,075,475	$1,472,313	5.2
Drilling and development costs not charged against receipts	$1,883,587	$2,218,111	$334,524	15.1

* Federal taxes on income from oil and gas operations, of approximately $7,968,500 in 1956 and $8,372,100 in 1955, are included in "Taxes" under "Transportation Operations."

† Represents costs such as labor, fuel, repairs and hauling in connection with drilling, geological work, clearing ground, building roads, and certain materials with no salvage value.

The decrease in receipts was due to reduced oil production in Wilmington field, counterbalanced to some extent by an increase in the average price of oil sold and greater production in other areas. The decrease in production expenses was due to less redrilling and major remedial measures in Wilmington field, offset in part by more extensive well stimulation measures in Rangely field and an increased number of producing wells in other areas. The decrease in intangible expenditures was due to less drilling activity in Wilmington field, with a net increase in such expenditures in other areas.

Continued Pressure on Capital Market Forecast

Demand for and supply of security offerings comparable to last year is expected, according to Dr. Reierson, in the Bankers Trust investment outlook report for 1957. The Report assumes economic conditions will bring about: milder climate with regard to money market conditions, with no move toward aggressively easy credit policy; continued shortage of savings; higher volume of corporate and municipal financing; mortgage financing not dropping as rapidly as housing starts.

Recent accumulations of unsold new issues indicate that the large demands for investment funds which characterized the capital markets in 1956 are continuing in 1957. Moreover, financing requirements are expected to remain strong through much of this year, according to "The Investment Outlook for 1957," released May 6 by the Economics Department of Bankers Trust Company, New York.

Roy L. Reierson

This study, which is prepared annually under the direction of Dr. Roy L. Reierson, Vice-President and Economist, concludes that the volume of investment funds absorbed by business, real estate, and state and local governments will be comparable to last year. The study attributes much of the favorable reception accorded to bond offerings earlier this year to the reinvestment of the proceeds from unusually large redemptions of United States savings bonds. "The underlying pressures in the long-term markets that characterized 1956 are not likely to relax materially."

Shortage of Savings Persists

The inflow of funds to the major savings institutions in 1957, it is expected, will be somewhat less than in 1956. "Larger increases appear in sight for life insurance companies and pension funds, both private and public; on the other hand, the growth of funds accruing to the mutual savings banks and savings and loan associations is slowing down materially as a result of the competitive attraction of increased rates on time deposits of commercial banks."

Including time deposits of commercial banks, the savings flow is expected to increase moderately. However, the report continues, "these prospects suggest no important narrowing in the gap between a sustained high volume of investment financing and an only moderately increased flow of new savings in 1957."

Corporate Borrowings to Reach New Peaks

No letdown is seen in corporate financing this year, despite an anticipated levelling off in capital expenditures and a reduction in new working capital requirements. In fact, the study estimates corporate net new issues at $8½ billion in 1957, or $900 million above last year. There was a large backlog of corporate financing at the start of 1957; furthermore, the drawing down of liquid assets with which business corporations met some of their financial requirements in 1956 is hardly likely to be repeated on the same scale in 1957.

Moreover, capital outlays of public utilities are still on a steep uptrend, and these companies typically finance a relatively large share of their plant programs by issuing long-term securities. Finally, with less uneasiness in the investment markets, the study observes, some corporations may be expected to avail themselves of the opportunity to borrow at long term in order to refund their indebtedness to the banks.

$13 Billion Rise in Mortgage Debt

Mortgages continue to absorb the lion's share of investment funds even though home building has sleckened. The bank expects total mortgage debt to increase by $13 billion in 1957, compared with $14.8 billion last year.

Housing starts this year are estimated at 925,000, down more than 15% from 1956, but increased building costs, coupled with higher commercial construction, will tend to keep mortgage financing from dropping as much as housing starts, according to the report. Also, sooner or later the widely publicized depressed state of the housing market may spark further government action to stimulate the flow of mortgage money, although "such action is not likely to have an appreciable effect upon the number of homes financed this year."

Surge in Municipal Borrowing

The volume of new municipal issues in the first quarter of 1957 set a record and the backlog of borrowing remains huge, especially since some financing by state and local governments was deferred in 1956 "either because of the unwillingness or inability of the public authorities to meet the higher borrowing costs," it is noted. If the financing environment continues more favorable, state and local governments will probably be in the market for considerably more long-term money this year than in 1956.

Treasury Financing Reviewed

"The Treasury in 1957 will provide less funds by way of debt retirement out of its cash surplus than was the case in 1956; operations in the calendar year 1957 are estimated to yield a cash surplus of perhaps half the $6 billion achieved in the previous year," it is stated. This will enhance the Treasury's short-term borrowing requirements. Furthermore, the Treasury's borrowing program has been complicated by the large savings bond redemptions already undertaken and in prospect.

Whether the Treasury will offer long-term bonds for new money will depend in part upon its assessment of competing demands for investment funds. The study assumes "that the investment climate in prospect this year argues against the probability of such an operation, and that no such issue will be undertaken, at least until late in the year."

Business Seen Active

The Bankers Trust study has made its projections on the assumptions that "business activity in general will continue at a high rate but that the dollar value of goods and services produced will not advance importantly from the levels of early 1957 and that industrial production will continue to ease away from the peak reached at the end of last year. This pattern suggests a somewhat milder climate with regard to money market conditions, but no move to an aggressively easy credit policy."

The study concludes, therefore, that "bank credit may well take the edge off some of the pressures in the capital markets, since the business environment here assumed presages neither a repetition of the large loan expansion for inventory purposes nor another upsurge in costs and prices to boost demands for short-term credit."

First Boston Moves To 15 Broad Street

The First Boston Corporation, one of the city's busiest investment firms, moved to new quarters over the past week-end without missing a beat, culminating 18 months of intensive planning. A third again as large as the old offices at 100 Broadway, the new ones occupying several floors at 15 Broad Street were specifically designed and constructed to meet the requirements of modern investment banking.

The nerve center of the company is the trading room on the 10th floor in which is integrated all trading and sales operations. Traders, whether of municipal bonds, corporate bonds and stocks or government bonds, are concentrated in this one room; there too are located salesmen and a complex wire system which ties in the firm's six other offices. Thus, all salesmen, whether in New York or out-of-town, are at the elbow of the traders.

Prices of government bonds which are, in many respects, the key to all trading markets are displayed on a large 5 by 20 foot quote board. Facing the board in two arcs, one behind the other, are the traders and salesmen specializing in this type of security. Nine conference and meeting rooms ring the trading room to provide space for the many meetings which are so large a part of the business.

The telephone installation was one of the knottiest problems to solve in the whole preparation for the move. It took the telephone company better than 10 weeks to complete the job, which is not surprising when it is realized that anywhere from 5,000 to 10,000 calls a day are made or received, that the 66 telephone turret positions required 35 miles, or 1,848,000 feet, of wire, and that 30,000 pairs of wire leave the trading room alone.

Also on the 10th floor are the executive offices, mail, payroll, purchasing and supply and the telephone room; on the 11th floor, the buying, research, personnel, advertising and filing departments are located. Files are set-up according to the new "open shelf filing" pattern; everything is on open shelves, standing on end as books do. This new system is expected to save from 40% to 50% in space, as well as promote efficiency in filing.

In addition to the upper floors, First Boston will occupy part of the ground floor where there will be a reception room with an entrance in the building's lobby to facilitate the flow of visitors. To expedite clerical operations and deliveries, business machines, accounting and securities delivery are located at street and basement level with a separate entrance. Soundproofing and air conditioning is provided throughout the new offices which are decorated in traditional style in the executive and public sections and functional elsewhere. Two modern lounges have been provided for employee comfort, and music is piped into the clerical departments.

Hal Baron Opens

VAN NUYS, Calif.—Hal Baron is conducting a securities business from offices at 4837 Cedros Avenue.

Stanley Brown Opens

Stanley Brown is conducting a securities business from offices at 400 Madison Avenue, New York City.

Chicago Bank's 75th Anniversary Featured by Aids to Education and Forward Planning

Harris Trust & Savings Bank, one of the country's most prominent institutions, tucks 75 years behind it while planning building expansion and providing gifts befitting education's contribution to growth. Anniversary banquet includes three ex-Presidents, as well as bank's current one, and the two sons of the founder.

Joining the distinguished list of Chicago firms 75 years old is the Harris Trust and Savings Bank, founded as the investment firm of N. W. Harris & Co., on May 1, 1882. Now one of Chicago's and the nation's largest banks, with total resources over 700 million dollars, the Harris organization was incorporated under its present name in 1907.

Kenneth V. Zwiener

Nearly 2,000 of the Harris Bank's staff members and their wives and husbands overflowed the grand ballroom of the Conrad Hilton Hotel on the anniversary date for a banquet. Harris Bank people located in New York, San Francisco and St. Louis joined their home town associates in the observance. Members of the bank's board of directors and their wives were also present, along with retired employees of the bank, and members of the Harris family.

The banquet program was unusual in that speakers included not only the bank's current President, Kenneth V. Zwiener, but three former Presidents, and two sons of the organization's founder, N. W. Harris.

Speakers Include Founder's Two Sons

Presiding during the evening was Stanley G. Harris, Chairman of the Harris Bank Executive Committee and a son of the founder. The first speaker was Albert W. Harris, eldest son of the founder, and the firm's first office boy. Long known as the "dean of Chicago bankers," Mr. Harris, now 89, has seen the entire growth and development of the Harris Bank through its 75-year history. He served the organization as managing partner of N. W. Harris & Co., President of Harris Trust and Savings Bank from 1916 until 1923, and Chairman of the bank's Board from 1923 to 1943, and continued as a director until his retirement from the board in 1948. He still keeps regular office hours on the top floor of the Harris Trust Building. He reminisced about his lifetime career with the bank.

Frank R. Elliott, President of the bank from 1943 to 1946 also spoke about the earlier years, and Mark A. Brown, President from 1950 until 1955 commented on the postwar period.

Education Gifts Announced

The bank's present head, Kenneth V. Zwiener, who became President in 1955, concluded the evening's program with a look at the present and the future. Mr. Zwiener announced that the sum of $110,000 has been contributed to privately supported institutions of higher learning in Chicago and Illinois by the Harris Trust Foundation, a charitable trust to which the Harris Bank makes contributions from time to time. The sum allotted is made up of $50,000 contributions each to The University of Chicago and Northwestern University, $5,000 to the Illinois Institute of Technology and $5,000 to the Associated Colleges of Illinois.

Building Expansion Plans

Mr. Zwiener also outlined in brief form the bank's plan for permanent building expansion, following completion of temporary office space in the building adjoining the present Harris Trust building on the west, which was purchased by the bank a year ago and is now undergoing remodeling.

In announcing the gifts, Mr. Zwiener, who is serving as President of the foundation, pointed out that the foundation wanted to "acknowledge in this tangible way the substantial part played by these educational institutions in helping the development of Chicago and its surrounding area."

In planning for the observance of our 75th anniversary year," Mr. Zwiener said, "we have not wanted to call attention in any spirit of self-acclaim to the growth of our institution to its present position of national prominence. We feel it more fitting to acknowledge the part played by our dynamic nation and community, which by their expanding need for financial services have aided us to grow and prosper through the years.

"We are aware, too," Mr. Zwiener continued, "of the important part played by the educational establishments of our city and state, which have helped to supply the educated men and women needed for three generations by our growing organization, now numbering over 1,200. And we see an even greater need in the future for strong educational centers to provide the human leadership for the great scientific and cultural era ahead of us. On this occasion of our 75th anniversary, rather than looking back to past accomplishments, we look to the years ahead with their new challenges and broadened opportunities to serve."

Musical Comedy Helps Celebrants Celebrate

Following the formal noting of the Harris Bank anniversary, the celebration continued when the staff and their families were entertained on May 2 and 3 with the ninth annual presentation of the bank's all-employee musical comedy in the Eighth Street Theater. Planned as the lighter side of the observance, this year's show "Jackson's Jubilee," told the story of a 75-year employee of a mythical Chicago financial institution known as the Two Bit Trust Co.

The anniversary show, a project of the Harris Bank Fellowship Club, had a cast of 50 staff members. The original book, lyrics and direction were by James F. Bailey, Assistant Secretary in the trust department. The 18-tune musical score was composed by William N. Flory, Manager of the business development department and musical director of the show. All cast members and production helpers were bank employees, the only professionals involved being the 16-piece pit orchestra.

Souvenir programs were prepared for the banquet and the show, and in addition each staff member of the bank received a copy of a book written especially for the anniversary celebration by Albert W. Harris, titled "The First Seventy-Five Years of the Harris Organization."

Now With Jonathan Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Richard G. Solof has joined the staff of Jonathan & Co., 6399 Wilshire Boulevard. He was formerly with Bache & Co. and Daniel D. Weston & Co.

THE MARKET . . . AND YOU

By WALLACE STREETE

Industrial stocks continued to nibble away at the heavy overhead resistance in the 500 area this week, a chore that has kept this section of the list busy for the better part of three weeks with a clearcut decision yet to emerge.

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A similar struggle was staged during the year-end rally last year for about the same length of time but the list was never able to get above the half thousand mark and hold there with any conviction. It proved a prelude to the reaction early this year.

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Rails showed no ability, or intention, of coming to life on anything more than a random case basis, the particular favorite prominent on multi-point gains and at new highs being Western Maryland. This carrier has been the recipient of some glowing, and persistent, service recommendations.

The Skyrockets

The excitement centered on General Tire, mostly as a result of its 95% ownership of the common stock of Aerojet-General Corp. This descendant of, among others, the old Crosley Motors, was in such shape five years ago that the stock was put through a reverse split of 1-for-20 and taken off the American Stock Exchange at the end of 1952. From around $20 afterward, it soared as rocket and missile work became more and more important to the defense program.

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Largely because General Tire holds virtually all the Aerojet common, the float in it is exceedingly small and demand leads to sensational price action. The stock reached par in 1955, the $200 mark early this year and roared across the triple-par line this week.

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General Tire didn't even reach $50 for the present shares until 1955 and just about reached $67 last year. In soaring ahead within sight of par this week it was one of the outstanding gainers on the board.

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Other recent skyrockets were on the sedate side, Lukens Steel lolling around a score of points under its peak and high-priced Superior Oil going in for what, to it, are comparatively small price swings per session.

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A newcomer to the missile market is Raytheon which was able to show some stirrings marketwise that are distinctly a novel note. The company admittedly has a poor past record but currently is in a transition from a television outfit to a full-fledged electronic-missile organization. In fact, its television division was sold last year to eliminate this profitless work completely.

Loew's Picks Up

Movie shares haven't had too much general acceptance for a long while, despite the improvement in the fortunes of most of the companies. Loew's was able to put on superior market action on the basis of a special study that listed a potential "value" for the shares of $40 now that it has a new management and might be expected to serve the needs of television rather than fighting the new device.

* * *

A blend of the two competing entertainment media that is intriguing to some market students is American Broadcasting-Paramount which gets its gross revenue about evenly from its half a hundred motion picture houses and from its radio and television broadcasting. The network's showing was superior to its competition last year, gross revenue up 49% against 18% or less for the other webs, and some projections are that the revenue from its broadcasting will increase from $100 million to $250 million in the next several years.

A High-Yielding Merchandiser

Store stocks have not been popular, either, for a long spell and in this group are some of the better yields available, including around 6¾% on Hecht Co. Despite a dip in both sales and earnings in its last fiscal year, new units opened and planned indicate that a turn in the fortunes of the companies could be negotiated this year.

* * *

Some of the foods are also available around a 5% yield, largely because they haven't been in investment favor recently. National Dairy has been hovering around its low of the last half dozen years despite a steady gain in profit from $2.08 in 1951 to $3.02 last year and a further gain on projected earnings for this year. Foremost Dairies, which did its best price action before it became an exchange listing, has been far from the spotlight since and offers around 6%.

Foster Wheeler, supplier to the oil industry, was able to perk up including a new high for the stock. It is another case where last year's results were disappointing but showed a turn for the better in this year's first quarter which, with a high backlog, could be expanded through other quarters of the year.

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Another issue where increases in earnings have become rather regular in the last few years is Hershey Chocolate which is being projected to a $6 profit this year against $5.17 last year and only $2.75 as recently as 1954. Because of the rapid growth in the earnings, the company is a candidate for a dividend increase which would still leave it in the 6% bracket.

Double Play in Steel and Shipbuilding

Bethlehem Steel was on the preferred lists of many houses but it was hard to tell just how much was due to its steel operations and how much to its shipbuilding activities which are bubbling along at a high rate currently. More than half a hundred major vessels currently are on order from Bethlehem's ways. As with other steel companies, results this year should compare favorably because of the labor troubles of last year. The 5¼% yield also compares favorably with the return from other quality investments.

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Northern Pacific is a recurring favorite with a large group of market spectators who like the hedge provided in this case of large and growing revenue from oil and gas. Against the $1.7 million provided by this source in 1955, last year's contribution was $3.2 million and the company predicts about $5.6 million this year. There is a bit of romance in studies still underway over possibilities of a merger with Great Northern but nothing immediate is seen in this aspect. In fact, the report on such a union isn't due until this fall. The stock has been pretty much neglected marketwise and, in nudging to a new high this week, it finally succeeded in stretching this year's range to half a dozen points.

[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.]

R. M. Beattie Opens

PEEKSKILL, N. Y.—Robert M. Beattie, Jr. is conducting a securities business from offices at 108 North Division Street.

With National Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — Clifford R. Rahel is now with National Company of Omaha, First National Bank Building, members of the Midwest Stock Exchange. In the past he was with Cruttenden & Co.

Round-Up of Canadian Uranium Developments Now and Later

By FRANC. R. JOUBIN*

Franc. R. Joubin & Associates Mining Geologists, Ltd.
Toronto, Ontario

Uranium by 1958, Mr. Joubin avers, will become Canada's metal of greatest gross value and, in ore reserves and production rate, will lead the world, and after 1962 will have a bright future. The Canadian geologist reviews the excellent uranium distribution and production, and praises Canadian and other banks for investing courageously in uranium despite the five year bunching of uranium contracts which will result in their terminating together within a few months in 1962-63. Sees no reason for pessimism regarding uranium's future after 1962, and is certain Canada will be ready for expanding opportunities coming about at that time for next two decades at least.

A round-up of Canadian uranium developments would not be complete without reference to our international position in this important field. By dint of excellent prospecting and courageous financing, and thanks to a rich country and a reasonable political climate, Canada, by 1958, will lead the Western world in ore reserves and rate of production of this vital metal. We can rest confident that on a national basis, at least, we are in a most favorable ore reserve category. This remarkable record was achieved with characteristic Canadian free-enterprise speed and efficiency, within the period of the past three to four years. In figures, this means that by next year Canada is expected to produce an estimated 22,000 tons of uranium oxide annually. By 1958, the Blind River field alone, with a production of about 14,000 tons of oxide annually, is expected to produce almost as much oxide as the entire United States, and twice as much as South Africa, the other free world leaders in this field. In brief, Canada is now assured of an internationally important role in the fast-approaching Atomic Age. This new role will carry with it tremendous and inescapable diplomatic and moral, as well as economic, responsibilities. If I may borrow a poet's phrase "Canada may well hold the destiny of the civilized world in it's hand."

At the national level we have accomplished much to give us pride. Our prospectors, geologists, metallurgists, engineers, of all categories, construction forces and financiers have performed marvellously. Simply look at the table of statistics to see the record. In the short space of about three years we have discovered and developed across Canada in dramatic fashion, several billion dollars worth of new wealth. We have developed about 20 large new mines to production or early production. These new private enterprise mines, together with the crown-owned Eldorado mines, have contracted to produce and deliver over $1½ billion worth of uranium oxide within the next five to six years. This means, simply, that uranium by 1958 will become the metal of greatest gross value produced in Canada. The annual value of our uranium oxide production will be close to $400 million and will exceed the combined 1955 value of all lead, zinc and copper produced in Canada. It will almost double the value of all Canadian nickel production for the same year. It will, in fact, be exceeded in value only by Canada's total oil production, and not by a very wide margin.

Consequences to Canadians

The capital financing necessary to effect this production amounts to almost $379 million, a sum which exceeds the $375 million projected cost of the Trans Canada Pipeline. But some may be thinking "I wish he'd stop quoting those figures; they make me dizzy. Besides, how do they affect me, if at all?" Well, my answer to that is just one more figure. Even if your pocketbook is not bulging with uranium debentures or good uranium securities, you may still share in uranium wealth because $80.5 million will be distributed annually in labor costs to operate and manage the mines.

On the provincial level, Canada's uranium wealth is reasonably well distributed. As you know, most Canadian uranium occurrences of importance are found along the edge of our Pre-Cambrian shield, distributed in the shape of a lucky horse-shoe that crosses the Northwest Territories between Great Bear and Great Slave Lakes, dips across northern Saskatchewan near Lake Athabaska, crosses Manitoba diagonally near Lake Winnipeg, and crosses Ontario and Quebec near their south boundaries.

Now if you know anything about lucky horse-shoes you will know that for good luck you must come upon the shoe with the toe facing you, and also to contain the good luck the shoe must be hung with the toe down. Both of these exacting and important requirements are met in the form of our Pre-Cambrian shield. Moreover, as any connoisseur of the subject knows, the more nails present in the shoe, the longer the period of good fortune, according to an exact formula. Now Canada's uranium districts may be compared, in distribution, to the position of the nails in our lucky horse-shoe. From west to east the districts of importance are Port Radium, Marion River, Beaverlodge, Blind River or Algoma, and Bancroft. There is one somewhat isolated deposit in south central British Columbia that will probably become a producer. There are, of course, almost countless prospects between the above-named districts.

The Port Radium district supports just the one Eldorado-owned mine. It is small but rich and evidently remains economically attractive to operate. To me, and perhaps others, the Port Radium mine ranks more importantly than its output of uranium would indicate. Its discovery and development by the LaBine brothers at the Arctic Circle, and under the most rigorous physical, financial and technical obstacles, still stands as a monument to Canadian prospecting enterprise and courage. Its later role, in successfully contesting the world radium cartel, is now history. Port Radium is the romantic birthplace of the uranium industry in Canada, and I must admit that the history of that little mine has been a personal source of inspiration to me, as, no doubt, it has also been to others. It was simple historial justice that the

Continued on page 43

*An address by Mr. Joubin before the Prospectors and Developers Convention, Toronto, Canada.

13 MILLION GALLONS BIG...BUT JUST A DROP IN THE BUCKET

The ESSO WASHINGTON slid down the ways on February 15, 1957, the newest of the 110 ocean-going tankers in the Esso fleets.

She can carry 318,000 barrels of oil . . . 13 million gallons. But that's just a drop in the bucket compared with the 40 billion gallons that Jersey Standard affiliates delivered to customers last year.

As economies expand . . . as populations grow . . . as people live better, oil must provide more and more energy to power factories, to fuel farm machinery, to drive ships and planes and motor vehicles, to heat and light homes and offices.

Last year we supplied more than twice the oil we did ten years ago. During 1956 alone, sales rose 8 per cent. This year our customers will need still more.

It's a big job . . . and it requires vast amounts of costly equipment. As our Annual Report to shareholders points out, we spent $1,083,000,000 last year searching for oil and gas and paying for such things as tankers, pipelines and refineries. And in 1957, we plan to spend another $1,250,000,000 to find, produce and deliver the oil people will be needing tomorrow . . . and ten and twenty years from now.

Because Jersey Standard is willing and able to make such investments and because our operations are efficient, we make a profit. In 1956 it was $808,535,000. About half of it went back into the business to help pay for the new facilities.

Our successful year was good news for the 403,000 shareholders who own the company . . . they got dividends of $2.10 per share on the money they invested.

It was good news for our 156,000 employees . . . whose wages and benefits came to $906,000,000.

It was good news for governments. Operating and income taxes, import duties, consumer taxes and other payments from our operations brought to the United States and other governments a record $2,171,000,000. That was five times the dividends to shareholders, more than double the payroll and benefits to employees.

Best of all, our operations were good news for the people of the free world, who rely heavily on the energy of oil for their economic and social progress.

In this, our 75th anniversary year, we intend to continue our efforts to remain successful, profitable and growing, in order to serve people well.

If you would like a copy of our 1956 Annual Report to shareholders, please write us at Room 1626, 30 Rockefeller Plaza, New York 20, N. Y.

STANDARD OIL COMPANY (NEW JERSEY)
AND AFFILIATED COMPANIES

Esso 75 YEARS
producing energy for an abundant life

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The **First National City Bank of New York** has been granted permission to open a branch in the suburb of Belgrano, north of Buenos Aires, Argentina, it was announced on May 2.

* * *

Irving Trust Company announces the promotion of Edward J. De Sonne, Clifford M. Svikhart and James M. Waters to Assistant Secretaries.

Mr. De Sonne is associated with the Personal Trust Division as an administrator of advisory custodian accounts.

Mr. Svikhart, also with the Personal Trust Division, handles administration of employee benefit trusts.

Mr. Waters has been assigned to the staff of the new Park Avenue Branch Office which will open this summer at Park Avenue and 54th Street.

Irving Trust Company also announces that Carl F. Kurtz, Vice-President in its International Banking Division, has been appointed as head of the district covering the Middle Eastern Area.

He succeeds L. I. Estrin, Vice-President, who will retire later this year.

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The appointment of Robert E. Fulton, Moore Gates, Jr., David T. Harris, Lloyd W. Pedersen and Claude F. Shuchter as Assistant Vice-Presidents and W. R. Kirkland Taylor, Jr., as Assistant Secretary of the **United States Trust Company of New York** was announced on May 2 by Benjamin Strong, President.

Mr. Fulton, who has been associated with the company since 1936, was appointed Assistant Secretary in 1955. He is an officer in the Pension and Profit Sharing Trust Division of the company.

Mr. Gates joined the company in 1947 and has been associated with the Investment Department since that time. He was appointed Assistant Secretary in 1954.

Mr. Harris became associated with the company in 1947 and has been a member of the Investment Department since that time. He was appointed Assistant Secretary in 1955.

Mr. Pedersen has been in the Investment Department since joining the company in 1941. He is Senior Analyst in the Oil, Natural Gas and non-Ferrous Metals Investments and was appointed Assistant Secretary in 1955.

Mr. Shuchter joined the company in 1946. He was appointed Assistant Secretary in the Trust Administration Department in 1954, and Secretary of the company in 1956. He will continue his duties as Secretary of the company.

Mr. Taylor, who joined the company in 1951, has been associated with the Investment Department since that time.

* * *

Walter H. Wiesner has been elected an Assistant Vice-President of the **Chemical Corn Exchange Bank, New York,** it was announced by Harold H. Helm, Chairman.

Mr. Wiesner, who has long been associated with the New York State Banking Department as one of its supervising bank examiners, will be affiliated with the Loan Review Division of the Chemical Bank at 165 Broadway.

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Clinton C. Johnson, Executive Vice-President of **Chemical Corn Exchange Bank, New York** today was awarded Sweden's distinguished service medal, the Royal Order of Vasa, First Class. Mr. Johnson, who is in charge of Chemical's International Division, received the honor from Swedish Consul General Erik Kronvall who cited the banker for outstanding work in furthering Sweden's commerce and industry. The Swedish order of knighthood, founded in 1772 by King Gustavus III, also was received by Mr. Johnson's father, the late Charles F. Johnson, who was long prominent in Swedish-American affairs following his arrival in the United States in 1880.

* * *

Robert L. Edwards has been appointed a Vice-President in the Foreign Department of **The Bank of New York,** it was announced by Albert C. Simmonds, Jr., President. Mr. Edwards joined the Bank in 1955 as an Assistant Vice-President, and was formerly connected with the New York Representative Office of Barclays Bank, Ltd.

Promoted to Assistant Vice-Presidents were Ernest R. Dickson and K. A. Southworth, Jr., Investment Counsel Department and Howard J. Poduska, Credit Department.

Appointed as Assistant Treasurers were George A. Clarke, Foreign Department, James J. Clinch, Credit Department and Jerome W. Mindnich of the Fifth Avenue Bank Office.

* * *

The Board of Directors of **The Marine Midland Trust Company of New York,** on May 7 took official notice of the 50th anniversary of Samuel S. Conover's association with the Bank.

At its regular monthly meeting, the board made a surprise presentation to Mr. Conover of a silver tray inscribed with the pertinent dates of his service as a director from May, 1907 to the present, and the signatures of all the members of the present board. At the same time, a resolution honoring Mr. Conover on his golden anniversary was passed, recorded on the records and published to the bank's staff.

Mr. Conover has been in the banking business since 1891, when he started as a Private Secretary. He became the first President of **Fidelity Trust Company,** a direct predecessor of **The Marine Midland Trust Company,** in May, 1907. Thereafter, he remained President of the Bank for 20 years through successive mergers with the **International Bank** in 1920, the **Coal & Iron National Bank** in 1926 until 1927, when he became Executive Chairman of the Board. He was elected Chairman of the Executive Committee in 1930, when the name changed to the present title.

Mr. Conover remained in the active management of the bank until December, 1948, when he retired from active service, retaining his membership on the board as Honorary Chairman of the Executive Committee, which position he continues to occupy.

* * *

D. Raymond Kenney & Co., New York Specialists in inactive Bank Stocks, have registered their opposition to the proposed merger plan of the **College Point National Bank, College Point, N. Y.** and the **Trust Company of North America, New York,** on the grounds that the price of approximately $275 per share for each of the 2,000 shares of College Point National Bank Stock outstanding is too low. They are of the opinion that such a price is not in line with what has been paid for similar situations in the immediate past.

By virtue of proving their point, D. Raymond Kenney & Co., has submitted a bid for controlling interest in the College Point National Bank "in excess" of the price contained in the proposed merger plan.

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

* * *

An oil painting of George C. Johnson, President of the **Dime Savings Bank of Brooklyn, N. Y.,** since Oct. 25, 1946, was unveiled by Walter Hammitt, First Vice-President and senior member of the board of trustees.

In making the presentation, Mr. Hammitt, who has been a trustee of "The Dime" for 43 years, pointed out that in the 10 years since Mr. Johnson was elected President, the bank's deposits and assets have more than doubled, the annual amount paid in dividends to depositors has more than tripled, and the bank's mortgage portfolio has increased more than four-fold.

Mr. Hammitt also pointed out that the bank, which will be 98 years old on June 1, is rapidly approaching the billion-dollar mark in assets.

* * *

The 23rd annual dinner-dance of The Dime Club, composed of officers and employees of **The Dime Savings Bank of Brooklyn, N. Y.,** will be held on May 11 in the Sheraton-Astor Hotel. More than 600 members and guests are expected to attend, according to Arthur C. Anderson, President of the club.

The Dime Club was formed in 1933 to further social relationships among the bank's personnel and to sponsor charitable activities. Other officers besides Mr. Anderson are: Warren J. Oestel, Vice-President; Miss Phyllis R. Latriano, Secretary, and Howard W. Pollock, Treasurer.

* * *

The Board of Directors of the **Franklin National Bank, Franklin Square, Long Island, N. Y.,** has declared a quarterly dividend of 35 cents per share payable in cash on May 20 to shareholders of record on May 6. The dividend was declared on the basis of an annual rate of $1.40 per share. Subsequent payment dates will be Aug. 1, Nov. 1, Feb. 1 and May 1.

In announcing the shift from stock to cash dividends, Arthur T. Roth, President, stated, "Due to the bank's excellent capital funds position and the expectation of increased earnings for the remainder of the year, it is no longer necessary to fully retain earnings through stock dividends."

Mr. Roth pointed out that on March 31, 1957 Franklin National's capital funds had increased to $32,115,967; deposits were $385,375,732; and, 1957 first quarter net earnings after taxes amounted to 55 cents per share on 2,562,000 shares, the present number outstanding.

* * *

An increase in the regular quarterly dividend from 25 cents per share to 40 cents per share payable July 1, was announced by Frederick Hainfeld, Jr., President of the **Long Island Trust Company, Garden City, N. Y.** This dividend will be payable to stockholders of record June 14, 1957.

This represents an increase of the annual cash dividend rate from $1 to $1.60 per share. In 1955 and 1956, in addition to the $1 per share cash dividend, stockholders received an extra dividend of 2% in stock.

* * *

Application, dated April 18, for approval of change of name from **The First Trust Company of Wellsville, N. Y.** to **The First Trust Company of Allegany County,** filed with the New York State Banking Department. (This application filed in connection with the proposed merger of the **Canaseraga State Bank** into the First Trust Company of Wellsville, N. Y.)

* * *

The First National Bank and Trust Company of Summit, N. J. and the **National State Bank of Elizabeth, N. J.,** have proposed a consolidation that will be voted on by stockholders of each bank on May 31. Under the plan, which must be approved by the Controller of the Currency, the surviving institution would be called the **National State Bank of Elizabeth.** Stockholders of the two banks would receive one and one-quarter shares in the new institution for each share held. In addition, holders of shares in the Summit bank would receive a $3-a-share equalizing dividend before the consolidation. Total resources of the new bank would be about $75,000,000.

* * *

Norman R. Smith has been elected a Trust Officer of the **Mellon National Bank & Trust Co., Pittsburgh, Pa.**

* * *

Effective April 26, the common capital stock of **The Miners National Bank of Eveleth, Minn.** was increased from $50,000 to $100,000 by a stock dividend and from $100,000 to $150,000 by the sale of new stock. (1,500 shares, par value $100).

* * *

J. R. Dominick II was elected President of the **Traders National Bank of Kansas City, Mo.,** succeeding his father, who continues as Chairman, and Ray Evans was elevated to the post of Executive Vice-President and R. U. Davidson to Senior Vice-President.

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The common capital stock of the **First National Bank of Wichita Falls, Texas** was increased from $1,000,000 to $1,100,000 by a stock dividend and from $1,100,000 to $1,250,000 by the sale of new stock effective April 24. (125,000 shares, par value $10.)

* * *

A charter was issued on April 25 by the office of the Comptroller of the Currency to the **Sabine National Bank of Port Arthur, Jefferson County, Tex.** The bank will have a capital of $300,000 and a surplus of $300,000. The President is J. A. Rector and the Cashier M. B. Williamson, Jr.

* * *

Elliott McAllister, Chairman of the Board of **The Bank of California, N. A., San Francisco, Calif.** and H. L. Rosenberry, President of the **Placer County Bank, Auburn, Calif.;** in a joint announcement on April 23 stated that an agreement had been reached on the terms of the merger of these two pioneer banking institutions.

Details are being resolved and, subject to approval by the supervisory authorities and the shareholders of both banks, the merger will be completed in the near future.

Placer County Bank was organized Oct. 3, 1887, and has total resources of approximately $12,000,000. The 92-year-old Bank of California in its statement of condition as of March 30, 1957, showed total resources in excess of $554,000,000.

* * *

Effective June 1, J. W. Hudspeth will join the **Crocker-Anglo National Bank, San Francisco, Calif.** as a Vice-President in an administrative capacity, it was announced on May 2 by Paul E. Hoover, President.

Mr. Hudspeth, widely known and respected in banking circles, has been Chief National Bank Examiner of the Twelfth Federal Reserve District since April, 1952.

* * *

The First National Bank of Vernon, Calif. increased its common capital stock from $25,000 to $500,000 by a stock dividend effective April 22. (5,000 shares, par value $100.)

* * *

The Broughton National Bank of Dayton, Wash., with common capital stock of $100,000, went into voluntary liquidation effective March 22. Liquidating agent: C. B. Polly, care of the liquidating bank. Absorbed by: The National Bank of Commerce of Seattle, at close of business March 22.

* * *

Shareholders of the **Bank of Montreal, Canada,** are being offered rights to subscribe for an additional 900,000 shares of capital stock at $30 per share in Canadian currency, on the basis of one new share for each five shares held, it was announced on May 7.

The offer is being made to shareholders of record at close of business on May 17, and it is being addressed only to those "whose recorded address is not in the United States of America or any territory or possession thereof," said Gordon R. Ball, President of the Bank. This is due to the fact that the shares will not be registered under the U. S. Securities Act of 1933 and amendments thereto. However, shareholders to whom the offer is not made will receive transferable rights which may be sold by them, he said.

Warrants evidencing the right to subscribe for the new shares will be mailed on or about May 31 by the Royal Trust Company, which is acting as subscription agent for the bank. The rights evidenced by the warrants may be transferred by executing the assignment form printed on the warrant. Although subscription rights are transferable, they must be exercised by Aug. 9, the expiration date, and warrants not used in making subscriptions before the close of business that day will be void and of no value, the Bank's President noted.

Mr. Ball said that the enlargement of the capital stock was desirable at this time because of the continued growth of the bank's business. He explained that during February, 1957, the bank had transferred from tax-paid inner reserves the sum of $1,500,000 to its rest account, which now stands at $100,000,000 in relation to paid-up capital of $45,000,000.

Upon completion of the offering, the bank's capital account would be increased by $9,000,000, on the basis of $10 par value shares, to make its paid-up capital $54,000,000, which will be the highest in Canadian banking history. At the same time its rest account would be enlarged by $18,000,000 to a total of $118,000,000.

Curtis Bingham on Trip to East Coast

LOS ANGELES, Cal.—Mr. and Mrs. Curtis H. Bingham, Bingham, Walter & Hurry, Inc., Los Angeles, are spending a few days in New York visiting broker friends on their way to White Sulphur Springs for the Investment Bankers Association annual meeting the 8th, 9th and 10th. Mr. Bingham is Vice-Chairman of the California Group of the IBA and a member of the Mutual Fund Committee of the IBA. They will return to Los Angeles the 17th.

Chicago Analysts to Hear

CHICAGO, Ill. — F. W. Misch, Financial Vice-President of the Chrysler Corporation, will address the luncheon meeting of the Investment Analysts Society of Chicago to be held May 9 at the Adams Room of the Midland Hotel.

Norman W. Jones

Norman W. Jones, partner in Eastman Dillon, Union Securities & Co., passed away April 30.

Bullish Agricultural Future

By ROGER W. BABSON

Bullish about farming's prospects, Mr. Babson tells farmers there is no sense bucking the trend toward new crops and greater mechanization. Views over-production as a temporary problem, and places great hope in research and industrial usage

Many farmers write to me complaining about the cost-price squeeze. They are discouraged because for them the bottom seems to have fallen out of the farm market. I sympathize with these people, but I suspect that many of them have come upon hard times because they are not farming as well as they know how. Also, many of them are not keeping abreast of new ideas and new crops.

Roger W. Babson

Trend Is Toward More Mechanization

Tremendous changes have taken place in farming during my lifetime. When I was a boy, horses and mules furnished practically all the power on farms. Even as recently as 1910, there was almost no mechanization on farms. In that year the total farm population was 32,076,960. By 1950, this had dwindled to 25,058,000, a decline of 21.9%. Most observers estimate the present farm population to be only 20,000,000. Thus farmers and their families now account for only 11.8% of our total population compared with 34.9% in 1910.

I predict that machines will continue to displace men on American farms. Hence, the smaller commercial farms will be hard put to survive. However, I do not believe farmers should be despairing of the future. A good living can still be made on the farm by those who open their eyes to progress. Obviously, the trend is toward new crops and greater mechanization, and there is no sense in bucking that trend.

Over-Production Is a Temporary Problem

Right now farmers are the victims of their own unusual ability to coax record yields - per - acre from the soil. Better seed, improved fertilization and irrigation, and more efficient spreading, cultivating, and harvesting machinery have increased production. During the war our farmers rose magnificently to the challenge to provide food and feed for our allies, and now they are temporarily in trouble.

Future of Agriculture

At present we are growing at least 5% more farm products than we can sell. In an effort to keep our farm surpluses from becoming too burdensome, the government spends huge sums on price support programs, the soil bank, and foreign distribution schemes. All these measures have helped to some extent, but they are by no means cure-alls. I am disturbed by the fact that too many farmers take undue advantage of this government help by deliberately overproducing. However, I am firmly convinced that this over-production is a temporary problem.

Research Holds the Answers

Research has performed wonders for all other industries. I forecast that it will also perform wonders for agriculture. Chemistry, industry, and agriculture, working together, gave us hybrid corn and varieties of the soybean which would grow in our country. This combination sponsored the research that produced a new dwarf variety of castorbean said to yield as much as 2,700 pounds per acre if the soil is properly irrigated and fertilized with nitrogen. Also, a new combine harvester-huller has been developed which will gather tall or short castorbeans without waste. I predict a profitable future for castorbeans, with output reaching as high as 350,000 crop acres.

A stimulating flow of new research ideas has emerged from the recent annual Chemurgic Conference of the Council for Agricultural and Chemurgic Research. This organization and others like it are facing up to the real farm problem, which is not over-production but under-utilization and waste.

Industrial Uses for Farm Products

We should be proud of the progress agriculture has made in our country. But there is still much to learn about soils, irrigation, and weather. Crops such as castorbeans and sesame seed will become big business before long and I forecast that other big new cash crops are coming. But I want now to call special attention to the need for putting more farm products and residues to work in industry.

President Eisenhower is alert to this need. Some months ago, he appointed a Commission on Increased Industrial Use of Agricultural Products. Its report should be made public within the next month. I urge farmers to study it carefully and to follow it up with action. Over the long pull, I am bullish about farming in this country.

Securities Salesman's Corner

By JOHN DUTTON

A Plan for Adding Some New Clients Who Will Buy Tax-Free Bonds

If you stop to think about it there are many people whom you know and more that you don't know who should be investing in tax-free bonds instead of keeping their reserve funds in savings accounts and governments. Yields of 4% and more are available on good quality tax free bonds today. Just as a reminder, why should anyone with a taxable income of $16,000 be content with a net return of 1½% (50% of 3%) when they can obtain 2½ to 3 times as much income on a comparable investment in tax free bonds. Go up the scale of taxable income and the return in favor of tax free bonds is correspondingly greater.

Taxable Equivalent Yields to a 4% Tax Free Yield

—Income Bracket—	Taxable Yield
$16,000 to $18,000	9.10%
26,000 to 32,000	12.12
50,000 to 60,000	17.40

Compile a Prospect List

Search your memory and think of the people you know who may be keeping sizable reserves in governments or savings accounts. Make a list from the newspapers, social register, donors to charity, large developers of real estate, industrialists, high income entertainers and professional people, and set these names up on a master list. Then write them a short letter and explain that many individuals today are taking advantage of the TAX FREE feature of good state, county and city bonds. Explain that you would like to send them some information from time to time about attractive offerings. Enclose a return card if they want more information.

About two weeks after the first letter, send a second letter and tell them how other investors use these good tax free bonds as a reserve fund instead of savings accounts. Show the difference between a 3% taxable yield and a 3% tax free yield in different income brackets. Start with the $8,000 to $10,000 bracket and list four or five more up to about $50,000 taxable income. Point out the excellent collateral and loan value of these bonds. Enclose another card for more information if they want it.

Follow up with a third letter and make a particular offering of a specific issue. Explain briefly the outstanding good points of the bonds. If they are bank quality mention it. If insurance companies have bought any of the issue state this. Ask for an order in the letter, send a return envelope and an order form.

Send a few more attractive offerings and then wait until you have a very outstanding and attractive issue to offer some day and pick up the telephone and make the offering. You will find that if you say, "Mr. Investor, this is Bill Smith of The Capital Investment Corp. I've been sending you a few letters about TAX FREE bonds and I have something I want to place before you," that your man will very likely say, "Yes, I've been receiving your letters," and will be quite receptive to talking a while with you. Some of your prospects you will cross off your list, some will want you to tell them more, others will be glad to have you keep them on your mailing list, and if you do this conscientiously and well you will also procure some orders and some new customers.

Another Suggestion

One of the readers of this column was kind enough to offer a good idea in the mail. He has imprinted on the back of his stationery a table which gives taxable equivalent yields on municipal bonds as well as an explanation of how these yields on tax-free bonds are obtainable by switching investments from a taxable to a tax free status.

It is also advisable to meet your customers when you have the opportunity. When I wrote this column I did not mean that it was advisable to try to do business by telephone and by mail exclusively, although some people have done business in substantial amounts with reliable securities firms without ever contacting their representatives except over the telephone. The development of a telephone conference technique with clients can become a fine art, a great time saver, and the key to a large volume of sound business. This, however, does not infer that personal contact is to be neglected. After you talk with some of your prospects and have become acquainted over the telephone a meeting is often even that much more effective. Common sense, a desire to serve the client, a fair approach to his time and an understanding of his needs, is the answer regardless of where, how, and when you transact your business.

Bond Club of Baltimore Outing May 24th

BALTIMORE, Md. — The Bond Club of Baltimore will hold its annual outing at the Elkridge Club, Friday, May 24. Scheduled for the day are Kidkers' Golf Tournament and tennis matches. The Stein Bros. & Boyce trophy, played for annually, will be awarded to the Bond Club member having the best low net 18 holes based on the Callaway Handicap System.

Card tables will be available for groups wishing to play bridge, canasta, etc.; dinner will be served at 7.30 p.m.

Members of the committee on arrangements are Charles G. Lord, Baker, Watts & Co., Chairman; Warren S. Baker, Baker, Watts & Co.; Edgar M. Boyd, Baker Watts & Co.; Walter L. Burns, Baumgartner, Downing & Co.; Carter O. Hoffman; John J. Jackson; Truman Semans; Howard R. Simpson, Eastman Dillon, Union Securities & Co.; and Clinton P. Stephens.

With Inv. Service Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John B. Williams has joined the staff of Investment Service Co., First National Bank Building.

L. M. Ladet Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Philip E. De Marco is now affiliated with L. M. Ladet Co., First National Bank Building.

"This Is Individualism"

By DONALD R. RICHBERG*
Davies, Richberg, Tydings, Beebe & Landa
Washington, D. C.

The frittering away of individualism and the growth of influences favoring the inevitable continuance of dependency upon socialist government, cause Mr. Richberg to assess the errors of individualists and to recommend a program to reconstruct individualism. The noted lawyer pinpoints a typical, fraudulent evil in socialist government, i.e., compelling one group or one generation to pay for benefits conferred on another, and suggests attacking compulsory collective action by advancing the alternative of reliance upon voluntary cooperation. Pictures beauty, morality and wisdom coming from adoption of socialist projects by free and uncoerced individuals in a spirit of voluntary cooperation.

It became fashionable some years ago to sneer at "rugged individualists." A generation was educated to ignore or deny the beauty, the morality and the wisdom of individualism and to propagate the ugliness, the immorality and the stupidity of socialism.


Donald R. Richberg

Under the influence of this unhappy misguidance the prevailing political faith of the United States has been transformed from pride in a self-reliant, self-respecting freedom from political controls into an acceptance of a self-depreciating dependence on paternalistic government.

Whence came this misquidance? Must we accept it as our political religion? Or is there still reason to hope that this degrading philosophy has only temporarily bewitched the American people and that they will eventually return to the faith of their fathers?

How Individualism Disappeared

First let us consider how the New Deal, planted in a great depression and nourished in a world war, converted a majority of our people to half-way socialism, called a welfare state. We should see clearly that it was a temporary necessity that developed Big Government and not the plotting of fanatic reformers.

The depression of 1929 was so widespread and deep rooted that it mocked all small and local efforts at relief. It seemed to demand the bold exercise of centralized power to lift a whole people out of a slough of despond. Even the improvising of vast programs of national action afforded little more than mental improvement until the imminence of a great war made possible a sweeping inflationary expansion of all our activities. Then, with the coming of war, we came to the final justification of an all-powerful government, the irresistible pressures of self-preservation against external enemies.

So we established a partly socialized state, supported by partly socialized industries. Thus we made a demonstration, convincing to shallow thinkers, that socialism was the way to cure the ill health of capitalism. On the contrary, it should have been clear to students of history that we were only enjoying the illusory prosperity of a mild dictatorship supported by inflation. As soon as possible we ought to cease taking dope, cease enjoying a ruinous intoxication, force ourselves to rely again on individual effort and sacrifice and devote our government to the paying of its debts instead of planning their increase. We had increased our national debt from $17 billion to over $280 billion in less than 25 years. The bubble basis of our prosperity and the need for a healthy deflation were equally clear.

Limiting Factors

Unhappily there were powerful influences working against a return to national economic sanity and good health. In the first place there was the natural desire of every segment of our population dependent on government aid to have that aid continued. Neither the subsidized farmers nor the favored industrial workers wanted less government aid. Even managers of free enterprise had become appreciative of large government spending that brought fat contracts to big and little business. In simple fact a large share of the American people had become reconciled to a dependence on Big Government and willing to accept socialism, so long as it was given another name.

On top of the New Deal, with its fairly reluctant and involuntary socialism, we piled the Fair Deal which enlarged the national government into a new field of mammoth spending—the rehabilitation and reformation of the entire world. It is doubtful whether we would have persisted many years in this endeavor if it had not been founded and nurtured on fear as well as benevolence. But from the beginning our more sane and selfish citizens had to face the strong argument that if we did not save the rest of the world from its own weaknesses and follies, other nations would become satellites and victims of Communist aggression. Thus, we were assured, in the end we would face this monster enemy without allies or even friends in a hostile world.

Inevitable Permanence

Between the domestic demands of millions of socialized dependents on Big Government and the demands at home and abroad that we lead in the fight against Communism, the continued maintenance, indeed the permanence, of a welfare state became apparently inevitable. The persistence of the cold war and the hot Korean war made it practically hopeless for years to advocate successfully any reduction of Big Government. Meanwhile, a domestic power had been gathering strength rapidly which laid the way for a kind of socialist-labor government that would logically grow out of a welfare state. This was the increasing economic and political power of labor union monopolies.

We might look forward with some hope to the emancipation of the farmers from servitude to a paternal government. Farming is a way of life as well as a way of earning a living. There have even been signs that our agricultural population is still individualistic, still esteems personal freedom as more valuable than servile dependence on political favor. Likewise there has been the hope that the independent, self-sufficient industrial worker, having used the government and the unions to protect him from subservience to an employer, would not accept servitude to either labor or political bosses as an alternative. Indeed one can well believe that that is still the attitude of a majority of American workers.

But there has been rising a new class of labor leaders, of whom a striking example is Walter Reuther, who aspire to operate a labor union monopoly as a dominant power in industry and in government. Such leaders are convinced, and often fanatic advocates of a socialist-labor government. They bring into harmony with their purposes all varieties of political and economic thinkers from cunning Communists and crude racketeers to the more moderate, often well-meaning but misguided, heads of what are comparatively conservative unions.

The majority of trade unionists can still be regarded as industrial minded, and not as political minded socialists. But the dominant leadership has gone a long way from the self-reliant individualism of union leaders of the Samuel Gompers era. Here is developing steadily a powerful force to impose a socialist labor government on the broad foundations of a welfare state. Any conservative, individualistic opposition struggles against two strong influences favoring the continuance of the socialistic trend.

Two Influences

First, is the immediate self interest of millions of persons dependent on aid from Big Government. Social security help for the aged, the unfortunate and the unemployed, agricultural price supports, housing, education, road making and national defense—bring into a multitude of homes an acute appreciation of the blessings that flow from huge government expenditures.

Second, is the persuasive argument that a large part of these expenditures are either absolutely necessary or so desirable that they must be made in some way and why not by the Federal Government? Certainly national defense is a government job; and if foreign aid is an essential part of defense, it is certainly a national responsibility. There has always been some government responsibility for the aged and for victims of misfortune; and what is more practical than to accept this as a national burden? Housing, education, road making and agricultural prosperity are all matters of deep national concern, so why should not the Federal Government accept these responsibilities?

Errors of the Individualists

In the face of these arguments talk about states rights and local self-government, and particularly any chatter about individualism, may seem theoretical and unrealistic. It has probably been an error for the unreconciled individualist to argue about the evils of Big Government and the tyrannies of socialism as though we were being seduced into doing wrong things, when the argument should have been that we are trying to do right things the wrong way.

For a good example let us consider the social security program. Insurance against the ills of old age and the hazards of accident, and partial or permanent disability is highly desirable. Every man has an obligation to himself and his dependents to insure himself. Those who fail to do this may become public charges. But, should the government, therefore, compel everyone to buy government insurance, including those self-protective persons who make sacrifices in order to insure themselves? Even if we grant that a minimum of compulsory insurance might be justified, how utterly unjustifiable it is for the government not only to compel everyone to pay insurance premiums but then to spend this money immediately for current expenses. This is such a colossal fraud that only a government could get away with it. Such action by a private insurance company would be prosecuted as criminal.

When the individual pays an insurance premium for his private, voluntary insurance he knows he will be protected by the investment of his money in securities of private enterprises that will preserve the capital and pay an income. Thus he is really "insured" against misfortune. But when the government takes a social security premium and spends it there is nothing left to "insure" the citizen except a government promise to pay. This, in some future day, must be made good by collecting more taxes from him or his children.

Typical Evil

This fraud makes clear a typical evil in a socialist government. It will substitute promises for real security in its "protection" of its citizens. It will compel one group or one generation to pay for benefits conferred on another.

Just as insurance against personal misfortune is desirable so is insurance against agricultural disaster. No one could bitterly criticize the government for giving temporary aid to farmers who are smitten by drought or by a sudden collapse of anticipated markets. But the idea of practically insuring the income of any class of supposedly self-supporting citizens is contrary to any sound relationship of a government to the free enterprises of its free citizens. There is no good reason why one class of citizens should be guaranteed a livelihood any more than any other. But in order for the government to guarantee all citizens a living income, it must take over all means of production and distribution and socialize the entire industrial life of the nation.

We have socialized agriculture. We have socialized a large percentage of electric power production. We have socialized an enormous amount of housing. These are serious invasions of the field of private enterprise. We have also moved toward centralizing government in the matter of expanding roads and education. Here the main reason for national action is a bad reason, which is that taxes may be collected from one section and spent for the benefit of another section, thus impairing the controls and responsibilities of local government over matters peculiarly of local concern. All these examples illustrate the wide-spreading evil of our centralizing, socializing Big Government — its persistence in trying to do good deeds in a bad way.

Use of Cooperative Voluntary Action

A fundamental evil in Big Government is that we are resorting to compulsion to bring about collective action instead of relying on voluntary cooperation. The basic reason that government is called upon is in order to **compel** people to do things, which may be good and desirable things but which should be produced by voluntary associations. A private voluntary enterprise must justify itself. It must produce a profit or a benefit of some kind to all the cooperators, customers, employees, managers and financiers, or they will cease to support it. But a government project, relying on compulsion to maintain its operation, may not produce any benefits commensurate with its cost. It may be carried on mainly to support a bureaucracy or sustained by the practice of robbing Peter to pay Paul, especially where Paul has the votes and Peter has the money.

This factor of government compulsion is particularly harmful in its imposition of the arbitrary judgment of a few to decide what is good for the many. We do not resent compulsion as a denial of freedom where we have participated in forming the command to be obeyed. But there is both humiliation and folly in accepting the authority of a master class to determine, not merely the method of achieving common objectives, but also what the objectives shall be.

At the outset of this discussion the beauty, morality and wisdom of individualism was contrasted with the ugliness, the immorality and the stupidity of socialism. Yet to a great many persons individualism may seem ugly, immoral and stupid because of the apparent selfishness of a short-sighted concern with merely self-advancement. In this light socialism glows with an unselfish devotion to others which seems beautiful, moral and ultimately wise. This mistaken attitude arises largely from the failure to realize that we are now contrasting not abstract theories but two practical programs of government. As a program of government the individualist asks only to be let alone, to be free and self-reliant, and dependent on government only for the necessary collective action to protect him from fraud and violence.

Beauty, Morality and Wisdom

Here shines the beauty and morality of self-salvation and the wisdom of accepting this obligation and not slavishly relying on the paternal care of others. In this light it appears that socialism would substitute a government controlling all the basic means of self-service and providing protection not only from others but protection from one's own individual weakness and folly. Here the individual resigns himself to dependence on the good will and good judgment of a ruling class which takes away from him his devine freedom and his God-given task of self-salvation. This reduces the dignity of his life to the low level of a slave of society; and society becomes merely the deceptive name and organization of a tyrannical ruling class.

Viewed from the standpoint of a free, self-respecting individual, a political state of socialism must be ugly, immoral and stupid. In direct contrast to this if all the noble projects of a socialized state are undertaken by free and uncoerced individuals in a spirit of voluntary cooperation, their striving and their achievements have beauty, morality and wisdom.

It is most unwise not to recognize that the ugly immorality of Russian Communism is the inevitable result of literally and ruthlessly trying to make a socialist government effective. If the inevitable tyranny of an autocratic ruling class were to be modified to appeal to gentle minded persons or to maintain some sense of individual freedom, just to that extent there would be a less effective socialist government. It is impossible to conceive of maintaining an arbitrary, non-competitive control over all production and distribution without maintaining a cruel and rigid discipline over the working and living conditions of a regimented society. Nothing less than a brutal use of government force could maintain such a discipline.

Picture Becomes Plain

The ugliness of this picture is obvious. Its immorality and stupidity should be equally plain to all who think of humankind as made up of individuals created with a divine freedom to live their own lives and a divine obligation to find their own salvation. Surely there is a profound stupidity in ignoring the essential nature of a human being when planning for the successful living of a life—when planning how to

*An address by Mr. Richberg before the Employers' Association of Milwaukee.

live well and to obtain the greatest satisfaction of each life that is possible without injury to other lives.

The individualist instinctively opposes Big Government because the bigger and more powerful the government, the less free and influential must be the single person. One result of government controls over individual lives will be either arrant favoritism for the members and sycophants of a ruling class or else insistence on a fictitious equality of all persons meriting equal treatment of all. Individualism is not based on the absurd doctrinaire assumption that all persons, although obviously not equal in competence and virtue, are equal in their rights and hence must equally share in a national income—or, to make it more absurd, in an international productivity.

The foundation principle of individualism is that one reaps what and where he sows and finds happiness according to his competence in its pursuit. This calls for self-service and self-sufficiency as the first requirement of a good living and as a prerequisite to any lasting ability to find the deep happiness that lies in rendering service to others. This calls for understanding that it is folly, not virtue, for a man to destroy his own capacity for self-protection and unselfish service by premature or excessive use of his abilities in altruistic endeavors. This means living in enlightened self-service, in the dignity of self-reliance, which is truly beautiful, moral and wise. This is individualism.

Harris, Upham Co. Lecture Series

Mrs. Rose O'Neill, registered representative with Harris, Upham & Co., 99 Park Avenue, New York City, will conduct a 60-minute talk and inquiry period on Monday, May 13, speaking on "Individual Investment Planning." Percy S. Weeks, Manager of Harris, Upham's investment advisory department, will discuss the "Value of Research Behind All This Planning" on May 20, and Thomas B. Meek, 99 Park Avenue Office Manager, will conclude the series on May 27 with a discussion based on "Investing for the Future."

Mrs. Rose O'Neill

Joins Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Duke C. Banks has joined the staff of Dempsey-Tegeler & Co., 210 West Seventh Street. He was formerly with Gross, Rogers & Co.

With Daniel D. Weston

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Leonard F. Doyle, Maxim Goode, Herbert S. Kaufman, George J. Seibert, Robert D. Tribble and Urvan E. Wilds, Jr., have joined the staff of Daniel D. Weston & Co., Inc., 618 South Spring Street.

C. A. Botzum Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Rowen J. Stufflebeem is now with C. A. Botzum Co., 210 West Seventh St.

Newton P. Frye

Newton Phillips Frye passed away April 30 at the age of 62. Mr. Frye was Chairman of the Board of the Central Republic Co.

West Coast Stock Exchange Head Describes Our Best Investment

Pointing out that millions of Americans are investors in American industry without knowing it, Mr. Paul emphasizes that the growing new higher income group must provide directly a substantial part of future capital required to operate and expand our free economy. The Pacific Coast Stock Exchange official sees in "Invest in America Week" a reminder of the "big stake" we all have in our economy.

W. G. Paul, President of Los Angeles Division, Pacific Coast Stock Exchange, on May 1 addressed the Los Angeles Kiwanis members on what he termed the best investment for Americans. The Exchange officer declared, on the occasion of "Invest in America Week," and the day known as "labor day," that "invest in America Week is not a selling gimmick designed to foster public interest in any specific type or form of material investment. Its sole objectives are to remind Americans of their heritage of priceless privileges and to alert them to economic, social and political philosophies which directly or indirectly—intentionally or unintentionally—constitute threats to the exercise if not the continued existence of those privileges.

W. G. Paul

"So, the best investment we Americans can make is to Invest in America not only by investing our material resources in the unlimited opportunities she offers but above all by investing our time, talents and loyalty in safeguarding the privileges we enjoy and preserving them for ourselves and posterity."

He likened America to a great and successful enterprise — one that endured and progressed through every type of vicissitude.

Value of Incentives

"It is rather startling to realize that the pilgrims actually experimented with a form of communism," Mr. Paul pointed out. "Not communism of the present Russian type but nevertheless a communal way of life to which everyone was to contribute and in which everyone was to share.

"The communal plan lasted only about a year and was replaced by a plan in which each colonist was given his own land on which he planted crops and raised live stock. So more than three hundred years ago the pilgrims learned the hard way that man must have an incentive, a promise of reward, to induce effort.

"Our forefathers truly invested their time, talents and loyalty in America and reaped the rewards. Today we are the heirs to the rights and benefits they bequeathed to us.

"We are too prone to take our inheritance for granted — something vested. In our desire to protect the individual we have seen the word "security" come to mean far more than security of the right of the individual to determine his own destiny. Social Security has become somewhat of a fetish and to ever increasing numbers it connotes economic protection from the cradle to the grave. They fail to realize there can be no social security without economic security.

Invest in America Week brings home to the individual the personal stake he has. True some of us can't have as much as others but when we realize we could lose part or all of what we do have or worse yet be deprived of the opportunity and privilege of ever increasing it then we are more apt to take a good look at those influences that could do just that.

Future Source of Capital

"We can no longer 'soak the rich' even if we want to for their number and their fortunes grow less each year. The rising level of individual incomes has created a new group of tax payers. They must provide a substantial part of the future capital business and industry will require to operate and expand if our free economy—which provides their own high levels of income and living standards—is to endure.

"Risk or venture capital essential to fostering new enterprises, as well as maintaining and expanding the old, formerly came largely from the wealthy. Their declining number has limited that source. Unrealistic and unfair taxes impose burdens which make risks by the wealthy few not worth the taking. The result is their capital now takes refuge in tax exempt investments or the acquisition of large and often unimproved land holdings at home and even abroad all of which are virtually unproductive.

"A century ago a workman usually provided his own tools. Today it costs an average of $12,000 for the plant and machinery—the tools—necessary to provide employment for each employee.

The Stake of Americans

"Too many Americans think of investment as relating solely to the ownership of stocks or bonds. Many say "I never owned a share of stock and never will." That is an individual decision but all too often it reflects an unawareness of the fact that indirectly they may have an investment in industry and in addition owe no small part of their well being to those who do. Many Americans have savings accounts. Even more have insurance of varying types. In every increasing numbers Americans are becoming the beneficiaries of profit sharing and pension plans. No small part of these nest eggs of Americans are invested for them. So millions of Americans are investors in American industry with a vital stake but without knowing it. However, aside from such actual though indirect investment too many Americans are also not aware of how important the capital investments of others are to them.

"The successful professional man (the doctor, dentist, lawyer, accountant, engineer) as well as the small private entrepreneur (the merchant, realtor, contractor) owe their success to clients and customers willing and able to pay for services and material things. These clients and customers in turn owe their good fortune to our great industries which directly or indirectly provide full employment at high rates of compensation. These industries in turn are financed by investors. So most Americans have a big stake in America's capitalistic economy even though they may have no direct or even indirect investment in America's great industries."

Joins S. B. Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George E. Fahringer has joined the staff of Samuel B. Franklin & Company, 215 West Seventh Street.

Annual Meeting of Pacific Coast Exch.

LOS ANGELES, Calif.—The newly organized Pacific Coast Stock Exchange held its first annual meeting at the Santa Barbara Biltmore Hotel on Saturday and Sunday, May 4 and 5, attended by over 100 members and partners from both divisions.

A general meeting of the membership was addressed by William H. Agnew, Shuman, Agnew & Co., San Francisco, and Frank E. Nalev, E. F. Hutton & Company, Los Angeles, Chairman and Vice-Chairman, respectively, of the Board of Governors.

A joint meeting of the 30 Specialist Odd-Lot Dealers representing both Divisions was held Saturday, with various other committees meeting throughout the day.

Saturday's business activities were climaxed by a banquet in the evening, leaving members free for golf and other forms of entertainment on Sunday.

Arthur Hogan Adds

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, Calif.—Burton M. St. John has become associated with Arthur B. Hogan, Inc., 6705 Sunset Boulevard, members of the Pacific Coast Stock Exchange. He was previously with Hemphill, Noyes & Co.

With J. Barth & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Amos E. Schermerhorn is now with J. Barth & Co., 3323 Wilshire Blvd.

The Postwar Rise of Mortgage Companies

By SAUL B. KLAMAN*

Board of Governors of the Federal Reserve System and National Bureau of Economic Research

The exceptional growth of mortgage companies, which is a function of FHA-VA programs and life insurance companies' decision to use locally owned and operated mortgage correspondents, is detailed by Federal Reserve economist who notes preponderous reciprocal reliance of commercial banks and mortgage companies. Mr. Klaman describes new commitment techniques and broadened usage of interim commercial bank financing permitting the secondary financial intermediary to operate with a larger inventory than customary in the past and to cope with market stringency from late 1954 through 1956, and intermittent stringency since Federal Reserve-Treasury accord of March, 1951. Predicts future development and growth will depend on the course of these federal credit aid programs which is not likely to diminish in years ahead—unless more learn to thrive on conventional mortgage lending.

The postwar decade has witnessed a number of basic changes in the structure and organization of mortgage debt and markets, and in techniques and characteristics of mortgage market operation. Throughout this period of change, institutions in the market have remained essentially the same as in the prewar years. The one major exception is the mortgage company.

Saul B. Klaman

Among currently operating institutions, none is more clearly a product of the changing postwar market framework, nor has been more closely associated with new market techniques and characteristics than the mortgage company. Because its business consists essentially of originating and servicing mortgage loans for institutional investors, it may be appropriately characterized as a secondary financial intermediary. It is an institution which has changed radically from its early predecessors; which has grown apace with the developing national mortgage market; which has facilitated the expansion in, and new uses of short-term commercial bank credit in mortgage operations; which has been a major instrument in the development and use of new mortgage commitment techniques; and which has provided a bridge between primary and secondary mortgage markets.

Despite the integral role and growing inportance of mortgage companies in the changing postwar mortgage market, very little quantitative or qualitative information has been available on their financial structure and mortgage operations, much less in fact than for any other type of financial institution active in the mortgage market. For this reason, a major effort was made in the Postwar Capital Market Study of the National Bureau of Economic Research to develop new data on mortgage companies, an effort which has met with a considerable measure of success only because of the full cooperation of the Federal Housing Administration, the Mortgage Bankers Association of America, and individual mortgage company executives.

Sources of New Information

The basic data in the National Bureau today were developed from two sources: (1) annual financial statements of mortgage companies for the period 1945-55 filed with the Federal Housing Administration and transcribed by FHA especially for this study, and (2) a special questionnaire survey of the quarterly financial structure and mortgage operations of selected companies for the years 1953-55. In addition, to gain an insight into the developing history and structure of mortgage banking, as well as the nature and characteristics of current operations, interviews were conducted with mortgage company executives and others having wide knowledge of, and experience in industry operations over several decades. This paper is a summary of these statistical and qualitative investigations.

As you all know, before an institution may deal in FHA-insured mortgages, it must obtain approval from the Federal Housing Administration. To maintain "approved mortgagee" status, moreover, institutions not supervised by Federal or State Banking or insurance authorities must, among meeting other requirements, file a financial statement at least annually with the FHA in Washington. Because of these requirements and because the bulk of mortgage companies deal in FHA-insured mortgages, the Federal Housing Administration has become the sole repository of comprehensive financial information on these institutions. In making data available for this study, FHA officials selected the necessary sample of institutions and transcribed the basic financial information while withholding identification of the individual institutions involved.

The combined annual balance sheet of mortgage companies for the decade 1945-55, shown in Table I, is based on a complete transcription of summary records of 298 companies with assets of $1 million or more in 1954, and on a 10% sample of 556 additional companies with assets of under $1 million in that year. The former group of companies held well over four-fifths (83%) of the assets of all 854 companies in 1954 and about the same proportion in 1945, thus assuring adequate coverage and representation of the financial status of mortgage companies for earlier as well as later postwar years. Several adjustments to the raw data, necessary before final balance sheets could be derived, are described in detail in a forthcoming Occasional Paper of the National Bureau of Economic Research and need not detain us here.

In the special National Bureau mail questionnaire survey of some 300 selected companies, annual balance sheet data from FHA were supplemented by quarterly financial data and information on mortgage operations during the period 1953-55. The survey was planned and companies selected with a strong assist from the Mortgage Bankers Association of America. The survey was limited to the largest companies since it was clear at the outset that the response would be too small and irregular to maintain the representativeness of any sample design. Replies in varying degrees of completeness were received from 99, or about one-third of the companies surveyed, holding about one-fourth of the total assets of all FHA-approved mortgage companies. There was very close agreement between the financial structure of the smaller number of surveyed companies and that of the larger number of companies derived from FHA records. Details of adjustments made to the survey data are given in the National Bureau Occasional Paper referred to earlier.

Origin and Growth of Mortgage Companies

The origins of specialized mortgage banking in the United States are not altogether clear. Modern mortgage companies, as they operate today, their techniques and characteristics, may be said for all intents and purposes to date from the advent of FHA mortgage insurance in 1934. The introduction and wide acceptance of the VA mortgage guarantee program some 10 years later contributed importantly to the extraordinarily rapid postwar growth of mortgage companies.

Standardization of mortgage contracts, uniformity of and improvement in property and borrower appraisal techniques, and minimization of risk resulting from the introduction of Federal mortgage insurance and guarantee, reduced geographic barriers to mortgage investment by financial institutions and enhanced negotiability of contracts. Life insurance companies in particular, legally less bound to local investments than other institutions, became strongly committed to a national mortgage market program following an initial period of caution and testing with respect to the dual innovation of Federal mortgage underwriting and long term fully amortized mortgages. For most insurance companies the problem of acquiring and servicing out-of-state mortgage investments was resolved by appointing locally owned and operated mortgage correspondents rather than by establishing branch offices or subsidiaries of the parent company. The mortgage banking industry undoubtedly owes a large part of its growth and character to this basic decision of the life insurance companies.

For many decades prior to 1934, beginning perhaps with the land banks as far back as the 18th century, companies organized specifically to lend on mortgages or to arrange mortgage financing were in active operation. Four distinct types may be identified: (1) mortgage banks, originating and holding mortgages and issuing to the public their own obligations secured by these mortgages; (2) mortgage guarantee companies, originating mortgages and selling these and mortgage bonds, guaranteed as to principal and interest, to institutions and individuals; (3) mortgage loan companies, originating and selling mortgages directly to investors, principally individuals, and (4) mortgage brokers, arranging transactions between borrowers and lenders without taking any direct interest in the mortgages.

From these types of institutions today's mortgage companies, materially altered in organization and structure, trace their origin. Few companies currently in operation, however, have a continuous history reaching back before 1930. Those in existence when the Federal Housing Administration was established, shifted the focus of their activity from individuals to institutional investors. Individuals are not permitted to deal in FHA-insured mortgages and the long term amortized mortgage generally was not well suited to their investment needs. Moreover, many mortgage companies became the direct representatives of institutional investors in local markets whereas formerly most companies initiated mortgage transactions on their own responsibility. Finally, mortgage servicing, not a significant part of early mortgage company operations, was a natural outgrowth of the widespread adoption of monthly mortgage amortization and became the basic income producing activity of the modern mortgage company.

Accompanying the rapid rate of expansion in federally underwritten mortgage debt between 1945 and 1955, was a remarkable rate of growth in the mortgage banking industry. The number of mortgage companies nearly doubled in this decade while commercial banks, savings banks, and savings and loan associations declined slightly in number. Far more spectacular was the 10-fold increase in mortgage company assets from an estimated $160 million in 1945 to $1.8 billion in 1955, as may be seen in table I. Among other types of financial institutions active in mortgage markets, only savings and loan associations had a rate of asset growth anywhere near that of mortgage companies. In the second half of the decade, particularly, assets of savings and loan associations increased almost as rapidly as those of mortgage companies, both more than doubling. The much more rapid growth of primary and secondary financial intermediaries specializing in residential mortgage operations, compared with other types of financial intermediaries, is a clear reflection of the extraordinary expansion of the postwar home mortgage market.

Volume of Mortgage Servicing

The importance and growth of mortgage companies, however, is not adequately measured by their assets. Consideration must especially be given to the volume of mortgage loans they service for investors. Estimates derived from this study suggest that by the end of 1955, the total volume of mortgage loans being serviced by mortgage companies was close to $20 billion, more than half again the estimated 1953 volume, and more than three times the mid-1951 volume reported to the Federal Reserve Board in connection with registration under Regulation X.

The rate of increase in mortgage servicing by mortgage companies has been considerably faster than in total home mortgage debt outstanding, so that by the end of 1955 mortgage companies were servicing close to one-fourth of the one-to-four-family mortgage debt compared with about one-eighth in 1951.[1] Furthermore, the estimated volume of FHA and VA loans being serviced by mortgage companies was approaching one-half of the total of such loans outstanding at the end of 1955, compared with little more than one-fourth in mid-1951. Finally, when comparison is made between mortgage company servicing and home mortgage debt held by life insurance companies, mutual savings banks, and FNMA, for whom the bulk of all servicing is done, it appears that in 1955 these institutions were having two-thirds of their total home mortgages and four-fifths of those federally underwritten serviced by mortgage companies.

Financial Structure of Mortgage Companies

Perhaps the outstanding characteristic of the financial structure of mortgage companies is its relative simplicity. In originating and servicing mortgage loans for institutional investors, mortgage companies use funds principally for closing mortgages and carrying them temporarily in inventory. The chief source of funds to finance this activity is commercial bank loans. Essentially, this financial pattern is typical for mortgage companies in all asset size classes, with a somewhat greater specialization of uses and sources of funds among larger than smaller companies.

Over the postwar decade mortgage and construction loans held by mortgage companies increased from less than $100 million to $1.4 billion a markedly greater rate of growth than in total assets or other components of assets. As a consequence, mortgage loans increased their share in total assets between 1945 and 1955 from less than one-half to over three-fourths. This extraordinarily rapid growth reflects in part the unusual character of the beginning and terminal years of the decade the one a year of transition from war to peace with little mortgage activity, the other a year of great prosperity and unusually rapid expansion in mortgage lending. Through most of period under review, mortgage loan inventory accounted for between two-thirds and three-fourths of mortgage company funds.

Paralleling mortgage loans as the chief use of funds, notes payable to banks have constituted the chief source of funds over the postwar years. Mortgage companies borrow a small amount of funds from non-bank sources, but these are estimated to have amounted to 5% or less of their total borrowings in each postwar year. From a low of $61 million in 1945, notes payable rose to $426 million in 1950 and to over $1.2 billion in 1955. These sharp advances increased the share of notes payable in total liabilities and equities from less than two-

*An address by Mr. Klaman before the Eastern Mortgage Conference, Mortgage Bankers Association of America, April 15, 1957.

[1] Comparison is made with 1-to-4 family mortgage debt rather than with total mortgage debt, because the bulk of all mortgage company activity is in the home mortgage market.

TABLE I

Combined Balance Sheet of Mortgage Companies

(Millions of dollars)

	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955
ASSETS											
1. Total assets	159.9	285.8	354.7	346.5	472.2	730.8	692.6	861.1	955.9	1,202.3	1,822.3
2. Cash (including escrows)	30.0	35.9	42.7	46.7	58.9	82.6	113.7	127.8	151.3	170.0	225.0
3. Mortgage & construction loans	71.4	181.4	248.8	237.3	326.5	535.7	454.1	597.8	623.6	844.6	1.372.2
4. Mortgage loans	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	490.5	501.0	643.0	1,113.8
5. Construction loans	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	107.3	122.6	201.6	258.4
6. Notes and accounts receivable	5.7	10.6	12.2	11.9	19.2	32.1	33.8	34.6	54.8	46.8	66.2
7. Title I and other small loans	0.7	3.7	1.6	2.3	2.5	1.9	2.5	3.7	3.4	2.0	2.5
8. Other current assets	25.4	18.6	16.4	13.9	15.9	17.1	17.8	18.1	20.0	23.2	25.3
9. Non-current assets	26.7	35.6	33.0	34.4	49.3	61.4	70.7	79.1	102.8	115.7	131.1
LIABILITIES & NET WORTH											
10. Total liabilities and net worth	159.9	285.8	354.7	346.5	472.2	730.8	692.6	861.1	955.9	1.202 3	1,822.3
11. Escrows	16.9	17.4	22.2	27.3	32.6	51.0	69.3	82.0	95.5	108.7	142.9
12. Notes payable, total	61.1	155.2	189.4	185.0	272.6	425.8	383.3	485.9	544.1	733.8	1.207.0
13. To banks	58.0	147.4	179.9	175.8	259.0	404.5	364.1	466.5	522.3	711 8	1,170.7
14. To others	3.1	7.8	9.5	9.2	13.6	21.3	19.2	19.4	21.8	22.0	36.3
15. Accounts payable	9.0	15.5	19.3	11.8	14.2	22.1	20.5	19.7	20.5	24.4	31.1
16. Undisbursed mortgage loans	5.0	14.5	29.2	21.0	25.1	66.7	25.5	53.7	52.2	61.1	115.8
17. Other current liabilities	4.9	6.8	10.8	10.2	12.4	19.1	22.8	23.0	22.2	32.1	38.1
18. Non-current liabilities	11.1	11.2	8.6	7.6	12.1	18.1	19.1	27.2	34.1	32.9	44.5
19. Net worth	51.9	65.2	75.1	83.6	103.3	128.0	152.1	169.5	187.3	209.4	242.9

SOURCE: All data are based on records of the Federal Housing Administration except the breakdown of mortgage and construction loans and notes payable (lines 4, 5, and 13, 14, respectively) which are based on relationships indicated in the special survey of mortgage companies. The breakdown of notes payable shown for years prior to 1952 is based on the general knowledge that the bulk of mortgage company borrowing has always been from banks and on the specific assumption that the ratio of bank to total borrowing was about the same as in 1952. The relationship between mortgage and construction loans, on the other hand, is subject to greater fluctuation, and in the absence of data for years prior to 1952, estimates were not attempted.

fifths at the end of World War II to two-thirds 10 years later. In most postwar years mortgage companies have apparently financed close to 90% of their mortgage inventory through bank borrowing.

Of special interest as a reflection of recent mortgage market developments, including the use of new market techniques was the sharply rising importance of funds obtained by bank borrowing in 1954 and 1955, closely associated with the rising use of funds for mortgage inventory. During 1954 and early 1955, funds for mortgage investment were readily available and institutional investors made heavy commitments to acquire mortgages. As capital markets began to shift from ease to stringency later in 1955, mortgage funds and regular take-out commitments became progressively harder to obtain. In this setting, new commitment techniques, developed in earlier years, were widely adopted together with a broadened usage of interim commercial bank financing.

Coping With Market Stringency

An increasing proportion of mortgage and construction loans was originated by mortgage companies under "forward" and "standby" commitments, both types reflecting a current shortage of mortgage funds relative to demands. The forward commitment technique is one in which an institutional investor obligates itself to acquire specified mortgage loans from an originator within a stated period of time running as far ahead as two years. The standby commitment is one in which an institution agrees to purchase mortgages at a price so far below the prevailing market price that there is little likelihood of its having to take up the commitment. Such a commitment is given principally for the fees associated with it. To a builder or mortgage originator, the advantage of a "standby" is that it makes it possible to obtain construction financing when regular commitments are unavailable and provides time to find a permanent investor for mortgages to be created.

The effect of the new commitment techniques and the market stringency on mortgage companies was generally to require them to hold mortgages in inventory for a longer period than usual. This they could not do without appropriate commercial bank financing. As a consequence, variations of the regular short-term bank loan, long used to finance interim needs between loan processing and delivery to ultimate investors were developed under the general term of "warehousing." These variations essentially involved an extension of maturities, increased amounts of credit on a revolving fund basis, and loans backed by standby rather than regular commitments. Without the support of extended interim financing from commercial banks, mortgage companies could not have operated effectively from late 1954 through 1956.

If forward and standby commitments continue as basic market techniques, mortgage companies may continue to operate with larger inventories than has been customary in the past, holding committed mortgages for principals or seeking permanent investors for mortgages created under "standbys." In any event, whether operating with smaller or larger inventory, mortgage companies will undoubtedly continue to rely heavily on commercial bank credit in the future as they have in the past.

By the same token, commercial banks active as interim real estate mortgage lenders will depend on mortgage companies as their chief outlet for such lending. In recent years, according to Federal Reserve Board surveys, 75 to 90% of commercial bank loans outstanding to real estate mortgage lenders was to mortgage companies. The importance of commercial bank interim real estate credits in postwar mortgage markets has increased directly with the rapid growth in mortgage company activities. The data developed in this study on mortgage company notes payable to banks, therefore, are a good measure of the volume of commercial bank interim real estate financing in the postwar decade, supplementing data recently made available by the Federal Reserve.

Mortgage Loan Closings and Investor Commitments

Mortgage companies are able to originate a volume of mortgage loans substantially larger than their own resources would permit because loan closings are typically based on firm investor commitments to purchase, and financed through bank borrowing. Few companies undertake to close and sell a large proportion of mortgage loans on their own financial responsibility. Nearly four-fifths of those responding to our survey indicated that they closed at least 90% of their loans only after receiving an allocation of funds or firm commitment from an institutional investor. Only among some of the largest companies, was it indicated that a significant proportion of loans was closed without firm investor commitments.

The technique of originating mortgage loans on the basis of fund allocations or firm commitments is primarily a postwar phenomenon. Prior to the war, operating on a much more limited scale, many mortgage companies closed loans on their own responsibility, and financed a large portion of the loans so acquired through commercial bank lines of credit while seeking permanent buyers for their inventory. Even after the war until the spring of 1950, when institutional investors were actively seeking loans in greater volume than were available, mortgage companies had little difficulty in marketing all the loans they could originate, and hence operated extensively without prior commitments. The change in market conditions following the Federal Reserve-Treasury accord, and the intermittent stringency which has been a part of the capital market scene ever since has resulted in the widespread adoption of the prior commitment technique as the basis of most mortgage company operations. At the risk of over-simplification, the situation may be summarized in the statement that the tighter the capital market, the greater the dependence of mortgage company operations on investor commitments; the easier the market the less the dependence.

Short-Term Movements in Mortgage Inventory

The basic nature of mortgage company operations, as well as the influence of capital market changes on these operations, are interestingly reflected in short run movements in mortgage inventory. While subject to shortcomings inevitable in a mail questionnaire survey, quarterly data obtained in this study provide useful guideposts of mortgage company activities during periods encompassing both stringency and ease in capital markets.

During the four quarters of 1953, the volume of mortgage inventory changed little, even as earlier pressure on capital markets was giving way in the second half of the year to market ease and general declines in interest rates. Beginning early in 1954, as investors became increasingly active in mortgage markets amidst a setting of continuing credit ease and declines in competitive interest rates, mortgage inventory of mortgage companies grew rapidly and without interruption through the third quarter of 1955. A leveling off in the last quarter of 1955 reflected an earlier reduction in the unusually high rate of new investor commitments and sale of completed mortgages from inventory.

These movements in mortgage holdings are suggestive of time lags in mortgage company activity following changes in capital market conditions. Not until after mid-1954, about one year after markets began to ease did mortgage inventory held by mortgage companies begin to expand rapidly. Between mid-1953 and mid-1954 institutional investors were increasing their allocations of funds and commitments for mortgages to mortgage companies. The largest part of these arrangements did not result in completed mortgages until the third quarter of 1954 when the rate of mortgage inventory growth increased sharply, as did bank borrowing to finance loan closings. While the rate of increase slowed thereafter, growth in both mortgage inventory and bank borrowing continued at a faster rate than that of total assets through the end of 1955.

Notwithstanding varying rates of change in mortgage company assets and mortgage inventory between quarters of different years, a rather definite seasonal pattern of operations seems to emerge from the data. The rate of growth in total assets, mortgage loans, and notes payable is successively larger through the first three quarters of each year and declines in the fourth quarter. This third quarter peaking results from the nature of the relationship between mortgage companies and institutional investors and the seasonal nature of building activity.

There is little similarity of movement or consistent relationship between changes in total home mortgage debt and mortgage debt held by mortgage companies. There does, however, appear to be a definite complementary relationship between growth in mortgage company inventory and in mortgage holdings of life insurance companies, which dominate purchases of loans from mortgage companies. The greatest increase in life company mortgage holdings occurs consistently in the fourth quarter of each year, reflecting chiefly acquisitions of government underwritten mortgages. The clear implication is that the rate of growth in mortgage inventory of mortgage companies declines sharply in the fourth quarter of each year as life insurance companies increase their rate of acquisition, especially of Federally underwritten mortgages in which mortgage companies concentrate their activity.

Conclusion

The modern mortgage company is a closely-held, private corporation, with a comparatively small capital investment relative to its volume of business, subject to a minimum degree of Federal or state supervision, whose principal activity is originating and servicing mortgage loans for institutional investors. It is not unlike the municipal bond dealer or securities underwriter, carrying a temporary inventory with the help of short-term bank credit. Adapting its operations to changing capital and money market conditions, and to new techniques, in the mortgage market, the mortgage company has used traditional short-term credit sources more intensively to supplement long-term funds in periods of capital market stringency.

More than any other type of financial institution, mortgage companies owe their extraordinarily rapid rate of growth to the introduction and expansion of Federal mortgage insurance and guarantee. That the fortunes of mortgage companies are closely linked with federally underwritten mortgage programs is verified by the study on which this paper is based. This study, which showed that in each of the years 1953-55 nine-tenths of loans held, and from three-fourths to over four-fifths of loans closed, were VA-guaranteed or FHA-insured. The future pattern of mortgage company development and growth will undoubtedly depend considerably on the future course of these Federal credit aid programs. Should their size and importance diminish in the years ahead, mortgage companies might grow much less rapidly in the future than in the recent past. Efforts to expand their conventional loan business substantially might be blunted by competition from local lenders traditionally engaged in this type of operation, as well as by problems of marketing and servicing conventional loans for out-of-state investors.

On the other hand, some mortgage companies have thrived on a conventional loan type of business and the experience and techniques developed by mortgage bankers in the origination of Federally underwritten mortgages may well be adapted to conventional mortgage lending. The market for this type of loan may thus be expanded greatly. In the final analysis, expansion of conventional mortgage business by mortgage companies will depend on the ability and willingness of out-of-state investors to increase their activity in this area of lending if opportunities in the Federally underwritten field become limited.

In any event the liklihood that the role of the Federal Government in mortgage and housing markets will diminish in the years ahead is not very great. Mortgage insurance under FHA is already deeply entrenched in the American real estate scene and is likely to continue a basic part of Federal economic policy regardless of the political party in power. The VA-guarantee program, however, is now scheduled to terminate for World War II veterans in July, 1958 having been extended from July, 1957. Whether or not this program will finally be terminated as scheduled will almost certainly depend on economic conditions at the time. Moreover, the Korean GI Loan program is not due to expire until early 1965 and there is a potential of some 6 million veterans eligible for such loans.

Phila. Municipal Men Elect Schaffer Pres.

PHILADELPHIA, Pa.—Russell W. Schaffer, partner of Schaffer, Necker & Co., has been elected President of the Municipal Bond Club of Philadelphia. Other officers elected are James W. Heward of Butcher & Sherrerd as Vice-President; Lawrence B. Illoway of Penington, Colket & Co. as Secretary and Walter G. Nelson of Rambo, Close & Kerner Inc. as Treasurer.

Russell W. Schaffer

The club also elected the following as members of its Board of Governors: J. Brooks Diver, Mackey, Dunn & Co., Russell W. Schaffer, Eugene T. Arnold, Robinson & Co. Inc.; Willard S. Boothby, Jr.; Lawrence B. Illoway; Walter G. Nelson; James W. Heward; Edward B. Stokes, Elkins, Morris, Stokes & Co.; Ernest M. Brown, Butcher & Sherrerd.

With Hill Richards

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Edmund A. Rossi, Jr. has become affiliated with Hill Richards & Co., 621 South Spring Street, members of the Pacific Coast Stock Exchange.

Kostman Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Eugene G. Hunter, Jr. is now with Kostman, Inc., 215 West Seventh St.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Continuing our discussion of two weeks ago on the fact that so many individual lines of fire-casualty writings were crowding in on the companies with high loss ratios, and with so few offsets in the form of low loss ratios, the subject merits further discussion. We pointed out then that the materially improved loss-ratio showing of the important extended coverage line for 1956, had been seriously offset by the bad showing of just two lines, straight fire and automobile physical damage.

We might have added one important line that came through satisfactorily in 1956; but we would have been obliged to list three major offsetting categories that much more than balance out the one. Respectively, the lines are workmen's compensation, ocean marine, inland marine and automobile bodily injury liability. Compensation experience has been on a fairly even keel for the past four calendar years. The year 1952 showed a very small profit margin, but the four following years averaged out the very satisfactory loss and expense ratio of 92.6%, while compensation is an important line, writings are only about one-half those of straight fire, 75% of automobile physical; and auto bodily injury volume is running about one and one-half times that of compensation.

If we are to consider ocean and inland marine and auto bodily injury as unfavorable 1956 offsets to compensation's result a look at them will help. In ocean marine, expanding foreign trade upped volume in 1956 by over 10%. But because of an unusual number of catastrophe losses (the Doria was probably the most important and the most costly) the loss ratio in this line moved from 52.3% to 65.7%; and the combined loss and expense ratio from 88.4% to 103.0%, putting the line in the red so far as the statutory results were concerned. This showing is the worst the line has experienced in a long time.

As to inland marine, volume in 1956 was somewhat less than half of that of compensation in 1956. But its loss ratio moved from 53.1% in 1955 to 56.9% in 1956; and, because expenses were also somewhat higher, the combined loss and expense ratio of 99.6% in 1955 compared with 104.0% in 1956, putting the line in the red when it had enjoyed a five-year underwriting profit margin of about 3%.

Automobile bodily injury liability, an important line as to volume, as has been pointed out, turned in a highly unsatisfactory underwriting showing for 1956. The loss ratio jumped from 58.7% in 1955 to 64.2% in 1956. Here, too, expenses contributed to bring the combined loss and expense ratio from 103.0% in 1955 to 109.3% in 1956. Of course, the big shortcoming in this line has been the inadequate rates.

Another factor making for the high loss ratios in recent years has been the tendency of jury verdicts to over-compensate when it comes to a court action of an injured person versus an insurance company. Despite the relatively recent higher rate adjustments, still higher ones are necessary, unless more careful driving habits may be instilled in today's drivers of motor cars. Education seems to be a hard thing to impart to today's drivers.

Now, what is the effect of this preponderance of unfavorable category results? Obviously it must be poor statutory results. Some of these are: Aetna Insurance, a stautory loss of $7,965,000 in 1956; National Fire (control of which was recently acquired by Continental Casualty) a statutory loss of $11,344,000; Fireman's Fund, a loss of $22,251,000; Phoenix Insurance, a loss of $6,665,000; Boston Insurance, a loss of $5,197,000; Maryland Casualty, a loss of $2,825,000; New Amsterdam Casualty, a loss of $2,790,000; Springfield Fire & Marine, a loss of $4,964,000.

But must we cite more examples of what happened to the fire-casualty insurance companies in their underwriting in 1956? Recently a downturn of several points in a number of these stocks was blamed on a veto by Governor Harriman of a bill that, had it been approved, would have permitted out-of-state life companies to acquire control of New York chartered units. Rather, this space feels, the weaker tone marketwise was due to a more definite realization that 1956 played havoc with insurance company underwriting results.

Texas IBA Group 1958 Meeting in Houston

HOUSTON, Tex. — The Texas Group of the Investment Bankers Association will hold their 1958 meeting April 23 and 24 at the Shamrock Hotel in Houston.

Two With Pac. Coast Secs.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Charles W. Lewsadder and Carthol M. Reschke are now connected with Pacific Coast Securities Company, 9201 Wilshire Blvd.

Joins Jamieson Staff

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Robert C. Boaz is now affiliated with H. L. Jamieson Co., Inc., 1419 Broadway. He was formerly with Merrill Lynch, Pierce, Fenner & Beane.

With Suburban Secs.

CLEVELAND, Ohio—Justine J. Skok has been added to the staff of Suburban Securities Co., 732 East 200th Street.

Reassuring Business News Reported by First National City Bank

Renewed confidence about the business outlook — stemming from McGraw-Hill survey indicating stepped up capital spending plans for 1957 and the years beyond, continued strong consumer spending, unexpected holding of industrial production index at 146, and reassuring GNP and national income data—is fortified, according to First National City Bank, by government spending becoming a major factor in business advance.

The May issue of the "Monthly Letter," a newsletter on business and economic conditions published by the First National City Bank finds that "business news during April has been reassuring. Two or three months ago," the "Letter" points out, "misgivings and uncertainties were spreading. They still persist, and good arguments can be made for a cautious attitude. However, business in over-all terms has been well sustained, and there are few signs of early or general weakening. Despite slackness in housing, sluggishness in automobile sales, and slippage in steel operations, strength in other areas supports employment and trade; and both the action of the stock market and surveys of business expectations show that there are more optimists than was the case in February, when sentiment seems to have made its low.

"To be sure, 'optimist' probably should be defined as one who expects the trend to continue sideways. After the long advance, the soft spots, and the evidence of topping out in key lines, few count on a resumption of the rise in the months just ahead; most rather expect continued irregularity. Nevertheless, recent reports bolster the outlook. Backlogs are large in the heavy lines, and new orders are flowing in good, if somewhat reduced, volume.

"Notable among the April reports is the fact that, contrary to the general expectations, the Federal Reserve Board's index of industrial production for March did not decline, but held at 146 (1947-49=100), the same level as in four of the five preceding months. Expectations of a drop doubtless were caused by overly-concentrated attention on steel and automobiles. One thing overlooked was the continued rise in fuel production, reflecting in part the last full month of the "oil lift" to make good the Middle East shortage." Now petroleum production is being cut back, and the temporary stimulus is disappearing.

"More fundamentally, however, the steadiness in industrial activity is due to the strength of the position in the capital goods and engineering industries — machinery and tools, shipbuilding, railroad equipment, and aircraft—offsetting the relative softness in steel and automobiles, building materials and various appliances. It is worth noting that while weekly output of steel ingots dropped from 98% of capacity in February to 89% or lower by late April, all the major types of metal-fabricating activity except automobiles increased or held steady in March. Despite inventory accumulation in recent months and resulting need for adjustment, steel consumption evidently is still running strong.

Reassuring Reports

"Retail trade figures show that consumer spending continues one of the chief business supports. With employment and consumer incomes at new high levels, department store sales set a record for the Easter season.

"Favorable first quarter earnings reports seem to show that the developing "profit squeeze" is still spotty and in over-all terms less severe than many had feared. These reports have added something to confidence, and have been reflected in stock market improvement. Finally, a new McGraw-Hill survey — suggesting that businessmen in the aggregate are tending to step up, not cut back, their capital spending plans for 1957 and the years beyond—both reflects and contributes to a confident view.

"Figures on national income and product during the first quarter of 1957, as estimated by the Council of Economic Advisers, have been reassuring. The total national output of goods and services (Gross National Product) rose to a new record of $427 billion (seasonally adjusted annual rate) from $423.8 billion in the fourth quarter and $403.4 billion in the first quarter of 1956. Personal income increased to a rate of $336.5 billion in the first quarter, up $3.3 billion during the quarter and $19 billion during the past year. The encouragement to be derived from these increases is qualified, since they are largely attributable to higher prices rather than to real growth. On the least favorable interpretation, however, they indicate that, despite adjustments and weaknesses in individual lines, there has been no diminution in over-all activity. This may be cold comfort for those employees who have been laid off, home builders whose sales have fallen sharply, or manufacturers whose profits are pinched, but for the overwhelming majority of workers and businessmen the current period is one of unquestionable prosperity.

Shifting Patterns of Demand

"The economy's ability to absorb major shifts in demand has undergone significant tests, with good results, in 1956 and so far this year. In 1957 the test has come through the reversal in business inventory policy. During the fourth quarter of 1956, nonfarm businesses were adding goods to their stocks at an annual rate of $4.4 billion, but in the first quarter of this year nonfarm stocks were drawn down at the rate of $0.3 billion. Yet despite the $4.7 billion turnaround in demand from this source, over-all industrial production remained stable and the Gross National Product reached a new high.

"Business was able to take this shift in its stride because of the sustained strength of final demand. The switch to inventory liquidation was not a belated adjustment to sagging sales, but the revision of purchasing policies reflecting improved delivery schedules and disappearance of shortages. Sales to ultimate consumers—individuals, businesses, and government—continued to advance at an annual rate of better than $7 billion in the first quarter.

"Those who have been apprehensive of a cumulative decline in inventories should be heartened by these developments. There is a better chance that sustained final demand will eventually pull inventories back up than that the sag in inventories will pull final demand down.

"But whereas in 1955 consumer expenditures and home buying were features of the recovery, and last year business capital investment made a notable upsurge, now government spending is taking over a major role in the business advance. Between the fourth quarter of last year and the first quarter of this, business spending for plant and equipment showed the smallest quarterly gain in two years. Government outlays, on the other hand, showed the largest rise in five years.

"The increase in government spending was divided between national security expenditures and state and local projects. The latter, largely for public works, are expanding in spite of, rather than because of, the highway program.

Bright Outlook for Business Investment

"Although the rapid acceleration of business investment characteristic of 1956 has slowed down, indications are that capital spending will continue to be a major source of strength. According to the latest survey of business investment programs, conducted in March and April by McGraw-Hill, business men plan capital expenditures in 1957 about 12% greater than in 1956. Perhaps more significant still is the fact that plant and equipment expenditures are contemplated for the years 1958 through 1960 at levels close to last year's total. These longer-range figures are, of course, subject to change, but they do reflect the attitude of business executives.

"A noteworthy feature of the McGraw-Hill report was the estimate that expenditures for research and development would increase 20% in 1957 to a total of $7.3 billion. New products were expected by one-third of the reporting firms to account for a significant share of capital expenditures this year.

"About half of 1957 plant and equipment outlays are scheduled to provide greater capacity. But for many industries the emphasis has shifted to modernization of existing facilities which are worn out or obsolescent. In the years ahead, replacement needs are expected to become more important than expansion as a source of investment.

"The investment plans outlined in this survey should strengthen confidence. Considering the level of plant and equipment expenditures already achieved, little further advance can be expected. Nevertheless, the surveys provide some real basis for the relief that the present level of capital investment is not grossly inflated but may be sustained over an extended period."

Phila. Inv. Women Annual Dinner Meeting

PHILADELPHIA, Pa.—The Annual Election Dinner of the Investment Women's Club of Philadelphia will be held on May 20 at the Barclay Hotel beginning at 6:15 p.m. The following officers have been elected to serve on the Exective Board during the 1957-1958 year and will be officially introduced at this dinner meeting:

President: Daisy M. Larson, National Association of Securities Dealers, Inc.

Vice-President: Helen H. Holzman, Associated Advisers Management Corp.

Secretary: Margaret Fitzpatrick, H. A. Riecke & Co., Inc.

Treasurer: Catherine V. Mais, E. W. Clark & Company.

Committee Chairmen

Educational: Kathryn M. Duffy, Philadelphia-Baltimore Stock Exchange.

Entertainment: Marie A. Weeks, Newburger & Company.

Membership: Grace M. Rhoades, Stroud & Company, Inc.

Publicity: Hilda Kolman, Butcher & Sherrerd.

Purcell Branch

FOREST HILLS, N. Y.—Purcell & Co. has opened a branch office at 107-22 Continental Avenue, under the direction of Walter Scheideberg.

American Women Have Become The Economy's Prominent Factor

By HARRY A. BULLIS*
Chairman of the Board, General Mills, Inc.

American women's outstanding record as money managers receive from Mr. Bullis a great deal of credit for accomplishments of the American democracy and economic system. After listing various data showing the extent of women's expenditures and savings, the General Mills' head notes that "women do not aspire to industrial or corporate management . . . [or try to gain] control of big corporations," but admits "undoubtedly they could if they set their minds to it." Though she is conservative and suspicious of debt, the author calls Mrs. America "the great determining factor in our dynamic free enterprise," and believes her high standards assure the country's economic future.

The American woman is the most vital force in our social and economic development today—and certainly the most often discussed. The educator, the sociologist, churchmen of every denomination, the economist and the manufacturer study her, write about her, weigh her attributes, measure her potentials as though she were a new species—or a force, newly unleashed, with potential for unlimited good.


Harry A. Bullis

All this speculation about the modern emancipated woman might lead a visitor from Mars to believe that mankind discovered atomic fission and the power of women at about the same time.

But leave it to a Frenchman to be quicker. Well over a hundred years ago, Alexis de Tocqueville, appraising the singular prosperity and growing strength of democracy in America, wrote "It ought mainly to be attributed to the superiority of their women."

Although I agree that the only man who really understands women is the one who admits he understands nothing at all about them, I will stick my chin out and say that I, as a businessman, at least have some understanding of the modern woman's power as the money manager. That is the result of statistics, not of any manifestation of superior masculine judgment.

Family Spending

Statistics about women as money managers get quickly to the heart of the matter — the American home. Our national food bill is about $70 billion a year. Women handle most of this money. We will pass quickly over the $3 billion they spend in beauty shops and on cosmetics and get to the selection of refrigerators, electric stoves, irons, toasters, dishwashers—all those mechanical aids to a higher standard of living. Women control these expenditures, too. In fact, they are responsible for most of the family spending in our 43 million family units.

More statistics—yes. But even the ladies will tolerate statistics when favorable and regard them as masculine flattery to the seductive charms of the feminine wallet. I for one, and I am sure most American industrialists and economists, will admit that the hand that holds the family bank book rules our economy.

Estimates of the spending power of women vary. The high estimate is 85%. But many market research authorities agree that women control about 60% of all personal consumption expenditures, which last year totaled nearly $266 billion. Sixty percent of that figure is $160 billion.

Savings and Wealth

Women not only spend money. They save it, too. They own stocks worth about $100 billion. Half of the $110 billion in our savings accounts is theirs, as well as half the $66 billion in government bonds. In addition they have $50 billion insurance on their own lives.

About 75% of all life insurance death benefits go to women—around $15 billion annually. Widows pay nearly 80% of inheritance taxes.

Last year a New York Stock Exchange survey revealed the wealth of American women. It found that 51.6% of all persons owning shares in public corporations were women, and only 48.4% men. Women stockholders numbered 4,455,000, a gain of 1,225,000 since 1952. In many large corporations, United States Steel for example—women considerably outnumber men as individual shareholders.

Here's still another way to say American women are a powerful financial influence—they control about 70% of estates, 48% of railway and utility holdings, 40% of the nation's homes, 66% of mutual savings bank accounts.

We could go on piling up golden evidence of women's might as owners of private capital. But we are discussing here women's power in our society as money managers. That's something else again.

Actually, despite all their wealth and their ownership of stocks and shares, women do not aspire to industrial or corporate management. You do not hear of women trying to gain control of big corporations. Undoubtedly they could if they set their minds to it. But they seem to have other aspirations.

It is a revealing comment on women as money managers that even in companies where the majority of the stockholders are women, there are few women executives and fewer board members. In general, they seem to take little interest in the management of companies in which they are part owners. They are content to judge competence by dividends.

Actually, the great money manager is Mrs. America—the woman who runs the American home. Through the medium of the family budget, Mrs. America has become the dominant factor in the American economic scene. It is she, not the men, who directly control well over 60% of personal expenditures in the United States. By expressing her preferences in the market place, she sets standards of style and quality in many of our major industries.

She is courted by manufacturers and financiers, alike. The first group hope to sell to her, the others have confidence in her dollar integrity. Mrs. America is generally rated as a better financial risk than her husband. Her name on a bank note or mortgage indicates payments are more likely to be made. Installment companies report that if the wife's name is on the contract, the furniture or the color TV or the new car are far less liable to be repossessed. One of the country's largest personal loan companies has stated that a married woman as co-signer is their best security.

Mrs. America Is Conservative

Basically, Mrs. America is conservative. Her deepest purpose seems to be to have and to hold, to establish and maintain a safe and happy home. Everything she does is directly or indirectly related to this basic urge, whether it concerns making friends, taking up causes, joining groups, or in the way she spends family money. Esther Foley, astute home service director of True Story Women's Group, has found there are two distinct types of homemakers. The first, she says, is the planner. She plans all her expenditures for years ahead. Generally she lives on the edge of a large community.

The other type, according to Miss Foley's study, is the one who buys on impulse rather than on plan. She lives in the industrial parts of cities and her greatest interests seem to be her personal and family relationships in the community. Advertising and what the neighbors are doing influence her more than a predetermined pattern of spending.

Remember, both of these groups are money managers. Both variations of Mrs. America are interested in everything new that will make a better home, raise their living standards, and increase the security of their families.

But in the past five years, according to studies of the wage earner groups, the homemaker has developed a more critical attitude toward things offered her. She is developing a better sense of values. The modern day money manager takes a second look, often a third, before she relaxes her grip on the bank book.

That is all to the good. And another wholesome development for our economy is that Mrs. America is showing a greater awareness of the fact that being in debt can bring trouble to the family.

As an example of this suspicion of debt, mortgages are being paid off in shorter periods than required. Commonly mortgages to finance new homes are made for 10 to 20 years. For GI's even longer. However, in recent years, under the conservative influence of young Mrs. America, the average life of such mortgages is down to seven and a half years.

There is no doubt that this wiser spending and more conservative control of the family money is the result largely of better education. The new Mrs. America is unquestionably better schooled, has traveled more and thought more about basic human and national problems than her grandmother. She is not afraid to be intelligent. Nor does the modern young Mr. America want his wife to be just a good cook and a slave to child raising. He wants her to look young and attractive and to be a good companion. More and more marriage is becoming a partnership of equals based on love, children and home, in which each related person is a respected member in full standing.

I do not go along with those who speak of Mrs. America as though she were an isolated factor. She may be wise, beautiful, independent and alert. She may be the money manager of the family. But she is a part of the whole, an indispensable member of a closely knit social group, who influences the other members of her family. Nevertheless, she in turn is influenced by their prejudices and likes and attitudes. To speak of Mrs. America as a thing apart, as the spender of the family income as though she, alone, had that income to spend, is nonsense. No mister, no missus. No children, no family. It's as simple as that.

Economic Importance of Mrs. America

Of course, many a Mrs. America does help bring in some of the family income. About 30% of all married women in the United States take jobs outside the home either to improve their standard of living, to guarantee better education to their children, or just because they find working is psychologically important to them. Whatever the reason, these working mothers contribute substantially to total consumer buying power. And furthermore, economists, expecting our total labor force to increase by 10 million before 1965, predict that more than half of that increase will be women.

Our constantly rising cost of living frequently takes the question of "should a married woman work or stay at home" out of the realm of moral debate. Often the double pay check is a family necessity. The national Manpower Council in its latest study sums it up this way—"The desire to achieve a richer life for the family, measured not only in physical goods and possessions but also in more education and better medical care, has such widespread approval that it provides a generally acceptable reason for married women, whose responsibilities at home do not absorb all of their time and energy, to go to work."

When Mrs. America does help bring home part of the family bacon, she often assumes considerable importance in the economic life of the nation. These figures from the Department of Labor point up that fact. The number of women in the classification called managers, officials, and proprietors, increased from about 450,000 in 1940, to 932,000 in 1956.

Women in the classification of professional workers grew from 1,157,000 in 1940 to 2,125,000 in 1956.

Combining these classifications, we have over 3,000,000 women who may be called "business and professional women." Many of them are Mrs. America, remember.

However, I do not think these figures about women who work outside the home should lead us to believe that Mrs. America devotes as much of her skill as a money manager in the office or corporation as she does in her own home. Generally, women do not show as much interest in handling great wealth as they do in the wise and profitable spending of their dividends. They tend to trust their brokers, brothers, trust officers, or corporation directors with those things. Nor do I think you will find many women vitally concerned with the operating policies of the companies for which they work or in which they have money invested.

Conclusion

With Mrs. America at home, things are different. There she becomes the experienced, almost dedicated money manager, fired by love of her family, to investigate, appraise, and buy every new product or service that will raise her standard of living. It is in this role of director of the domestic budget that she has won such power in our modern economic system.

Mrs. America, therefore, can be called the great determing factor in our dynamic free enterprise. As long as she is determined to keep her home standards high, to assure the best health and the best education for her family, to provide them with everything good, the economic future of this country will be assured, and the American way of life, symbolized by Mrs. America, will continue to inspire the rest of the world.

Alexis de Tocqueville's appraisal was indeed correct. America will always be strong because of the superiority of her women.

*An address by Mr. Bullis at the Women's Forum of the Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., April 30, 1957.

Doubling of Paper Production Forecast

Doubling of production in next 20 years is predicted for America's fifth largest and third fastest growing industry — paper production.

Paper production in the United States may be doubled in the next 20 years, Robert L. Travis, of Cumberland Mills, Maine, General Secretary of the New England Shippers Advisory Board and Traffic Manager of the S. D. Warren Company, declared recently in Boston.

Mr. Travis reported that paper and paperboard production in 1956 set a new record of 31½ million tons. He said sales approached $11 billion and consumption, including Canadian newsprint, was 36½ million tons or a per capita consumption of 435 pounds.

Mr. Travis stated that paper is America's fifth largest industry and at the present time is the country's third fastest growing industry. In the short span of the last two years, he added, paper production in the United States has increased 17%.

From Maine to Michigan

Pointing out that paper and pulp is the number one industry of Maine due to the abundance of pulpwood, he said that the production of this raw material in that state in 1956 totaled 2,657,890 cords, an increase of 124,218 cords over the previous year.

Mr. Travis further reported that paper companies in Maine have spent $150 million in postwar expansion and plant improvements since 1946 and "plan to spend many millions more" in the next few years.

Michigan paper mills, which are in competition with Maine plants, plan to double their pulpwood production in the next three years, the paper official continued.

"The amount of cooperation the New England paper industry receives from railroads serving its area may be quite a factor in how much of the paper production expansion will take place in the northeastern states," Mr. Travis concluded.

E. F. Hutton & Co. Opens Uptown Office

The stock brokerage firm of E. F. Hutton & Company will establish its most modern-equipped branch office at Madison Avenue and 60th Street, this city in August, Rudolph E. Cutten, managing senior partner, announced today.

Specially designed and constructed for efficiency and privacy, the street-level office will have tiers of private consultation rooms that have an unobstructed view of a semi-circular electric quotation board. The board will carry over 300 stock quotations and commodity prices. Its Trans-Lux screens will show New York and American Stock Exchange ticker tapes and the Dow-Jones news tapes.

The office is considered a new concept of modern brokerage service featuring up-to-the-minute improvements over most currently employed facilities. It will become the 34th branch of the firm's national network.

In keeping with the E. F. Hutton & Co. trademark, "Service to Investors," which has guided its nationwide growth for the past 53 years, a comprehensive financial library and reference room will also be available for the use of clients.

Freedom and the Economic Role of Government

By GABRIEL HAUGE*
Special Assistant to the President of the United States

An inquiry into the moral, spiritual, and political qualities of a free versus a government economic decision-making system induces the President's special assistant to examine the intimate relationship of personal security, material well-being, and personal-social-political freedom to proper degree of governmental intervention. Mr. Hague's policy guide is "as much freedom as possible; as little intervention as necessary" with an accompanying plea that freedom be given the benefit of doubt whenever possible. Wants government to strengthen the market system, moderate the business cycle, and to supplement the market system when it can not meet certain essential needs. Praises our system for evading the curse of Adam, by getting more bread for our sweat, which allows more people greater opportunity for self-fulfillment and spiritual development.

I

The concept of freedom has suffered over the years an almost indecent amount of dialectical distortion. It is perhaps not surprising that this should be so. Since there are very few saints among us, freedom must, indeed, be restrained lest only the strong be free and the weak be trampled down. The rule that freedom needs to be restricted only where one's free choice obstructs the free choice of others is classic but not always simple to apply. Under the pressure of society's interdependence today, its complex institutions and more complex psychologies, freedom has come to mean many things—even that "true" freedom is the absence of freedom.


Dr. Gabriel Hauge

The dilemma of freedom and order has confronted every generation, and it has been resolved in a variety of ways. In our own society we have agreed that incursions upon freedom must be clearly and strongly justified. This is a vital consensus, for on many difficult and imprecise social issues the balance of decision may be tipped by a proper regard for freedom.

This predisposition to favor freedom is grounded deeply in our moral tradition, resting in religion and in secular humanism, as well. We hold that the mission and meaning of life is the individual's exercise of his free will to develop the best that is in him: in work and play, in family and social relationships, in reason and art, in religion and ethics. It is grounded in a need for self-expression, the moral satisfaction and sense of dignity that comes from making one's own decisions. It is grounded in a hopeful concept of the nature and capability of man.

Even when the general case for freedom is granted, however, economic freedom is challenged by some as inefficient, dismissed as irrelevant, or denounced as immoral. A kind of economic collectivism, calling itself "economic democracy," lays claim not only to being compatible with political democracy but to being freedom's finest flower.

The indivisibility of freedom, however, makes economic freedom inseparable from political freedom. The free criticism so necessary to free government flourishes best where power is diffused, where the ownership of property is widespread, and where the economic well-being of the people depends upon no single source such as the State. A broad monopoly of economic power can, even without conscious malice, lessen the political independence of individuals in ways that are many, subtle, and probably beyond judicial supervision. In this respect history provides abundant evidence of the evil that good men do. To redress abuses of private economic power by substituting governmental power capable of greater abuse and less subject to control and restraint is, indeed, a doubtful procedure. There are, to be sure, abuses of private economic power and we must be vigilant to deal with them. But there are better and safer means for coping with this threat to freedom than by contriving the modern political equivalent of Jonathan Swift's "Modest Proposal" of 1729—that of burning down the house to roast the pig.

Economic Decision Making

Distinctions between political and economic freedom, moreover, seem to ignore the social conditions essential to a free society. Freedom's corollary is individual responsibility. Without such responsibility for personal action, no society can function smoothly with a minimum of force. Individual responsibility and the ideal of social harmony tend to be jeopardized by making political power the road to individual fulfillment. Nor is this ideal furthered by transferring to the political arena the innumerable economic decisions made impersonally through the market place. History does not suggest that social harmony will be better achieved by a broad-scale substitution of government economic decision-making for that of the market.

Economic collectivism, moreover, threatens individual development self-expression and creativity. If government were to tell us when to sow and when to reap, where and how much to work, what goods to produce and consume, would we be "more free" to devote our energies to the less material things of life? Can government, so to speak, play the role of the good secretary and remove from our minds the burden of detail? I doubt it. It is not likely that the fruits of freedom will be more abundant where the opportunity for its exercise is removed from the broad economic segment of life. Indeed, free economic choices—to work or to be idle, to spend or to save, to invest or not to invest, to produce or to consume—all are essential parts of freedom, involving the same moral choices; the same self-expression, independence and dignity; the same self-reliance and personal responsibility; the same creativity.

It is, of course, true that the issues facing us in the United States today do not require a choice between a free-wheeling individualism and a thorough-going state absorption of all economic decision-making. The real issues today turn on questions of more or less government intervention. The consequence of denying economic freedom become more evident, of course, as the denial approaches the absolute, but each degree of incursion can partake of the same consequences. The cumulative impact of small abridgements can be substantial. If we ever lose our freedom in America, it is likely to come from this nibbling process: freedom is not likely to be taken from us, rather we may be induced to give it away in bits and pieces.

The case for economic freedom gains practical support from its success in providing the nation with an unparalleled level of material well-being. If all material progress is directed toward evading the curse of Adam— ". . . in the sweat of thy face shalt thou eat bread . . ."—then, as a British observer recently remarked, we have certainly outpaced the rest of humanity. For, as he said, we get more bread for our sweat.

Interestingly enough, even this success has been criticized. Criticism is good for us. We should welcome reminders of the threat that materialism poses for our spiritual aspirations, for we know that a high standard of living is not the only, nor the most important, criterion by which a society should be judged. But moral criticism of a concern for material things, if it is to be valid, ought not to forget its theological as well as its humanistic premise: only a free choice of the "good" has moral significance; the "good life" cannot be imposed. The moral society, therefore, is one which seeks to increase the opportunities for individuals to pursue this goal by their own free choices.

In our own society, most citizens have been released from that exclusive struggle for survival and basic comforts which can inhibit the blossoming of the individual spirit and the social culture. It would be naive to suppose that a continued rise in our standard of living will bring the spiritual millenium. That we have not been vouchsafed. But a growing economy does allow more people to change the life which circumstances impose upon them and thus to enjoy a greater opportunity for self-fulfillment and spiritual development. It has been wisely observed that, "A saint may embrace poverty, but national poverty will not breed a race of saints."

Moral criticism, furthermore, should not fail to consider the realities of human motivation. It is hardly immoral to acknowledge that most human beings seek some measure of material comfort and also work better when they hope for some reward. What are the realistic alternatives? Will government's decisions be regarded by the whole people as more moral than the impersonal decisions of the market place? Are the practical mores of socialism less vulgar? Is force or the incentive to political power or social eminence more virtuous? People everywhere desire the benefits of a higher standard of living. Indeed, the most persistent criticism of economic freedom usually admires its quantitative results but challenges its distribution of income and criticizes its provision for personal security.

II

Providing Reasonable Personal Security

Needless to say, our society must respond to the deeply felt need for personal security. In our turbulent world we need protection from physical violation of person and possessions and relief from anxiety over survival or basic comforts. In this regard we can recall the concern of President Eisenhower for, "building a floor over the pit of personal disaster." Private and public measures to this end provide not only the satisfaction of basic needs, but also the climate in which personal and social values may be fulfilled.

Our goal must be a reasonable security through expanding opportunity for all men, a rising level of material well-being for the whole community, and the maintenance of freedom. The fundamental economic question is how, consistent with these goals, to meet unlimited human wants with limited productive resources. The medieval approach relied upon the perpetuation of traditional occupations and consumption patterns. Authoritarian systems rely on coercion to implement centrally-made decisions. To determine what is produced a free society relies upon individual choices expressed in free markets. The price system ties these millions of individual decisions together and nudges production toward meeting these choices, not by state coercion, but by free incentives. A well-working free market economy is thus the true welfare economy. It brings about not only the largest total of goods, but also the largest total of satisfactions because it produces the most of what people want most. It is this mechanism that enforces economic efficiency in the use of limited productive resources.

Efficiency demands free incentives if the whip of state coercion is to be avoided. Although the hope of reward is not the exclusive motivation for economic activity, it is nonetheless an essential one. The broad socialization of incomes through taxation and their redistribution through the public fisc as government benefits to the people can never be a proper goal of a free, dynamic society. Whatever the very conspicuous consumption of the very few may be, redistribution of income would in reality achieve little of its avowed purpose. As Professor Kenneth Boulding has put the matter, "we now see that in practice the abolition of poverty can come only from development"—or growth—"not from redistribution, not from taking from the rich to give to the poor, but in making everybody richer."

Economic freedom is indispensible to this economic progress. Its spirit of independence and self-reliance stimulates productive activity. Its freedom for individual development and self-expression provides the best possible climate for creative work. Its promise of reward induces the taking of risks essential to the rapid development and exploitation of new ideas. Since new ideas have often appeared in the first instance as folly to officialdom and public opinion alike, the diffusion of decision-making power means that innovation requires only one bold enterpriser rather than the approval of an unwieldly and cautious bureaucracy. Moreover, the errors of a single firm are unlikely to be overwhelming for the economy. And when the experiment of a single enterpriser is successful, the competitive penalties for backwardness speed its widespread adoption. Competition spurs that productivity which has been well described as, "the mentality of progress."

Depicts The Role of Government

No one holds, of course, that the competitive market system is perfect and automatic. Imperfections there are, and we must be alert to deal with them. To that end, government has a vital role to play:

First, to strengthen the operation of free markets; second, to moderate the tendency for a free economy to fluctuate between inflation and deflation; third, to supplement the market system in those areas where it alone cannot as well provide certain essential needs.

This is, indeed, a substantial and demanding role. It must be carried out with a deep concern, in our Federal society, for that proper division of responsibility between the central and local governments that keeps government close to the people. We can easily agree on traffic control, for example, without requiring that all patrolmen be appointed by the United States Attorney General; and we can believe in marriage without having marriage licenses issued by the Secretary of the Interior. The issues of Federal-State relations are, of course, much more complex and difficult than these, but they should all be resolved with a proper regard for maintaining the vitality of the Federal system in which we as a nation so deeply believe.

Government's role calls for great skill and caution and for a full recognition of the market system as the primary force for freedom, economic well-being, and dynamic personal security. It should seek to reinforce rather than replace this system. Doubtful cases of government intervention should be resolved in favor of individual freedom. Our guide to policy should be this: as much freedom as possible; as little intervention as necessary.

* * *

The key role of the price mechanism in serving economic freedom defines the first economic function of government: to strengthen the market system. Obviously, this task requires not only the maintenance of general order, but also the creation of an institutional framework conducive to private economic activity: the enforcement of contracts, the protection of commerce against the unscrupulous few, the provision of an effective monetary and credit system. The goal of free government as President Luigi Einaudi of Italy has said, is not the abolition of all regulations, but the establishment of regulations within which the citizen can act freely.

Since private monopolies can obstruct economic freedom, government can strengthen the market system by generally controlling undue concentration of market power in the hands of persons, businesses, or other groups. I say, generally, because some barriers, such as the monopoly granted by patents, seem desirable as a spur to private inventiveness; and I say, undue, as a reminder of the subtle difficulties of identifying harmful market power.

We usually agree upon the wisdom of public regulation for so-called "natural monopolies," such as public utilities, though, to be sure, neither classifying industries nor regulating them is easy. The most obvious and once most widespread monopolistic practices—pools, conspiracies, predatory actions, and the like—are the lesser problems today; the vexing questions now involve markets dominated by one or a few firms. To determine the desirability of judicial intervention in such cases, our relatively pragmatic anti-trust laws wisely require a judgment upon the degree and use of market power. The results are not neat because the judgments are often elusive. On the whole, however, vigorous and effective enforcement of sound anti-trust laws can help assure a dynamic and workably competitive condition for most markets.

In addition to lessening the private barriers to competition, government can and should take positive steps to promote enterprise. Within the limits of defense and other valid national considerations, it can, by an enlightened commercial policy, encourage international economic ties and foster trade across national boundaries as well as within them. And at home, by taking care that its

*An address by Mr. Hauge before the Conference on Essentials of Freedom, Kenyon College, Gambier, Ohio.

programs actually benefit competition, it can foster business enterprise. Its own very considerable purchasing activities can aid competition, and also benefit from it, by making it easier for small and new businesses to deal with the government. Sound statistical, information, and research programs can help these businesses meet the greater research and technical resources of larger firms. Government can also help meet the special credit needs of small and new businesses that are not adequately met by existing arrangements. Tax policy, furthermore, should encourage the savings which they need. These steps, soundly taken, are proper for government because of the vital contribution of new enterprise to the vigor of competition and to the innovations that spur economic growth in a free society.

Risk-Socialization

Growth and time, however, inevitably involve change: new products, new methods, and variations in consumer preferences. Growth thus requires readjustments, and these are often painful and disruptive. Restrictive proposals to protect settled interests, large and small, are always forth-coming. Proposals abound, too, for the promotion of private profit at public risk. Especially tempting to some is the idea that broad socialization of risk can somehow be linked with a vigorous private enterprise system. Sometimes particularly difficult readjustments justify intervention in aid of the market and to relieve distress. Such intervention should not by-pass the market and thus perpetuate itself and the problem. Sound intervention must aid, not obstruct, change. It must foster, not interfere with growth. Although growth may require some workers and resources to readjust to its changes, it also can afford them the best possible alternative—new and better opportunities.

An unusual, virtually unique, combination of circumstances has made the process of agricultural readjustment particularly painful. The case for government intervention in agriculture grows out of the unusual characteristics of that industry, including its peculiar dependence on the vagaries of weather and the particular difficulty of adjusting supply to sharp changes in demand. Because of these facts, government has been engaged for over 20 years in an extensive agricultural program, including measures for price support, market expansion, and reajustment to peacetime conditions.

The record of government intervention in agriculture illustrates very clearly the ever increasing restrictions upon free action imposed by public programs in this field. The present refusal of most corn farmers to accept sharp acreage restrictions as a condition for benefit payments dramatizes the limitations of extreme types of government control. In this broad area, one thing is clear: the necessary readjustments will never be successfully accomplished if agriculture is to be sealed off by unrealistic, rigid price-support legislation from the market place where consumers express their preferences. In agriculture, as in other fields, when we legislate, we must legislate along the grain of economic fact, and not against it. We must use market forces in solving this serious national problem, not try to suspend them.

One of the difficulties with intervention schemes generally is that they often seek to do more than cushion change; some of them are designed to defeat it and thereby to deny the population, over a wide front, the benefits of an increasing material well-being. And for the people directly concerned, it so often is the old story of a subsidized existence being a second-class existence. Special privileges for one or another producer group irresistably generate demands by others for "equal" treatment. And although the privilege may be described as "experimental" or "temporary," experience demonstrates the practical difficulty, greater as the beneficiaries become more numerous, of withdrawing a special privilege once conferred. This kind of unsound intervention in the market defeats both freedom and economic welfare. Its continuance is ominous, for government cannot yield to powerful pressure groups without the risk of ultimately succumbing to the fallacy of the corporate state. For government to go heavily into the business of building competition-shelters is a poor way to serve the cause of economic progress.

* * *

Moderating the Business Cycle

Strengthening the market's operation, however, does not free us from the plain fact that economic growth in a free society tends to proceed irregularly. This phenomenon poses the second great responsibility for government: to seek to moderate the ups and downs of the business cycle. Success in these efforts will encourage people to accept risks and discourage them from considering the exchange of their personal freedom for promises of personal security. Moreover, such success can remove much of the fear that prompts demands for undesirable intervention in the price system for the benefit of fearful groups.

No elaboration is required here of the need to avoid depression's misery with its blasted personal hopes and fortunes. If anything, the psychological trauma of the 1930s is still too much with us; any recurrence of that experience could seriously undermine confidence in a system of economic freedom. Experience tells us that government efforts and easy money can help stimulate recovery in a slump, but they will not help much if government spending merely substitutes for private spending, if tax policies discourage private activity, or if public policies create a climate of distrust or uncertainty which discourages private confidence in the system or in the future. Private confidence — among consumers, workers, businessmen, and investors—has proved far more potent for both recovery and growth than public expenditure. The main problem of recovery is to kindle the fires of expectation and confidence in the future. Indeed, it was in this vital respect that economic policy in the Decade of Depression failed.

Whatever remedial measures can do to help pull us out of a severe slump, preventive medicine is still the best approach to the ills of business ups and downs. We have come to learn that the corner stone of anti-depression policy is proper anti-inflation policy. We have a chance to avoid the bust if we restrain the boom. Therefore, we must take strong issue with the pessimistic notion that inflation is necessary to promote prosperity. Such a notion violates, rather than supports, the spirit of the Employment Act of 1946. The mandate of that Act "to promote maximum employment, production and purchasing power" does not require aggressive government intervention as a normal pattern. Postwar experience strongly suggests that, when private confidence is unimpaired, private expenditures can assume the responsibility for maintaining prosperity. We still have military spending on a large scale, to be sure. Indeed, the successful absorption of these great defense demands into a smoothly-working free economy remains an unresolved problem. Nonetheless, it is true that our mass prosperity today is substantially a prosperity of the private economy, based on private spending for private purposes, under conditions of balanced budgets and credit restraint.

A policy of creeping inflation, based on public spending and easy credit, is not conducive to optimum prosperity and growth. Through its uneven incidence and its emphasis upon continuous "sellers' markets," it may very well prevent the adjustments required by economic progress in situations where "people do the wrong things or work at the wrong places or with the wrong methods," where national or international markets shift, where capital or raw materials or complementary products are short, or where wages or prices in a firm or industry are out of line. To seek the miraculous elimination of such frictional adjustments through creeping inflation can only take a toll of the national fibre and resolution to maintain efficient and vigorous production and competition. To view prosperity as a temporary and abnormal state of affairs, pleasant but so fragile that even modest attempts to moderate it will tumble us into depression is to invite the steady weakening of our capacity for healthy economic growth. To mistake a shortage of men and materials for a shortage of money and to seek a remedy through credit expansion can only overload the economic circuits and threaten to burn out the fuses.

Inflation is in every sense a tax of the cruellest sort upon those whose incomes are fixed or respond only slowly to the upward drift. This describes a good percentage of the population: millions of salaried employees, the old, the dependent and the unorganized. A part of their income is simply destroyed by the reduced purchasing power of a cheaper dollar. Savings are confiscated by the cumulative erosion of many years. Yet, there are those who would try to force out of the economy, by credit-fed inflation, production for which there are no available resources. It is a curious paradox that the personal security of so many should be so lightly sacrificed in the name of the people's welfare.

Ominous, indeed, are the dangers of such an inflation whose day-to-day movement many present an innocent face. The question of coping with it becomes one of moderating the volume of spending when demand presses too hard on resources. It is necessary to restrain inflation and to do it by the best means—those most equitable, most conducive to growth and most consistent with freedom.

Fiscal and Credit Policy

Fiscal policy obviously is one tool available to the government when inflationary pressures mount. Revenues should, at the very least, be adequate to balance the budget, lest deficit spending add to the demand pressure on the economy. The level of expenditures, even in a balanced budget, should be held down, lest price pressure on some critical resources grow out of the shift from private to public consumption, and lest taxes to cover the expenditures absorb funds that taxpayers would otherwise have saved and invested to expand production. Moreover, management of the public debt, in such a situation, must seek to avoid aggravating inflationary pressures.

The other major tool for moderating the business cycle is credit policy. As Walter Bagehot said over a hundred years ago, "Money does not manage itself." In our country primary responsibility for credit policy has been entrusted by the Congress to the independent Federal Reserve System. For example, its present policy of credit restraint seeks to keep additions to money demand in balance with additions to resources. Its goal is to preserve the integrity of the people's money, while meeting the needs of the economy. Credit restraint does, of course, create problems—there isn't enough money to go around, mainly for the reason that there aren't enough resources to go around. The method by which credit is rationed in the market, of course, is not flawless. Although some desirable needs fail to qualify, there appears to be only one comprehensive alternative: to replace the capital and credit rationing of the money market with government allocation as to who may obtain credit or capital and in what amounts and for what purpose. The risks of so pervasive a centralized decision-making power are hardly justified by the inability of every prospective borrower to meet his needs fully under a policy of credit restraint. There will be some uneven impacts, with or without government allocation, as there are in every aspect of economic activity. And provided that we neither tamper basically with the rationing of the money market nor vitiate the policy of restraint, it is proper to have programs, as we do, that recognize the established national policy in such areas as small business, agriculture, and housing.

To keep prosperity by keeping it healthy requires judgment and skill. In the words of the Scotch proverb, "It takes a steady hand to hold a brimming cup." This is not to say, however, that a steady hand on monetary and fiscal management offers a complete and effortless solution. It is to say that such general controls are superior to the direct control of prices and wages and capital allocations which have always evoked, even in wartime, considerable controversy. Their economic effect is to substitute the rigidity of control for the flexibility of the market. Moreover, there is no reason to believe that such controls would be accepted by the citizenry in peacetime.

Advocates of direct controls sometimes urge that they alone have a solution to the wage-cost-price spiral that threatens the stability of our prosperity. If the past is any guide, however, many of such central decisions will be taken on political grounds. To by-pass the market and make political pressure the route to economic advantage does not seem a promising way to foster economic responsibility. A short-run check to the wage-cost-price spiral may take the form of a profit-squeeze where consumers balk at higher prices in a climate of monetary restraint. A long-term approach to the problem appears to require either a re-examination of the great power in private economic groups or the exercise of restraint and responsibility by those who hold such power. This sense of responsibility may be attainable. It is what President Eisenhower called for in his State of the Union Message. The broader recognition that inflation can give, at best, only a temporary advantage may lead to increasing self-restraint in groups with mature leadership. Perhaps, strategically placed private decision-makers will reflect a little more on their responsibility, along with that of governments, for keeping the economy on an even keel. It will take such a realization if stability with progress is to be achieved in a free economy.

When to Supplement the Market System

As useful as the price mechanism is, it has never been expected to provide for every need. In addition, therefore, to measures strengthening markets and fostering economic stability, there is a third and less well-defined category of government economic activity: to supplement the market system in those areas where it alone cannot as well provide certain essential needs.

The first of these activities supplements the market by expediting unusual industrial developments of potential economic or social value. War-time necessity occasioned such hot-house development for atomic energy and synthetic rubber manufacture under government aegis. Although it took some time, the war-born synthetic rubber industry has been transferred by sale to the market since the emergency causing its creation passed. The atomic energy situation is more complex, but its peaceful uses are now properly being channeled increasingly through the market. In more unusual cases, government subsidies were provided to speed the development of the railroads in the last century and, more recently, of civil aviation. Far-sighted but rare intervention of this sort, when undertaken, should be designed to utilize the market mechanism as soon and as fully as possible.

The second and more traditional government activity supplementing the market mechanism is that of resource development: highways for pleasure, commerce, and communication; navigable waterways; reclamation and conservation of our natural resources, including forests, wildlife, and the soil. To these must be added a more recent and currently controversial area of resource development—hydroelectric power — an area which illustrates the difficulties of doctrinaire approaches.

The third type of government supplement to the market seeks to lessen the challenges to personal security, to cushion the human costs of a dynamic, but non-utopian society. Those who believe in freedom must be imaginative in meeting such needs. Both the interdependent nature of our industrial society and the humanitarian impulses of our time demand it. An ingrained faith in the worth of each human soul compels our deep concern for those who find themselves below a basic standard of living.

In meeting the need for personal security, we can help individuals satisfy their urgent material wants and lessen the anxieties that prevent the full enjoyment of freedom. Unemployment compensation can ease the burden of changes in job conditions. The reinforcement of health insurance plans can assist individuals to protect themselves, through their own efforts, from the sometimes crushing financial burden of illness. A social security system can protect a worker and his family against the dependency resulting from old-age or premature death. A basic standard of living may be provided through various public assistance programs for the relatively few who, for various reasons, may be unemployable. These and other meritorious measures do, indeed, use the coercive fiscal powers of government, but they do so to help individuals within the framework of a free economy and, at the same time, to create the climate most favorable to free, personal economic activity. Moreover, such programs, if properly conceived and administered, can widen rather than narrow individual freedom.

It should not be necessary—and yet it is—to emphasize that such welfare programs must be carried out with judicious care. A cool head is needed in welfare as well as a warm heart. Public policy that encourages private laxity helps neither the individual nor society as a whole. What government does to help must remain consistent with our traditional belief that the only real security is that which an individual

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Freedom and the Economic Role of Government

wins for himself. Government intervention to "promote the general welfare"—as is stated in the preamble to the Constitution—must be mindful of the next purpose set forth in that preamble—to "secure the blessings of liberty for ourselves and our posterity."

Much more, of course, is involved in promoting the general welfare than dealing only with the casualties of life. Public and private action, for example, should seek to remove the obstacles to equal economic opportunity for all persons. A society which values each individual must take steps to bring the first rung of the ladder of opportunity within the reach of all. Universal education and various vocational programs are thus a social and moral necessity. So also, is the unremitting discouragement of discrimination of all kinds. And the best climate for their elimination is the expanding volume of opportunities that a growing economy affords.

III

Summary

My theme has sought to emphasize the intimate relationship of personal security, material well-being, and freedom. This link may even have been recognized in a recent Polish Communist Publication, "Nowa Kultura," when it commented that the free economy, "has solved a problem which has never before in history been soluble, and which was to have been solved by socialism—the abolition of poverty as a mass phenomenon."

Material well-being in our nation is mainly a question of whether the economy remains dynamic and grows in a reasonably stable manner. To achieve that end, economic freedom is a prime requisite. Its free consumption choices fulfill the personal drive for self-expression; its competition and free markets produce the greatest satisfactions from our limited resources; its free climate stimulates creative action and innovation; its free incentives encourage risk-taking, the adoption of new ideas, and experimentation with the fewest social risks. Through these avenues, freedom assures rapid economic progress which alone allows an increasing standard of living for nearly everyone. It is thus that America's plenty-in-freedom has become a reality.

We have seen that government, too, has a role to play in gaining the full promise of freedom for the individual:

First, to provide the proper complement of order and law and regulation in which the people may rely upon the security and propriety of transactions in the market, but not to make government the judge of each transaction; to regulate "natural" monopolies, but not more than the degree of market power requires; to keep the market free of monopoly-like powers and other private barriers, but not to intervene arbitrarily in the name of competition; to remove unjustifiable barriers to international trade; to encourage and foster enterprise, but not to shelter it from competition; to ease the readjustments of a dynamic economy, but not to subsidize inefficiency or backwardness; to aid adjustment to change, but not to supplant the market and thus perpetuate the problem and the claim for intervention;

Second, to seek stability in economic growth, by guarding it from both inflation and deflation; to moderate these forces through reliance upon fiscal and monetary controls, and not to suppress freedom or inhibit necessary adjustments by reliance upon direct controls; to foster understanding of the important role of private economic decision-making in stabilization policy;

Third, to supplement the market in those areas where it alone cannot as well meet essential needs, but to do so with a deep concern for the growth that is the real source of economic welfare; to help cushion the personal adjustments to change, but to do so in a manner that keeps the economy flexible and does not straitjacket it.

These guidelines help define the proper kind of government intervention. There remains the question of the proper extent. The direct cost of intervention through taxation must not be allowed to endanger incentives to production and growth, the achievement of individual satisfactions, or the individual's provision for his own security. Today fully one-fourth of our national income is disbursed by government at all levels. This public share may well be near the limit that can be borne without consequences adverse to a free, efficient, and growing economy. On this issue we as a people face important decisions. The extent of government intervention must not be permitted to jeopardize the economic freedom which is the well-spring of our economic welfare.

Because of the intimate relationship of economic freedom to political and personal and social freedom; because economic freedom is the basic ingredient for the growth that provides economic welfare and security for the whole people; because a program based on economic freedom can best provide widening personal opportunities, and promote a healthy prosperity—because of this we believe that the claim of freedom must be weighed heavily in the continuing question of more or less government intervention. This is a plea for principle, the principle of freedom; a plea that freedom turn the balance whenever the case for intervention is not clearly, positively, and persuasively made out. A proper role for government must rest on a proper regard for freedom.

Electronic-Nuclear Equipment's Fastest Growing Market

By WILLIAM G. DAMROTH

Vice-President, Nucleonics, Chemistry & Electronic Shares, Inc.

With over a $1 billion medical electronic market already established, Mr. Damroth expects the rapidly increasing advances by the twin sciences of nucleonics and electronics will make the medical field one of the fastest growing markets for electronic and nuclear equipment. Large and small capital equipment already marketed and potential market are described by the writer-specialist of firms located in this industry.

The medical field today comprises one of the fastest growing markets for electronic and nuclear equipment. Here for more than a decade the physician, the biologist, the physicist and the electronic engineer have combined their efforts to create hundreds, if not thousands, of applications of advanced biophysical and electronic techniques. Out of their work has come the "electronification" of conventional medical instruments and development of a long list of new and immensely superior tools for research, diagnosis and therapy.

Wm. G. Damroth

Innovations range from the comparatively simple ultra speedy electronic thermometer and "hi-fi" stethoscope to the well-publicized expensive ($100,000 up) and high-powered petatrons for cancer treatment. They include electro-encephalographs, electro-cardiographs and colorimeters as well as electronically operated surgical instruments, blood pressure recorders, fluoroscopes and microscopes, plus a wide variety of new diagnostic, counting and detecting devices to serve the whole broad field of medicine. The fluoroscope and microscope offer some idea of the comparative efficiency of electronic instruments. The electron fluoroscope, for example is 200 times brighter than the conventional model. As for the electron microscope, it is capable of more than 200,000 magnifications, whereas the finest optical microscope leveled off at 2,000 diameters of microscopy.

Atom Blazes New Trail

Simultaneously with these electronic developments, nuclear science is blazing a new trail with radioisotopes coming into increasing use for diagnostic and therapeutic purposes. These in turn are opening a steadily expanding market for reliable instruments for detecting and measuring radio-activity. The use of reactor radiation for cancer therapy is imminent. Presently a new medical therapy reactor is being built in conjunction with the $6.4 million Medical Research Center now under construction at the Brookhaven National Laboratory. Even though reactor radiation for therapy is still in the experimental stage, joint private-government plans exist for similar facilities at other places. Then there is the new, portable X-ray machine that works without electricity, water or a dark room. Developed by the Army for the battlefield or wherever electric power is unavailable, it is built around a radioactive nugget of thulium no larger than a green pea. The first radiation-sterilized drug—another potentially big field for nuclear science—reached the market last year. It is an eye ointment produced by Upjohn using a Van de Graaff electron accelerator made by High Voltage Engineering.

All these electronic and nuclear contributions have come with dazzling rapidity. The electronic devices alone are estimated by trade sources to add up to more than a billion dollar market in the medical field. With nuclear science in its infancy, it is impossible to calculate the potential market for atomic devices except that it will be quite substantial. It must be remembered, too, that applications of nuclear science utilize electronic equipment.

Use of Radioisotopes

So new are many of the devices, especially in the nuclear field, that in January of 1956 the Panel on the Impact of the Peaceful Uses of Atomic Energy reported only 870 hospitals and clinics out of 6,970 had radiation and radioisotope handling facilities and only half the medical schools in the country had facilities to aid in teaching these techniques. Nevertheless, the report added: "The use of radiosotopes for both diagnosis and therapy is becoming standard practice." Up to that time an estimated 50,000 patients had been treated with radioisotopes and close to 500,000 patients had been given radioisotopes for diagnostic purposes.

The technologilal revolution is bringing about major changes in the market for medical equipment. At one time X-ray and diathermy constituted virtually the two major sales items. Today, microwave diathermy—another electronic item — is proving more versatile than low-frequency diathermy. And in the field of tele-therapy radioactive cobalt is used more and more as a substitute for supervoltage X-ray therapy, because a higher radiation dosage can be applied to a tumor with a lesser dose to normal areas.

Meanwhile month in and month out a new electronic diagnostic or therapeutic instrument is heralded. These include devices for detecting and counting physiological and chemical changes in the human body and for locating and measuring damage to the brain, heart and other organs. Electronic machines also can precisely assess hearing acuity and even analyze heartbeats in terms of harmonic content. And these are but a few in the steady procession of developments in the medical field over the last few years.

Some more recent electronic machines include an electrogastrograph for stomach dianosis, a pallometer to determine patient sensitivity and a machine for measuring blood. The latter is an ingenious computer-like unit that uses radioactive blood cells to determine the amount of blood in the body. To find out how much blood a patient has, he is given an injection of a salt solution containing red blood cells tagged with radioactive chromium 51. Some 15 minutes later a small blood sample from the patient is put in a coiled plastic tube and fed into a typewriter-sized machine. Several minutes later the machine has measured the radioactivity of the blood sample and computed the total volume of blood in the body.

Human Hearing Measurable

Another ingenious device is the audiometer built at the University of Toronto at a cost of $40,000. This precisely measures human hearing as a direct aid to diagnosing the source of ear disorders. It is believed to be the first of its kind in the world.

Then there is the electronic respiratory unit. Manufactured by Bartow Laboratories in portable form, it shoots tiny electrical impulses through a wand applied to the solar plexus. The wand is a glass electrode filled with argon under negative pressure. The intensity of the current is increased until the diaphragm contracts rhythmically and takes over the mechancs of breathing.

The technique of the computer is under study presently by several groups for adaptation to the medical field. In one cooperative project by Lockheed Aircraft and the Nash Cardiovascular Foundation, computers are revealing new knowledge of heart diseases, early detection and relief. Under this program computers describe and record in mathematical terms all of the contractions, flutters, valve actions and other motions that make up the heart's total activity.

The Air Force and the American Machine and Foundry jointly have developed another computer for experimental use in medical diagnosis. This project looks to complete storage in a computer of all known signs and symptoms for both individuals and categories of diseases. Thus careful lists of clinical histories and physical findings assembled by a physician on any one patient could be matched against the store of knowledge in the computer. The resulting deductions could produce a diagnosis or an indication of the steps to be followed to produce a definitive differential diagnosis.

No Punch-Board Medicine

This latter experiment does not by any means look towards a future of impersonal, ultra-scientific, punch-card medicine. Rather the experiment assumes that in bio-medical research, many problems basically involve the solving of mathematical equations or lengthy statistical calculations. The project seeks to determine the practicality of the application of large-scale general computers in this work.

In the administrative field the computer already is in use in the Michigan Hospital Service to keep track of the hospital and medical records of more than 3.5 million residents of the state.

How quickly nuclear and electronic medical applications come into widespread use depends on two things: availability of funds for purchase and availability of trained personnel. So far as hospitals and clinics are concerned, there is a shortage of both. What is likely to happen is that the more complicated and expensive equipment will not be duplicated in a community. That is, one hospital in a city might install a betatron while another in the same city would purchase the unique audiometer or the machine that measures a patient's blood.

However, the smaller and less expensive devices such as the tiny microphone—less than a sixteenth of an inch in diameter—that can be placed inside the heart to record its beating sounds or the radiation detector that can be placed in living flesh in a hypodermic needle and similar tools that do not involve large capital investments probably will come into general use quickly. Closed circuit television, for example, now is a familiar feature in medical work. It is used in inter-city clinics, and for regular instruction in medical schools especially to permit students to watch surgical techniques.

New Medical Frontiers

Undeniably the twin sciences of nucleonics and electronics are opening new medical frontiers. Radioisotopes, for example, have given a voice to certain of nature's elements. When these elements are exposed to the powerful radiation of splitting atoms, they, too, become radioactive and are called radioisotopes. The radiation they give off can be detected and heard with special instruments. Today doctors are introducing isotopes of iodine, iron, sodium and other elements into the bloodstream. As a result they are learning more about the human bloodstream, how it supplies nourishment, defends against disease, or becomes diseased itself. Indeed, the twin sciences permit medical men for the first time to trace the life process while in progress.

Thus it would seem that yesterday's advances in research and diagnosis mark only the beginning. And these advances have been magnificent—one serious disease after another conquered and man's life expectancy increased 21 years since 1900. Now immeasurably superior devices and instruments are at hand. Even finer ones can be expected. For it is more than

likely that the steady procession of electronic and nucleonic tools to the medical field will accelerate and broaden. Both sciences are far from maturity and only a short distance from their infancy. That is why many scientists believe that not only will the aging process be appreciably slowed in the future, but that we may even be on the verge of understanding what life itself is.

Financial Men Aid Greater N. Y. Fund

E. Arthur Carter, Vice-President, Chase Manhattan Bank, 18 Pine Street, New York is Chairman of the Finance, Insurance and Professions section of the 1957 campaign of The Greater New York Fund, according to announcement by Paul Felix Warburg, Chairman of the Fund's Private Firms Division.

Francis A. Cannon, Vice-President of the First Boston Corporation will head the Exchanges Group according to Mr. Carter.

Appointed members of the Corporations committee of the campaign are Jacques Coleman, Coleman & Co.; L. W. Lundell, C. I. T. Financial Corporation; John P. Maguire, John P. Maguire & Co.; Herbert N. Repp, Discount Corporation of New York; and Herbert R. Silverman, James Talcott, Inc.

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William M. Donovan is conducting a securities business from offices at 302 West 22nd Street, New York City.

Townsend Scott Opens

BALTIMORE, Md. — Townsend Scott is engaging in a securities business from offices at 301 Kendall Road.

Mutual Funds Co.

SYRACUSE, N. Y. — Henry B. Bohannon is engaging in a securities business from offices at 1853 Bellevue Avenue under the firm name of Mutual Funds Co.

Peerless-N. Y. Formed

Peerless-New York, Incorporated is engaging in a securities business from offices at 37 Wall Street, New York City.

Kenneth Stucker Opens

MIAMI SHORES, Fla.—Kenneth B. Stucker has opened offices to engage in a securities business. Ronald B. Stucker is associated with him.

Forms Sherry Co.

John M. Sherry is engaging in a securities business from offices at 80 Wall Street, New York City, under the firm name of Sherry Company.

Trust Secs. Corp.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Trust Securities Corporation is engaging in a securities business from offices at 80 Federal Street. Officers are Ralph S. Henry, President, and Richard W. Stokes, Secretary and Treasurer. Both were formerly with Wall Street Management Corporation.

Joseph Rubin

Joseph Rubin passed away April 26 at the age of 60, following a brief illness. Mr. Rubin, a limited partner in Bache & Co., was in charge of the San Antonio office.

Union Monopoly Power: Challenge to Freedom

By COLA G. PARKER*
Chairman of the Board, National Association of Manufacturers
Director, Kimberly-Clark Corporation

NAM head notes the McClellan Committee's revelations and AFL-CIO Executive Committee action in suspending Mr. Beck, but warns this merely treats personal misdeeds rather than "touch—or even recognize—the root cause which makes corruption possible." Mr. Parker avers business is not out to "bait labor" or "bust unions," since it believes in voluntary unionism, and offers three-fold plan to eliminate union monopoly power and to resurrect the phrase "free labor." The prominent industrialist wants prompt action to forestall autocratic labor dictatorship presided over by Walter Reuther, and opines "we will not have a cleaned-up labor movement . . . as long as compulsory unionism and monopoly power are allowed to exist."

Over and above the headaches and heartaches which the arrogance and dictatorial power of union leadership pose for the employer in the day-to-day operation of his business, there is this all-embracing question of individual freedom — not freedom for the employer alone, but freedom for the individual working man, and eventually I believe, freedom for all Americans. We always have been proud of the term "free labor" in this country. We consider this one of our strongest assets. We tell ourselves it is the one advantage we possess which is sure to win out over the slave labor of Communism in the long run. But some of us here in America interpret this phrase differently from others. That it could be interpreted in any but one way shows how far we have drifted away from our basic principles.


Cola G. Parker

When you and I use the phrase "free labor," we mean freedom for the individual working man —freedom to work at any trade or calling for which he has the capability; freedom to join a union if he wants to; freedom not to join if he doesn't want to; freedom to do his best in his work and to progress to the full extent of his capacities; freedom to support the political party or candidate of his choice.

Many union leaders interpret this phrase differently. They believe it means freedom for the union, not for the people who belong to it. They believe it means freedom for **them** to do as they please, uncontrolled and uncontrollable. And to anyone who challenges their freedom to ride roughshod over the rights of others, including their own members, they cry "union buster" and "labor baiter."

Sad to relate, the laws of our national government — and the laws of 30 of our 48 states—seem to lend more support to their interpretation of the phrase "free labor" than to yours and mine.

Our laws have been interpreted to safeguard freedom for the union, rather than freedom for the union man. They permit and foster union monopoly power. The subject breaks down in my mind into three broad aspects:

First, the structure of union monopoly power which has been built up and the foundation on which it rests;

Second, how this monopoly power is being used to the detriment of all the American people, including union members themselves;

And **third,** what must be done to bring it under control.

Believe in Unionism

Before going further, let me emphasize that American industry and business are not out to "bait labor," and they have no desire to "bust" unions. We believe people have a right to organize and join unions, and to bargain collectively with their employers. But we believe this is an **individual** right; that it resides in the person of the employee. And that unions, as organizations, have no inherent rights other than those voluntarily and freely given by the members they are supposed to represent.

My further remarks are predicated on **this** simple and unassailable truth. And they are directed just as much to protecting the interests and the freedom of the individual working man as they are to protecting the interests of employers and the general public, all of which are menaced alike by union monopoly power.

The **fact** of union monopoly power does not need to be demonstrated. Many are in contact with it every working day. You see it in action. You meet it at the collective bargaining table. And, if you happen to deal with a union in which monopoly power is well advanced, you know how adamant and unyielding it can be.

In most of our important industries today, there is no such thing as collective bargaining between employers and the representatives of their own employees. The inevitable demands for wage increases and fringe benefits are formulated and dictated in the far-off headquarters of the international union. They are presented to individual employers on a take it or leave it basis. There is not much chance to argue—to protest. It's sign on the dotted line or take a strike.

It is a **fact** that a handful of men—and in some cases, one man —has the power to stop the wheels of our major industries; to bring the economy of the nation to a dead halt. The government of the United States does not have this power. The President does not have it. The Congress does not have it. But the few men in control of the labor suppy of basic industries — some of them among the men who sit together on the Executive Council of the AFL-CIO—**do** have it. When they don't get their way, they use it — and seemingly no power in the United States is able to stop them.

Now, we may well ask, how did these few men get such power? Did Congress give it to them? Do they exercise such power under a charter from the American people, or even from the people they are supposed to represent? The answer is NO!

Unions Got The Power

The intent of Congress in enacting the labor-management legislation now on the books was to safeguard the rights of individual working people. It was not, and could not have been, the intention of Congress to set up union monopolies.

The intent of the courts in interpreting these statutes, again, was not to create union monopolies. It was to secure to the individual the right of self-organization and collective bargaining with his employer.

But the laws and the decisions of the courts, while not designed to create union monopolies, have provided no definite prohibition against them. And through this loophole the union bosses have driven with all their energy and determination to create monopolies in fact in most of our basic industries.

The methods used to achieve their purpose have varied with the occasion. When, by an appearance of sweet reasonableness, union leaders can "organize at the top" by inducing an employer to sign a union shop contract and herd all of his workers into the union, that method is preferred. When that doesn't work, there is the sit-down strike; organizing drives in which the club and the brass knuckles play a greater part than verbal persuasiveness; mass - picketing with all of its accompanying violence. There are boycotts; sabotage; intimidations; and an endless barrage of lying propaganda directed to employees, the public, stockholders and customers. There is unremitting effort, backed up by threats of political retaliation —and unfortunately all too often successful—to enlist the aid of public officials and law enforcement officers on the side of the union.

Against a combination of these tactics, the average employer is all but helpless. Even should he succeed in obtaining police protection, or a court injunction against the more obvious and provable forms of intimidation to which he and his employees are being subjected, the battle continues without letup. Witness the Kohler strike in Wisconsin which began three years ago and still continues with no end in sight.

The Kohler Example

Walter Reuther's union is relentlessly determined to impose its monopolistic will on the Kohler Company. As you know, it now is attempting to instigate a nationwide boycott of Kohler products. It is not having much success, but its intention is plain.

Don Rand, the UAW boycott director, says, and I quote him:

"It is almost sinful to have any labor dispute degenerate to the point that this one has—where we actually have to wreck the company. That's what we're doing—wrecking the company."

Well, not quite! At least, not yet. But monopoly, as always, cannot brook defiance in what it considers to be its own house. To prove that he is master, Reuther is determined to bring Kohler to its knees. The question is: how much longer will public opinion in America stand for union tactics which are more suited to the slave camps of Siberia or the dungeons of the Gestapo than they are to a free America?

The cornerstone on which union monopoly power rests is compulsion—compulsion on the employer to sign a union shop agreement; and compulsion on the working man to join the union if he wants to make a living.

Union monopoly power is sustained financially by the compulsory collection of union dues—the check-off. Members must agree in writing to have dues deducted from their pay, or they will find themselves out of jobs. Whenever the union overlords decide they need extra money for some purpose, the members are assessed. If they don't pay the assessment, there are various direct and indirect ways to compel payment.

Union monopoly power and its exercise is permissible because unions are exempt from the legal liabilities under Federal law to which all other persons and organizations are subject. Because of the doctrine of Federal pre-emption promulgated by the Supreme Court which holds that the states have no power to act in a field over which the Federal Government has taken jurisdiction, there is little the several states can do to control or regulate the operations of unions.

Thus, unions are in effect separate sovereignties. Their leaders are answerable to no one but themselves. Their actions, for good or evil, are under no restraint other than that imposed by their own consciences and respect for the rights and liberties of their fellow men — which in all too many cases is very little restraint indeed.

There are some in America who think this situation is perfectly all right—some people in high places in intellectual circles, in government, and even in business. The argument goes that the so-called union shop—which in actual practice becomes the closed shop — should be a matter of contract between an employer and a union; and that any prohibition of such agreements by law is a curtailment of the right of contract.

Individual Rights Neglected

But what about the rights of the **individual?** Have we drifted so far from the principles of individual freedom on which America was founded that contract rights take precedence over human rights?

If two parties—an employer and a union—bargaining in their own interests, can enter into a contract which violates the rights of the individual who works for that employer, personal freedom for the working man is dead in America.

Yet, efforts are being made to extend and strengthen union monopoly still further. Proposals have been made to Congress that employers and unions in the construction industries be permitted to enter into "pre-hire" union shop contracts. Such proposals, if enacted into law, would make the unions the virtual owners of jobs in the building trades throughout the country. And obviously, then, no workman could enter the construction field without becoming a member of a union.

What happens to the human dignity and rights of the individual craftsman under the circumstances? His representation in the important matter of earning a living is all staked out for him. He must accept it no matter how arrogant or venal it might be; and he must maintain himself in the good graces of the union if he wants to earn a living at his trade. He must, in effect, surrender his dignity, his self-respect, and his birthright as a free American.

Those who support such forced surrender of individual rights justify it on the ground that it is "practical," that it will encourage labor-management "peace." It may encourage peace all right —the peace of surrender; the peace which prevails under a dictatorship when all opposition has been liquidated. That kind of peace is the kind true Americans never have and never will accept.

Less than 18 months ago, George Meany, head of the AFL-CIO, attempted to justify unlimited power in the hands of union leaders in the following remarkable words, and I quote him:

"If there is fear of too much power, how can we have too much power if the power is for good and is used only for good. You

Continued on page 30

*An address by Mr. Parker before the 20th annual Spring Conference of the Industrial Relations Association of Wisconsin, Milwaukee.

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Union Monopoly Power: Challenge to Freedom

just can't have too much power."

Well, this brings me to my second point. Let's see whether this too much power—this monopoly power—is for good and is being used only for good. Let's review some of the things it is actually being used for.

How Union Power Is Used

It is being used to compel many people to join unions against their will and once they are in, to push them around with no regard whatsoever for their rights or their feelings as human beings. The instances which can be cited run into the thousands and tens of thousands. Union members have been beaten, thrown out of the hall, shot, intimidated, fined, suspended, and reduced to whining supplicants because they dared to question the actions of their union leaders. Many unions, from the locals up to the front office of the international, are run by tightly knit cliques, who, like storm troopers, take orders and carry them out ruthlessly. In these, the rank and file member has nothing—absolutely nothing to say. He is shouted down if he tries to protest within the union; he is brought up on charges "unbecoming a union member" if he protests outside the union; he cannot resign in protest without forfeiting his job and his livelihood.

Monopoly power and compulsion are being used to maintain crooks, racketeers, gangsters, and hoodlums—or their puppets and front men—in the top positions in many unions. With one hand they keep a tight grip on the working man's throat, so that he can neither move nor cry out in protest; with the other they reach into his pay envelope and into his welfare fund in order to enrich themselves. The numerous Congressional Committees which have delved into these matters, including the present McClellan Committee, have come up with ample evidence which grows monotonous by repetition.

At long last, it appears as if some attention is being paid to these revelations. Acting under its recently adopted codes of ethical practice, the AFL-CIO Executive Council voted to suspend Dave Beck from membership on that body. He will have a chance to appear at a formal hearing before the Council on May 20th, and further disciplinary moves may follow.

Such prompt action in the wake of Mr. Beck's appearance before the McClellan Committee is commendable—and let's hope it does some good. But, I say to the American people: The AFL-CIO can adopt codes of ethical practice; it can eject from its councils those who violate such codes; it can withdraw its support from union leaders revealed to be crooked — we will not have a cleaned up labor movement in this country as long as compulsory unionism and monopoly power are allowed to exist.

Treating Root Causes

The AFL-CIO codes of ethical practice deal with the **personal misdeeds** of union leadership. They do not touch—or even recognize — the root cause which makes corruption possible. They treat symptoms of the disease and not the disease itself.

With a captive membership, every head of a union is a law unto himself. He can be thrown off the AFL-CIO Executive Council. His union can be ejected from the big labor combine, as happened in the case of the International Longshoremens Association in New York several years ago. But the officers of this union were not deposed. The AFL-CIO could not deprive them of access to the financial resources of the union, or of their steady incomes from members' dues, or of their authority over the union's welfare fund. For all of its prestige and authority, the AFL-CIO has been unable to defeat the ILA in three representation elections. It now has given up trying.

So, in short, these union officials against whom charges of corruption were made could not be shorn of their power—their autocratic power which rests on compulsory unionism.

It is this power which enables union leaders to perpetuate themselves in office; to appoint their own henchmen to the key positions and to the elective bodies which elect the union officials; to remove from office any local official who dares to question the actions of the top man and put a "stooge" in his place as trustee. It is this power which enables them to operate unions as their own private principalities. It is this power which must be curbed.

Union monopoly power is being used to restrain trade, to restrict production and fix prices, to allocate markets and territories and to tell employers where they may and may not operate. It is being used to force labor costs up far beyond any gains warranted by increased productivity, thus condemning the nation to endless inflation. It is being used to boycott products and **employers** which unions choose to designate as "unfair"; it is being used to force business enterprises in some areas to use only products manufactured in plants employing members of certain unions. It is being used to impede or prevent the introduction of new products and processes; it is being used to force the hiring of unneeded workers and to hold down the amount of work employees could and would like to turn out. All of these practices are amply documented by actual case histories in the booklet entitled "Monopoly Power as Exercised by Labor Unions" which was published recently by NAM. It is the product of a year's work by a group which was asked to study all phases of union monopoly. I will be glad to see that anyone who wants a copy, gets it.

Foster Political Goals

Finally, this monopoly power is being used to divert the dues money of union members to the promotion of political objectives and candidates to which many of these members may be opposed. And, as a corollary to this, the union leaders are seeking ways and means to regiment, and if possible to control, the votes of their members.

Since the election last Fall, businessmen seem to have forgotten—or put out of their minds—the threat posed by union political activity. But the unions have not forgotten, and they do not intend to forget.

In the March 7th issue of its political memo, "COPE," the Committee on Political Education, announced a new, year-round registration drive. Let me read you a few paragraphs from this announcement:

"After a great amount of experience with the registration problem over the years, labor is now convinced that efforts made only immediately before Election Day are inadequate. **Work must be carried on systematically ALL around the calendar.**

"Particular emphasis placed on the need to establish a permanent **card-index system at central labor union headquarters** under the direction of the local COPE, which will contain an **accurate and up-to-date record** showing whether each trade union member and his family are registered to vote."

The announcement also states that all angles of the problem have been canvassed to make sure that no "gimmicks," "gadgets" or basic ideas which might help to speed victory have been overlooked. We can be sure none will be. The only thing the unions need now to rivet their control unshakably on the country is political victory. And they are driving for it with all the tenacity and determination which they used in building up their monopoly power.

Must Act Now

And this brings me to the third aspect of this problem I want to discuss. Unless union monopoly power is brought under control before the union bosses have succeeded in obtaining political domination of the country, it never will be brought under control. We will have an autocratic labor dictatorship here in America, presided over without any doubt by Walter Reuther. He is considerably younger than George Meany, considerably more tough-minded in his objectives and methods; and he is motivated by an intense desire for more and more power.

Then America will be changed for all time. With labor in the saddle and able to effect what changes it likes in our laws, our Constitutional processes, and our electoral methods, there will be no chance whatever of upsetting it.

We must act, and act now, to remove the props which sustain union monopoly power. These are three in number: the immunities under the law which are available to unions but denied to all other persons and organizations; compulsory **union** membership in thirty of our forty-eight states, including nearly all of the highly industrialized ones; and the ability of union leaders to tap the funds of union members to support political candidates who will do their bidding and to defeat candidates they feal will curtail their power.

If unions are subjected to the same kind of laws which govern the conduct of all the rest of us, they will not be able to engage in the anti-American and anti-social practices which are common today. **Boycotts**, restraints of trade, price fixing, allocation of territories and similar harmful acts now engaged in by unions will become subject to legal process.

If compulsory unionism is outlawed, unions will have to devote more attention to service to their members and service to the community, and less to extending their power and authority over both. Any supposedly voluntary association which needs compulsory membership in order to survive and thrive is obviously not operating in the best interests of those whose money supports it. According to union leadership, the union shop is necessary for union security. But in my opinion the only kind of security they are entitled to is the security which comes voluntarily from a loyal and enthusiastic membership for whose true interest they are always working. The fact that union leaders say they need compulsion for security is positive evidence they are not doing this kind of job in many cases today.

If union leaders are forced to rely on truly voluntary contributions from their members for partisan political purposes, their political reach for more power will be sharply curtailed. This was indicated by the drive for "COPE" dollars in the last election campaign. Out of more than 15 million members, less than $1 million was obtained. To permit them to use union treasuries as giant political slush funds violates not only the rights of the members to whom these funds belong, but also the American tradition that every citizen is entitled to self-determination in his political acts and beliefs.

If these three props are taken away, union monopoly power will wither away in America and unions can go about their rightful function, which is to represent their members in collective bargaining negotiations. Furthermore, they will do a much better job of it for all concerned, and mutual cooperation between employers and workers for the good of the nation will become a reality.

The McClellan Committee is performing a great public service. And in view of the public reaction to the investigation of the Teamsters Union, it would appear that the misdeeds of union leadership are not going to be swept under the rug any longer—as happened when previous Congressional committees inquired into such matters.

But so far this investigation has dealt only with the personal actions of union officers. It has not yet touched what is really wrong — the monopoly **power** which makes such malpractices possible and enables union officials to get away with them.

Monopoly power itself must be curbed, and—I repeat—until this is done such actions as has been taken means nothing.

What Should Be Done

What can we do—what can you and I do—to move this matter along? The first thing we can do is have the courage to speak out plainly—as I am attempting to do now—against evils and practices which we know exist. Employers must stop shying away from what they know to be the truth in order to avoid trouble. The trouble is here. We can't wish it away. It will grow worse unless concerted and courageous efforts are made to stop it.

We must do all we can to make people in our communities and in our plants acquainted with the facts. We must make these facts known to our representatives at all levels of government. And we must insist that the "shadow government" operated by the unions —the **extra-legal** government with which they suppress the rights of their members and harm the interests of all citizens—the government within a government —comes to an end.

American industry and business, and the American employer, are the bright hopes for the future for all of our citizens and for the preservation of American freedoms. Let us stop apologizing for our views. The path down which union monopoly would lead the American people is the path of suppression, of denial of human rights, of socialistic class warfare, and eventually of scarcity and austerity.

If we make these facts clear to the American people, they will believe in and follow our leadership.

Chicago Investment Banker Warns Professors Budget Cut Would Be Perilous

Two economists and an investment banker air opposing views on Eisenhower's budget. Investment banker John Nuveen disagrees with Professor Eisner that military budget items can be cut, unless causes contributing to world tension decrease, and Professor Friedman opposes Mr. Nuveen's views in holding that foreign aid offers an area for budgeting cuts.

Two economists maintained, for different reasons, that the Eisenhower budget could be cut, and an investment banker held that cuts would be perilous to the country's world position, in a national network broadcast on May 5.

Milton Friedman, Professor of Economics, the University of Chicago, said that the $5 billion farm program, the approximately $1 billion of direct aid abroad, and the $400 million Federal aid to education item were all possibilities for substantial reduction.

Robert Eisner, Associate Professor of Economics, Northwestern University, advocated cutting the budget because the money was being spent for the wrong purposes.

John Nuveen, investment banker and University of Chicago trustee, said that since cuts were possible only in the area of foreign policy, the United States could not risk its security by such reductions.

The three participated in the weekly University of Chicago radio broadcast, "New World," sector of NBC's "Monitor." Their discussion, originating in Chicago, was at 10:35 a.m. (Chicago Daylight Saving Time).

Professor Friedman's View

Mr. Friedman's position on cuts was based on the thesis that the government should play a smaller role by reducing the range of its activities and eliminating those that are unnecessary.

The $5 billion in farm aid, he said, does not help farmers who are poor, and it does not prevent surpluses or work toward the necessary readjustment in agriculture of reducing farm production.

"Further, the policy is a handicap to a sensible foreign policy and contradicts our preaching about free markets. Because of surpluses, we put import quotas on agricultural products and try to get rid of our surpluses by dumping abroad. Part of the Egyptian problem arises out of the economic difficulty we created by a farm policy which led Egypt to increase cotton production for which we then undercut the world market by dumping surplus cotton."

Direct aid tends to strengthen the government sector at the expense of the private sector in foreign countries, he said. In one real sense it encourages the development of socialism and communism by making the central governments the economic planners and regulators.

"We could make a much greater contribution to foreign countries, in a way consistent with our own beliefs in free enterprise, by reducing trade barriers and eliminating our farm program with its consequent effect on world markets."

There is no sound basis for Federal aid to education which takes money from all states and gives money back to all, he said. The only arguable validity is for a program which taxes the richer states to raise educational standards in the poorer ones.

Professor Eisner Wants Military Cuts

Mr. Eisner said the budget can be viewed as having three main functions: allocating the resources of the nation and charging taxes in accordance with benefits received; redistributing income in accordance with a pattern preferred by society; and stabilizing the economy by reducing or in-

creasing taxation relative to periods of depression or inflation.

"I am most critical of our large budget on the grounds of allocation, for I feel that the effect is to divert exorbitant amounts of our nation's resources to military expenditures and support of a world-wide arms race which is actually reducing the security of our nation," Mr. Eisner said.

"If the budget were directed, for example, to meeting the tremendous need for educational services, I would be all in favor of increasing it. Since it is not, I want to see government expenditures and taxes cut, so that I can use my greater after-taxes-income to send my children to private schools, if necessary, to get the educational services the government is not providing."

Investment Banker Doubts Cuts Can Be Made

Since 81.8% of the budget is to pay for past, present and future wars, a reduction of even 20% in the remainder of the budget, for domestic policy and affairs, would produce but a 3% cut in the total budget, Mr. Nuveen pointed out. Therefore the only categories in which reductions are feasible are national security and international relations, he said.

"If we consider President Eisenhower's inaugural address statement that 'we live in a land of plenty but rarely has the earth known such peril as today,' this would not seem to be a time for reducing our expenditures for dealing with world tensions.

"All we spend for military purposes in dealing with the pressures built up around the world is purely negative. It is only through the various programs of our foreign policy, such as information, technical assistance, and foreign aid, that we have positive forces working to reduce pressures. Suggestions from Congress for reducing or eliminating foreign aid therefore are frightening.

"The peril in which we find ourselves today in international affairs is the result of past and continuing failures to develop positive and constructive programs for dealing with world tensions and for strengthening the nations of the free world, both politically and economically.

"If we take those steps necessary to strengthen the Department of State and to provide the tools under which wise policies can effectively relieve world tensions, we can look forward to future reduction of military expenditures.

"Until we deal with the causes which are producing world tension, our security expenditures will continue to increase. Cutting the budget is not the way in which to deal with world tensions."

Joins Reynolds & Co.

CHICAGO, Ill.—John G. White, resident partner of Reynolds & Co., announced the appointment of Robert W. Hoffman as registered representative in the firm's Chicago office, 39 South La Salle St.

Mr. Hoffman, a specialist in commodities, was formerly with Bache & Co.

Charles Denning Opens

SAG HARBOR, N. Y.—Charles Denning Ltd. is engaging in a securities business from offices on Madison Street.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

VENTURA, Calif.—John E. B. Merriman has become connected with Paine, Webber, Jackson & Curtis, 2735 East Main Street.

Paul B. Ware

Paul B. Ware, limited partner in Ware & Keelips, passed away April 17.

The Relationship of Government To Business: Past and Future

By HERBERT V. PROCHNOW*

Vice-President, The First National Bank of Chicago

The future role of government's relation to business may decline, Mr. Prochnow points out, but its functions and services may expand "as business achieves increasingly the humanistic ends of a machine civilization." The Chicago banker traces the inexorable expansion of government responding to exorable demands during the three successive phases of the government's relation to business, commencing in 1789. So long as the world struggle continues, the government will remain the single largest customer of business without, the author states, requiring the turning over of the economy to an all-embracing state.

From the time of Aristotle and Plato, thoughtful men have earnestly debated the role of government in a nation's economic life. That question is also one of the issues upon which the judgment of our people is being increasingly focused. Unfortunately, on this problem we sometimes think with our emotions and not with our minds. It is easy in discussing the relationship of government to business to utter empty platitudes with aggravating solemnity. However, to paraphrase John Stuart Mill, a question of such importance should not be left to be fought out between ignorant change and ignorant opposition to change.

H. V. Prochnow

There has never been a time in American history when government has not participated in our economic life, but the role of government has changed over the years.

The relationship of the Federal Government to business has had three principal phases. In the period up to 1860, the major task of the government was to produce goods and services, such as operating the post office, the mint and the courts. From 1860 to 1940, the Federal Government functioned more and more as a regulator of business. Finally, in the period since 1940, the government has grown to be the most important single customer of business, and thereby a dominant factor in determining business conditions.

Hole of Government Up to 1860

In the first period, after the adoption of the Constitution, the government granted limited patent monopolies to stimulate invention and develop industry. The Tariff of 1789 was passed to encourage and protect manufacturing. Trade embargoes were used as instruments of foreign policy. Congress twice organized United States Banks to carry on commercial operations. Many states built and managed canals. Maryland and Virginia, for example, gave money to the Potomac Company to improve navigation, and George Washington managed the company until he became President. Both Federal and State governments subsidized railroad construction, and Indiana even gave railroads the power to issue paper money to pay for labor and materials.

In 1790, the principal functions of the Federal Government included foreign affairs, national defense, law enforcement, tax collection, tariff administration, the post service, the mint, banking regulation, patents, land grants, veterans' pensions and Indian affairs. Total expenditures of the Federal Government in that year were only $4.2 million. By 1860 they were $60 million.

The Role of Government From 1860 to 1940

After 1860, the government sought to promote industrial development by increasing the protective tariff, encouraging the growth of railroads by land grants, establishing a national banking system, and pursuing policies favorable to industry. Investment in business mounted rapidly. By 1880, the value of manufactured products and the capital invested in manufacturing industries had each increased to over five times the level of 1850, only 30 years earlier. The increases were greatest in the railroad field and in heavy industry located in densely populated areas. These industries needed huge investment, and they were particularly susceptible to the concentration of ownership and control.

The major reason for a strong laissez-faire policy almost up to 1900 is to be found in the social and economic environment in which this nation was established and grew. Many of the early colonists were ambitious, liberty-loving, energetic persons who came here determined to improve their individual welfare. Rich land, combined with an industrial revolution, gave them the opportunity, and they asked only to be left alone to use this opportunity fully. Most of them lived on farms. In 1860, agriculture was by far the leading industry in the country. The insolation of the rural community raised few of the difficult problems that came later with the growth of congested and industrialized urban areas. But by 1900, 60% of all workers were in non-agricultural pursuits, and the economy was facing the new problems of industrialization.

Between 1860 and 1940, there was a noticeable swing away from the individualistic attitude of the preceding period. Farmers, small businessmen and labor were critical of economic conditions. Tremendous immigration had absorbed great areas of our public lands. The opportunity for self-support on the western frontier was vanishing. Increasing industrialization brought urban congestion, labor unrest and a growing sense of economic insecurity. Recurring depressions and a restless business cycle were disturbing factors as industrial corporations made gigantic strides in their growth. These problems gave rise to an increasing sense that government should have greater responsibility for the conduct of economic affairs and the economic security of the people.

The government took its first steps to regulate large segments of business with the passage of the Interstate Commerce Act of 1887, followed by the Sherman Anti-Trust Act.

Square Deal and New Freedom

Shortly thereafter, Theodore Roosevelt with his "Square Deal," and Woodrow Wilson with his "New Freedom" increased Federal regulation in many fields. This was the first important period of growth in legislation designed to regulate business.

New legislation affected labor, food processing, trade practices, power and farm credit. The government also revised the nation's banking institutions in 1913, strengthened its anti-trust legislation in 1914, and came to take a leading interest in the preservation of natural resources. With the country's entry into World War I, government control of business exceeded anything the country had ever thought possible.

During the boom of the 1920's, the watchwords of business were "Back to Normalcy" and "Less Government in Business." Government emergency war controls were largely removed. Business attained record levels. However, farm income was squeezed by declining farm prices and rising costs. To aid the farmers, the Federal Government enacted the packers' and Stockyards Act of 1921, the Capper-Volstead Act of 1922, the Agricultural Credit Act of 1923, the Cooperative Marketing Act of 1926 and the Agricultural Marketing Act which established the Farm Board in 1929. In only a few years, we had come a long way from President Cleveland's veto[1] of an appropriation of a mere $25,000 to buy seed corn for Texas farmers ruined by a drought. But despite the slogan of "Less Government in Business," the forces favoring an expanded role for government were growing stronger and stronger.

Then came the collapse of the stock market boom in 1929, and gradually the lengthening shadow of a deep depression settled over the nation. The towering structure of prosperity had cracked wide open.

Despair of Conservative Men

By 1932, industrial production had declined 50%; wholesale prices one-third; stock prices 75%; and the value of the nation's total output of goods and services, 44%. Only unemployment and business failures rose. Conservative men were in despair over seven, eight and nine billion dollar Federal budgets. The pillars of the economic firmament were falling, and an old order of things was being shaken down about our ears. Those were anxious times for anxious souls. The stability of the economy became the major concern of government. The Reconstruction Finance Corporation, the Federal Farm Board, public works projects and emergency relief programs followed rapidly. Franklin Roosevelt vastly extended these measures, and we experienced the second most important period of growth of government regulatory powers in our history.

The regulatory program of the 1930's was designed to achieve two goals: recovery and reform. The recovery phase included the widening of the activities of the Reconstruction Finance Corporation, the establishment of the PWA and the WPA, and the use of public credit to prevent farm and home foreclosures. The reform program included the establishment of the National Labor Relations Board, the Walsh-Healy Act, the Fair Labor Standards Act, the Agricultural Adjustment Act of 1938, The Securities Act of 1933, the Robinson-Patman Act, the Miller-Tydings Resale Price Maintenance Law and the Food, Drug and Cosmetic Act of 1938, to name only a few. The banking laws of the nation were revised in major respects.

From 1896 to 1939, inclusive, the Federal Government established approximately 100 new agencies including such major agencies as the Bureau of the Budget, Federal Bureau of Investigation, Rural Electrification Administration, Federal Trade Commission, Federal Power Commission, Commodity Credit Corporation, Export-Import Bank, Federal Housing Administration, Federal Deposit Insurance Corporation, Securities and Exchange Commission, Veteran's Administration, Social Security Board, Tennessee Valley Authority, and the Board of Governors of the Federal Reserve System. With the great increase in the number of new agencies, there was also an expansion in the older agencies.

By the end of the 1930's, the Federal Government had achieved significant control over business and was about to enter into a new relationship, that of being its chief customer.

The Role of Government Since 1940

With the coming of the 1940's and America's entry into World War II, the Federal Government's purchase of goods and services attained levels undreamed of in earlier years. Government purchases of $89 billion in 1944 almost equalled the value of the total output of goods and services of the entire nation for 1930 and were only slightly less than the value of the nation's total output for the boom year of 1929. More importantly, in 1943 and 1944 the Federal Government's purchases accounted for more than 42% of the nation's total output as compared with 1.2% in 1929 and an average of only 3.8% for the years 1929 through 1939. The Federal Government had become the chief customer of business and its decisions concerning revenues and expenditures had come to have determining and far-reaching effects on the level of economic activity for the country as a whole.

Following World War II, the Congress passed the Employment Act of 1946 which declared, with some qualifications, that it is the responsibility of the Federal Government to promote maximum employment, production, and purchasing power. This determination by the Federal Government to prevent mass unemployment and to maintain economic stability grew out of the depression of the 1930's. There are vast possibilities in this Act for regulating the nation's economy. To achieve the objectives of the Act, a President may simply exhort business and labor leaders to follow certain economic policies. But it is conceivable that some Administration may institute far-reaching regulation for the economy under the Act.

Today, the operations of the Federal Government pervade the whole economy. For fiscal 1958, Federal expenditures are estimated at $71.8 billion or 137 times the expenditures of 1900, which compares, for example, with a population increase for the same period of only a little over two times.

In 1900, the total expenditures of Federal, State and local governments amounted to but $1½ billion. For fiscal 1950, total expenditures by these government units combined were responsible for $1 out of every $15 spent in the United States. In 1956, these

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*An address by Mr. Prochnow before the Midwest Harvard Business School Conference, Chicago, April 13, 1957.

1 Cleveland stated at that time, "I can find no warrant for such an appropriation in the Constitution, and I do not believe that the power and duty of the general government ought to be extended to the relief of individual suffering which is in no manner properly related to the public service or benefit. A prevalent tendency to disregard the limited mission of this power and duty should, I think, be steadfastly resisted, to the end that the lesson should be constantly enforced that, though the people support the government, the government should not support the people."

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The Relationship of Government To Business: Past and Future

expenditures were equal to $1 in every $4 spent.

Future Trends in the Relationship of Government to Business

Having examined the successive roles government has played historically in its relationship to business, as a producer of goods, a regulator of industry, and a gigantic purchaser of goods and services, we may now ask what are the probable future trends and implications of this relationship?

Private enterprise is today capable of production on such a gigantic scale that it is dependent as never before upon the economic well-being of the masses of people. The tens of millions of Americans who constitute our market must have the means and the willingness to buy the products of industry if the economy is to operate at the high level of activity which is the universally accepted objective of business, labor and government. At this point, the economic concerns of private business, labor and government are identical.

Mass production by efficient, modern, power-driven industry is capable of sending forth an endless flow of goods at low cost. Mass markets therefore become imperative. We have moved steadily away from the sedative hum of the hand spinning wheel and the village feed mill to huge gray factories silhouetted against the urban sky line. Great power-driven factories, great organizations of labor, great markets and an interdependent economy make highly improbable any broad returns of government to the Arcadian simplicity of Colonial days.

As the President has stated, "The demands of modern life and the unsettled status of the world require a more important role for government than it played in earlier and quieter times."

Sees No State Control

But this does not mean that we must now thoughtlessly turn over the management of the economy to an all-embracing state. It means that we need repeatedly to re-examine and re-define the relationship of government to business in terms of a constantly changing and vastly expanding national economy. It means also that we need to assess the relationship of government to business in terms of a turbulent and restless international economy.

Budget's Military Size

We may conclude, first, that so long as we are engaged in the present world struggle, government will continue to be by far the largest single purchaser of the goods and services the nation produces. A budget of $38 billion for defense automatically creates an impact upon the economy of far-reaching significance. In the next fiscal year, approximately 60% of all Federal budget expenditures will be for national security, and about 90% of the proposed increase in Federal spending will be in this area. Unfortunately, there is no evidence that the American people can look hopefully in the near future for any major decline in these expenditures.

In fact, with a continuance of present world unsettlement, new weapons and defense modernization may bring pressures for larger expenditures in the years immediately ahead. However, in any attempt to reduce the role of government as a purchaser of goods and services, defense is the single most important area to examine, because it is by far the largest. Consequently, it should be under the necessity constantly of justifying its huge expenditures and the policies that require those expenditures. We ought never to accept complacently the philosophy that the largest single expenditure of the government is beyond the most critical and searching analysis.

Closely related to this subject of defense expenditures is the much discussed mutual security program or what is commonly called our foreign military and economic aid. An analysis of the foreign aid programs reveals that 80% or more of these programs is for military aid and defense support. "Since the start of the Marshall Plan in 1948 through the middle of 1956, according to International Cooperation Administration reports, only about $1.4 billion has been committed on actual economic development aid."[2] A large part of our foreign aid program is actually an extension of the defense budget, and a relatively small part represents foreign economic aid. If foreign military aid is to include the newest weapons and the most modern equipment, it is possible that the cost may actually rise in the years immediately ahead.

Foreign and Military Aid

If the decision is made to reduce the mutual security, or so-called foreign aid program, the government then would face the far more difficult foreign policy problem of determining precisely where major reductions should be made. For example, consider Korea where the United States spends the largest single part of its foreign aid.

The question of whether the United States should enter Korea is no longer debatable. That decision was made. Over 130,000 Americans were wounded or died there before the opposing armies agreed to an armistice at the 38th parallel. The American forces were largely brought home, and the maintenance of the armistice was left to South Korea, which is completely unable to support the necessary armed forces. The armistice still continues, and the United States therefore is in the position of supporting South Korean troops on the 38th parallel. If foreign aid is eliminated, what policy decision must be made regarding the problem that remains in Korea? Does the United States now withdraw its support of the South Korean armies and possibly open the way for the Chinese Communists to march across South Korea to the door of Japan? The question of the elimination of foreign aid in the case of Korea would require foreign policy decisions with far-reaching implications to our national security.

Consider also Vietnam which takes a large share of our foreign aid because that country was invaded and divided not unlike Korea. What decision should be made in that area regarding military aid?

An analysis of the entire foreign aid program reveals that a large percentage of the funds is spent in only a few countries and largely for military purposes and defense support. What policy decisions are to be made regarding these military positions? It may be desirable to add the foreign military aid budget to the defense budget, but that does not reduce total expenditures. It merely shifts the expenditures.

2 Page 5, *Foreign Economic Aid*, The United States Council of the International Chamber of Commerce.

Offers Suggestion

At the risk of over-simplifying this difficult problem, one suggestion might be to reduce foreign military aid and use some of the military funds saved for economic development projects in the countries receiving aid in order gradually to strengthen their economies. Any economic improvement in these countries would at least start them on the road to economic independence and eventually might reduce our aid programs. Moreover, the assurance that the United States would not permit them to be over-run by invading Communist forces might enable some of the countries to effect a reduction in their force levels and military expenditures, thereby strengthening them economically and making them less dependent on the United States.

Our farm surplus disposal program is another form of foreign aid involving billions of dollars. The relationship of the government to agriculture is perhaps closer and more involved than with any other great industry. The American people through the Congress have approved a price support program for certain farm products. Under this program, the government now has over $8 billion in surplus farm products. Government representatives have disposed of about $3 billion of surplus farm products to foreign nations, in many cases accepting foreign currencies in payment. A substanital part of these foreign currencies is, in turn, loaned to the foreign governments for economic development and is to be repaid over a long period of years. Foreign nations are fully aware of the problems the confront us in disposing of these surpluses. This is one reason why the United States accepts soft currencies instead of insisting on hard currencies in payment. It also is one reason why the United States is willing to lend back to these foreign nations for long periods the local currencies they pay us for our surplus products.

There are a number of instances where farm surpluses have been used constructively as an instrument of our foreign policy. However, various nations which are suppliers of farm products to the world believe that we have not been good neighbors in our methods of farm surplus disposal.

Regardless of the merits of the policy, it seems clear that we do not engage in a farm price support program primarily for the purpose of giving foreign aid. We engage in it essentially for domestic reasons, and foreign aid merely provides one outlet for the surpluses that accumulate. We have thought of about every way to help the farmer but to leave him alone. There is little evidence that the American people and the Congress will reduce the role of government in the agricultural industry to any significant extent in the near future. The item of Veterans expenditures is another area where costs tend to be rigid or to rise.

Some reduction in the proposed Federal budget would be desirable. There is a possibility that a tax reduction may be voted next year. To impose a tax reduction at the same time we continue expenditures at the level anticipated in the propsed budget might be an unfortunate fiscal development. Political foresight and economic wisdom both seem to counsel some downward revision in the budget.

Government's Role

The government has now become a highly important factor in most of the nation's major economic decisions whether they involve business, agriculture or labor. Furthermore, there is a seemingly widspread expectation that government should assume this role. If a strike threatens to tie up a great industry for weeks, the government is expected to prevent it. If the dock workers strike and close a large port, we turn to government for relief. If housing construction declines, the government is expected to arrange easier credit, lower down payments and other remedies. If some distributors of products extend exceptionally easy installment terms, other distibutors believe government should correct these trade practices and tighten terms by installment regulations. If metal prices fall, there are insistent demands for larger government stockpiles, regardless of whether present stockpiles are considered adequate for the national defense. If the price of an agricultural product falls, there are demands that the price be supported even though large stockpiles result. If drought burns up farm lands, we expect the government to deal with the problem. If we are engaged in small business, we want government to establish agencies to help us with our particular problems. If we feel the competition of a foreign product, we believe government should relieve the effects of such competition by tariffs or quotas.

We ask government to provide security for tens of millions of us in old age. We ask government to determine the number of hours we work, our minimum wages, and our employment compensation. We ask government for a vast expansion of our highway system. We seek larger contributions from government to improve our particular harbor or river.

Some of these requests are desirable functions of government. Others clearly are not. We contribute our time and money to an infinite number of organizations, which devote a part of their energies to getting something from the government. In countless areas we now turn to government where we did not do so a generation ago. To paraphrase Shakespeare,

"The fault, dear Brutus, is not in our stars,
"But in ourselves" that government grows bigger and bigger.

Dilemma

With one hand we work to reduce the role of government in our economic life. With the other hand we work even harder to increase it. We cry for a reduction in the government's budget, but not where it would affect our industry. We demand that government expenses be cut, but not for the Federal projects in our own communities. On one day we write our Congressman to reduce government expenses and our taxes. The next day we write urging him to bring home the Federal bacon to our communities.

An illuminating illustration of the increase in local government services is provided by a study of the city of Detroit. From 1824 to 1930 the number of services Detroit provided its citizens increased from only 24 to over 300. The chronology of the introduction of a few of the 300 services and their changing character is revealing.[3]

1835—Street paving
1836—Sewerage
1850—Street Lighting
1858—High School
1865—Library and organized fire fighting
1887—Milk inspection
1888—Garbage Collection
1892—Free Textbooks
1894—Bathing Beaches
1898—Band Concerts
1899—Class for the deaf
1900—Zoo
1904—Playgrounds
1909—Traffic Control
1912—Classes for the anemic and blind
1914—Old age support
1917—Junior College and recreation camps
1920—Medical College
1921—Music, drama and fine arts libraries
1922—Golf Courses
1925—Symphony concerts
1927—Law College

This condensed outline of the growth of government services rendered by a metropolitan community indicates how our demands for government services expand.

Will Role of Government Expand?

Will the role of government in relation to business continue to expand as it has since the founding of the Republic? A few questions may indicate the probable trends. Will scientific progress and mechanization cease, or will they continue with far-reaching effects on industry, sources of raw materials and hours of employment, so that these interests will seek government assistance? Will unusual new products and services adversely affect some major industries as they have in the past, and will these groups seek government help? Will the adjustments that have been underway in agriculture continue? Will uncertainties and insecurity continue to arise from time to time in our economic life for different groups? Will government be expected to provide remedies for these problems?

Will social security contract, stand still, or expand? Will the continual drain on our national resources lead to more legislation for conservation? Will the millions of persons in our rapidly growing metropolitan centers demand better coordination and development by government of water supplies, sewage plants, educational facilities and streets and highways in adjoining communities?

Will rising incomes of the people lead them to demand more schools, hospitals, medical, and recreational facilities as they have in the past? Will the development of atomic energy for peacetime purposes lead to the establishment of agencies for its regulation and inspection? Will vastly increased highway and transportation requirements in the next 10 years lead to expenditures by government? One could continue these questions, but the probable role of government in the years ahead seems apparent.

Businessmen Can Contribute

Government is charged with the guardianship of the common good. Businessmen can make a significant contribution to that objective and to the role of government in three ways:

First—Businessmen can become better informed regarding the difficult problems of government. Constructive suggestions for reducing government expenditures and eliminating waste do not come from superficial knowledge. They come from hard, sustained study.

Second—Businessmen can refuse to join pressure groups that demand increasing government activity and expenditures which expand the role of government.

Third—Businessmen can become active participants in local, state and national government. To solve the problems of government we need more thinkers and fewer cheer leaders pleading the causes of pressure groups.

In an age of science and technology, modern industry with its massive, power-driven equipment, and with its genius for producing an endless flow of goods, is destined to become the great instrument for the social and economic enrichment of man.

A machine civilization with its capacity vastly to multiply production will help to assure the economic independence of man, augment his leisure and affirm his dignity. Among the greatest

3 Pages 1104-6, *Government and Economic Life* by The Brookings Institution.

social changes of our times are those being made by farsighted business leadership in the creation of wealth for the masses of people and in the substantial enlargement of the middle classes. Mass conscious capitalism is accomplishing what mass conscious communism dreams about.

Unless we have muddling and mismanagement, the machine with increasing automation in the years immediately ahead may become the most effective means man has ever created for attaining his economic liberation and freedom from insecurity. The functions and services of government may expand, but the role of government relative to that of business may decline as business achieves increasingly the humanistic ends of a machine civilization.

H. M. Byllesby & Co. Names Schmick Pres.

In a move to intensify and broaden the scope of the investment banking activities of H. M. Byllesby and Company, the 55-year-old securities underwriting firm, two major management realignments have been made, it was announced by J. Patrick Lannan, who several weeks ago was elected Chairman of the Board.

Joseph H. Biggs, veteran President has been named to the newly created post of Chairman of the Executive Committee, and Franklin B. Schmick, formerly Vice-President has been elected President. The actions were voted today at a directors meeting in New York.

Mr. Schmick, a 20-year veteran in the investment field, has been a top Byllesby officer since 1952. He is a Director and Chairman of the Executive Committee of Advance Aluminum Castings Corporation, a Director and member of the Executive Committee of Maloney-Crawford Tank & Manufacturing Co., a Director of Allied Paper Corp., a Director of Susquehanna Corp., and is presently on the slate of nominees to be named a Director of the Chicago, Milwaukee, St. Paul & Pacific Railroad.

Mr. Lannan, with his long-time associate Francis C. Woolard, on April 30, voluntarily dissolved their partnership and the business of Kneeland & Co., their central base of investment and securities operations for the past 26 years. Mr. Woolard last month was elected a Vice-President and Director of Byllesby. Mr. Lannan now owns approximately 20% of the investment banking firm's outstanding shares.

Directors reelected at the annual meeting besides Messrs Lannan, Schmick, and Briggs, included Mr. Woolard, E. Mortimer Newlin, R. Miles Warner, Arnold M. Johnson, and Arthur S. Bowes. Byllesby directors also are members of the boards of directors of 65 companies.

H. M. Byllesby and Company was founded in 1902 and is rated the third largest investment banking firm in Chicago. It has 8,000 stockholders. It is a member of the Midwest Stock Exchange, Philadelphia, Baltimore Stock Exchange, and is an associate member of the American Stock Exchange. The firm has branches in New York, Philadelphia, Washington, and Minneapolis.

Hutton Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John G. Rogers has become affiliated with E. F. Hutton & Company, 160 Montgomery Street.

du Pont Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — George E. Wright has been added to the staff of Francis I. du Pont & Co., 208 South La Salle Street. He was previously with Reynolds & Co.

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Revolutionary Plastics Face Great Growth Prospects

suitable material and design based on the properties of this material, and not the material which it may be replacing. This realization has taken two forms — one, increased efforts on the part of the materials supplier to obtain and provide truly helpful engineering data; and, second, increased awareness on the part of the industrial designer that plastics are new materials, with their own individual behavior patterns.

The development of basic engineering data in the laboratories of the major materials suppliers is closely akin to the sales service work provided to processors and end-users, mentioned earlier here. Many materials suppliers, as well as processors, are now employing their own designers, not so much to create new designs or new uses, but to work with the designers of industry, to speak a common language, and to relay basic design information in both directions—to the supplier and back to the end-user.

Until quite recently, designers not directly connected with the plastics industry were on little more than speaking terms with the properties of the many plastics materials. Gradually, with much hard work on everyone's part, including his own, the industrial designer has developed an increased awareness of the new possibilities afforded by plastics and of the fact that they should be thought of in new concepts, and not in terms of conventional materials. This, however, is a trend that is just getting underway — and one that, when it spreads and mushrooms, can lead to truly revolutionary techniques. There is still, understandably a tendency to adapt plastics to traditional practices—the assumption that what is correct design with metal, or wood, or glass, is correct with plastics. This poses a challenge to all of us, and is an area in which we call on the designer to help bridge the gap between materials supplier and processor on the one side, and the end-use company on the other.

Here are some examples of applications in which we feel that new concepts of design, based on properties of the plastics, have been employed.

Discusses Examples

My first example is a component for which the design went through several stages, over a period of about five years. This, too, is typical of the development of a plastic end-use. This is a hot-and-cold-water mixing valve for automatic washing machines, formerly made of brass. First, as is so often the case, a nylon piece was used to replace the brass hot-water element—just half of the entire assembly. This was merely a direct replacement, in which the nylon part took the design of its brass predecessor.

In the next design change, the entire valve was made of nylon, but still in essentially the original design, which was based on the properties of brass. Finally, a completely new design, based on the properties of nylon, has been adopted. This very intricate part is molded in one piece. Nylon serves as the complete structural component, and provides its own valve seatings for both hot and cold water.

This is a radically different design that would not be feasible in brass. The new part does the job better, permits an appreciable savings in costs and is now virtually standard equipment on automatic washing machines.

Another example is a self-hinged container made of polyethylene. Top, bottom, and hinge are molded in one piece. Polyethylene is rigid enough in thick sections to provide the structural elements, and flexible enough in thin sections to serve as an integral hinge. Similar principles are being employed in tubes and bottles with captive closures, in which the cap is actually an integral part of the container.

An interesting large item is a collapsible storage building made of vinyl-coated nylon fabric. The complete structure—as large as 80 feet long, 40 feet wide, by 20 feet high—is held erect by low-pressure air, with none of the conventional structural supports. The entire unit is very light in weight, and can be folded into a bundle 5 feet by 3 feet. It can be put up quickly by only 2 or 3 men. It stands up in almost any weather. It has doors large enough to permit the entry of fork trucks.

An example of truly revolutionary design permitted by the unique properties of a material is this mechanical seal for pumps, made of "Teflon." In this use, one piece—the bellows-like part in the illustration — provides the spring action, and its own bushing surface, and is self-housed. The only properties required here are flexibility, mechanical strength, corrosion-resistance, low friction, and heat-resistance.

This single piece of "Teflon" replaces a complex assembly of springs, bearings, and housing. It gives excellent performance, particularly with respect to elimination of wear on the shaft, and maintenance.

My next end-use example illustrates two points: development of a plastic composition to meet a specific need and then design based on the properties of that composition. This is a brand new aerosol container blow-molded of nylon, a special nylon composition developed for the blow-molding process.

The story here is style and color, beyond any possibilities afforded by the conventional metal can, plus safety, which cannot be provided by glass.

From a composition standpoint, nylons which could meet the end-use requirements were available. However, they could not be readily processed into the desired shapes. So, the materials supplier developed a nylon composition that overcame this problem.

Because an aerosol container is a pressure vessel, this item had to be engineered to meet pressure requirements as well as style considerations. These requirements involve relative diameters, thicknesses, and curvatures. The container now meets these demands.

This variety of examples gives one some idea of what we mean when we speak of **correct design** based on the properties of the plastic material itself and not a simple material-for-material replacement. This is a practice that must be expanded if plastics materials are to fill their rightful role in the industrial world.

Increasing Emphasis on Standards

Another trend within the plastics industry that is closely related to this movement toward selection of the right material for the use is an increasing emphasis on standards. This has to do with the development of improved and meaningful physical tests and the establishment of minimum standards for specific end-uses. This movement is illustrated by the plastic pipe field. The market for plastic pipe developed so rapidly that it ran away from both the materials supplier and the pipe manufacturer. Nobody knew what was really needed in a plastic pipe, or what laboratory tests were significant. Pipe that looked good in the laboratory didn't always fare so well in service. Responsible members of the industry worked up tests that have been proved meaningful, and adopted minimum standards. The cooperation of the National Sanitation Foundation was enlisted, and a seal was established, signifying that a given pipe meets certain basic sanitary standards. As a result of these steps, plastic pipe now is gaining in prestige.

Standards are an important factor in the vinyl film field, and many others.

Now let us take a look at the nature of present end-uses served by plastics materials, in relation to conventional materials, and what effect, if any, plastics are having on the use of such old stand-bys as brass, copper, wood, glass, paper, etc.

Growing Competition

In many of these new uses, plastics are, of course, replacing some other material. The use of practically all materials is growing to such an extent in our rapidly expanding economy, that I doubt if any established material is feeling the pinch of plastics too much at this time. However, in some cases, the rate of growth is undoubtedly less than it would have been without competition from plastics. A conspicuous example of this is in the field of mechanical components, in which the replacement of brass by nylon and other impact-resistant plastics has reached sizable proportions. And this is certain to grow. In these uses, the plastic is doing the job better or it would not have been adopted.

Some other applications in which metals may well be replaced by plastics, in time, are copper pipe by plastics capable of withstanding higher temperatures than present materials; tin cans by plastics which, in addition to their competitive properties, will permit cold sterilization by irradiation; and perhaps the steel of automobile bodies and similar structural components by reinforced plastics. When this last prediction was first made years ago, it was in the realm of fantasy, but now there is reason to believe that it isn't so preposterous.

One thing to bear in mind about plastics vs. metals is the fact that the price of metals is traditionally upward, the price of plastics downward.

Long Range Opportunity

Many of our conventional materials of construction, and metals are a prime example, are becoming more and more difficult to extract. We face, not only a gradually diminishing supply of basic raw materials, but a rising population. In this equation lies the great long-range opportunity for our business. Plastic materials, produced inexpensively, synthetically, using a broad choice of raw materials, will be available to satisfy a multitude of human needs as our natural resources are depleted.

Some areas in which glass is vulnerable to the potentials of plastic are glazing and milk bottles. But these and other inroads by plastics materials are in the future.

There is another type of application in which a plastic is extending the use of a conventional material. An example of this is combinations of polyethylene and paper, used when neither alone would be suitable.

Combinations of polyethylene and paper or paperboard are now employed for the packaging of many chemicals and foodstuffs for which neither polyethylene nor paper could be used alone.

A third category of present plastic applications is that in which plastics have virtually created new markets of their own. One such use is that of polyethylene film for the packaging of heavy produce—produce that was formerly shipped in bulk. Polyethylene film is tough, flexible, transparent, and economical—enabling it to fill a use that had not previously existed.

Polyethylene pipe for the widespread distribution of water on farms is another case in which the plastic created a new market. Flexible polyethylene pipe is used to carry water whether above or below ground, on a permanent or temporary basis, to distant stock watering troughs, poultry fountains, and the like. Heretofore, this has been done largely with buckets carried by hand.

It wouldn't be quite correct to say that plastics have created a new market in housewares. However, they have given this field such a shot in the arm that they can at least claim part ownership. Over 100 million pounds of plastics were used in housewares in 1955. They have definitely established a niche for themselves in this market.

There is still a fourth category of plastics applications—and this one is a further indication of the growing-up of the industry, but one that gives us less joy than the other categories we have discussed. These are the uses in which plastics are replacing other plastics. This is a natural occurrence in a business in which new and improved materials are being developed with such frequency. I could name more recent examples, but perhaps the classic illustration of this has been the safety glass interlayer. This was originally cellulose nitrate; then cellulose acetate, which was better, and now polyvinyl butyral, which was much better still. Tomorrow — who knows?

So there we have several different categories of plastics applications, with respect to their effects on other materials. We could summarize this by saying that it looks as if there will be plenty of markets for all kinds of materials — old and new — in the near future.

Now, just a few thoughts about the future, and the inevitable development of new materials and processing techniques that will revolutionize our own revolutionary industry. Some of these things to come are readily apparent now —particularly with respect to larger and larger structural pieces.

Revolutionary Future Production

However, I'm really thinking of high-speed, large unit operations beyond our present concepts, operations in which pieces the size of boxcars are turned out in virtually continuous processes. These are developments that are certain to come as the night follows the day. They may come suddenly but, if past patterns are any guide, they will come in gradual steps.

With all our recent progress, we still have some rather definite limitations, with respect to size and speed. These limitations will be overcome, there can be little doubt of that. Further developments in reinforced plastics, and in such new techniques as thermoforming appear to be the most imminent candidates in this respect. But there are undoubtedly others on which we could not even speculate today. The impact of new developments on such fields as packaging, automotive, and housing will be tremendous. For this is a truly modern, vibrant industry, one that is thoroughly representative of our chemical century. It offers a challenge to all elements of the business community — both in and out of the plastics industry—to keep abreast of its relentless progress.

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As We See It

former President Truman, a most violent critic of President Eisenhower, the Administration and all things Republican, let it be known that he was not particularly disturbed by the size of the President's budget. "Our national economy is strong enough," said Mr. Truman, "to support a budget of the size recommended by the President if that is what it takes to do the job, and all the talk about it bringing on a depression that will curl your hair is nonsense."

Keeping the Faith!

Governor Williams of Michigan, by some regarded as having strong Presidential ambitions, went even farther. "If we keep that faith (laid down in the Democratic platform in 1956), we will not," said the Governor, "cooperate with the Republican reactionaries to meat-axe the Eisenhower budget. We will not permit the United States Chamber of Commerce to block school construction. We will not permit the farmer to be put through the Benson wringer again. We will go ahead and fight—even if the President won't fight—for civil rights, for education, for the little business man and against monopoly, for the revival of chronically depressed areas, for further improvement of social security, for extension of minimum wage coverage—for all the things we have historically stood for and which have been now clearly repudiated by the Republican party, as it drops its mask of liberalism."

The Governor may not be wholly coherent or logically consistent or even in accord with well established facts at some points, but he has the grace to face the fact and to call upon his associates to face the fact that it is futile or worse to complain about a swollen budget and at the same time insist upon programs and policies which inevitably require huge outlays by the national government. And, the truth is that very, very few of the President's critics who would have us believe that they would reduce the budget are willing for a moment to abandon or to curtail programs which call for the funds they would have us believe they are ready to deny the Administration.

The place to begin cutting the budget is not before the Appropriations Committees, but when the various programs which cost vast sums of money are under consideration. What is more, the time when this present budget should have been cut, or rather the basis for cutting it should have been laid, was last year, the year before and the year before that. A very large part of the outlays called for in the President's budget this year are required by laws enacted in previous sessions of Congress. We feel confident Congress, if it is serious about the matter and willing to do what is necessary for the purpose, could find ways and means of reducing expenditures in fiscal 1958 in appreciable amounts, but the real job of getting on a basis of fiscal sanity begins and must begin years before the results will show up in the national expenditure figures.

Future Budgets

The fact of the matter is that budgets a decade, or even two or three decades hence, will inevitably be more unmanageable than they ought to be by reason of the fact that Congress set up that social security system that Governor Williams says must be further expanded, and on several occasions since has incredibly added to the inevitable cost of the system. It has, moreover, established a number of "guarantee" or "insurance" systems which could seriously swell future budgets. These things, or many of them, do not figure in present-day fiscal controversies for the simple reason that they have not yet begun in any major way to burden the nation's budget, but, of course, they will do so as certainly as anything can be in this uncertain world.

But to come back to the present budget. There are, first, the so-called security expenditures. These, it is constantly asserted, can not be reduced without very serious hazard to the country. They are very large and thus, so the reasoning goes, render a substantial reduction in the budget difficult. Here is a very technical question, and one about which most members of Congress are hesitant to take a strong position. The fact is, of course, that a great deal of a diverse sort is now carried under the general title or label of defense or security expenditures. We, for our part, are certain in our own minds that if these various operations were carried forward on a basis that would be regarded as efficient in a business organization, very substantial savings could be effected. But, of course, there is little to be gained from asking for better bread than can be made of wheat.

But no such considerations obtain when the multifarious programs of other types which cost large sums of money are under study. There is no reason under the sun, for example, why the cost of farm largesse should not be drastically reduced without delay and presently eliminated altogether—no reason, that is, except one of politics pure and simple. The same is true of a very large part of the outlays upon the veterans of past wars. No one with a human heart in his breast would deny these ex-soldiers and sailors such benefits as ordinary decency would require in respect of service caused injuries and the like, but as every one knows immense funds are being laid out now that could not by any stretch of the imagination fall within that category.

Then there is that vast bureaucracy necessary to operate the enormous establishment that the New Deal set up in the implementation of its paternalism, amounting at times to something closely approaching socialism. It is at such points as these that a real job of getting our budget down within reason must begin. But where among the critics of the President's budget may we find more than a corporal's guard willing to approach the matter in this way?

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Tight Money in Canada

rose 40% between 1853 and 1854. British demand for wheat, stimulated by the Crimean War pushed wheat prices to $2 a bushel and land to double its 1849 prices. Undoubtedly your Board of Trade members of that day had their problems of inflation to cope with —although they didn't know the term — and they, like ourselves today, had to battle rising costs and a shortage of capital funds. History certainly repeats itself!

Defines Money

Money has been called a necessary evil. What is it really? Boiled down to finality it represents hours of labor, or in other words, it is the tangible evidence we receive as a reward for our day's toil. It has no value of itself, but only for what it can be exchanged. Over the years money has become a commodity—to be accumulated by some, and put to use or rented by others who are in a position to do so to best advantage. Money commands a price, a price or rental value which varies with supply and demand. But money is in the main only a means to an end, it has value only when it can be exchanged a few pennies at a time, or accumulated by our modern methods and used in amounts of tens of millions of dollars for goods and services. Since the war, we in Canada have seen a period throughout which the demand for goods and services in our country has been maintained at a reasonably high rate. Twice in this period since the relaxation of wartime controls the demand for various goods and services has risen to a point where it seemed the demand greatly exceeded the supply. As a result, buyers competed one against the other for what was immediately available, and prices rose sharply.

One of those two postwar periods of extreme demand for goods and services occurred as a result of the Korean War and the immediate expansion of defense expenditures which arose from the outbreak of hostilities. Heavy demand came for our manufactured goods and natural resources from outside of Canada — prices of commodities rose sharply as did wages and the cost of living in roughly that order. Inflationary pressures, that is the pressure of demand for goods at any price, and a subsequent lowering of the purchasing power of the dollar became somewhat serious and steps were taken by our Government and by central banking authorities to protect the economy. . . . An endeavor was made to slow down demand by the introduction of partial control over instalment purchases, and certain restrictions were brought into being to regulate the use of some essential materials. Broadly, those controls were introduced in an effort to spread out over a period of time the terrific and simultaneous demand from domestic industries and foreign buyers for our products. During that period the Central Bank through its monetary policies took steps to halt further expansion of credit and to increase interest rates with the object of slowing down capital works and so avoid inflationary tendencies. The cessation of hostilities brought about a fall off in outside requirements for our products, and supply and demand came slowly back into line.

Second Inflationary Phase

For nearly 20 months now we have seen the second and much more intense period of so-called inflationary tendencies. This time the causes lie mostly close at hand right here in Canada. We are a people endowed with the pioneer characteristics of energy and industry, the willingness to adventure and to accept risks, the intelligence to develop and practice advanced technology, and equally important, the happy possessors of vast undeveloped natural resources waiting to be converted to the service of man. Not since the years before World War I have we seen such physical growth in our country. Our population is increasing at the rate of about 400,000 per year. We see governments and industries building plants, schools and roads, and opening up new frontiers, building railroads, laying pipelines on a scale that could take place in a young undeveloped country, like Canada. Everybody seems to be racing to complete their particular project, competion to get there first is terrific. Corporations in each field are expanding at the same time, no one concern is willing to let the other get ahead.

Then too, modern methods are changing very rapidly, and in our competitive form of life each industry in a group must modernize quickly or lose standing to their competitors. . . . This I think is an important point, and perhaps one reason why our industries feel they can't afford to postpone improvements. At no time since the Industrial Revolution has there been such market technological changes in our industries and all these changes cost money. Never has there been such a great demand, such a simultaneous demand, such a broad demend for so much money from so many sources. . . . By the sale of securities only Canadian governments and corporations borrowed just over $3 billion in 1956 compared with $2,300 million in 1955, an increase of 30%.

Let's take a look for a minute at what happened commencing with the late summer of 1955, and is perhaps still happening. Bank loans grew a great deal faster than deposits and showed every sign of mounting up at an even faster rate. Investors and investing institutions found that they were offered mortgages, government, corporate and municipal bonds in ever-increasing amounts, prospective borrowers each vying with the other for the limited funds available, offered to pay higher and higher rates of interest. Investors, if they could sell securities which they already held, such as Government of Canada bonds, at advantageous prices, did so to purchase these newer and more attractive offerings and the whole interest rate structure changed sharply. It seems to me at its more hectic moments to be reminiscent of the Toronto Subway when during the five o'clock rush a dozen or so assorted people will make a dive for perhaps two seats available. So it was as mortgage borrowers, finance companies, corporations, municipalities and provinces raced each other to what funds were available in this country and abroad. Perhaps this may explain somewhat why borrowers today are paying on an average of 1 to 1½% more for their money than two years ago, or an increase in money cost of roughly 50%.

Effects of Inflation

What has the effect of all this been on you and me, and on all business large and small across the country? It is not hard to realize that wages are up, that supplies are costing more, that construction costs are ever climbing, that overhead in the office and cost of living in the home are on the move. I think I am correct in saying that these are inflationary tendencies — tendencies seem too weak a word, "actualities" might be better.

Commencing about mid-summer of 1955 demand for bank credit started to rise more than seasonally, and reached the point where the Bank of Canada took cognizance. This was reflected in the increase in the bank rate to 2%, then to 2¼% on Aug. 12, and 2¾% in November. To take care of increased demand for loans, Chartered Banks began to sell government bonds. Before the end of the year the Central Bank and Chartered Banks agreed that Chartered Banks would maintain minimum liquid assets of 15% to be reached by May 15, 1956—all of which combined with the increased demands for funds, left our Chartered banking friends very short indeed. As a result Chartered Banks have been for some time and are somewhat restricted as to the amount of additional money they have available to loan, and are walking a sort of tightrope endeavoring to satisfy old customers and at the same time not entirely close their doors to new borrowers.

In this last period, there have just not been enough chips in the game—Canadian governments and industries have had to go abroad for a fair share of their capital requirements during the calendar year 1956, and it is estimated that new issues placed aboard amounted to $681 million. You will realize that in view of our terrific adverse trade balance, these invisible exports are extremely important in our exchange picture. Foreign capital

finds Canada very attractive — we offer one of the few remaining havens for investment and a variety of opportunities, and our friends from outside are not without hope of capital gain. . . . New issues represented only one means by which foreign capital comes into this country.

Even more important and perhaps more difficult to calculate is the direct investment by foreign investors, and that would include money sent into Canada by parent companies of Canadian subsidiaries, and you will recall how many of these subsidiaries there are, and how much money is being poured into say two fields alone, that of iron ore and oil development. The figure of new issues does not include either purchases of outstanding issues of stocks and bonds, and I am sure you are aware that there has been a constant and heavy investment in our equities, not only from the United States by from European sources. This all contributes to the present premium on our dollar. One word of warning is perhaps in order. The more American or European investment in any form which flows into the country now to share in our development will undoubtedly mean that we will be expected to pay back substantial amounts of profits and dividends, and this may affect our exchange rate in the years to come.

Growth and Foreign Funds

Much has been said about foreign investment in Canada, but I think you will agree with me that economies that have grown as fast as ours in Canada must borrow heavily and must be in part financed from outside sources —the U. S. in the period 1880 to 1900 leaned heavily on European capital—after all, it takes a few generations to build up wealth in any new country. Not so many years ago, only 62 years ago (1895) the U. S. Government commissioned the firm of Morgan and Company to float a loan of $50 million, a great part of which was placed in London and on the continent. Quite a change in a few years!

A country grows not evenly, but in leaps and bounds. After all, one can't build half a paper making machine, or half a steel rolling mill, or half a waterworks, so that expansion cannot be tailored exactly to the niceties of demand. We have suffered from growing pains more than once and may suffer from them again. We have in the past overexpanded but it was not long before the surplus capacity was drowned in subsequent demand. For example the expansion of 1927 to 1930 was soon completely eclipsed in the terrific wartime demands of a decade later.

Monetary control is reasonably new in Canada. We saw it operate at the time of Korea and we have seen it at work in the reverse manner in mid 1953 when there appeared to be soft spots in the economy and money restrictions were relaxed. There was no such control in the black days of 1929 to 1935, and we are all willing to go along with the hope that perhaps there has been discovered the cure to major depressions. We are a very individualistic group as a nation, and hate regimentation. Certainly we would never want an surfeit of controls to take away our individual initiative and remove the vigor of competition, and to this I most sincerely subscribe. Nevertheless, I suggest though that all criticism of monetary control should be thoughtful and constructive, and that we should give new methods a trial. Undoubtedly, mistakes will be made and perhaps later rectified, but let us not be too critical without full knowledge of what is going on and what the alternative might be.

Some industries may over-expand and production may overnaul and pass demand. But who can exactly say how and when and where new plants are to be built or new power developments undertaken or new mines or wells brought into production. We need the vision required to build and expand for tomorrow. Factories and plants built today provide the jobs for our increased population of the future. You will have read as I have recent estimates to the effect that in industry it requires an estimated 13,000 to 15,000 worth of plant for each worker to be hired. In this world where distance is entirely eliminated, we in Canada are not going to be permitted to sit idly on a treasure house of natural resources. Should we not go ahead ourselves with a certain amount of financial assistance and some technical "Know how" from outside, we could easily find that initiative was taken away from us by thinly disguised force. What with the combined forces of increased population, terrific expansion and a normal desire on all our parts for a higher standard of living more money is being spent more quickly in Canada than ever before. Industry isn't the only spender — governments have entered the competition, spurred on by the demands of the people. Late in 1956 the rush for funds became a deluge as borrowers, corporate and government, raced to compete in the capital market. Interest rates became of little object, the game was to get your money before the next fellow.

". . . So Let's Borrow Now"

Let me give you a graphic example of what happens when everybody is expanding at once, and competing each with the other for available goods and services. Tenders were called for a section of highway in one of the western provinces, a section which the engineers figured should cost about half a million dollars. On tender day, only one envelope appeared in the box and that asked for a sum of eight hundred thousand to do the work. The Provincial officials, surprised at the high price quoted, called the tenderer, whom they knew well, on the telephone and asked him why the bid was so out of line. He told them frankly that his men and machines were fully occupied on other projects and to undertake this additional task he must purchase a further amount of costly machinery which he might not be able to use after this particular contract was completed. It is not generally economic for any one industry or group to work at over capacity rates.

Corporations able to charge interest costs before tax seem to pay little attention to the fact that they are committing themselves to pay rates much higher than in early 1955 and well above the 25 year average. The economist of one large concern said to us when we raised the point, that interest rates are higher, but costs of the project next year may be higher still, so let's borrow now. Municipalities and Provincial Governments with no place to charge increased interest costs must pay the higher rates and pass them along to the taxpayer. A little arithmetic does show that the debt service charges alone on a million dollar high school borrowed for at the present time would be approximately $125 thousand higher than if the required money had been borrowed 18 or 20 months ago. So keen is the demand that when we point out facts like this to prospective borrowers it seems to discourage only a very small minority.

Central Bank's Endeavors

All this money being borrowed for new capital projects is in addition to normal spending of the country, and so a great strain is imposed on the stability of our economy. Increased interest rates, increased wages, increased prices, increased taxes and round again, it's a vicious spiral. The suggestion is made that perhaps we as individuals should save more and spend less. I draw to your attention that the biggest spender in Canada is our Federal Government, and their spending is increasing, not decreasing. The question has been asked, "Why not cut taxes, give the people more money and let them save?" One man I discussed this with, and he was a Member of Parliament, said to me that it wouldn't work, the people would only buy more radios, cars and television sets on time. My answer to him was "Then you are really saying that the Government can spend our money, not its own, it hasn't any, but yours and mine better than we can." Perhaps my friend is right, perhaps he's wrong, but I thought it an interesting point and well worth bringing to your attention.

For over a year and a half our Central Bank in its endeavor to spread out this concentrated spending has fought inflationary tendencies with one weapon only — monetary control — no steps were taken to direct essential commodities and no compulsory restrictions were imposed to limit credit purchases. It appears that such controls are unpopular in peacetime and are difficult indeed to administer, and so interest rates and tight money were left to fight the battle alone. Perhaps they were good weapons. Certainly individuals are painfully aware of the increased cost of mortgages, and if it were the case that indiscriminate building of new homes and the creation of new sub-divisions was being over-done, then the cost of money involved has acted as a brake on what in some cases involved a certain amount of real estate speculation. However, the recent arrangement between the Central Bank and our Chartered Banks would appear to allow a fresh flow of funds into proper and necessary building projects. Very few corporations seem to have postponed borrowing, although it is possible some financing may have been reduced. Certainly many municipalities have had to cut down on their capital spending, and some even have postponed the work.

Effect on Stocks and Bonds

Important too, is the effect that higher rates have on investment stocks. Bonds and debentures are available at increasingly attractive yield returns, and the attention of many investors and investing institutions has been diverted from the stock market. Undoubtedly, this has had an effect on equity prices, and has acted as a check on what might have been a run away and perhaps unhealthy stock market. This check of the stock market does in itself tend to take away from the total amount of money spent. I think you will all agree with me that when stock prices are on the upgrade people do tend to spend more freely, just as they tend to pull in their horns when stock markets turn downward or enter a period of reduced speculative activity.

They say every cloud has a silver lining. Money provides a greater return of interest now than it has for 25 years. At least there is some premium placed on thrift with interest rates running from 5 to 6% on good bonds, and at this juncture may I throw in a thought that is not mine alone —perhaps money was too cheap for too long—certainly in a growing country it is historically unnatural for interest rates to be low. Higher rates are making savings increasingly worthwhile and with a little encouragement in the way of lower taxes, perhaps as a nation we might surprise ourselves and our leaders by demonstrating some of the thrift of our ancestors. After all, if we're fighting inflation, taxes collected by governments are always spent, whereas more money in the pockets of the Canadian people might well be channelled into productive savings.

Threat to Savings

So-called tight money has affected most of us, directly or indirectly. If nothing else, it has served as a fine subject of serious conversation. Tight money seems to be the expression we all use very loosely, and perhaps by some of us without too much thought to define a condition which has existed not only in this counry but also to a certain degree in the U. S. A. Tight money, or as we might translate it, a demand for capital funds exceeding the supply which has brought about or perhaps necessitated Central Bank action, was caused by a dramatic and simultaneous series of events in this country of ours. There were grave threats of serious inflation and not many of us would enjoy the consequences — rising prices and deterioration of lifetime savings. I have repeatedly referred to Central Bank and Central Bank action. Let me read to you a few sentences from the preamble to the Bank of Canada Act which should be read by every thinking Canadian businessman.

"Whereas it is desirable to establish a central bank in Canada to regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of the Dominion: Therefore . . ."

I think you will agree that steps taken by the Bank were of a remedial nature and in the course of performing their laid down duties. Now, as to detailed action taken or the timing of these actions, that is a matter for the comment of those who are more qualified to do so than I am, but I suggest we should be clear that the problem, with its attendant dangers, existed before the Bank flashed the amber light, and from then these threats to our economic welfare became very definitely the business of the Bank of Canada. There has perhaps been too much hysteria and heat displayed by many in discussing so-called tight money and damning monetary control without full knowledge of what is at stake and the unpleasant alternative.

Pernaps we are being warned that this peak of business may not always be maintained, perhaps we are being warned of committing ourselves to pay higher interest rates and high costs of material, perhaps there are cases where we can slow down slightly without prejudicing our position in world trade, perhaps we won't be keen competitors in world markets if we don't watch our fixed charges and labor costs.

A Word to the Wise

Could it not be that these amber lights and the need for monetary restriction might well serve to bring to our attention, to all of us, in big businesses and little businesses, the desirability of taking stock? Are we guilty of burying our heads in the sand? and perhaps of thinking prosperity can continue unabated indefinitely? We have had a long period of business "without tears" and many people in business today have never operated in periods of serious adversity—let's hope they never have to.

I know that serious thought has been given to our economic problems. I believe tight money is everybody's business. It is everybody's business to know what it means, what its causes are, how it affects each one of us, and what its alternatives may be.

Emerson Named for NY Bond Club Pres.

Sumner B. Emerson of Morgan Stanley & Co. has been nominated for President of The Bond Club of New York for the coming year, to succeed Robert J. Lewis of Estabrook & Co. The election and annual meeting will take place at the Bond Club Field Day to be held at The Sleepy Hollow Country Club, Scarborough, N. Y. on Friday, June 7.

Sumner Emerson.

Harold H. Cook of Spencer Trask & Co. has been nominated for Vice-President to succeed Mr. Emerson. Robert M. Gardiner of Reynolds & Co. has been nominated for Secretary and John W. Callaghan of Goldman, Sachs & Co., Treasurer.

Nominated for new members of the Board of Governors, for three year terms, are: Leonard D. Newborg of Hallgarten & Co., Blancke Noyes of Hemphill, Noyes & Co. and Robert A. Powers of Smith, Barney & Co.

Preparations for the annual Field Day were completed at a dinner given by Field Day Chairman Blancke Noyes of Hemphill, Noyes & Co. President Robert J. Lewis and other officers of the Bond Club, together with chairmen of the various Field Day committees, attended the dinner which was held at The Racquet and Tennis Club.

Plans for golf and tennis tournaments, trading on Sleepy Hollow Stock Exchange, publication of The Bawl Street Journal and new entertainment features were outlined by the following committee chairmen: Harold H. Sherburne, John W. Callaghan, Orland K. Zeugner and William R. Caldwell, general chairmen: Gustave A. Alexisson, Attendance; Joseph O. Rutter, Arrangements; Robert L. Harter, Bawl Street, Journal; Wells Laud-Brown, Bawl Street Journal Circulation; Maitland T. Ijams, Entertainment; Richard N. Rand, Food and Beverage; William H. Todd II, Golf; Norman W. Stewart, Horseshoe Pitching Contest; William H. Long, Publicity; Ernest W. Borkland, Jr., Special Features; Brittin C. Eustis, Bond Club Stock Exchange; Dudley F. Cates, Tennis; and Frank L. Mansell, Trophies.

With Winslow, Cohu

Winslow, Cohu & Stetson, 26 Broadway, New York City, members of the New York Stock Exchange, announced that Willard W. Brown has become associated with the firm.

New Allen Branches

BOULDER, Colo. — Allen Investment Company has opened a branch office at 417 Main Street, Alamosa, and at 350 Main Street, Longmont, Colo.

Jonathan Opens Branch

PHOENIX, Ariz.—Jonathan & Co. has opened a branch office at 3300 North Central Avenue under the direction of Herman B. Rothbard.

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A Banker Examines Closely The Current Business Outlook

their business, must take a more balanced and sound approach. The inherently conservative nature of the banking business requires moderation. Our dictum might be: "Business is never quite so good as the eternal optimists would have us believe; business is never likely to be so bad as the pessimists imply."

From a banker's point of view, I should therefore sum up the current business situation as follows: Business is good; but some areas are undergoing the sort of readjustment that is both inevitable and natural—and indeed necessary—in a dynamic, free enterprise economy. Also, the current outlook is encouraging, but this is not to say that every new statistic reflecting the Nation's economic condition will indicate an ever onward and upward surge. As a matter of fact, in view of the sustained high level of business activity for the past two years, business is remarkably good.

How then should the Nation's economic condition be analyzed at this time, taking into consideration the present business situation, by pointing both to certain signs of strength, and also to certain signs of weakness in the economy, and assuming no international involvements?

Expansive Factors

Foremost among the expansive factors must be listed the strong financial position of consumers. The income of individuals, after payment of personal taxes, rose by $16 billion in 1956, and continues to advance in 1957. Although consumer debt increased by more than $3 billion in 1956, the gain was only half that of 1955. Moreover, the instalment debts accumulated in so large an amount in 1955 have by now been paid down considerably. A recent survey of consumer finances, conducted by the Board of Governors of the Federal Reserve System in cooperation with the University of Michigan, indicates that consumers continue optimistic about the future and plan to make major expenditures in 1957 to about the same extent as last year. The basic strength of consumer demand that is indicated by the trends in income and consumer attitudes provides a strong underpinning for our economy.

More often than not, however, major fluctuations in the level of business activity originate within business itself, either in the form of shifts in inventory policies, or reductions in spending for new plant and equipment. What are the prospects in these areas?

The prospects are good. Indeed, these two areas of business demand provide ground for further encouragement that business will continue on a satisfactory and rewarding level. This assertion applies, although net inventory accumulation by business has declined in recent months. This decline in accumulation should be viewed as a healthy development. At times during the boom period of the past two years, inventory accumulation has threatened to move at too fast a pace, and with some speculative tendency. The recent dampening has reflected primarily attempts of businesses to hold inventories to a reasonable level. Most informed observers view the inventory situation as quite satisfactory, and the recent decline in the rate of accumulation has been effected in an orderly and efficient manner.

Although inventory trends tell an important story with respect to short-run business conditions, the impact of business expenditures on plant and equipment is much more significant from the standpoint of our future standard of living. Such expenditures increase capacity, promote better ways of doing things, and in general add to our ability to satisfy our basic wants and to raise our standard of living. It is heartening that capital expansion has proceeded at a healthy and rising pace in recent years; although at times the rate of expansion has pressed severely against our productive capacity. Expenditures on new plant and equipment reached the phenomenal total of $35 billion in 1956, or fully 22% more than the previous record set in 1955. Of primary significance, however, is the forecast of a further moderate gain to more than $37 billion in 1957.

Continued Growth

The prospect for continued growth in such expenditures indicates a strong base of capital spending and further gains in our productive capacity. More importantly, the projected plans emphasize the confidence of business leaders in the long-run outlook.

The relaxation of demand stemming from the adjustment of inventory positions and the dampened rate of growth of capital expenditure has been more than offset by a continued rise in consumer spending and relatively sharp increases in Government outlays. Federal spending, bolstered by rising defense costs, and world-wide conditions, is up considerably over last year; while state and local governmental units, striving to meet the ever-expanding needs of a growing and shifting population, have been forced to step up their spending markedly.

Largely as a result of these offsetting forces, our national economy moved along a high plateau during the first quarter of 1957. The output of the Nation's mines and factories has receded slightly from the all-time peak reached in December 1956. On the other hand, employment continues strong, wages continue to rise, and price pressures—although lessened in the wholesale area—are still a cause for concern in the consumer sector. Estimates of the Nation's total output — or gross national product—for the first quarter indicate a moderate rise over the last quarter of 1956. However, some of this gain must be attributed to price increases rather than real growth. The economy appears to be in a state of **healthy, desirable,** and **needed adjustment,** following more than two years of almost continuous—and at times too rapid—expansion.

Remainder of the Year Outlook

What are the prospects for the remainder of the year? Of one think we can be certain: this rolling, sideways movement cannot continue for long; we shall break out in one direction or the other. In my judgment, the factors of strength must be given the heaviest weight, and I should therefore expect additional pressures of expansion later in the year. Pointing in this direction are the high and rising levels of consumer income; the healthy inventory situation; the continued moderate gain in capital spending; and—possibly of greatest significance for the remainder of 1957—the strongly expansive pressures of increased Government spending. So long as business and consumer confidence remains high, the prospects are that any downward trend will be of short duration and limited in magnitude; and the better the chances for a resumption of a normal rate of real economic growth.

This view of the Nation's economic condition is based on a deep conviction that the postwar American economy is one of great vigor and resiliency; and it is also based on a sincere belief that we possess enough old-fashioned common sense to manage our affairs so as to produce healthy, overall economic stability. Nevertheless, certain attitudes and practices that have recently taken hold in our Nation raise serious questions as to whether we shall enjoy the success that we should in achieving our goal of sound and stable economic growth.

Factors of Concern

One of these attitudes—and a cause for serious concern on the part of many citizens—is the recently indicated view in our national administration that ever-increasing welfare expenditures are justified simply because our economy continues to grow. I suggest that the opposite is true. Surely a more prosperous economy is one in which the citizenry is better able to meet its own needs without the intervention of a paternalistic Government, and one in which the economy operates in a free enterprise atmosphere. Moreover, it would appear that the Federal Government should set the example for the rest of the economy by practicing what it preaches with respect to restraint in spending during a period of near-capacity output and prosperity. As you no doubt recall, in January, our President called upon management and labor to exercise restraint in the interest of minimizing inflationary pressures. However, the President presented to Congress a mammoth budget that—although balanced—can only add to inflationary pressures in the economy, and a continued burden to our already excessively taxed people.

All of us agree with the President that we cannot take any risk with national security. We agree that we must devote whatever portion of our resources that may be necessary to adequate preparedness for repelling any foreign aggressors. But this pressing necessity for large continuing defense expenditures dictates strong conservative measures with respect to other phases of the budget. This is not an appropriate time for expanding Federal aid to favored groups in our society. This is the time for sober thinking and action, without political implications or considerations. The need for conservatism and thrift in Government operations and expenditures requires a firm hand at the helm. Senator Byrd and his colleagues are to be congratulated for their efforts to promote economy and thrift in Government.

The public will gladly record credit to both parties in Congress for any action toward thrift and economy, as both parties, and the President, now appear to be responding to the nationwide demand from the grass-roots voter. Economy and thrift in Government have suddenly become popular, and that is a most fortunate experience for the American people. We hope deeds will replace words.

What we really need is economy in Government that will justify a reduction in taxes. The present rate of taxation is a great burden on the people, and a deterrent to the economic progress of the Nation. With taxes so high, the Government is taking more and more of the earnings from the people, and leaving less and less for the people to use for their own purposes, and to create the savings that are essential to our national progress. This great hue and cry about reduction of the budget might be just the stimulation needed to get our Government on a sounder fiscal and budgetary basis. Thoughtful and patriotic citizens everywhere certainly hope this will be done, as we know it is in the best interest of the American people that it be done—and be done promptly.

Another disturbing development is the growing attitude both in Government and within a number of groups in the economy that people have an inherent right to credit for certain and special purposes. During the intensive boom conditions of the past two years, Federal Reserve authorities have properly followed a policy of permitting the money and credit markets to tighten as pressures of demand have risen. To do otherwise would have opened the gates for even more price inflation than we have had; and I should like to remind you that wholesale prices advanced by 4%, and consumer prices by 3% during 1956.

However, this necessary conservatism in the credit field has given rise to sharp cries of anguish from various groups in the economy. These complaints appear to be based on the questionable assumption that certain lines of activity should be fostered by easy availability of credit, even though restraint is necessary in the economy as a whole.

This attitude is particularly disturbing to those of us in the field of finance. We hold sacred our responsibility for the preservation of sound money, and the savings of our people. Our activities have always been based on the view that good credit is something to be earned and warranted by the borrower, and not granted because of Government assumption of risk. Moreover, borrowers and lenders alike must realize that credit, like any other scarce and valuable property, has its legitimate limits. Rewarding economic growth cannot long be sustained if we become careless in our use of credit. The Federal Reserve authorities are to be commended for the perceptive use of their instruments of credit control in the boom period of the past two years.

Attacks Inflation Remedy

A third attitude that is disturbing to those of us who are convinced that stable growth without inflation should be our primary economic goal is the belief that Federal Reserve authorities should be poised at all times to introduce a policy of drastic credit ease at the first sign of some relaxation in general economic pressures. Those who subscribe to this view are usually the same people who believe that a little inflation is a good thing. In their judgment, the need for maintaining brimful employment is so pressing, and the virus of inflation is so comforting, that we should close our eyes to a relatively small price rise in each year; say in the order of 2 or 3%. What are the implications of this view?

In the first place, I doubt seriously that there is any such thing as "a little bit of inflation" over an extended period of time. Once the average citizen became convinced that the value of his hard-earned dollars would depreciate at the seemingly conservative rate of 3% per year, the stimulus to save in the form of dollars, savings deposits, Government bonds, insurance contracts, and the like, would be all but obliterated. Few of us take time to figure that price advances at the seemingly low rate of 3% per year would result in a doubling of the general price level in less than a quarter of a century! Obligations fixed in dollar amounts would be worth just one-half as much in terms of purchasing power. Consequently, the motive for saving in traditional forms would lose most, if not all, of its appeal, and our economy would be launched on a spending spree that could only result in dangerous inflation.

But that is not all. Experience has demonstrated time and again that the most effective way to forestall recession and depression is to prevent booms from getting out of hand. Acceptance of the doctrine of chronic inflation would, in the end, bring on exactly the type of declining business and rising unemployment that the advocates of creeping inflation wish to avoid. We certainly are opposed to that.

The implications of these remarks for current Federal Reserve policy are clear. Recently the sidewise movement of business activity has given rise to demands from certain quarters that monetary policy be eased significantly. This is simply another way of suggesting that in effect the Federal Reserve authorities should validate the inflation of the past two years. Moreover, if, as it appears, the basic forces of demand are strong, and if we can indeed look forward to a resumption of expansion later this year, premature easing of money conditions would simply set the stage for renewed inflation in 1958. The current adjustment is proceeding in an orderly manner, and there is little indication that recessionary forces will gain the upper hand. This adjustment—primarily of inventories both in business and at the consumer level—must be allowed to proceed in order to create the conditions necessary for the resumption of sound economic growth.

American banks are lending more money to more people in practically every loan category, than they have ever loaned in the history of our country. Worthy credit is available, but at an increased price.

Bankers quite generally expect that demand for bank credit will continue at approximately the present high levels, at least until mid-year or later—and it appears that the interest rate structure will remain firm at approximately present levels.

Doubts Money Market Easing

The better balanced state of the economy, and the fact that many corporate financial officers have been farsighted in anticipating their financial requirements, have tended to reduce the loan pressure on banks. Cash flow through payment of loans, and demand for additional credit, are in closer balance than at any time during the past year. However, with loans of most banks at record levels, and secondary reserves reduced, this near balance provides no justifiable basis for predictions of easier money markets at this time—or in the very near future. Banking and business generally have become better adjusted to prevailing monetary policies, which in itself is a favorable psychological factor. The effects of the monetary policies have been salutary, both to banking and business generally, as well as to the people.

While the high level of business activity has reduced credit problems, some problems are showing up all along. The competitive factors in many areas of the economy have emphasized the need for stricter credit review, and the watchfulness necessary to keep these problems within reasonable proportions. Undoubtedly there are many weaknesses in our business structure that have not become discernible. Technological changes are affecting many industries. There are important shifts of strength within many industries where management has failed — or has been unable to adjust to changing conditions. There is evidence of some dullness in integration, as well as in diversification.

Weakness and Strength

Areas of weakness in our economy have been well publicized. During the month of March, industrial production did not make the usual seasonal gain. Steel output was slightly down; housing construction was substantially reduced and was sluggish; and automobile sales were not up to expectations. This caused business to be more cautious in adding to

inventories, and to trim stocks in many instances. That is healthy.

At the same time, business sentiment appears to have improved in tone quite recently. Less talk is heard of the dangers of an imminent recession, and the security and commodity markets have reflected the improved atmosphere of confidence.

Total employment for the nation as a whole rose during the month of March. Job holders reported a record 63.9 million for the month, which was a gain of almost 700,000 over February—and of more than one million more than March a year ago. Unemployment during the month of March represented 4.3% of the labor force. That is generally regarded as about minimum in a country where workers switch jobs so frequently. As contrasted with a year ago, we find more people working at higher wages, and unemployment near minimum levels. This is a strong factor of stability.

This over-all situation reflects the basic confidence of businessmen and consumers—a heartening degree of confidence that stands in sharp contrast to the situation of previous period of readjustment. However, the counsels of conservatism must be heeded; we must exercise moderation in our particular lines of activity; and we must be eternally vigilant in warding off unsound theories and ideas that are irrelevant to our present situation.

The Nation's bankers are pursuing policies based upon the solid rock of experience, but tempered by foresight and optimism that naturally flow from a resilient, free enterprise economy. Banks stand ready to continue to finance the sound, legitimate needs of all business and agriculture, and the needs of consumers.

We have good reason to face the future with courage and with confidence. Science, inventions, and technology will create new horizons filled with opportunities beneficial to our people. With our growing stores of natural resources, the years ahead will be rich in their reward to thrifty and industrious people. Sound business policy, stimulated by a reasonable degree of confidence, will enrich our institutions and our personal lives. The future will offer even greater opportunities to all people than they have ever experienced at any time in the past. We must prepare ourselves to reap the fruits of the many opportunities that lie in the harvests ahead.

Chicago Inv. Women to Hear Mrs. Maria Adler

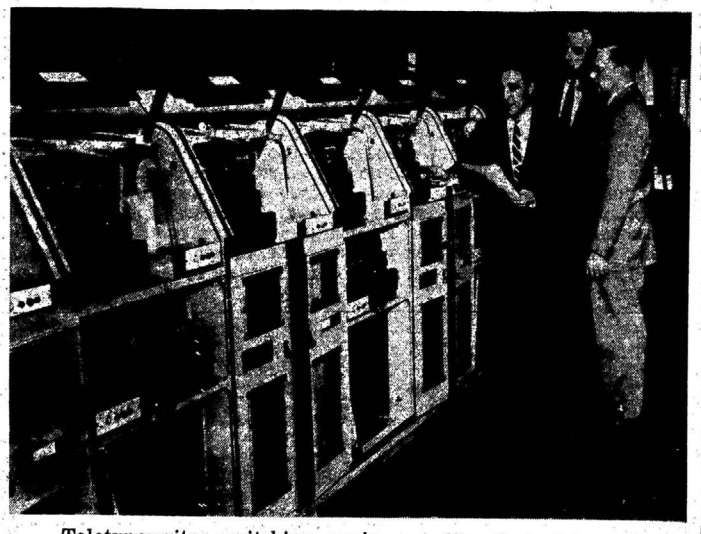
CHICAGO, Ill.—The Investment Women of Chicago will hold a dinner meeting on Wednesday, May 15, at the Chicago Bar Association. Mrs. Maria Cabrera De Adler, Vice-Consul of Paraguay, will be the guest speaker.

Mrs. Maria Cabrera De Adler is a partner in a husband and wife team. Her husband, Fritz A. Adler, a Chicago commercial artist, was advanced to Consul in 1953 after serving as Vice-Consul. Mrs. Adler was appointed Vice-Consul in 1953. She was born in Concepcion, Paraguay, and, before coming to this country on a fellowship, served in the Paraguayan Health Service. She studied at the University of Wisconsin, receiving a Doctor's Degree in Pharmacy. Later she taught Spanish there. She became Mrs. Adler in 1948 and has actively assisted in her husband's work for Paraguay.

Gillespie Director

Kenrick S. Gillespie, a partner in Carl M. Loeb, Rhoades & Co., has been elected a director of Talco Engineering Corporation, of Hamden, Conn. The firm manufactures rocket catapault ejection systems and cartridge actuated devices for aircraft.

Automatic Communications



Teletypewriter switching equipment, like that shown above at offices of Walston & Co., Inc., at 120 Broadway, New York, receives stock orders from branch offices and automatically directs them to floor of New York Stock Exchange. Equipment also takes messages from Exchange floor and routes them to designated branch offices. Similar equipment is located at other regional offices. It is thus possible to consummate a sale in about 30 seconds. Long Lines Department of American Telephone & Telegraph Co. installed nationwide network to link 39 cities. Checking facilities are, left to right, Andrew F. Riggio, Walston Communications Chief; Harold J. Keller and Robert F. Wilhelm of Long Lines.

Walston & Co., Inc., was founded in San Francisco, Calif., in December 1932 by Vernon C. Walston, who recalls it " . . . started out with three employees, capital of $52,000, a basic confidence in American enterprise, and the idea that investing is everybody's business."

Up until 1945, growth was slow but steady, the San Francisco office having expanded to 35 employees.

In 1945, expansion began in California, and in 1948, the firm reversed a century-old trend of expansion westward by opening an office in New York on Wall Street.

Rapid growth since 1948 has resulted in an organization of about 1,100 men and women in 50 offices coast to coast and in Switzerland. On Dec. 5, 1955, the firm was the first large stock exchange house to change from partnership to corporation.

St. Louis Municipal Dealers Hold Outing

ST. LOUIS, Mo.—The St. Louis Municipal Dealers Group held its annual outing on May 2-3, 1957. The officers of the group are as follows: E. W. Darmstatter, Stifel, Nicolaus & Co., Inc., Chairman; Earl W. Godbold, Dempsey-Tegeler & Co., Vice Chairman; Floyd H. Beatty, A. G. Edwards & Sons, Secretary; Robert E. Fischer, Boatmen's National Bank, Treasurer.

E. Wm. Darmstatter

Among the out of town guests attending were:

Kenneth R. Adams, Piersol, O'Brien & Adams, Inc., Kansas City; John N. Anderson, Equitable Securities Corp., Nashville.

John F. Baumann, The Milwaukee Company, Milwaukee; John J. Bondank, Zahner & Company; Kansas City; Clayton F. Brown, The Northern Trust Company, Chicago; E. Stephen Brown, Barret, Fitch, North & Co., Kansas City; Leonard A. Bucci, The Bond Buyer, New York; Paulen E. Burke, Burke and MacDonald, Inc., Kansas City; Robert F. Bender, Wachob-Bender Corporation, Omaha; William G. Budinger, Dean Witter & Co., Chicago.

Edward E. Carpenter, McDougal and Condon, Inc., Chicago; Alex Cook, White, Weld & Co., Chicago; W. J. Corbett, Jr., Burns, Corbett & Pickard, Inc., Chicago.

S. V. Duncan, R. S. Dickson & Co., Chicago.

David J. Everard, John Nuveen & Co., Chicago.

Arthur G. Field, Lee Higginson Corporation, Chicago; Robert M. Flynn, John Nuveen & Co., Chicago; John F. Fogarty, Stern Bros. & Co., Kansas City; Arthur S. Friend, Folger, Nolan, Fleming-W. B. Hibbs, Washington; John N. Fuerbacher, Walter, Woody & Heimerdinger, Cincinnati.

Brenton W. Harries, The Blue List Publishing Company, New York; O. H. Heighway, Hornblower & Weeks, Chicago; W. Shannon Hughes, Raffensperger, Hughes & Co., Inc., Indianapolis; James A. Hurley, First National Bank of Chicago, Chicago; Frank B. Hutchinson, Frantz, Hutchinson & Co., Chicago.

Carl W. Jackson, William Blair & Co., Chicago; Lloyd R. Jammer, Boettcher and Company, Chicago; Edward J. Jilek, Municipal Securities Co., Dallas; Frank J. Jordan, J. C. Bradford & Co., New York.

Robert I. Kelley, Harriman, Ripley & Co., Inc., Chicago; F. Brittain Kennedy, Jr., Braun, Bosworth & Co., Inc.; Chicago; Thomas L. Kevin, Glore, Forgan & Co., Chicago; John H. Kramer, Harriman, Ripley & Co., Inc., Chicago; Charles J. Krieger, Mercantile Trust Company, New York.

John A. La Grua, Jr., Barr Brothers & Co., New York; Carroll Little, Jr., C. H. Little & Company, Jackson, Tenn.; Joseph M. Luby, Commerce Trust Company, Kansas City; Mark A. Lucas, Jr., Lucas, Eisen & Waeckerle, Inc., Kansas City; Milton Luce, Jr., Luce, Thompson & Crowe, Kansas City.

Robert A. MacAdam, First of Michigan Corporation, Chicago; Dyer H. McCorren, The White-Phillips Co., Inc., Davenport; George J. McLiney, George K. Baum & Company, Kansas City.

Julian A. Magnus, Jr., Magnus and Company, Cincinnati; John B. Markey, The Small-Milburn Company, Inc., Kansas City; Henry W. Michels, Jr., Harris Trust & Savings Bank, Chicago; Paul L. Mohling, Smith, Barney & Co., Chicago.

Edward H. Nesbitt, Ira Haupt & Co., Chicago.

Carl H. Ollman, Dean Witter & Co., Chicago.

Bill Palmer, Mullaney, Wells & Company, Chicago; Elzie C. Partlow, William Blair & Company, Chicago; Herbert Pettey, Equitable Securities Corporation, Nashville; Roy A. Pitt, Jr., A. C. Allyn & Co., Inc., Chicago; Felix Porter, First National Bank & Trust Co., Oklahoma City; F. R. Postlethwaite, Raffensperger, Hughes & Co., Inc.; Indianapolis; Blair A. Phillips, Jr., Baxter & Company, Chicago.

F. Vincent Reilly, Commercial & Financial Chronicle, New York; John W. Reno, Carl M. Loeb, Rhoades & Co., New York; Robert H. Rich, J. Barth & Co., San Francisco; Don L. Roberts, George K. Baum & Company, Kansas City; Clarke J. Robertson, Bache & Co., Chicago.

Francis I. Safford, Lee Higginson Corp., Chicago; M. A. Saunders, M. A. Saunders & Co., Inc., Memphis; Frank P. Smeal, Guaranty Trust Company, New York; Sam M. Stallard, Eastman Dillon-Union Securities Co., Chicago; James Stenson, Continental Illinois National Bank & Trust Co., Chicago; Paul Stephens, Paine, Webber, Jackson & Curtis Chicago; A. F. Stepp, City National Bank & Trust Co., Kansas City; Carl N. Stutz, The White-Phillips Co., Inc., Davenport; Richard T. Swanson, Hayden, Miller & Co., Cleveland; Robert E. Simond, Jr., Halsey, Stuart & Co., Inc., Chicago.

Robert J. Taaffe, Blyth & Co., Inc., Chicago; William H. Tharpe, Drexel & Co., New York.

W. W. Veazie, Mabon & Co., New York.

Edward L. Warren, J. P. Morgan & Co., Incorporated, New York; M. J. Warren, Wachob-Bender Corp., Omaha.

Victor H. Zahner, Zahner & Company, Kansas City; John R. Zeitler, Third National Bank, Nashville.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Treasury by putting out a four-year, nine-month 3⅝% note as part of the refunding offer for the May 15 1⅝s had to pay the highest interest rate since October of 1933, when the 3¼% bond due 1945 was floated, with a bonus rate of 4¼% for one year. The other part of the current refunding operation was an 11½-month 3½% certificate of indebtedness. It was noted by Treasury officials that the higher rates for the refunding package reflected a rise in money market rates, resulting partly from the "perfectly enormous" volume of corporate and tax-exempt financing since February. Also, a slight change in the business attitude towards the economic outlook was given as a reason for the higher money rates paid by the Government in this refunding. It was stated that there had been "some doubts" about the economic future in February, but now the general feeling is that the situation is "more auspicious."

Bulk of Refunded Issue Held Outside Federal Reserve

About $2.4 billion of the maturing 1⅝s were held by nonbank investors and $1.6 billion by banks, with more than half of the latter amount owned by country banks. Virtually none of the 1⅝s were owned by the Federal Reserve Banks. The 3⅝% note, according to the expressed hopes of Treasury officials, should appeal to small banks, tax free institutions, trust funds, pension funds and individuals. The 3½% certificate in the optional exchange offer would be the one which should appeal to corporations provided, of course, they do not decide to take payment in cash. The amount of attraction in the refunding operation is a point of considerable discussion, with some predicting a sizable cash pay-out while others are looking for only an average figure.

Decision Awaited on "F" and "G" Refunding Offer

No decision has yet been reached on the offer which will eventually be made to the holders of the maturing F and G savings bonds. Earlier this year, Treasury officials said they were actively considering a new long-term marketable bond in exchange for the F and G bonds. A decision on this matter is expected late this month.

Monetary Authorities Not Worried About Business Trend

The action of the equity market, according to some money market specialists, indicates that the rolling type of adjustment which the economy seems to be going through is not going to have a serious effect on the pattern of business as a whole. If this turns out to be true, and the aforementioned group seems to think it will be, then they are not going to be looking for any change in the restrictive credit policy which the monetary authorities are keeping in force. This is in spite of official statements of a shift in policy to a passive one.

It seems as though the Federal Reserve authorities are not looking at the situation today as they did in 1953, because, at that time, when there was evidence of downturn in business, this brought about a reversal of the tight money policy. This action was taken to ease credit before the decline in business could be accelerated.

This time, the powers that be do not appear to be paying too much attention to the decline in home building, the unfavorable conditions in textiles and paper, along with the disappointing showing of the steel and automobile industry and other sections of the economy. It is evident that the monetary authorities are not yet concerned with the mixed trend of the economy, and there are indications there will be no relieving of the pressure on the money markets until they are convinced that the whole business pattern has turned down.

Equity Market Expected to Remain Strong

Some money market followers currently are of the opinion that a high level of interest rates will not have a decisive effect on purchases in the equity market as long as the economic picture continues to be robust. To be sure, considerable money will continue to be invested in fixed income bearing obligations, both the taxable and tax-free ones, but it is not expected that this will be a handicap as far as funds being put into common stocks are concerned as long as business as a whole is not on the defensive.

Treasury Bill Yields to Continue at Present Level

The need for liquidity still appears to be as great as ever, and although there will continue to be fluctuations in the yield of Treasury bills, it is not expected that there will be very much divergence from the recently established yield (price) area for this obligation. It is indicated that corporations and private pension funds are still keeping ample funds in the most liquid Government obligations. It is reported, however, that a not unimportant amount of money now invested in Treasury bills is and will be put to work in certain new security offerings which will be coming into the market. In this kind of operation, private pension funds have been getting more competition from the public ones.

Switching Entails Maturity Shortening

Switches, according to reports, have become a bit more prominent in the Government market recently, because institutional investors have been making changes in their portfolio positions. It is believed that on balance this movement has been toward the shortening of maturities.

With Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Albert L. Rafferty is now affiliated with Walston & Co., Inc., 265 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Shillinglaw, Bolger Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Thomas J. McKearnan has been added to the staff of Shillinglaw, Bolger & Co., 120 South La Salle Street, members of the Midwest Stock Exchange.

Railroad Securities

By GERALD D. McKEEVER

Atchison, Topeka & Sante Fe

One of the most highly-prized stocks among conservative railroad investors over the years, Santa Fe common has nevertheless been notably laggard marketwise thus far in the current year. One reason is, of course, that the rails generally have been "dragging their feet" with the exception mostly of the "Pocahontas" roads and, only recently, of Union Pacific also. Another reason is the current downtrend in the traffic of this road which is making a bad showing relative not only to the Class I average but, more disappointingly, to the trends of other roads in the Central Western District.

This, however, may be only a temporary situation since the Santa Fe, Union Pacific and Southern Pacific particularly are prone to be affected by similar conditions. The predominant long-term feature of these roads is an upward trend of revenues well in excess of the average, although the Santa Fe admittedly has not enjoyed as strong a trend in the past five or six years as the Southern Pacific. On the other hand, it has done better in this regard than the Union Pacific which, on balance, has done little more than to hold its own since 1951, albeit, at a somewhat higher level than the Santa Fe.

The recent strength of Union Pacific common might reasonably be expected to direct greater attention to Santa Fe common, not only because these two roads are the two top grade "transcontinentals" subject to similar influences over the longer term; but particularly because the established spread relationship between the prices of the common stocks of these two roads has been upset. At the present price of only a fraction over 24 for Santa Fe and 30½ for UP the approximate 6½-point spread is the widest, except for possible intermediate fluctuations, that has been seen for the better part of two years as the following shows:

	1957		1956		1955	
	High	Low	High	Low	High	Low
Santa Fe	27	22⅞	34⅝	25½	32⅜	24¼
Union Pacific	31¾	26½	39½	28	41	27¾
Spreads	4¾	3⅝	4⅞	2½	8⅝	3¾

NOTE—Prices for 1955 and 1956 adjusted for the 5-for-1 split in the latter year.

This matter of spread relationship deserves attention not only because of the similarity of the two situations as to investment character and railroad operating conditions over the long run, but also because both are "land" roads. The wholly-owned but separately operated land and mineral affiliates of the Santa Fe earned just over $8.5 million net in 1956 and paid $9 million in dividends to the parent road. Chief among these is Chanslor-Western Oil & Development Co., which, with its nine affiliates earned $7.4 million and paid the Santa Fe a $7.5 million dividend. Chanslor-Western also owns 72% of Kirby Lumber Corp. which owns and operates timber lands in East Texas and Louisiana and also receives royalties from oil wells on its properties. Kirby paid $360,955 in dividends to Chanslor-Western in 1956.

The other principal mineral workings of the Santa Fe are uranium operations conducted by its wholly-owned Haystack Mountain Development Corp. and the Santa Fe Pacific Ry. These two subsidiaries earned respectively $468,553 and $664,333 in 1956 and paid dividends to the Santa Fe of $500,000 and $1 million, respectively.

For some reason it is the policy of the Santa Fe not to disclose the extent of the acreage in which it or its affiliates have mineral rights as is done by the Union Pacific, Southern Pacific and Northern Pacific. That this acreage is substantial is nevertheless evident from the fact that 1956 oil sales and royalties amounted to $19,205,000, of which Chanslor-Western contributed $18,569,000 and Santa Fe Pacific the balance, while the operating revenue of Haystack Mountain was $1,339,000, presumably all or mostly from uranium. The corresponding operating revenue of Santa Fe Pacific, which is aside from $636,000 oil royalties, was almost $502,000 and this is also presumed to be all or largely from uranium.

Because of the absence of information as to the extent of the acreage owned by the Santa Fe and its affiliates and similar question as to how much of this acreage was acquired under land grant, it is not possible to say to what extent the prospects of the Santa Fe may have been helped by the clarification of the April 8 decision of the U. S. Supreme Court relative to mineral right in land grants for railroad right of way. This decision, as later clarified, was that the Federal Government retained mineral rights in respect to only a 400-foot strip about 1,000 miles long in the case of the Union Pacific which was particularly involved in the case, and this represented only about 7% of the total acreage in which the road retained mineral rights. On the day of the decision, and before it was clarified and indicated as a relatively minor matter, Santa Fe common broke to 23⅜. It might conceivably have had a more sustained and significant recovery if more were known about the extent and character of this road's land holdings.

There must be some such reason for the comparative "letting alone" that this stock is receiving in spite of relatively favorable earnings for the three months reported this year. Net per share of common stock amounted to 47 cents for this period as against 52 cents for the first three months of 1956, mostly as a result of a 3.3% gain in gross achieved in the face of a 3.8% decline in carloadings for the period as compared with the figure for the corresponding 1956 period. There was little change in cost ratios, maintenance still being charged at a relatively high rate, namely 35% as against 34.5% for the first two months of last year. Stringent control of expenses and notable operating efficiency are seen in the 34.7% Transportation Ratio for the same period as compared with 34.2% for the first two months of 1956. In view of two rounds of wage increases in the meantime, this is a creditable showing.

Thus while there has been no sign of a pick-up in traffic there is no reason at this early stage to conclude, as the market behavior of the stock might seem to indicate, that the $1.60 per share dividend declared in 1956 should not be continued. This consisted of $1 per share regular and 60 cents extra. It is difficult to interpret as yet the significance of the increase in the regular rate to $1.20 in the first declaration this year. While earnings of $2.64 per common share for last year were somewhat disappointing as compared with the $2.94 for 1955 and the $2.75 average for the preceding five years (adjusting the latter for the 5-for-1 split of a year ago) an important factor is the solidity of these earnings and the road's large "cash flow." As to solidity, the tax-deferral factor due to accelerated amortization is placed at only 44 cents per share this year as against 43 cents in 1956. The road's unusually heavy "cash flow" stems from the fact that it has no equipment obligations and hence no serial maturities to absorb any part of its ample depreciation allowance. This "pay as you go" financial policy caused a considerable contraction in cash and net current assets as a result of the freight car program and other capital improvements in the past year or more, but in view of the road's ability to regenerate cash at a rapid rate, this is regarded as just a phase.

Continued from page 6

Examining Price Inflation And the Business Outlook

level, although public construction is expected to set new peaks in 1957.

(4) **Automobile Industry**

One of the laggards in the 1956 boom was the automobile industry which settled back from its own boom in 1955. Output in 1956 was estimated at 5.8 million cars. While there was considerable optimism at the beginning of the current model year that output would reach 6½ to 7 million cars in 1957, the failure of sales to perk up significantly has resulted in a downward revision of these earlier estimates to 6.0 to 6.3 million cars or only slightly higher than in 1956.

In the second half of 1956, consumers spent about 5% of their disposable income for automobiles. This is about in line with the normal relationship and far below the 6.4% ratio which developed during the boom of 1955. The Federal Reserve Board's Survey of Consumer Finance shows that for 1957, "The proportion of spending units reporting that they would or might buy new or used automobiles during the year was unchanged." (**Federal Reserve Bulletin**, March, 1957, p. 258). Depending on one's predilections, the automobile industry could be listed either as an expanding force or a neutral force. I am inclined to classify the industry as "neutral plus."

(5) **Backlog of Orders**

As of February, the volume of unfilled orders on the books of American industry was $61.7 billion or a rise of $4.6 billion as compared with a year earlier. Most of these orders are for durable goods. Although the total has been reduced fractionally since December, the backlog is equivalent to about 4 months of production. This large volume of unfilled orders assures high level activity in this very volatile area of our economy in the months ahead.

(6) **Farm Outlook**

Farm income rose about 5% in 1956. This was the first gain in farm income since 1951. As a result of the soil bank program, and other programs instituted by the Federal Government, a further small rise in farm incomes is anticipated by the U. S. Department of Agriculture for 1957. Farmers are expected to plant a smaller acreage this year than at any time over the past 40 years. If these intentions actually are realized and if productivity does not advance markedly, there is the likelihood of some reduction in the agricultural surplus. However, this reduction may not materialize because of changes in plans, the withdrawal of inferior acreage from cultivation, increased average yields, and similar factors.

Negative Factors

The more important factors pointing to a lower level of economic activity include the following:

(1) **Credit Controls and Tight Money**

The tremendous demand for capital has outstripped the available supply of savings. As a result, there has been considerable pressure for higher interest rates. Both short-term and long-term interest rates have risen. The result has been widely discussed in the press as tight money. Actually, tight money may take one of two forms. It may refer to the availability of credit or it may refer to the price of credit. Money has been tight in the sense that it has cost more to borrow and in the sense that there has not been enough available to meet the sharply increased demands for credit.

Nevertheless, the total credit expansion in 1956 was of major magnitude despite the concern with tight money. I have already noted that mortgages on one to four family houses increased by $11.1 billion in 1956. During that year, consumer credit rose by $3.2 billion and business loans of commercial banks increased by $8.6 billion. In addition, corporations sold $7.9 billion in bonds and notes. Total private debt increased $35 billion in 1956.

While the increases were somewhat smaller than in 1955, they still were of major magnitude by any historical standard. It was in response to these pressures that the Federal Reserve Board raised the discount rate. It would be a misinterpretation of cause and effect to place the responsibility for the higher cost of money upon the Federal Reserve System.

The rise in money rates undoubtedly helped to slow up the increase in outstanding debt by cutting off some marginal borrowers. To the extent that the rate of increase in debt is reduced, one of the important forces which has been stimulating the boom will be weakened.

(2) **Steel Industry**

In recent months the level of steel activity has been declining moderately. After the 1956 steel strike, there was an overstimulation of demand to replace inventories. Steel output returned to capacity levels for several months. This was a temporary situation which lasted through early part of 1957. With the rebuilding of inventories completed, it was to be anticipated that the level of activity in the industry would decline.

One of the most sensitive indicators in our economy is the price of steel scrap. It is usually a good forecaster of the trend of steel output. Since January there has been a sharp drop in steel scrap prices which currently are at the lowest level since the summer of 1955. For some grades of scrap, the decline in price has been one-third or more. These developments suggest that a further decline in steel output will take place.

(3) **Inventories**

Inventories have steadily risen since January, 1955. The total has increased from $76.9 billion to $88.9 billion in February, 1957. Over the past year inventories increased almost $6 billion; this rise in part reflected higher prices. The rate of increase of inventories has been smaller during the past few months and this development has contributed to the slowing up of the boom. Despite the likelihood of some price increases in the next few months, businessmen have not been eager to build up inventories further.

The Outlook

This list of expanding, neutral, and negative forces involves some duplication. However, I have found it a useful approach in the past because it indicates where the pressures may be developing. An examination of the forces outlined suggests no major change in the economic picture in the months ahead. Rather, a broad sidewise movement has developed and the probability is that it will continue to characterize the business scene through most of 1957.

If the business picture is analyzed in terms of the gross national product framework, a similar conclusion emerges. As was noted earlier, in the balance of 1957 we will experience an expansion in government spending and in personal consumption expenditures. On the other hand, some decrease in gross private domestic investments seems probable largely as a result of the shift in the rate of inventory accumulation. On balance, it does not seem probable that the overall physical volume of activity will change significantly from the level now prevailing. So that on this basis, too, a broad sidewise movement is suggested.

If my analysis of the forces at work in the months ahead is correct, then the pressure for inflationary price rises can be expected to continue to subside. Increases in new plant capacity will act as a barrier to spiraling prices in some sectors of the economy, while declining volume will make it more difficult to pass on all cost increases in other areas. We appear to be in a period when the inability to pass on all cost increases by raising prices will result in a squeeze on profits.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Asa V. Wilder withdrew from partnership in Hooker & Fay, April 30.

Norman de Planque retired from partnership in La Grange & Co., April 30.

Oliver Kimberly retired from partnership in Starkweather & Co., April 15.

Henry G. Davis retired from partnership in Robert Winthrop & Co., April 30.

Howard R. Bouton will not retire from Murphy & Company on April 30 as previously reported.

With Carr & Company

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — David A. Stulberg is now connected with Carr & Company, Penobscot Building, members of the Detroit Stock Exchange.

Joins First of Michigan

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Jerome J. Karrer is now affiliated with First of Michigan Corporation, Buhl Building, members of the Detroit Stock Exchange.

R. A. Lancaster

Robert A. Lancaster, associated with Mitchell, Hutchins & Co., New York City, passed away May 7 at the age of 60.

Continued from page 7

The Investor Attitude Toward Municipal Bonds

significant figure in studying municipal credits is the cost of government on a per capita basis. We realize that a strenuous effort has to be made to secure figures of overlapping jurisdictions for this purpose. Continued pressure toward uniform municipal accounting practices is therefore vital.

Eighth—In the final analysis of any municipal credit, it is the community's willingness to pay that counts. This analysis is based on familiarity with the community, its history, its people, its economy and all other factors.

Ninth—and last. The character and reputation of the law firm issuing the legal opinion is of significance.

To be able to use the above criteria, we feel that considerable additional information is necessary. A lot of this information which we mention is included in your annual reports; but what I have reference to at this particular time is that when a new issue is being marketed, the annual report might be somewhat out of date. Here is what we would like to see in any brochure covering a new municipal bond issue, and a good deal of this perhaps may not be pertinent as far as Connecticut communities are concerned.

We should like to have a complete description of the condition of the community's physical plant — public buildings, water and sewer systems, parks and streets. Also, an estimate of the future needs in the way of major capital expenditures. We require an adequate debt statement of recent date. This statement should show both the gross and net debts of overlapping taxing areas as well as the community's share of net debt. The schedule of debt retirement should include a schedule of retirement of the debt of overlapping areas. These schedules should show the issues by purpose, both tax supported and self supporting. Coupled with this section should be the schedule of debt omissions by purpose of the particular community and overlapping areas.

The tax collection record which most Connecticut communities show in their annual reports is excellent. In other states, where there are major 100% overlapping areas such as school districts and/or sanitary districts, the tax collection records for these municipal corporations should also be given in similar detail together with all pertinent tax rates. The breakdown of revenues and expenditures should be standardized. The major revenue categories which we like to see broken out are ad valorem taxes, state aid for schools, share of state taxes, Federal aid, income and profits taxes, earnings of public utility departments and others. Major expenditure categories are debt service, education, capital improvements, welfare, city administration and others. Where there are major overlapping areas such as school districts, sanitary sewer districts, etc., similar information should be available in a standardized comparative form. The end result will afford another means of municipal comparision—cost of government per capita which was referred to above. Detailed analysis of the current account should be made possible by means of comparative balance sheets for at least a five-year period.

Descriptive material of any self-supporting departments should include an analysis of the property account, a balance sheet, a detailed income account showing among other things depreciation, if any, principal repayments, bond interest and disposition of net income and, in the case of water departments, the source or sources of water. Information should include the latest peak demand and the capacity available together with future estimates in both cases.

In the issue of October, 1956 of "Public Works Magazine" there appeared an article entitled "Bond Ratings and Bond Prices" which was contributed by Mr. David Ellinwood, Vice-President of Moody's Investors Service and in charge of their municipal investment research activities. While directed to you fellows on the municipal firing line, nevertheless the points are of significance to the municipal bond buyer. Its main thesis is what are the things necessary for you to do in order to improve the ratings which you now enjoy or do not enjoy on your bonds. Some of these points may be a repetition of what I have mentioned previously in so far as what we deem our requirements to be.

Mr. Ellinwood says this: "Cities and other public bodies with capital outlay problems in mind should lay their financial plans long in advance of the time they need the cash in hand to pay construction costs. Only by establishing their credit and striving to improve it can they assure their taxpayers and utility rate payers that improvements are being financed as economically as possible. The price a city can fetch for its bonds depends upon a combination of many things. A city alone governs the supply of bonds bearing its name. Also it can do much to influence the demand factor by whetting an investor's appetite for its bonds over other securities. The value of a city's bonds is determined by the size of its market, by which is meant the quantity of its bonds investors are willing to buy at a given price. In turn this is determined by how widely and how favorably the city is known; in other words, by the length and breadth of its credit."

Mr. Ellinwood says that in the case of general obligation bonds, particular consideration is given to the possible capital needs and revenue requirements of all governmental units imposing both direct and indirect taxes on the business life of the community whose affairs are under study. The intrinsic quality of a general obligation bond is appraised on the basis of relative freedom from risk in two areas; (1) the risk that bond quality will not be diluted by inordinate increase in debt; (2) the risk that ability to meet maturing bond principal and interest may be impaired under depressed business conditions. I think that you will agree that a municipality would not find investors willing to purchase its bonds unless some sort of assurance is offered that the municipality will keep within reasonable limits future borrowings payable from the same source of revenue or secured by the same credit base. This, of course, refers to real estate taxes derived from real property. How is this assurance developed?

As you know legal debt limits no longer provide a ceiling on the issuance of additional debt because too many numerous ways have been devised to get around this limitation. We have it here in Connecticut for school building projects and sanitary sewer projects. Our limitation, as you know, is 5% of the grand list. However, for sanitary sewers we can go to 8% of the grand list, and for school building projects we can go to 10% of the grand list. Recently we have developed the regional school districts as another means of getting around the debt limitation. In other states with increasing frequency public works are coming to be financed by special authorities or special purpose taxing districts rather than by the municipality directly. Thus bond buyers have come to realize that they can place no sure reliance upon debt limits to keep debt within reasonable bounds.

Assurance that there will be no worrisome increases in debt is only to be found in the happy combination of modest debt and governmental facilities which are adequate for immediate and prospective needs. If debt is high, credit is apt to be poor, but even if debt is low credit is not apt to be high where a community possesses a grossly inadequate plant or badly deteriorated facilities. Either of these situations holds a strong suggestion that much debt will be incurred as time goes on.

The investor wants assurance of the community's ability to pay; thus the whole budget structure of a community must be healthy to assure a high credit standing. Whether the tax rate is limited or unlimited, credit is not apt to be of a high order where a city already is relying heavily upon nonproperty tax revenues and at the same time is taxing property close to the limits prescribed by law or close to practical, economical or political limits. Tax rates and sources of revenue are important but the investor's concept of ability to pay is primarily a matter of economics. A community lacking in community income, reserve wealth or both, is not apt to present a top-notch tax collection record.

The accident of geography has much to do with credit, for the largest part of community income is derived either from productive enterprises or from services and trade. Thus among agricultural areas the best credits typically are found in areas where the soil is deep, fertile and well watered. Sub-marginal farm land typically producers poorer credits. Similar relationships can be drawn between a city's credit and its industrial and commercial attributes. Credit is very importantly related to economic ability to pay. A community is heading for trouble in the long run when the sole attraction to business is an opportunity for exploitation, or when sole attraction to new residents is a low tax rate. A community attracts desirable residential and business increments in a number of ways. One prime essential is a reputation not so much for a low equalized property assessment. A stable budget and tax rate are another. Last, but not least, is a repuattion not so much for a low tax rate as for governmental economy; the result of careful screening of spending proposals, not merely the result of a policy of cost deferment.

But, finally, according to Mr. Ellinwood, a city's credit is importantly influenced by its record in the area of debt policy and administration. The key to good debt administration is the willingness to face up to responsibilities to meet today's cost today. Always be ready to meet your debt service promptly. Nothing can injure a town's credit more damagingly, more quickly, and more permanently than to have even a slight delay in meeting debt service.

With Stowers & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Francis J. Raw is now associated with Stowers & Company, 312 West Forty-Sixth Terrace. Mr. Raw was formerly an officer of the South Side Federal Savings and Loan Association.

Public Utility Securities

By OWEN ELY

United Gas Improvement Company

United Gas Improvement ("UGI") is about 75 years old, and has paid dividends on the common stock for 72 years. Some underlying properties have been in the gas distributing business for well over 100 years. The company was originally formed to design and build equipment to produce city gas by the then newly-invented carburetted-water gas process. From the gas equipment business the company expanded into the operation and ownership of various gas companies. Later on numerous electric properties were also added, and the company gradually became a huge holding company. In 1938 it had consolidated assets of $828 million, but in the next 15 years it had to dispose of many of its holdings under the Holding Company Act, including those in Connecticut Light & Power, Delaware Power & Light, Philadelphia Electric, Niagara Mohawk and Commonwealth & Southern. After these divestments were completed, UGI merged its remaining companies on Dec. 31, 1952, and became a medium-sized operating company.

UGI has 207,000 gas customers in Bethlehem, Allentown, Easton, Hazleton, Harrisburg, Lancaster, Lebanon, Reading, etc., in the so-called "Pennsylvania Dutch" country. It also operates an electric property in Luzerne County, serving 46,000 customers.

In 1950 UGI began to receive natural gas and gradually changed from manufactured and mixed gases to straight natural gas except for 7,000 customers in Hazleton. 800 Btu reformed gas (made principally from natural gas) is served in the Harrisburg division. Natural gas is obtained from the Columbia Gas System, the average cost approximating 44 cents per mcf with a load factor of 62%.

Gas sales have shown an average yearly increase of about 12% but in 1956 the gain was 20% and this year should be substantially higher. Househeating saturation is about 17%, but new customers are increasing at the rate of about 5,000 a year with 70% of new homes using gas for househeating.

The relatively low saturation leaves considerable room for expansion. Gas now compares favorably with oil on a cost basis and additional gas is now obtainable from Columbia Gas. Moreover, many old homes are converting from coal despite the nearby anthracite fields.

In the field of heavy appliances, however, UGI is encountering considerable competition from electricity. Electric ranges are cutting into gas range sales, in which field the saturation was nearly 100% some years ago. The saturation of automatic gas hot water heaters is now 60% and is still increasing. The gas refrigerator has to contend with the near-monopoly held by the electric refrigerator. Gas clothes dryers and incinerators are still relatively new but should have a good future because of speed and low operating costs. Last year UGI added 2,000 clothes dryers to its lines.

With respect to industrial sales, oil, coal and in some cases electricity, are competitors of gas—particularly low-cost pulverized coal and low-grade fuel oil, which are cheaper than gas for bulk heating. Where heat control is a factor, however, the adaptability and controlability of gas makes it the favored fuel. To stimulate industrial sales, two new rates were introduced recently. Under one of these a large industrial customer can obtain a definite amount of gas every day throughout the year, plus added amounts at a lower cost which are interruptible on cold days at the company's option. The other rate covers sale of summer gas available from April through October, with extensions as demand and weather permit. These new services are receiving a most enthusiastic reception.

The company's electric service in Luzerne County includes the anthracite coal area which had a declining economy over the past 25 years, although in 1956 anthracite sales showed an increase over the previous year for the first time in a long period. Some success has been achieved in attempts to diversify the economy of the area but in general a rather static condition prevails, with a decline in industrial sales of electricity partially offset by gains in commercial and residential sales. Revenues from the coal and textile industries now represent 12 and 4% of total electric revenues, respectively. A 44,000 kw generating unit will go into service in 1960, replacing high-cost equipment.

There are two other features of UGI's business which may be mentioned. Liquid propane sales are handled by a subsidiary to avoid regulation, and they hope to expand this business in rural areas. The company gets a fixed fee of $800,000 (maximum) for running the Philadelphia municipal gas plant, and hopes to increase this fee in 1960-61 when the contract comes up for renewal. UGI nets after all expenses about $285,000 per year, equivalent to 23 cents per share on the common stock.

The company's capitalization is now about 34% debt, 3% preferred stock and 63% common stock equity—the latter probably reflecting the sales of some of the substantial investments in other utilities years ago. With this high ratio no equity financing is expected for at least five years.

The company's regulatory situation is basically strong, but with some uncertainties ahead. While Pennsylvania is a fair value state in theory, UGI is earning only about 5.4% on an original cost basis, and there are no fuel adjustment clauses in the rate structure. Columbia Gas' subsidiary has now asked for a rate increase, which will become effective under bond in July unless decided earlier by the FPC. This increase if sustained will cost UGI about $550,000 per annum or about 21 cents a share pro forma. UGI has not yet decided whether to ask for a rate increase.

In 1953, UGI's first year as an operating company, earnings were $2.24 of which 16 cents came from dividends on investments no longer held. In 1954 a new Pension Plan went into effect and a rate reduction designed to increase the heating business was made, reducing earnings in 1954 and 1955 to $2.10 and $2.15, respectively. In 1956 earnings rose to $2.45 per share, and they are estimated at $2.50-$2.55 for 1957, (they might reach $2.60, it is understood, except for anticipated regulatory lag in connection with the increased cost of gas.) The current dividend rate is $2 which at the recent price of around 36½ yields 5.5%.

Willis D. Wood

Willis D. Wood, partner in Wood, Walker & Co., passed away at his winter home in Florida at the age of 84, following a long illness.

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"What's Wrong With The Life Stocks?"

and appointed 15% more agents than a year ago in a stepped up recruiting and sales program. This also was costly. But at the same time it seems reasonable to regard these charges as extraordinary as was the mortality bulge. An average of 26 life companies indicates that earnings rose 12.5% above a year ago, including the 11% decline for Lincoln. That average earnings could increase 12.5% while the life business had its greatest sales year in history, including these heavy first year expenses, is a real tribute to its underlying earning power.

The Fundamentals Are Right

What's right with the life stocks? Only the fundamentals are right, such things as sales, interest earnings and mortality.

Sales, as previously mentioned, have been making new highs every month. In February total life sales were up 33% above the year ago. What other industry is performing at this rate? For the first three months the total increase is 22% with ordinary up 26%. And it is ordinary that has the greatest profit margin. The healthy vigor of life sales compares favorably with department store sales, automobile sales, new housing starts, etc.—it is a standout in the current American economy.

Interest earnings are even higher than a year ago and then they were beginning to cause insurance investment men to cheer. There is greater confidence that the long range trend of interest rates will continue on a high plateau. Since the end of World War II more than $400 billion of insurance in force has been placed on the books, practically all of it at low interest assumptions. Because of the great leverage in life insurance companies, number of shares outstanding in relation to assets, an improvement in the interest rate over that asumed is of the highest magnitude of importance.

Mortality continues its slow but steady improvement. There has been no dramatic change recently but we do seem to be getting closer and closer to a "cancer cure." For the first time the Federal Government is appropriating funds for Federal research and these amounts will grow rather than lessen in the years ahead. Modern science is really beginning to attack problems of heart and cancer, the two greatest scourges of mortality and mankind.

Stock Prices "Right" in Relation to Adjusted Earnings

In addition to the three fundamentals the prices of life stocks are now "right" in relation to their adjusted earnings. By adjusted earnings is meant earnings reported to supervisory authority plus an adjustment of $15 per $1,000 for increase in ordinary insurance in force, $5 per $1,000 for group and approximately $10 per $1,000 for industrial, depending upon its profitability. While at the top of the life stock market in August 1955, life shares were selling at 17-18 times their previous year's adjusted earnings, now many of them are selling at 10-12 times last year's earnings, some at even less, while others more. Let us examine a representative "spectrum" of the life insurance stocks selling from 6 to 20 times last year's adjusted earnings.

Six Times Earnings—Postal Life of New York, a "mail order" company until 1948, when it began to build up an agency plant. Insurance in force increased 20% last year. More significant it is controlled by Bear Stearns of New York, a highly successful and responsible investment group which has not acquired control simply to sleep on it.

Seven Times Earnings — Life Companies, Inc., the Dallas life holding company controlled 80% by the Murchison Brothers, and in which the public was sold a 20% stock interest in October 1955. This holding company controls three sound and solid life companies, Atlantic Life of Richmond, Va., Lamar Life of Jackson, Miss., and Midland National Life of Watertown, S. D. The Murchisons have such extensive financial and industrial interests that their life companies would seem to have a better than average chance to grow and prosper. Furthermore, the Murchisons have built up a speculative following which seems destined to attract interest to their companies once the public returns to the life stock market.

Eight Times Earnings—Southwestern Life of Dallas, Republic National Life of Dallas, Wisconsin National Life. Southwestern Life of Dallas is the "blue chip" in the southwest, a conservative old line company whose board of directors reads like the "Bluebook" of Texas. While long in a class by itself among the southwestern companies, Southwestern had not been particularly noted for its aggressiveness. For example, in 1952-54 its sales of new life insurance remained virtually stationary. Then in 1955 sales jumped 12% and in 1956 more than 30%. The company is expanding into adjacent states and it is clearly on the march, although not yet recognized as such by the investing public. Republic National Life is one of the dynamic growth life companies in the country under its able President, Theo Beasley. It has specialized in reinsurance, like Lincoln National, and its growth of insurance in force has been spectacular, 27% in 1956, 32% in 1955, 33% in 1954 and 19% in 1953. It is difficult to find comparable figures among any of the important insurance companies. Insurance in force crossed the $1 billion mark last year and it is expected to cross $2 billion by 1959. Wisconsin National is a good smaller company with a 100,000 share capitalization and might conceivably appeal to larger fire and casualty companies looking for a sound life company as an affiliate.

Ten Times Earnings—Connecticut General and Kansas City Life. To be able to buy a "name" such as Connecticut General at 10 times earnings is truly astounding, particularly when its outstanding report of last year is considered, insurance in force having advanced no less than 16%. Such a rate of increase puts Connecticut General close to the dynamic growth class whose stocks command much higher price times earnings ratios. After the war Connecticut General invested large sums of money in a training program which is now beginning to bear fruit. Kansas City Life has a small capitalization, only 40,000 shares, and sells at a high price so that it has a certain plus value for the Tiffany-seeking investor.

Ten and one-half Times Earnings—U. S. Life, perhaps the best long term buy of them all. It has probably the best name in life insurance, a dynamic management, strong sponsorship from the Continental Casualty group which not only owns stock but has three directors on the board, has been growing at the rate of approximately 20% per year and has most of the United States still to expand in. Up until four years ago it was entered in only 13 states and it is now in 34—yet the surface in these states has been barely scratched. This stock has a great potential and could well become one of the leading trading favorites.

Eleven Times Earnings — Commonwealth Life of Louisville, a soundly managed company with above average growth. Its earnings have been penalized during the last year by the acquisition of the largest new office building in Louisville, which is not yet entirely rented. As the building fills up additional earnings will accrue and will aid Commonwealth which has always had an extremely conservative investment policy.

Twelve Times Earnings—Aetna Life, one of the great insurance names in the country, a department store of insurance, whose earnings should be considerably higher in 1957 and 1958 because of the uptrend in casualty and fire earnings which may be anticipated. This is one of the Tiffanys of life stocks.

Thirteen Times Earnings—Travelers and Lincoln National, "blue chips" also, with Travelers earnings also to be up sharply this year and next because of improvings casualty and fire earnings. Both companies are leaders in their respective fields and have proved their excellence as long term investments.

Fifteen Times Earnings — North American Life of Chicago, a smaller but dynamically managed company, which was the second best performer among life stocks in 1955. Last year its sales underwent consolidation, a change in management having occurred several years ago, but this year, its 50th Anniversary Year, sales have started to skyrocket again, in February the increase being 48%.

Sixteen Times Earnings — Continental Assurance, a great and dynamic growth company whose sales gains have run around 20% per year, an important beneficiary of the purchase of National Fire by Continental Casualty. Continental Assurance seems certain to gain life business from the 15,000 National Fire agents who now owe allegiance to Continental Assurance's parent, Continental Casualty. This is a plus and new factor in the Continental Assurance outlook.

Twenty Times Earnings—Franklin Life of Springfield, one of the great and dynamic growth companies in the country with a record of insurance in force gain for the past five years averaging 22% per year. This company seems to have a winning sales formula and its management is stockholder-minded, another 50% stock dividend coming due in the early summer.

Twenty Times Earnings—Government Employees Life, affiliated with Government Employees Insurance which has 10 times as many policyholders, so that its life running mate has a ready made potential of 10 times more business. It is low cost because it sells without benefit of agents and through the mails and its selection of risks seems to be superior. Hence its profit margin is large and it is fast growing, business in force advancing 32% last year and an average of 112% for the past five years.

Now Reasonably Priced

Thus the life stocks in today's market are selling 6-20 times last year's adjusted earnings, depending upon their rate of growth. They are not only reasonably but cheaply priced once more.

As for the future, two forecasts seem reasonable: One, that life earnings will continue to increase at a rate of approximately 15% per year so that, compounded, they should approximately double within five years; two, the prices which investors will pay for these growth stocks will increase from 10-12 times earnings to 15-17 times earnings or an increase of approximately 50%.

Thus within the next five years it would appear that rises in the prices of life stocks in the neighborhood of 100-150% appear possible if not probable. That would be the equivalent of the Dow-Jones Industrials rising to 1,000 or 1,250—and if this were to come about most of us would be as surprised as we would be pleased. And in addition there is always the possibility that some dramatic discovery may be found in the field of heart or cancer which will revolutionize treatment of these two scourges of mankind. Already five years have elapsed since the head of Sloan-Kettering Institute predicted a cure for cancer within the next 10 years. Even a casual reading of the newspapers would seem to indicate that many scientists are getting close. Should such discoveries materialize, not only would mankind be enormously benefited, but the life insurance companies would be helped in particular. Because of the tremendous leverage, earnings could increase rapidly under these conditions and investors would certainly greet the news of such discoveries, as a Salk vaccine for heart or cancer, with spirited enthusiasm.

That is the romance of life stocks, that is what would bring investors back into them in droves. Thus it is not hard to see that, while the fire and casualty stocks look extremely cheap and attractive from a two year standpoint, our long term heart still "belongs" to the life stocks.

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Management's Responsibilities In Aiding the Free World

ments are frankly socialistic in some of their long-range national planning, arrangements can be made with them which warrant the capital risks involved.

Far- and Short-Sighted Countries

There are, of course, countries with great economic potentialities, which are unfriendly to the entry of capital on free-enterprise terms. Deluded by nationalistic slogans, misled by politicians, these nations have stymied their development by laws which either discourage or forbid American and other foreign corporations to engage in operations. You may have heard the phrase used to excite popular hostility toward the entry of foreign capital in some Latin American countries. "They must not be allowed to alienate the patrimony of the nation." And what's the result of this? The people of the nation do not get the material benefits which would come from developing the patrimony which is theirs.

On the other hand, certain Latin countries which have encouraged and welcomed a substantial inflow of American capital have seen their standards of living rise and flourish, as in Venezuela, for example.

All of what I have just been saying boils down to an ancient and indispensable principle of business, that the foundation of trust and faith is the belief that agreements and contracts will be honored.

Subordinate to this great, invigorating principle are other, more specific conditions that are desirable for the attraction of American foreign investment. Some of these conditions are:

Taxes and Rate of Return

That a rate of return on investment, fully commensurate with the risk taken, is justifiable.

That foreign corporation and other taxes be at a level designed to attract capital from other countries. Certainly, to attract U. S. investment, these taxes could well be lower than the United States rates, in order to compensate for the increased risks involved in a foreign venture. Definitely, the foreign rate should be no higher than the U. S., for obvious reasons.

Our U. S. tax laws have encouraged foreign investment by permitting investors to credit foreign taxes against their U. S. returns. Moreover, the Administration is currently advocating a reduction in U. S. taxes on income from foreign sources, in order to encourage a greater flow of American capital abroad.

Foreign countries can also help to stimulate this flow by patterning their tax structure accordingly.

Other conditions are:

That capital and profits may be repatriated without undue penalties in the form of currency restrictions.

That control of management remain in the hands of the investors.

That the foreign investor have equal standing with local business, free of discrimination by local government.

Where you have these conditions present, American capital can go to work with good prospects of success.

Now I have been dwelling on the assurances that we, as custodians of the American stockholders' money, have to ask of the foreign country. Now, what about their demands on us?

It is pretty much of a truism that, in the long run, the success of an enterprise abroad must be judged in the light of its relations to the host country. Such an enterprise should not be out to exploit, but rather to create wealth which will be shared by the host country's citizens. Properly managed, the foreign enterprise must strive to convince the host that it is promoting economic and social development in an orderly way. Once this conviction is achieved, cooperation for long-run survival is most likely to follow.

Foreign Demands

Foremost among desirable management policies I would list are these:

(1) Nondiscrimination in treatment of nationals. This involves their logical desire to receive equal pay for equal work. A nondiscrimination policy is not easy to work out, since part of the inducement to Americans to work overseas must be a higher wage. Company managements make an effort to train local employees to handle all jobs in certain categories so as to minimize reliance on expatriate personnel.

(2) Open camp policy. This means making your residential area a part of the community, without fences or compounds. Providing language classes for American employees; stressing their obligation, as visitors, to conform to the community, to get acquainted, but to avoid taking part in local politics.

(3) Encouraging the development of local contractors. This is one of the most promising means of weaving your enterprise into the warp and woof of the host country. As time goes on, the possibilities multiply — more and more of the commodities and services you need can be obtained locally if you encourage the growth of a local business class.

Ultimately, the economic development of underdeveloped countries comes down to the need of a middle class of competent, enterprising businessmen; the lack of such a class can be one of the greatest handicaps under which these countries labor.

(4) Assisting educational programs, both for local training and for the training of foreign nationals in the United States. All told, some 35,000 foreign students come to the schools, colleges and universities of the United States every year. Companies which take their due part in this training effort can expect to reap considerable benefit from it both in good will and in the strengthening of the quality of their technical personnel.

Finally, it is worth remarking that every new venture by an American company into business abroad can contribute to the acceptance of American-style democratic institutions by the host countries. Te more of us who venture into foreign fields, the greater the opportunity to demonstrate what constructive American investment has to offer any country, thereby encouraging a favorable climate of investment for everyone. Likewise, by exporting not merely one particular kind of business such as oil, or steel—but all kinds, as many as we can—we can broaden and enrich the living standards in foreign lands, and thus contribute to the strength of the private enterprise system everywhere.

To return to my opening theme, I suppose the chief reason for my deep convictions regarding American Management's responsibility toward the political and social development of underdeveloped countries may be put this way:

Insuring Mutual Survival

In the world-wide political struggle between freedom and Communism, our country has wisely recognized that the security of any one nation is dependent upon the security of all. The same is true in the world-wide economic struggle: the challenge which international Communism has laid down to our system of private enterprise leaves us no alternative but to aid in strengthening other free countries, to insure the survival of all.

The Communist challenge is aimed directly at the representatives of the management of American industry. We cannot ignore it, and it is not being ignored—the vast sums that government is spending on economic assistance are proof of that.

If we were the exploiting, Wall-street imperialists that the Marxists say we are, we would undoubtedly refuse to let government spend a nickel on the upbuilding of foreign economies, and we would seek to grab only the best pickings abroad for our selfish and ruthless exploitation.

You and I know that the Marxist portrait of American management is completely and viciously false. We know what we are, the stewards of the mightiest force in the material world, the force of modern American industrial technology. Its great energies and soaring capacities are steadily altering the very terms of mankind's existence. Dwellers in the rude villages of the world's forgotten places have heard what we can do. They now look—openly or secretly—westward, northward, eastward to us to lift them out of age-old drudgery and help them to the means of economic self-betterment.

No former age has offered so great an opportunity for reshaping world societies than this age offers to the free-enterprising men of American management.

D. D. Underwood Opens

MUSKOGEE, Okla. — Durward D. Underwood is conducting a securities business from offices at 214 North 10th Street.

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in March, from February's $61,800,000,000, the report said. A year earlier, backlogs totaled $57,200,000,000.

In the automotive industry United States car makers are scheduling their May production 14.4% above the same month of 1956 when 471,673 units were produced and Chrysler Corp. is planning a 74.7% increase over 1956, "Ward's Automotive Reports" stated on Friday last.

The May target is 539,500 units and marks the first "breakaway" from the pattern which has seen the industry's monthly production since January run virtually parallel to last year.

"Ward's" declared the strong program, arrived at by the auto makers after a look at current sales trends, could be attained with little if any dealer inventory buildup and actually calls for a modest reduction to 24,523 units daily output from 24,956 units during April when 549,239 were built.

Keeping "on target" with the May forecast, auto output last week ran to 124,811 units, or 24,962 daily, compared with 123,632 in the preceding week. The like week last year was lower in volume at 112,705 units.

The statistical service said the strong May output means continued robust employment and payrolls for the Detroit area, source for 80% of Chrysler Corp. and 20% of Ford Motor Co. United States car building this year.

Whereas, Chrysler Corp. in the January to March period jumped its United States auto assembly 45.7% over like 1956, it is programming a 61.5% upturn in April and June over that of last year. Efforts to recoup an estimated 10,000-unit April strike loss are expected to be a factor affecting this month's operations.

Prompting most of the industry's expected increase in May output over that of 1956 is the fact that it was this time last year that the auto makers began in earnest to whittle down their record dealer inventory. They are faced with no such emergency in 1957.

"Ward's" declared United States truck operations held steady last week, totaling to 25,088 as against 24,625 last week. It added that among car makers, some plants of Chevrolet, Mercury, Oldsmobile and Buick worked 3 and 4 days the past week.

The nation's crude oil stocks, holding to the trend of recent weeks, climbed to 259,685,000 barrels in the period ended April 27, the United States Department of the Interior reported.

This was an increase of 2,604,000 barrels over the week-earlier total, it added. Principal reason for the rise was attributed to a seasonal fall-off in use of oil for home heating, although the continuing decline in emergency shipments of United States oil to Western Europe is also a factor.

Another reason given is the fact that various state agencies made relatively small cuts in allowable crude oil production during April. It was also noted that most states have scheduled "a good healthy cutback" for May.

Last fall, before the closing of the Suez Canal temporarily forced Western Europe to import crude oil heavily from the United States, petroleum stocks were above the 280,000,000-barrel mark. However, this figure was considered "excessive" at the time. The Suez Canal last month was reopened.

Building permit valuations for the month of March and the first quarter of this year shattered all previous records for their respective periods, reports Dun & Bradstreet, Inc. The March volume for 217 cities, including New York, came to $543,988,151, up 8.1% from $503,133,253 in the corresponding 1956 month, and a rise of 25.4% above the February total of $433,748,495. Four of the eight regions had larger building permit values than March a year ago. The bulk of the gain was centered in New England, up 90.8%; Middle Atlantic, up 37.2% and East Central, up 17.3%.

New York City permits alone for March totaled $81,243,150, compared with $52,512,472 last year, for a rise of 54.7% and with $56,474,685 the preceding month, for an increase of 43.9%.

Consumers' instalment debt rose only $40,000,000 during March, the Federal Reserve Board reported.

However, the increase was sharply below the gains of $197,000,000 in instalment debt a year earlier and $447,000,000 in March of 1955.

After increasing by $525,000,000 in the December Christmas-time buying season, instalment debt dropped by $250,000,000 in January before edging up $5,000,000 in February.

The Reserve Board said instalment debt totaled slightly less than $31,300,000,000 at the end of March. This compared with about $29,100,000,000 a year earlier.

Non-instalment credit—a less sensitive economic indicator—declined $50,000,000 in March to $9,200,000,000. This was still $581,000,000 higher than a year earlier. Last year during March non-instalment credit rose by $90,000,000.

In all, the report said total consumer credit—which includes both instalment and non-instalment debt—amounted to $40,500,000,000 at the end of March. This was down $10,000,000 during the month but $2,700,000,000 above a year earlier. Last year during March total consumer credit increased $287,000,000.

Steel Mills This Week Scheduled to Produce 87.5% Of Ingot Capacity

Steel production went below 90% of capacity last week for the first time in a non-strike, non-holiday week since September, 1955, "Steel" magazine reported on Monday of this week. Consumption is still high, but some industries are reducing mill demand.

The metalworking publication said mills operated at 88.5% of capacity in the week ended May 5, 1.5 points below the preceding week's level. The rate yields 2,265,000 net tons of steel for ingots and castings. With last year's lower capacity, this would have given an operating rate of 92%.

Reflecting a reduced demand for steel, the lowered rate is possibly below the rate of consumption because many consumers are using up their inventories, this trade weekly notes.

A shift in steel inventories in the last three months has been into the 30 to 60 day category. In "Steel's" latest quarterly survey of stocks, 49% of the respondents said their inventories are in this category. This compares with 40% three months ago.

"Steel" pointed out that with most forms of steel easy to get, users see no reason to keep large stocks on hand. Their inclination to reduce inventories will be tempered, though, by the expectation of price increases at mid-year.

It said products like heavy plates, structurals and oil country tubular goods are a little nearer to balance in supply-demand. A major producer believes there is some sign that the supply of oil country tubular goods will match demand in the third quarter.

Reduced needs of the construction industry have taken a little of the pressure off heavy plates, but shipyard requirements are rising. Added to this is the heavy consumption by makers of line pipe, railroad freight cars and heavy industrial equipment.

A 4.5% price increase in tin mill products April 30 pushed "Steel's" base price composite on finished steel to $140.24 a net ton in the week ended May 1. This is a 53-cent rise in the composite, which has held at $139.71 for the past month. In contrast, prices of steel imported from Europe have declined because of the reduced demand for it here. The declines would have been sharper if demand in Europe and some other world markets had not been good, it added.

For the fist time this year, a rise was recorded in the price of steelmaking scrap. The turnabout in the trend raised the publication's price average $1.17 a gross ton in the week ended May 1. The new figure is $43.67, "Steel" concluded.

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 87.5% of capacity for the week beginning May 6, 1957, equivalent to 2,240,000 tons of ingot and steel for castings, as compared with 87.0% of capacity, and 2,226,000 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 90.3% and production 2,310,000 tons. A year ago the actual weekly production was placed at 2,343,000 tons or 95.2%.

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 Trends Lower In Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 4, 1957, was estimated at 11,286,000,000 kwh., according to the Edison Electric Institute. This represented a further mild decline below the preceding week.

The past week's output dropped 24,000,000 kwh. under that of the previous week; it increased 471,000,000 kwh. or 4.4% above the comparable 1956 week and 1,700,000,000 kwh. over the week ended May 7, 1955.

Car Loadings Rose Fractionally in the Week But Were 11.4% Under Like 1956 Period

Loadings of revenue freight for the week ended April 27, 1957, showed gains of 3,839 cars or 0.6% above the preceding week, the Association of American Railroads reports.

Loadings for the week ended April 27, 1957, totaled 690,789 cars, a decrease of 89,188 cars, or 11.4% below the corresponding 1956 week, and a decrease of 35,111 cars, or 4.8% under the corresponding week in 1955.

U. S. Automotive Output Continued Higher Trend The Past Week

Automotive output for the latest week ended May 3, 1957, according to "Ward's Automotive Reports," continued to rise above the level of the preceding week.

Last week's car output totaled 124,811 units and compared with 123,633 (revised) in the previous week. The past week's production total of cars and trucks amounted to 149,899 units, or a gain of 1,641 units above that of the preceding week's output, states "Ward's."

Last week the agency reported there were 25,088 trucks made in the United States. This compared with 24,625 in the previous week and 22,668 a year ago.

Last week's output rose above that of the previous week by 1,178 cars, while truck output increased by 463 vehicles during the week. In the corresponding week last year 112,705 cars and 22,668 trucks were assembled.

Canadian output last week was placed at 9,475 cars and 2,056 trucks. In the previous week Dominion plants built 9,717 cars and 2,017 trucks, and for the comparable 1956 week, 10,609 cars and 2,680 trucks.

Business Failures Turned Upward Following Declines of Prior Week

Commercial and industrial failures increased to 297 in the week ended May 2 from 263 in the preceding week, according to Dun & Bradstreet, Inc. This rebound raised the toll moderately above the 277 a year ago and the 237 in 1955. Failures exceeded by 6% the prewar level of 281 in the similar week of 1939.

Among the casualties with liabilities of $5,000 or more, there was a rise to 254 from 228 in the previous week and 237 last year. Small failures with liabilities under $5,000, edged up to 43 from 35 a week ago and 40 in the comparable week of 1956. Liabilities in excess of $100,000 were incurred by 25 of the week's failures as against 22 in the preceding week.

The manufacturing toll climbed to 54 from 30, construction to 42 from 36 and wholesaling to 36 from 29. In contrast to these increases, retail casualties dipped to 138 from 139 last week and commercial service to 27 from 29. More businesses failed than a year ago in all lines except manufacturing which was slightly below the 1956 level.

The week's increase was concentrated in the East North Central States the toll jumping to 60 from 38, in the Pacific States to 73 from 55 and the South Atlantic States to 27 from 15. The other six regions reported mild dips from the previous week. Casualties climbed above a year ago in five areas, including the East North Central, South Atlantic, East and West South Central

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and Pacific States. The sharpest upswings from 1956 centered in the East North Central and West South Central Regions. In contrast, marked declines from last year prevailed in the Middle Atlantic and West North Central States.

Reaching a post-war high of 1,336, business failures in March were 17% more numerous than in February and 14% higher than a year ago. This was the first time in the post-war period that failures surpassed the comparable level of 1,332 failures in March 1939. In fact, more companies failed than in any March since 1933.

Contrasting with the expanded number of failures, the liabilities dropped off to $55,800,000 in March, down about 15% from the February level.

Retailing and construction casualties rose to new post-war highs in March. Milder increases prevailed in wholesale trade and commercial service, where tolls were the heaviest in a year and in manufacturing where failures reached a 10-month peak.

All geographic regions except New England and the East South Central states reported an increase in failures from both the previous month and a year ago.

Wholesale Food Price Index Edged Slightly Upward In Latest Week

Following the sharp dip of the preceding week, there was a slight rise in the Dun & Bradstreet wholesale food price index the past week. The April 30 figure went to $6.12 from $6.11 a week earlier. The current level compares with $6.04 on the corresponding date a year ago, or a gain of 1.3%.

Higher in wholesale price last week were flour, corn, oats, hams, bellies, cottonseed oil, eggs and potatoes. Lower in cost were wheat, rye, beef, lard butter, coffee, cocoa, steers 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 Strikes Low Point For 1957 in Latest Week

Declining to 285.62 on April 29, the Dun & Bradstreet daily wholesale commodity price index hit another new low so far this year. This compared with 286.98 a week ago and 294.75 last year. During the week price declines occurred in livestock, some grains and coffee, while prices on rubber, tin, flour and sugar were close to those of the preceding week.

Although prices on most grain futures fell at the beginning of the week, they picked up somewhat at the end of the period as a result of the crises in Jordan. Wheat prices decreased moderately, despite an appreciable rise in purchases in Chicago. This increased trading noticeably reduced wheat stocks.

The official estimate of wheat and flour exports for the crop year was raised 25,000,000 bushels to 475,000,000.

Stocks of corn and soybeans on April 1 were at record levels, according to the United States Department of Agriculture. Corn stocks were 12% above the previous high of last year. Rye stocks were the smallest since 1953.

On the Chicago Board of Trade purchases of soybeans futures rose sharply to 89,794,000 bushels from 49,376,000 in the preceding week, but were noticeably below the 177,492,000 bushels of the comparable 1956 period. Average daily purchases of grain and soybean futures were about 54,000,000 bushels compared with 33,000,000 bushels in the prior week and 70,000,000 bushels a year ago.

Trading in cocoa futures was sluggish last week with prices steady. Warehouse stocks fell to 294,091 bags from 294,438 bags in the prior week and were below the 337,467 bags last year. There was a slight increase in mild coffee prices, as buyers stepped-up their purchases. Activity in the domestic sugar market advanced moderately. The buying of all types of flour was sluggish again the past week, flour receipts at New York railroad terminals amounted to 44,619 sacks, of which 4,454 were for export and 40,165 were for domestic use.

Sluggish buying of dressed beef and increased receipts resulted in a price decrease in cattle during the week. There was a moderate decline in prices on hogs and lambs. Lard futures slipped in the week reflecting larger Western hog receipts and a slight decline in trading in vegetable oil markets. However, transactions in lard improved somewhat at the end of the week.

Unfavorable weather conditions in the Western wheat belt and large sales of cotton for export by the Government helped cotton prices continue at the levels of the previous week. According to the Commodity Credit Corporation, 1,109,000 bales of cotton were sold for export. Total sales for export by Aug. 15 now total about 7,463,000 bales and those for export after that date amount to 1,942,000 bales.

While prices on combed cotton yarns rose appreciably during the week, cotton gray goods prices were unchanged. Except for some scattered orders for cotton print cloths, gray goods transactions lagged. Trading in carpet wool remained at the level of the prior week.

Trade Volume Rose Moderately Last Week Despite Noticeable Week-to-Week Post-Easter Decline

An upsurge in the buying of men's and women's Summer apparel lifted total retail volume moderately above that of a year ago, despite a noticeable week-to-week post-Easter decline. Women shoppers sought cotton dresses, sportswear and lingerie. Best-sellers in men's apparel were lightweight suits and sports jackets. Although the usual post-Easter rise in household goods occurred, sales were slightly below a year ago. Decreases prevailed in housewares, major appliances and floor coverings.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 2 to 6% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England —1 to +3; Middle Atlantic, East South Central and Mountain +1 to +5; East North Central +4 to +8; West North Central +3 to +7; South Atlantic +2 to +6; West South Central —2 to +2 and Pacific Coast 0 to +4%.

Wholesale orders at Southern furniture markets rose noticeably last week, with buyers especially interested in case goods and bedroom suites.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended April 27, 1957, advanced 3% from the like period last year. In the preceding week, April 20, 1957, an increase of 13% was reported. For the four weeks ended April 27, 1957, an increase of 8% was recorded. For the period Jan. 1, 1957 to April 27, 1957, an increase of 2% was registered above that of 1956.

Retail trade in New York City the past week registered gains of 12 to 14% above the like period in 1956, store executives report.

Warmer temperatures and purchases for Mother's Day accounted for the increase.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended April 27, 1957 fell 1% below that of the like period of last year. In the preceding week, April 20, 1957, an increase of 11% was reported. For the four weeks ending April 27, 1957 a gain of 7% was registered. For the period of Jan. 1, 1957 to April 27, 1957 the index recorded a rise of 4% above that of the corresponding period in 1956.

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The Security I Like Best

share was spent on this project last year, of which 75% will be amortized over the next four years. Related expenses of about 50 cents a share were charged against 1956 income and about 3,800,000 pounds of copper were added to inventory, largely for the purpose of building up the Dual Process operation. Had this copper been sold during the last quarter at 36 cents a pound, Inspiration's earnings should have been increased about 40 cents a share after taxes. Thus Dual Process activities last year probably reduced stated earnings by about 75 cents a share.

During the first quarter of this year amortization charges were about 15 cents a share; placing of an estimated 2,000,000 pounds of first quarter production in inventory probably cut earnings at least 16 cents after taxes, assuming the copper would have been sold at 32 cents. Non-recurring starting up expenses for Dual Process in the first quarter were not detailed in the company's report but were mentioned. No benefits from Dual Process were shown in the first quarter, there will be some in the second (combined with less expenses), and the full benefit should be felt in the third quarter. On an annual basis, Dual Process should increase earnings by about $1.60 a share, assuming 32-cent copper.

The company's other project is more significant for the future, although it will probably contribute nothing to earnings until 1960. The Christmas Mine, an underground deposit containing 16,000,000 tons of 1.8% ore with an estimated 518,000,000 pounds of recoverable copper from one bed, may ultimately prove to be as large as Inspiration's open pit property. Because of the unusually high grade of the ore (Anaconda has mined .4% ore and Magma is mining .8% with block caving) there is little question that a large scale operation could be undertaken with recovery costs probably well below 24 cents a pound. The problem is to determine the most economical scale of operations, based on careful study of the size and metallurgical content of known reserves. In the 1956 annual report, before the announcement of a 40% increase in stated reserves made April 22, the company disclosed plans to build a 2,500 ton mill. Now it would appear that there will be some delay in plans while consideration is given to a larger operation (a 3,500 or possible 5,000 ton mill). Estimated annual output from a 2,500 ton mill would be 37,500,000 pounds, a 3,500 ton mill should produce 51,000,000 pounds, and a 5,000 ton mill 67,500,000 pounds. At the largest figure and assuming 24 cents costs and a 32 cent price, post tax earnings could be increased $3.60 a share.

Christmas operations last year resulted in a charge of about $1 a share against earnings. The charge rose to about 32 cents per share in the first quarter. Total costs of Christmas have been estimated at $8,500,000 (of which $2.9 million has already been spent and charged against income). With a larger operation than originally contemplated and the usual allowances for inflation in material and labor costs, $8 million more may be needed over the next three years to finish the job, but the company has close to $17 million in working capital, no debt, and adequate earning power to support normal operations and maintain the current $4 dividend.

This last statement may be called into question in view of first quarter stated results of only 80 cents earnings from 34 cent copper. If, however, we add back the cash flow of about 28 cents a share from amortization and depreciation, the 16-cent non-recurring charge from stockpiling copper for Dual Process, the starting up expenses of Dual Process, and the 32 cent charge for Christmas development, the actual cash earnings available for plant investment in the first quarter were probably in excess of $1.56 a share. Allowing for the two-cent decline in copper prices since February, earnings on this basis should be at least $1.35 in the current quarter, but should rise to $1.75 in the third quarter. Thereafter on a cash basis the company could pay $4 a year on present earnings and still have over $3.5 million a year for its other purposes, before having to dip into cash reserves.

Admittedly, this is all a little theoretical and arbitrary. What I mean to show is that Inspiration has good earning power at 32 cent copper and is substantially understating its current earnings. If copper is still selling at 32 cents in 1961 Inspiration should be able to earn close to $10 a share. If, as seems more likely, it is selling at 40 cents or better earnings could exceed $18 per share. In my opinion, this legitimately qualifies Inspiration as a "growth" stock. At the present price of 42 it also looks conservative enough for any investor who is willing to look more than six months ahead and overlook the occasional absence of good bids or offers in the stock's market. The stock is listed on the New York Stock Exchange.

Exchange Firms Assn. Appoints F. J. Hughes

RICHMOND, Va. — E. Jansen Hunt, President of the Association of Stock Exchange Firms, has announced the appointment of Francis J. Hughes as Assistant General Counsel and Assistant Secretary of the Association.

Francis J. Hughes

Mr. Hughes served overseas in World War II with the U.S. Army. He is a graduate of St. John's University where he received the degrees of B.B.A. and LL.B. He was associated for a number of years with the Western Union Telegraph Company and since 1951 had been on the legal staff of White & Case.

Halsey Stuart Group Offers MOP Equipments

Halsey, Stuart & Co., Inc. and associates are offering today (May 9) $4,200,000 of Missouri Pacific RR. 4½% equipment trust certificates due annually June 1, 1958-72, inclusive, at prices to yield from 4% to 4.50%. Issuance of the certificates is subject to approval by the Interstate Commerce Commission. The group bid 99.4827% for the issue.

The certificates will be secured by 700 new all-steel gondola and box cars, estimated to cost $5,308,500.

Associates in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Freeman & Co.; Wm. E. Pollock & Co., Inc.; Shearson, Hammill & Co.; and McMaster Hutchinson & Co.

Named Directors

R. Carl Chandler, Chairman of the Board of Directors of Standard Packaging Corporation of New York, has announced that management recommendations to add four members to the Board of Directors were approved by stockholders at the annual meeting held in Richmond, Virginia, on April 23.

Mr. Chandler stated he was deeply grieved to report that Kenneth J. Hanau, Sr., one of the new directors, passed away shortly after the annual meeting.

The new directors are O. D. Carlson, Vice-President, Standard Packaging; P. Richard Clark, Secretary-Controller, Standard Packaging; Randolph Parker Compton, a partner in Kidder, Peabody & Co.; and, as mentioned above, Kenneth J. Hanau, Sr., Chairman, Executive Committee, National State Bank of Newark, N. J.

J. F. Bernoudy With A. G. Edwards & Sons

ST. LOUIS, Mo. — Jerome F. Bernoudy has become associated with A. G. Edwards & Sons, 409 North Main Street, members of the New York and Midwest Stock Exchanges. Mr. Bernoudy for the past 25 years has been Executive Vice-President of Scruggs, Vandervoot & Barney.

Lee Garfinkel has also been added to the staff of A. G. Edwards & Sons.

Joins G. H. Walker

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Edward W. Fordyce has become connected with G. H. Walker & Co., 503 Locust Street, members of the New York and Midwest Stock Exchanges.

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Round-Up of Canadian Uranium Developments Now and Later

LaBines should later discover and develop the wonderful prize that is the Gunnar Mine.

The Beaverlodge district is Canada's second most important uranium production area. The cold statistics may be seen in the table at the end of this article. Beaverlodge will be responsible for almost $310 million worth of oxide production during the next five to six years. The only company, Eldorado, that has extensively developed its large holdings, is believed to have very considerable reserves of moderate grade ore. The history of discovery and mine development in this district is not without its share of romance. As many of you will remember, our Crown-owned Eldorado company was the only agency allowed to engage in uranium exploration or production prior to late 1947. They were operating the Port Radium mine during this period but required something larger and if possible more accessible deposits. Their exploration heads, notably R. Murphy and A. W. Joliffe, were aware that there was uranium in the Nicholson mine, described by Alcock of the Geological Survey of Canada as early as 1935. Eldorado launched a large-scale, well planned prospecting program which proved strikingly successful with their discovery of the important St. Louis Fault system and its several related ore-bodies. When, a few years later, the public was allowed to enter the field, additional discoveries were made of which the Gunnar Mine is the most important to date.

Beaverlodge, to my mind, is a monument to the skill of Canadian geologists and prospectors who are dedicated to one purpose and can plan and operate systematically. It is not an isolated example of such skill. To quote a few examples at random; there was the war-time prospecting for mercury and discovery of the Pinchi Lake mercury belt in British Columbia; the Hollinger iron ore prospecting program in Labrador and more recently, International Nickel's remarkable undertaking in northern Manitoba. Some generous friends might say "include Blind River."

Ontario Developments

Perhaps, of all the provinces, Ontario has enjoyed the most spectacular success in recent uranium developments. Spectacular for several reasons; the size and number of its ore-bodies and resultant mines and the speed with which discoveries, development and production have been reached. The areas of importance in Ontario are the Blind River (or Algoma) and the Bancroft fields. I would like to touch on the Bancroft field first.

The Bancroft district, situated less than 160 road miles from downtown Toronto, ranks as Canada's third most important uranium district. It is expected to contribute $142 million worth of exide towards our present sales commitments. Details of production can be seen in the table of statistics and it will be noted that these are impressive. The history of uranium discovery and development in the Bancroft field is, like the others, a romantic story. It goes back, like the history of all the others, to a period of 25 years or so prior to the proof that the discoveries were important. Indeed, for two or three decades, some Bancroft radioactive deposits have been the training ground for mineralogists and prospectors who were interested in the nature of radioactive deposits. I know that I used it as such. However, the Bancroft field was an example of "Familiarity breeding contempt" and curiously, it helped to foster several mineralogical and geological prejudices. Chief among these were the statements that it was "a pegmatite district and no commercial uranium deposits are found in pegmatites." This statement is accurate to some extent only. If I had to score it as a teacher scores the answer to an examination question, I would perhaps allow it 25 marks out of a possible 100, and as you know, that is failure. It is to the great credit of men like Bob Bryce and Brian Newkirk and prospectors like Arthur Shore that they had the courage to defy many professional skeptics. It delights me to think that I had a small finger in proving the "experts" wrong in this camp as well as in some others.

The Blind River district, which should more correctly be called the Algoma district, will soon be Canada's first-ranking uranium camp. I may be judged as the person least qualified to discuss it objectively because of my role, with Joe Hirshhorn and Bill Bouck, in the discovery and development of eight of its mines. But since we also developed the first publicly owned uranium mine in Beaverlodge, and the only uranium mine in British Columbia, and had a finger in the earliest successful development in Bancroft, perhaps it is possible to look at the subject with some detachment. In fact, if there is any sentiment in this subject for me, it is towards my first love, the modest little Rix mine in Beaverlodge.

I will spare you the history of the Algoma discoveries, a story still fresh in your minds, except to point out that it goes back over 100 years. In 1848 discovery of pitchblende on Lake Superior led to the Camray "rush" and the Camray led to Algoma.

An examination of our statistics table quickly demonstrates the importance of the Algoma uranium field. The 11 large mines of that district are expected to produce over $1.1 billion, or almost 70% of Canada's uranium oxide over the next five to six years of production. Starting with 1958 this will amount to over $280 million per year. This in turn is more than 80% of the value of all copper, nickel and platinum produced in the entire Sudbury district last year.

It is hardly fair to embarrass the gold miners these days, but I cannot resist the use of one more comparison, intended to place uranium in proper perspective to the other metals. The gold mining areas of Kirkland Lake and Timmins, have each produced gold with a total value exceeding $1 billion, in their relatively long periods of operation. The Algoma uranium district will do as well in a five-to-six year period.

Contract-Termination in 1962-63

I feel I have said enough to give you some measure of understanding and satisfaction with Canada's record in uranium discovery and production. But no round-up or review serves a completely useful purpose unless it can be used as a factual foundation for a look into the future. By the "future" I mean, of course, that limbo after 1962-63. It is unfortunate perhaps that all Canadian producers have contracts that terminate together within a period of a few months, rather than staggered, say, over a period of a few years. Those few months between March, 1962 and March, 1963 are regarded by the timid as having the sudden impact of a cataclysm. Many of the same timid fraternity seem reconciled to a nervous five-year wait to see if their worse fears are justified. I call this nervous disorder "the five-year phobia."

But, you may ask, why worry about those afflicted with the "five-year phobia?" Unfortunately, enough of them form important links in the uranium industry. They include, principally, government departments at the Federal, Provincial and municipal level. Departments in the fields of housing finance, municipal financing and public works, such as highway construction, are most reluctant to move quickly, and when they do move, it is often to provide only a short-term partial solution to the problem. One would think that our traditionally conservative banks and financial institutions would be afflicted by the "five-year phobia" but this is not the case. It is a pleasure to report that most of the Canadian banks, often with European and sometimes American banks, have invested courageously in our uranium industry.

There are many factual indications, being added to daily, that point the market trend after 1962-1963. One thing is certain; the Western World will still need uranium oxide, in increasing amounts during the life-time of every one today. I could quote many authorities who support that view, but let me mention only one; Dr. Willard F. Libby, until recently of the U. S. Atomic Energy Commission. Dr. Libby, a specialist in developing nuclear power reactors states that we will see "a phenomenal growth" in the atomic power field between 1962-1972. By 1980 he estimates that the Western World requirements will be at least 40,000 tons and possibly as much as 100,000 tons of uranium oxide annually. Free world production after 1958 is estimated at 35,000 tons of oxide annually.

You are, all of you, informed on the tremendous and successful strides being made in the power applications of the atom. You now read of the Nautilus and Calder Hall and many other huge undertakings in your daily newspaper. The power applications of the atom are moving swiftly, and events like the present Suez Canal-Near East Oil problem simply emphasizes the need for more and more speed in power reactor development.

Bright Future Opportunities

When this development comes, probably within the next three years, the free foreign market for uranium should prove important to Canada with its large relatively low-cost deposits. Will we be ready for this opportunity? I feel confident we will be. By late 1961, if not earlier, many of this country's fine large plants will be amortized; they will still be relatively modern and although efficient now, will be even more efficient then. I am confident that present Canadian milling costs, now about one-half of American costs, will be reduced. Several of our mines have ore reserves for a score of years; at least two in the Algoma field claim two-score years. Some Canadian uranium mines may prove to have recoverable by-product metals such as the rare earths, thorium and pyrite. A probable producer of columbium in Ontario may reverse this order and produce uranium as a by-product. In brief, I predict a bright post-1962 future for uranium in Canada.

When considering the future, there are some who ask "What will be the role of the Crown-owned Eldorado company after 1963?" and this is an interesting question. Up to the present, and dictated by early necessity, the Eldorado company has been prospector and producer on its own account, and refiner and marketing agent for everyone, themselves included. One would have logically expected that, after private enterprise had so successfully demonstrated its ability in the field, Eldorado would have been content to rest on its well-earned reputation and limit its several present roles to the one or two of greatest national good. Eldorado's conduct, however, has been the opposite of the expected. They have leased and developed "private enterprise ore"; they are presently tripling their mill capacity at Beaverlodge; they remain the sole refiners in Canada; and soon will be in the metal production business. One cannot help but wonder what the outcome will be if, as we are sometimes officially warned, there may be production dislocations when present American contracts end. How would a smaller volume of American contracts be allocated by Eldorado, as between private enterprise producers and its own mines? If curtailment or termination of American contracts resulted in refinery problems in America, how would the inadequate capacity of the Eldorado-owned Port Hope refinery be allocated, as between private enterprise and Eldorado's own production? How will the approaching overseas supply contracts be allocated, as between private enterprise producers and the Eldorado mines?

Personally, I foresee none of these problems arising in the near future because they will only appear with a diminishing market and I, for one, believe that we will enjoy an expanding market for the next two decades at least.

Now, I would like to close on a note of poetic prose, and for two reasons. First, I think it's good prose, and appropriate, and secondly, it was composed by Professor George W. Bain of Amherst University. Professor Bain was the geologist, who, with Dr. C. F. Davidson of the United Kingdom Geological Survey, put the South African Witwatersrand into the uranium business. The extract I quote is the last verse only of a much longer poem:

"The only way open
for the youthful, vigorous and creative
man or nation,
is ahead into the unknown.
You are getting old
when your pathways become crowded
and the horizon is clouded with the dust of others.
The Atomic Age is for men and women of imagination
and vigorous nations with courage."

I think Canada will meet that challenge.

	Letter of Intent or Contract to Mar. '62 & '63	Prod'n. Rate Tons/Day	Prod'n. Rate $/yr.(2)	Estimated Capital Expenditure	Estimated Total Operating Costs /ton	Approx. District Grade lbs. U_3O_8/Ton
BLIND RIVER						
Algom Nordic, & Quirke	$206,910,000	6,000	$49,300,000	$47,800,000		
Can. Met	90,000,000	2,500	20,500,000	20,000,000		
Cons. Denison	201,895,000	6,000	49,300,000	40,000,000	$8.50	
Milliken	94,000,000	3,000	24,600,000	26,000,000		2 to 2.5
Northspan (Spanish, Buckles, Panel, Lake Nordic)	275,000,000	9,000	73,800,000	75,000,000		
Pronto	55,000,000	1,500	12,300,000	6,000,000	10.00	
Stanleigh	90,405,625	3,000	24,600,000	26,000,000		
Stanrock	95,000,000	3,300	27,100,000	24,500,000		
Total	$1,108,210,625	34,300	$281,600,000	$265,300,000		
BEAVERLODGE						
Eldorado	$168,500,000	2,000	$31,000,000	$35,000,000		
Gunnar	76,950,000	1,650	24,000,000	19,500,000	12.00	3.5 to 5
Lorado (1)	64,480,000	500	7,300,000	9,250,000		
Total	$309,930,000	4,150	$62,300,000	$63,750,000		
BANCROFT						
Bicroft	$35,805,000	1,000	$9,100,000	$12,000,000	10.00	
Cavendish	24,192,000	750	6,800,000	6,000,000 (est.)		
Dyno	31,750,000	1,000	9,100,000	7,500,000 (est.)		2 to 3
Faraday	29,754,800	750	6,800,000	8,500,000		
Greyhawk	20,350,050	600	4,900,000	5,500,000 (est.)		
Total	$141,851,850	4,100	$36,700,000	$39,500,000		
NORTHWEST TERRITORIES						
Rayrock (Marian Lake)	$15,792,000	150	$3,800,000	$3,400,000	35.00	?
Eldorado (Pt. Radium)	33,500,000	200	3,000,000 (est.)	-		not reported
Total	$49,292,000	350	$6,800,000			
BRITISH COLUMBIA						
Rexspar	$21,557,812	750	$5,500,000	$6,850,000 (est.)		2
Grand Total	$1,630,842,287	13,650	$392,900,000	$378,800,000 (3)		

Footnotes: (1) Lorado will treat ore shipped to it by Cayzor Athabaska (200,000 t. reserves 0.33%); Black Bay (100,000 t. reserves 0.22%); Lake Cinch (reserves not reported).
(2) Production rate in $/yr. is calculated on daily mill capacity and rounded to the nearest $100,000.
(3) This estimated Grand Total for Capital Expenditure does not include Eldorado Port Radium project.

Seaboard Air Line RR. Equipments Offered

Halsey, Stuart & Co. Inc. on May 8 headed an underwriting group which offered $4,650,000 of Seaboard Air Line RR. 4% equipment trust certificates maturing annually Oct. 1, 1957 to 1971, inclusive.

The certificates, second and final instalment of a total issue of $9,300,000, are scaled to yield from 3.75% to 4.10%, 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 the following equipment estimated to cost $12,409,472: 25 diesel road switching locomotives: 500 triple hopper cars; 300 wet phosphate hopper cars and 200 gondola cars.

Participating in the offering are R. W. Pressprich & Co.; Baxter & Co.; Shearson, Hammill & Co.; and McMaster Hutchinson & Co.

Join Allen Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Edward L. Beck, Thomas L. Johnson, Jr. and Charles W. Pearson are now with Allen Investment Company, Mile High Center.

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. **Offering**—Expected in two or three months.

★ Acme Steel Co., Riverdale, Ill. (5/22)
May 1 filed $22,000,000 of sinking fund debentures due 1977. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Underwriters**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

★ Acme Steel Co., Riverdale, Ill. (5/22)
May 1 filed 396,079 shares of common stock (par $10) to be offered for subscription by common stockholders of record May 21, 1957 on the basis of one new share for each six shares held; rights to expire on June 5. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

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.

★ Air Products, Inc., Allentown, Pa. (5/24)
May 1 filed 170,160 shares of common stock (par $1) to be offered for subscription by common stockholders of record May 21, 1957 on the basis of one new share for each six shares held; rights to expire on June 10. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including retirement of bank loans and for capital expenditures. **Underwriters**—Reynolds & Co., Inc., New York; Drexel & Co., Philadelphia, Pa.; and Laurence M. Marks & Co., New York.

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.

★ All America Expansion Corp., Pasadena, Calif.
May 3 filed 184,000 shares of common stock, of which 92,000 shares are to be offered to public and 92,000 shares issued to promoters. **Price**—To public, $1 per share; no proceeds from sale to promoters. **Proceeds**—For general corporate purposes. **Business**—Purchase and resale of oil fruits grown in Brazil and other countries. **Underwriter**—None. LeRoy R. Haynes, of Pasadena, Calif., is President.

★ All Service Life Insurance Co.
April 25 (letter of notification) 100,000 shares of class A common stock (par $1). **Price**—$3 per share. **Proceeds**—For capital and surplus. **Office**—Carlton Bldg., Colorado Springs, Colo. **Underwriter**—None.

★ Allegheny Ludlum Steel Corp.
April 30 filed 8,000 shares of common stock to be offered for subscription by salaried employees under the corporation's Thrift Plan.

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 Products of Florida, Inc. (6/3-15)
May 1 filed 130,000 shares of class A common stock (par $1) to be offered first to stockholders of record May 20, 1957; rights to expire about June 4. **Price**—$11.50 per share. **Proceeds**—To retire bank loans, for expansion, inventory purchases, to pay current accounts payable and for working capital. **Business**—Manufactures building materials and electrical appliances. **Office** — St. Petersburg, Fla. **Underwriter**—Atwill & Co., Inc., Miami Beach, Fla.

Amcrete Corp.
March 29 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expansion and equipment. **Business** — Prefabricated concrete wall sections and buttresses. **Office**—Fox Island Road, Port Chester, N. Y. **Underwriter**—None.

● American Hardware Corp.
April 8 filed 118,000 shares of common stock (par $12.50) being 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 by June 28. **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.

★ Atlas Credit Corp., Philadelphia, Pa.
May 3 filed 680,000 shares of class B common stock (par 10 cents). **Price**—$2.25 per share. **Proceeds**—For working capital. **Underwriter**—J. A. Winston & Co., Inc., New York.

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.

★ Bankers Fire & Marine Insurance Co.
April 25 (letter of notification) 19,854 shares of common stock (par $5) to be offered to stockholders of record May 30, 1957 on a basis of two new shares for each 11 shares held; rights to expire July 30, 1957. **Price**—$11 per share. **Proceeds** — To increase capital and surplus accounts. **Office** — 312 N. 23rd St., Birmingham 3, Ala. **Underwriter**—None.

Beautilite Co.
Dec. 28 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For partial payment for plant site; partial payment of obligation to Memorial Inc. and for working capital. **Office**—4718 W. 18th St., Houston, Tex. **Underwriter**—Benjamin & Co., Houston, Tex.

★ Benrus Watch Co., Inc. (5/16)
April 29 (three letters of notification) 12,500 shares of common stock (par $1). **Price**—At market (estimated at $8 per share). **Proceeds**—To three selling stockholders. **Underwriter**—L. F. Rothschild & Co., New York.

★ Benrus Watch Co., Inc. (5/16)
April 29 (two letters of notification) 25,000 shares of common stock (par $1). **Price**—At market (estimated at $8 per share). **Proceeds** — To four selling stockholders. **Underwriter**—Ralph E. Samuel & Co., New York.

★ Blake & Neal Finance Co.
April 23 (letter of notification) $50,000 of 8% unsecured subordinate promissory notes (in denominations of $500 and multiples thereof). **Price**—At par. **Proceeds**—For expansion of business. **Office** — 1939 E. Burnside St., Portland, Ore. **Underwriter**—None.

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 Edison Co. (6/4)
May 7 filed $25,000,000 of first mortgage bonds, series F, due 1987. **Proceeds**—To retire bank loans and 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 to be received on June 4.

Brantly 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) 32,500 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.

★ Buckeye Pipe Line Co.
May 6 filed $375,000 of Interests in Thrift Plan for Employees of this corporation and its subsidiaries and affiliates, and 10,000 shares of common stock which may be purchased pursuant thereto.

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.

★ Calidyne Corp., Winchester, Mass.
May 1 filed $1,250,000 of Limited Partnership Interests to be offered first to present limited partners at the rate of one $1,000 unit for each $1,000 of his present investment; then to public. **Price**—$1,000 per unit. **Proceeds** — To construct plant; to purchase machinery and equipment; and to reduce outstanding demand notes. **Business**—Produces electro-dynamic shaker and other vibration test equipment. **Underwriter**—None. Robert C. Lewis, Philip C. Efromson and Thomas Gouzoula, all of Winchester, Mass., are the general partners of this Massachusetts Limited Partnership.

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.

★ Celebrity Register Ltd.
May 1 (letter of notification) 80 shares of series A preferred stock (no par). **Price**—$1,000 per share. **Proceeds**—For working capital, etc. **Office**—681 Fifth Ave., New York, N. Y. **Underwriter** — None. Earl Blackwell is President.

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**—To be received up to noon (EDT) on May 13 at 45 Milk St., Boston, Mass., c/o Old Colony Trust Co.

★ Central Vermont Public Service Corp. (5/27)
May 7 filed 125,000 shares of common stock (par $6). **Price**—To be supplied by amendment. **Proceeds**—To repay short-term borrowings and for construction program. **Underwriter**—Hallgarten & Co., New York.

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 Chemical Corp., Yazoo City, Miss.
May 1 filed 150,000 shares of class C common stock to be offered for sale to farmers and other users of fertilizer materials. **Price**—At par ($25 per share). **Proceeds**—To construct and operate facilities for manufacture of anhydrous ammonia. **Underwriter**—Mississippi Chemical Corp.; Yazoo City, Miss.

● Coastal States Gas Producing Co. (5/21)
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 (5/14)
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 14, 1957 on the basis of $100 of debentures for each 19 shares of common stock held; rights to expire on May 28. **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. (5/21)**
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.

Colt Golf, Inc.
Feb. 25 (letter of notification) 50,000 shares of common stock (par five cents). **Price**—$3 per share. **Proceeds**—For promotion and advertising; working capital; and for development of new products. **Business**—Manufacture and sale of golf balls. **Office** — 161 East 37th St., New York, N. Y. **Underwriter**—Landau Co., New York.

★ **Columbia Gas System, Inc. (6/6)**
May 8 filed $20,000,000 of senior debentures due 1982. **Proceeds**—For construction program. **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**—To be received up to noon (EDT) on June 6.

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.

★ **Comico Corp., Memphis, Tenn.**
May 2 filed 750,000 shares of common stock. **Price**—$2 per share. **Proceeds**—To construct mill; for payment on mining leases and royalty agreement. **Underwriter**—Southeastern Securities Corp., New York.

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 Gin Co., Birmingham, Ala. (5/22)**
April 30 filed 143,298 shares of common stock (no par) to be offered for subscription by common stockholders of record about May 22, 1957 at the rate of one additional share for each share held; rights to expire on June 13. **Price**—$30 per share. **Proceeds**—For expansion program and machinery and equipment. **Underwriter**—Courts & Co., Atlanta, Ga.

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.

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 corpor-

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NEW ISSUE CALENDAR

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

May 10 (Friday)

Associated Truck Lines, Inc. ____ **Class A common**
(Cruttenden, Podesta & Co.) 125,000 shares

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

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

Pennsylvania RR. ____ **Equip. Trust Ctfs.**
(Bids noon EDT) $5,490,000

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 noon CDT) $3,000,000

Collins Radio Co. ____ **Debentures**
(Offering to stockholders—underwritten by Kidder, Peabody & Co. and White, Weld & Co.) $7,917,000

Hawaii (Territory of) ____ **Bonds**
(Bids 10 a.m. EDT) $14,000,000

Herold Radio & Electronics Corp. ____ **Preferred**
(Amos Treat & Co., Inc.) $800,000

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

Supercrete, Ltd. ____ **Debentures**
(Straus, Blosser & McDowell) $1,150,000

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 20 (Monday)

Continental Air Lines, Inc. ____ **Common**
(Lehman Brothers) 230,000 shares

Lake Lauzon Mines, Ltd. ____ **Common**
(Steven Randall & Co., Inc.) $300,000

Public Service Co. of Colorado ____ **Bonds**
(Bids noon EDT) $30,000,000

Quinta Corp. ____ **Common**
(Frederick H. Hatch & Co., Inc.; Clark, Landstreet & Kirkpatrick, Inc.; and Minor, Mee & Co.) $350,000

May 21 (Tuesday)

Colonial Stores, Inc. ____ **Debentures**
(Hemphill, Noyes & Co.) $5,000,000

Coastal States Gas Producing Co. ____ **Debentures**
(Paine, Webber, Jackson & Curtis and Bailr & Co. Incorporated) $7,917,000

Fisher Brothers Co. ____ **Common**
(Merrill Lynch, Pierce, Fenner & Beane) 154,648 shares

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

New York Telephone Co. ____ **Bonds**
(Bids to be invited) $70,000,000

May 22 (Wednesday)

Acme Steel Co. ____ **Debentures**
(Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane) $22,000,000

Acme Steel Co. ____ **Common**
(Offering to stockholders—underwritten by Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane) 396,079 shares

Continental Gin Co. ____ **Common**
(Offering to stockholders—underwritten by Courts & Co.) 143,298 shares

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 24 (Friday)

Air Products, Inc. ____ **Common**
(Offering to stockholders—underwritten by Reynolds & Co.; Drexel & Co.; and Laurence M. Marks & Co.) 170,160 shares

May 27 (Monday)

Central Vermont Public Service Corp. ____ **Common**
(Hallgarten & Co.) 125,000 shares

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

May 29 (Wednesday)

Dorr-Oliver Inc. ____ **Common**
(Offering to stockholders—underwritten by Dominick & Dominick) 173,970 shares

Intermountain Gas Co. ____ **Debentures & Common**
(White, Weld & Co.) $3,160,000 debs. and 189,600 com. shares

Intermountain Gas Co. ____ **Common**
(Offering to stockholders and employees—underwritten by White, Weld & Co.) 58,067 shares

May 31 (Friday)

Bank of Montreal ____ **Common**
(Offering to stockholders—no underwriting) 900,000 shares

June 3 (Monday)

Allied Products of Florida, Inc. ____ **Class A Common**
(Offering to stockholders—underwritten by Atwill & Co., Inc.) 130,000 shares

Government Employees Corp. ____ **Debentures**
(Johnston, Lemon & Co.) about $500,000

Moore Products Co. ____ **Common**
(Hemphill, Noyes & Co. and Parrish & Co.) 100,000 shares

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 11 a.m. EDT) 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 noon CDT) $8,125,000

Philadelphia Electric Co. ____ **Common**
(Offering to stockholders—Drexel & Co. and Morgan Stanley & Co. to act as dealer-managers) about 600,000 shares

June 6 (Thursday)

Columbia Gas System, Inc. ____ **Debentures**
(Bids noon EDT) $20,000,000

Georgia Power Co. ____ **Bonds**
(Bids 11 a.m. EDT) $15,500,000

June 10 (Monday)

Metropolitan Edison Co. ____ **Bonds**
(Bids noon 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 24 (Monday)

Delaware Power & Light Co. ____ **Bonds**
(Bids to be invited) $15,000,000

June 25 (Tuesday)

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

June 28 (Friday)

Tampa Electric Co. ____ **Common**
(Offering to stockholders—may be underwritten) 217,286 shares

July 9 (Tuesday)

Wisconsin Telephone Co. ____ **Debentures**
(Bids to be invited) $30,000,000

July 10 (Wednesday)

Tampa Electric Co. ____ **Bonds**
(Bids to be invited)—about $18,000,000

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

September 11 (Wednesday)

New Jersey Bell Telephone Co. ____ **Debentures**
(Bids to be invited) $30,000,000

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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ate purposes. **Office**—83 Campfield St., Irvington, N. J. **Underwriter**—Roth & Co., Maplewood, N. J.

★ Dasco Mines Corp.
April 24 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office** — 67 West 2nd St., Yuma, Ariz. **Underwriter**—None.

★ Daybreak Uranium, Inc., Opportunity, Wash.
May 7 filed 631,925 shares of common stock (par 10 cents). **Price** — At market (approximately 53 cents per share). **Proceeds**—To selling stockholders. **Underwriter** Herrin Co., Seattle, Wash.

★ DeKalb & Ogle Telephone Co.
April 25 (letter of notification) 22,025 shares of common stock to be offered to stockholders of record May 1, 1957 on the basis of one new share for each seven shares held; rights to expire June 14, 1957. **Price**—At par ($10 per share). **Proceeds**—For a construction program. **Office**—112 W. Elm St., Sycamore, Ill. **Underwriter**—None.

★ Dorr-Oliver, Inc. (5/29)
May 7 filed 173,970 shares of common stock (par $7.50) to be offered for subscription by stockholders of record May 29, 1957 on the basis of one share for each six common shares held and one share for each three preferred shares held; rights to expire on June 12, 1957. **Price**—To be supplied by amendment. **Proceeds**—For corporate purposes. **Underwriter**—Dominick & Dominick, New York.

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 entitled 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 Chico Foods, Inc.
April 22 (letter of notification) 8,970 shares of common stock (no par) to be offered to stockholders. **Price**—$5 per share. **Proceeds**—For working capital. **Office**—162 Leslie St., Dallas, Tex. **Underwriter**—None.

● El Paso Electric Co.
April 16 filed 119,522 shares of common stock (par $5) being 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**—$22 per share. **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.

★ Engelberg Huller Co., Inc.
May 6 (letter of notification) 4,084 shares of common stock (par $10) to be offered for subscription by stockholders of record May 15, 1957 on a 3-for-10 basis; rights to expire June 15. **Price**—$25 per share. **Proceeds**—For expansion of belt grinder division. **Office**—831 West Fayette St., Syracuse, N. Y. **Underwriter**—None.

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.

★ First National Mutual Fund, Inc.
May 2 filed (by amendment) 100,000 additional shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—San Francisco, Calif.

★ Fisher Brothers Co., Cleveland, O. (5/21)
May 1 filed 154,648 shares of common stock (par $2.50). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Business**—Operator of chain of 93 retail food stores. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

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**—To be received up to 11:30 a.m. (EDT) on May 15 at 2 Rector St., New York 6, N. Y.

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.

★ Garfield Mines, Ltd.
April 24 (letter of notification) 166,600 shares of common stock (par one cent). **Price** — 30 cents per share. **Proceeds**—For mining expenses. **Office** — 2019 Santa Hita Drive, Las Vegas, Nev. **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 Co. of California (6/5)
May 3 filed $20,000,000 of first mortgage bonds, series K, due June 1, 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable 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.

● General Telephone Corp., New York (5/21)
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.

★ Glamur Products, Inc., Syracuse, N. Y.
April 30 (letter of notification) 13,903 shares of common stock (par two cents). **Price**—At market (around 55 cents to 60 cents). **Proceeds** — To selling stockholders. **Office**—Glamur Bldg., Syracuse, N. Y. **Underwriter**—None.

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 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.

Guardian Loan Co., Inc.
April 10 (letter of notification) $300,000 of 10-year 7% subordinated capital notes due May 1, 1967. **Price**—At par. **Proceeds**—For expansion of business and other corporate purposes. **Office**—162 Remsen St., Brooklyn, N. Y. **Underwriter**—None.

● Herold Radio & Electronics Corp. (5/14)
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. The offers will expire in about 30 days from April 26. **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.

★ Intermountain Gas Co. (5/29)
May 6 filed $3,160,000 of 6% subordinate debentures due 1982 and 189,600 shares of common stock (par $1) to be offered in units of $100 of debentures and six shares of stock which will not be separately transferable for approximately three months from date of issue. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—White, Weld & Co., New York.

★ Intermountain Gas Co. (5/29)
May 6 filed 58,067 shares of common stock (par $1), of which 45,150 shares are to be offered for subscription by common stockholders of record May 24, 1957, on the basis of one share for each six shares held; rights to expire on June 12. The remaining 12,917 shares are to be offered to employees and others. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—White, Weld & Co., New York.

International Bank of Washington, D. C.
Sept. 28 filed $1,000,000 of time certificates, series B, C and D. **Price**—At 100% of principal amount. **Proceeds**—For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

International 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.

★ **Kusan, Inc.**
April 26 (letter of notification) 1,515 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To go to nine stockholders. **Office**—2716 Franklin Road, Nashville, Tenn. **Underwriter**—None.

● **Lake Lauzon Mines Ltd., Toronto, Can. (5/20-24)**
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.

★ **Lomosa Finance Corp., Hialeah, Fla.**
April 29 (letter of notification) 1,150 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **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.

★ **Metropolitan Edison Co. (6/10)**
April 30 filed $19,000,000 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.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Drexel & Co. (jointly); The First Boston Corp. **Bids**—Expected to be received up to noon (EDT) on June 10 at offices of General Public Utilities Corp., 67 Broad St., New York, N. Y.

● **Mexico Refractories Co., Mexico, Mo.**
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**—$23 per share. **Proceeds**—For expansion program and working capital. **Underwriter**—Reinholdt & Gardner, St. Louis, Mo. **Offering**—Now being made.

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. Company now plans to issue and sell $30,000,000 of bonds late in June.

★ **Mid-Eastern Cooperatives, Inc.**
May 2 (letter of notification) $25,000 of 10-year 6% subordinated notes. **Price**—At par (in denominations of $500 each). **Proceeds**—To finance a supermarket. **Office**—50 Broadway, New York, N. Y. **Underwriter**—None.

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.

★ **Midwest Oil Corp.**
April 29 (letter of notification) an aggregate of $42,500 contributions to company's Employees' Thrift Plan. **Office**—1700 Broadway, Denver, Colo.

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.

★ **Moore Products Co., Philadelphia, Pa. (6/3-7)**
April 30 filed 100,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—For improvements and other corporate purposes. **Underwriters**—Hemphill, Noyes & Co. and Parrish & Co., both of New York.

★ **Moore Products Co., Philadelphia, Pa.**
April 30 filed 41,204 shares of common stock (par $1) to be offered for subscription by certain employees and officers of company. Of the total, 27,216 shares are to be offered to retire 972 outstanding class B common shares held by employees, and 13,988 shares offered for cash. **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ **Morningside Heights Consumers Cooperative, Inc.**
May 2 (letter of notification) 2,252 shares of class A convertible preferred stock (par $25) and $50,000 of 10-year 6% subordinated notes (in denominations of $50 each). **Price**—At par. **Proceeds**—To finance supermarket and for working capital. **Office**—c/o Mid-Eastern Cooperatives, Inc., 50 Broadway, New York, N. Y. **Underwriter**—None.

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.

★ **Mutual Minerals, Inc.**
April 22 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For purchase of royalty and working interests. **Office**—1518 Walnut St., Philadelphia 2, Pa. **Underwriter**—Walter S. Sachs & Co., Inc., Philadelphia, Pa.

★ **Nassau Fund, Princeton, N. J.**
May 8 filed 250,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

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 Mercantile Co., Inc.**
May 1 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—900-21st St., Union City, N. J. **Underwriter**—None.

● **National Telefilm Associates, Inc. (5/15-17)**
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. This offer will expire on May 29. **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 up to 11 a.m. (EDT) 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.

★ **Northern States Power Co. (Wis.) (6/4)**
May 2 filed $10,000,000 of first mortgage bonds due June 1, 1987. **Proceeds**—To repay $5,750,000 bank loans and $1,000,000 advanced by parent, Northern States Power Co. (Minn.) and 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.

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.

★ **Prudential Investment Corp. of South Carolina**
April 30 filed 209,612 shares of common stock. **Price**—$1.20 per share. **Proceeds** — For general corporate purposes. **Underwriter** — None. J. C. Todd of Columbia, S. C., is President and Board Chairman.

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 con-

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struction. **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. Statement withdrawn.

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 A 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).

★ **San Juan Horse Racing Association**
April 29 (letter of notification) 259,945 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For construction of a horse racing oval; erection of stable, etc.; in operating a race track and working capital. **Office**—1040 Main St., Durango, Colo. **Underwriter**—None.

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.

★ **Serenade, Inc.**
April 29 (letter of notification) 4,660 shares of class B capital stock. **Price**—At par ($10 per share). **Proceeds**—To make and market records from songs sent in to the corporation by song writers and to promote the market for the records produced. **Address**—P. O. Box 1493, Yakima, Wash. **Underwriter**—None.

★ **Shelton (Hollis L.) Trust, Hammond, Ind.**
April 26 (letter of notification) 100 beneficial interests (no par). **Price**—$1,000 each. **Proceeds**—To purchase a tract of land and to erect prefabricated houses. **Office**—1206 Hoffman St., Hammond, Ind. **Underwriter**—None.

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.
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.

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).

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. (5/15)**
April 1 filed $1,150,000 of 6% convertible subordinated debentures due 1967. **Price**—At par. **Proceeds**—To repay $550,000 bank loans, and for increased facilities and working capital. **Office**—St. Boniface, Canada. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

★ **Tilmore Corp., New York**
April 30 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For general corporate purposes. **Business**—Operates eight retail furniture stores. **Office** — 120 Broadway, New York 5, N. Y. **Underwriter**—Maltz, Greenwald & Co., New York.

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 subscirption by common stockholders of record March 28, 1957 at the rate of one new share for each six shares held; rights will expire on March 31, 1959. **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.

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 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.

★ **Uranium Corp. of America, Portland, Ore.**
April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

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.

★ **Virginia Electric & Power Co. (6/4)**
May 1 filed 1,000,000 shares of common stock (par $8). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—To be received up to 11 a.m. (EDT) on June 4 at 40 Wall St., New York, N. Y.

★ **Vitamin Council, Inc.**
April 26 (letter of notification) 500 shares of class B capital stock to be offered to selected pharmacists. **Price**—At par ($100 per share). **Office**—1485 Edgecumbe Rd., St. Paul, Minn. **Underwriter**—None.

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 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.

★ **Williams Hotel Corp., Ltd.**
April 26 (letter of notification) $142,500 of 20- year 6% debentures due April 1, 1977 and 7,125 shares of common stock (par $20) to be offered in units of $20 of debentures and one share of common stock. **Price**—$40 per unit. **Proceeds**—For construction, furnishing and equipment of a resort hotel. **Office** — 2440 Kalakaua Ave., Honolulu, T. H. **Underwriter**—None.

Wilson & Co., Inc.
Aug. 28 filed $20,000,000 of 20-year sinking fund debentures due 1976. **Price**—To be supplied by amendment. **Proceeds** — To redeem presently outstanding first mortgage bonds, to repay bank loans and for expansion program. **Business**—Meat packing firm. **Underwriters**—Smith, Barney & Co.; Glore Forgan & Co. and Hallgarten & Co., all of New York City. **Offering**—Indefinitely postponed

★ **Yardley Water & Power Co.**
April 19 (letter of notification) $100,000 of 5% first mortgage bonds due June 1, 1982. **Price**—At face amount. **Proceeds**—To retire loans and outstanding notes and for working capital. **Office**—50 West College Ave., Yardley, Pa. **Underwriter**—None. Letter of notification subsequently withdrawn. Issue was placed privately with an insurance firm.

Prospective Offerings

Advance Mortgage Corp., Chicago, Ill.
Dec. 4 it was reported this company (to be surviving corporation following merger of First Mortgage Corp. and Irwin Jacobs & Co. of Chicago) plans a public offering of $1,000,000 class A 6% participating convertible stock (par $1). **Underwriter**—Baker, Simonds & Co., Detroit, Mich. **Offering**—Expected in 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.

Aluminum Specialty Co.
March 18 it was announced company plans to issue and sell 15,000 shares of $1.20 cumulative convertible preferred stock series A (par $20). Stockholders on April 6 are to vote on approving an authorized issue of 30,000 shares of preferred stock. **Underwriters**—Emch & Co. and The Marshall Co., both of Milwaukee, Wis.

American European 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. (5/10)**
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.

Atlantic City Electric Co.
April 9, Bayard L. England, President, announced that later this year the company will probably issue about $5,000,000 of convertible debentures. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., American Securities Corp. and Wood, Struthers & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lee Higginson Corp.; Blyth & Co., Inc.

Baltimore & Ohio RR. (5/9)
Bids 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.

★ **Bank of Montreal, Montreal, Canada (5/31)**
May 7 it was announced Bank will offer its stockholders of record May 17, 1957, the right to subscribe for 900,000 additional shares of capital stock (par $10) on the basis of one new share for each five shares held; rights to expire on Aug. 9, 1957. Warrants will be mailed on or about May 31. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Subscription Agent** — The Royal Trust Co., Montreal, Canada. The offering will not be registered with the Securities and Exchange Commission.

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.

Bridgeport Gas Co.
April 8 it was reported company plans an offering of additional common stock to its common stockholders during the first half of this year. **Proceeds**—To pay off bank loans (amounting to $700,000 at Dec. 31, 1956). **Underwriters** — Smith, Ramsay & Co. Inc., Bridgeport, Conn.; and Chas. W. Scranton & Co., New Haven, Conn.

Byers (A. M.) Co.
Feb. 27 it was announced stockholders on May 7 will vote on authorizing a new class of 100,000 shares of cumulative preference stock (par $100) and on increasing the authorized outstanding indebtedness to $15,000,000, in connection with its proposed recapitalization plan. There are no specific objectives involved. **Control**—Acquired by General Tire & Rubber Co. in 1956. **Underwriter** — Dillon, Read & Co., Inc., New York, handled previous preferred stock financing, while Kidder, Peabody & Co. underwrote General Tire & Rubber Co. financing.

Carolina Pipe Line Co.
March 11 it was reported company plans to construct a pipe line in South Carolina at an estimated cost of about $8,700,000. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

Carolina Telephone & Telegraph Co.
March 11 it was announced company plans to issue and sell some debentures in an amount which would permit substantial reduction of its bank loans (which approximate $12,200,000). Previous debenture financing was done privately.

Central Hudson Gas & Electric Corp.
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.
May 2 it was reported company plans to issue and sell in about two months $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.

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.**
Feb. 18, company announced that it plans the issuance and sale of $25,000,000 additional debentures in September (in addition to $20,000,000 additional to be sold at competitive bidding on June 6—see above). **Proceeds**—To help finance 1957 construction program, which is expected to cost approximately $87,000,000. **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 in September.

Columbus & Southern Ohio Electric Co.
Feb. 21 it was reported that company plans to issue and sell in the Fall $8,000,000 of cumulative preferred stock. **Underwriter**—Dillon, Read & Co. Inc., New York.

Connecticut Light & Power Co.
Feb. 18, it was reported company plans to sell not less than $20,000,000 of first mortgage bonds, possibly this Fall, depending upon market conditions. **Proceeds**—For construction program. **Underwriter** — Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and Estabrook & Co., Boston, Mass.

● **Consolidated Natural Gas Co. (6/11)**
Feb. 11 it was announced company plans to issue and sell a total amount of $50,000,000 25-year debentures this year, viz.: $25,000,000 in June and $25,000,000 in October. **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 on the first $25,000,000, with registration scheduled for today (May 9).

★ **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. (6/24)**
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 24. **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).

Empire District Electric Co.
March 14, D. C. McKee, President, announced company plans to issue and sell some additional bonds this year. **Proceeds**—To retire bank loans ($2,200,000 at Dec. 31, 1956) and for construction program. **Underwriters**—Previous bond financing was done privately.

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**
May 3 it was announced application has been made to the California P. U. Commission for authority to issue and sell 500,000 shares of 5% cumulative preferred stock (par $20) shortly after the sale of an issue of $20,000,000 first mortgage bonds which have been filed with the SEC (see a previous column in this article). **Proceeds**—For construction program. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass.; and Mitchum, Jones & Templeton, Los Angeles, Calif.

General Tire & Rubber Co.
Dec. 4, M. G. O'Neil, Executive Assistant to the President, said the management was working on a plan to revamp the capital structure and that the company would like to come up with one issue of preferred stock. He added that close to $18,000,000 will be put into capital investments during the fiscal year to end Nov. 30, 1957.

● **Georgia Power Co. (6/6)**
Jan. 21 it was announced the company is planning sale of $15,500,000 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.; Morgan Stanley & Co.; Blyth & Co., Inc., Kidder, Peabody &

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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. **Registration**—Planned for May 10.

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)**
May 6 it was announced company plans to issue and sell 200,000 shares of common stock (no par). **Proceeds**—About $8,000,000 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.

Hilo Electric Light Co., Ltd. (Hawaii)
March 9 it was announced company plans to issue and sell $2,000,000 of first mortgage bonds, series F, at an interest rate not to exceed 6%. Previous bond financing was done privately.

Houston Lighting & Power Co.
Feb. 13 it was reported company may offer late this Fall approximately $25,000,000 first mortgage bonds, but exact amount, timing, etc. has not yet been determined. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers, Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.

Houston Texas Gas & Oil Corp.
March 6 it was reported that company plans to offer publicly $22,405,556 of 5½% interim notes (convertible into preferred stock) and $18,241,944 of common stock in units. Part of common stock will be offered to present stockholders at $10 per share. **Proceeds**—For construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Illinois Power Co.
March 29 stockholders approved an increase in the authorized serial preferred stock (par $50) from 1,000,000 shares to 1,600,000 shares. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp., both of New York.

● **Indiana Harbor Belt RR. (6/5)**
Bids will be received by this company up to noon (CDT) on June 5 for the purchase from it of $8,125,000 first mortgage bonds due June 1, 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.

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.; The First Boston Corp.; Blyth & Co., Inc.; 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.

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.

★ **New Jersey Bell Telephone Co. (9/11)**
May 1 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—Together with proceeds from sale of 900,000 shares of common stock (par $100) to parent, American Telephone & Telegraph Co., will be used to pay for expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Shields & Co.; White, Weld & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received on Sept. 11.

New Jersey Power & Light Co.
Sept. 12 it was announced company plans to issue and sell $5,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

★ **New York Shipbuilding Corp.**
May 7 it was announced that a secondary offering of 191,660 shares of common stock is planned this week or next. This is part of 211,254 shares for which a registration statement with the SEC recently became effective. **Proceeds**—To Merritt-Chapman & Scott Corp. **Underwriter**—A. C. Allyn & Co., New York.

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.

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).

Pacific Telephone & Telegraph Co.
Jan. 14, James S. Cantlen, Vice-President, announced that company plans to spend $159,000,000 in 1957 and $157,000,000 in 1958 for expansion and improvement to be financed in part, by debt borrowings and stock issues. About 90% of Pacific's stock is owned by American Telephone & Telegraph Co. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Peninsular Telephone Co.
March 28 it was announced company plans to offer to its common stockholders 189,844 additional shares of common stock on a 1-for-6 basis. **Proceeds**—Together with

funds from proposed bond sale (probably privately), to finance new construction. **Underwriters** — Morgan Stanley & Co., and Coggeshall & Hicks, both of New York City.

Pennsylvania Electric Co.
Sept. 12 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.

● **Pennsylvania RR. (5/13)**
Bids will be expected to be received by the company up to noon (EDT) on May 13 for the purchase from it of $5,490,000 equipment trust certificates to be dated June 1, 1957 and mature in 30 equal semi-annual instalments. 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).

● **Philadelphia Electric Co. (6/5)**
Feb. 14 it was announced company plans to offer about 600,000 shares of common stock to its stockholders of record June 5, 1957 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.

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 Co. of Indiana, Inc.
Feb. 11 it was announced that it is expected that a new series of first mortgage bonds (about $30,000,000 initially scheduled for 1956) will be issued and sold by the company, during 1957. **Proceeds** — To repay bank loans (amounting to $25,000,000 at Dec. 31, 1956) and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly).

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) or Merrill Lynch, Pierce, Fenner & Beane.

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. **Registration**—Scheduled for May 17.

★ **Purex Corp., Ltd. (Calif.)**
April 30 it was announced that proceeds of at least $1,200,000 are to be received by the company prior to July 1, 1957 from the sale of new capital stock and used for working capital. **Underwriter**—May be Blyth & Co., Inc., San Francisco and New York.

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.

South Carolina Electric & Gas Co.
Jan. 14 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. **Bids**—Not expected to be received until next Fall.

Southern Bell Telephone & Telegraph Co. (6/18)
Feb. 25 directors authorized the issue and sale of $70,000,000 of 29-year debentures due June 1, 1986. **Proceeds** —For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on June 18. **Registration**—Planned for latter part of May.

Southern California Edison Co.
March 20, Harold Quinton, President, announced that for the balance of this year the company's present intention is to issue additional bonds and probably a preferred stock. He added that the company will require more than $180,000,000 of new money in 1957 and 1958, in addition to the $37,500,000 bond issue of February, 1957. A total of $70,000,000 may be raised in 1957, 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. (7/10)**
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 on July 10.

● **Tampa Electric Co. (6/28)**
May 1 it was reported company plans to issue and sell 217,286 additional shares of common stock, first to stockholders of record about June 28 on a 1-for-10 basis; rights to expire on July 16. The offering may be underwritten. Goldman, Sachs & Co. acted as dealer-manager on last standby.

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).

Texas Electric Service Co.
Jan. 2 it was announced company expects to sell new securities during 1957 to obtain capital for its continuing plant expansion. **Underwriter** — For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); The First Boston Corp.; Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Lehman Brothers (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly).

Thorp Finance Corp.
Jan. 30 it was reported company plans to issue and sell locally 10,000 additional shares of 5% preferred stock and to sell generally some additional common stock during 1957. **Price**—Of preferred, $102 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Emch & Co. and The Marshall Co., both of Milwaukee, Wis.

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.

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 Grand, Inc., Reno, Nev.**
April 29 it was announced company plans to issue and sell 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds** — To explore and develop company's 64 uranium claims in two groups,—approximately 1,280 acres in Hells Roaring Canyon and Yellow Cat Mining Districts in Grand County, Utah. **Underwriter**—Stauffer Petroleum Corp., Box 8834, Britton Station, Oklahoma City, Okla., of which S. M. Stauffer is President.

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.
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.

Mutual Funds

By ROBERT R. RICH

Confidence in Canada

Confidence in the continued growth of the Canadian economy is expressed by S. L. Sholley, President of Keystone Fund of Canada, Ltd., in his annual report to shareholders. Despite a general decline in stock indices, Keystone Fund of Canada showed a 6% increase in net asset value per share for the fiscal year ended March 31 and a 28% rise since the fund was started late in 1954.

Total net asset value of the fund increased 25% to $12,202,695 last year, and number of shareholders increased 32% to 4,765.

In his report, Sholley says, "The growth of Keystone Fund of Canada since its inception less than two and a half years ago is attributable to the continued rapid expansion of the Canadian economy as a whole. All records for Canadian production were surpassed in 1956 for the second consecutive year.

"Since 1955 gross national product was up 21%, industrial production up 15.4% and overall corporate earnings up 13.7%. The upward trends of most key indicators thus far in 1957 indicate that new highs may be achieved for the third year in a row."

Sholley bases his optimistic view of Canada's future investment opportunities on material from the recently published preliminary report of the Royal Commission—also known as the Gordon Commission—which made a broad and thorough study of Canada's probable economic and industrial trends for the next 25 years.

Comments Sholley, "The expected growth in population is one of Canada's principal investment incentives, since every company doing business in Canada will feel the beneficial effects of this basic development. The natural resources industries may grow at a faster rate as world markets expand. The service industries—utilities, railroads, pipelines, retail stores, banking, insurance and finance—are directly affected by population trends and should benefit proportionately."

Keystone's portfolio is invested 94.3% in common stocks, with almost two-thirds in "natural resources" industries—oils, natural gas, metals, paper, iron and steel, and chemicals. Keystone acquired its first direct stake in uranium production by adding shares of Consolidated Denison Mines common stock. Holdings in public utilities were increased from 12.1% to 15.6%, with a corresponding decrease in bank, insurance and finance company holdings.

Largest among the 48 issues held by Keystone Fund of Canada are Trans Mountain Oil Pipe Line, International Petroleum, Calgary & Edmonton Corp., Imperial Oil, International Nickel, British Petroleum, Calgary Power Ltd., Canadian International Power, McColl Frontenac Oil, Shawinigan Water & Power, Steel Co. of Canada and Aluminium, Ltd.

	Mar. 31, 1957	Mar. 31, 1956	Mar. 31, 1955
Total net assets	$12,202,695	$9,785,040	$6,441,774
Shares outstanding	1,030,181	877,426	688,289
No. shareholders	4,765	3,616	2,800
Asset value per share	$11.84	$11.15	$9.36

Pan-American Fund Sees Peril to Exports

Manufacturing and processing facilities in Latin-America are growing so fast as to portend the need of new strategy by United States producers, Fletcher Godfrey, Treasurer of Pan-American Fund, Inc., the only closed end investment trust operating throughout Latin-America, reported to a fund directors meeting in New York. He foresees a sharp drop in American exports, becoming acute in 20 years, unless United States investments are kept adjusted to the rapidly growing local industries in such countries as Brazil, Mexico, and Venezuela.

Mr. Godfrey told the directors that as industrialization increases in these various countries, with the aid of United States exports of technical know-how and capital, their local output of manufactures will grow at the expense of our exports of manufactured products.

The only way the United States can avoid an eventual serious loss of export volume, he said, is to participate in a mutual development of their resources in increase their purchasing power and goodwill. This can be done by investing in the growing local Latin-American companies, at the same time encouraging Latin-American investors to come into the United States subsidiary companies set up to serve them. This would tend to increase United States exports to Latin-America of capital equipment of all kinds such as machinery and semi-finished goods of many kinds.

Pan-American Fund, Inc., was formed two years ago by a group of U. S. industrialists, based on an intensive study of the region.

Kroger's Hall Speaks to Dealers

Joseph B. Hall, President of the Kroger Company, retail food distributing organization with annual sales of $1.5 billion, will be the guest speaker at the opening meeting of the two-day seminar sessions on sound ways to sell mutual funds being presented by Vance, Sanders & Company at the Sheraton-Gibson Hotel in Cincinnati.

This is the third of the 1957 seminar programs presented in cooperation with investment dealers by the mutual fund sponsor, which is principal underwriter for shares of Massachusetts Investors Trust, Boston Fund and other mutual investment companies. Investment dealers and salesmen from Indiana and Kentucky, as well as southern Ohio, are attending the meetings.

Chairman of the program is Richard Platt, of Boston, a partner of Vance, Sanders & Company. Other partners and representatives of the firm who will participate are John C. Wilson, of Cleveland; Alec B. Stevenson, of Nashville; Kimball Valentine, of Washington, D. C.; and Thomas A. Baxter, of Boston.

Keystone Fund Asset Value Up

Keystone High-Grade Common Stock Fund, S-1, paid a regular distribution of 24 cents a share for the six-month period ending March 31, President S. L. Sholley declared in his semi-annual report to shareholders. In that period, S-1 showed a 7.4% increase in total net assets, a 10.3% increase in number of shareholders, and a 7.2% increase in number of shares.

Net asset value per share for the six months rose from $15.18 to $15.22, plus a 95 cent capital gain distribution last September, compensating in some measure for the general decline of blue chip securities in the preceding half year. For the 12-month period, adjusted net asset value per share of S-1 was $16.17 compared to $17.44 on March 31, 1956.

Keystone's S-1 portfolio of 37 issues includes 30 industrials, two rails, three utilities, and two bank and insurance companies. Largest holdings are in National Steel, National Lead, Caterpillar Tractor, Ingersoll Rand, Standard Oil of New Jersey, and International Business Machines.

During the six-month period, Keystone S-1 added American Cyanamid, Goodyear Tire & Rubber, Standard Oil of Indiana and U. S. Steel. Eliminated were Allied Chemical, Kennecott Copper, Pacific Gas & Electric, Scott Paper and Travelers Insurance.

	March 31, 1957	Sept. 30, 1956
Total net assets	$11,361,125	$10,579,495
Shares outstanding	746,674	696,711
No. shareholders	4,057	3,679
Asset value per sh.	*$15.22	$15.18
Income per share (6 mos.)	$0.24	$0.26

*Does not include capital gains distribution of 95 cents per share paid in September, 1956.

Incorporated Shareholders Up in Year

Shareholders of Incorporated Investors increased from 50,000 to 56,000 in the past 12 months, while shares outstanding increased from 25,975,280 to 28,414,270, the 125th quarterly report reveals.

Disclosing that the portfolio of Incorporated Investors remains fully invested in carefully selected common stock, Chairman William A. Parker and President Charles Devens further state to stockholders:

"Though the period ahead will be keenly competitive for industry as a whole, we believe it will offer a good chance for expanded sales and profits to those companies which carefully control costs, increase productive efficiency and exercise imagination in expanding markets for goods and services. Well managed companies will find support from an economy in which the government has budgeted the highest peacetime outlay in history and in which both business and consumer spending will be well sustained."

During the first quarter Incorporated Investors added 10,000 shares of International Business Machines to the portfolio at an average price of $519.75. Other purchases included Atlantic Refining, Caterpillar Tractor, Chicago and North Western Railway, Crown Zellerbach, Harsco Corp., Glenn L. Martin, Pittston, St. Regis Paper and Weyerhaeuser Timber.

Join Scott, Bancroft

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Charles J. Lennihan III, Charles W. Partridge and Charles W. Partridge Jr. have become affiliated with Scott, Bancroft & Co., 235 Montgomery Street.

Concord Fund Now 65% In Cash, Bonds

The report to shareholders covering the first quarter of 1957 just released by Concord Fund shows cash, short term notes and government bonds at $7,265,552, representing approximately 65% of the entire portfolio. The balance of the investments are in diversified common stocks. This is a substantial increase in liquidity from the 40% figure as of the 1956 year-end.

Dr. Charles F. Roos, President of the fund, commented that the increase in the liquid position of the fund since year-end reflects the forecast of the Econometric Institute, Inc. indicating a declining trend of business sales accompanied by a shrinkage in profit margins. Dr. Roos commented further that while there has been substantial correction in prices of many stocks the general market still appears to be high on the basis of historical price-earnings ratios and dividends. The fund, said Dr. Roos, is in an excellent position to take advantage of attractive investment opportunities.

Sales of Concord Fund for the six month period ended March 31, 1956, rose to $3,152,332, an increase of 21% over the like period a year earlier, according to W. George Potts, Concord Sales Director for A. C. Allyn & Company, Inc. of Chicago, underwriters and national distributors of the fund. As of March 31, 1957, net assets

of Concord Fund on March 31, 1957, were reported at $11,209,873, an increase of 26% from the year-earlier figure.

Managed Fund Sales Up 22% In Quarter

A 22.4% sales gain over the first three months of 1956 was recorded by Managed Funds, Inc. during the opening quarter of the current calendar year, compared with 5% for the entire mutual fund industry.

Hilton H. Slayton, President of the $50 million fund group, announced April 26 that first quarter sales totaled $3,841,500 compared with $3,137,932 for the same period a year earlier.

"From the standpoint of sales alone — especially during a lagging market—it was the best first quarter in our history," he said.

The monthly sales gains amounted to 45.2% in January, 0.9% in February, and 27.7% in March.

Industry-wide figures released in New York City yesterday revealed a 21.7% rise in January, a 10.2% decline in February, and a 2.5% increase last month.

Mr. Slayton attributed Managed's record first quarter sales performance largely to investor confidence, adding that the "attractiveness" of the fund's share prices during the market drop was an important contributing factor.

National Securities Divs.

Year-end capital gains distributions in excess of $15 million were paid today in cash or additional shares to shareowners of the National Securities Series of mutual funds, according to H. J. Simonson, Jr., President of National Securities & Research Corp., sponsors and managers of the funds.

Individual distributions on a per share basis, made to shareowners of record April 5, follow: stock series, 42 cents; income series, 26 cents; dividend series, 30 cents; preferred stock series, 18 cents; balanced series, 23 cents; bond series, 5 cents, and growth stock series, 35 cents.

I. D. S. Earnings

Net income of Investors Diversified Services, Inc. and undistributed net income of its wholly-owned subsidiaries for the first quarter of 1957 amounted to $2,995,421 or $2.06 per share, compared with $2,816,948 or $1.94 per share for the same period of 1956, according to unaudited figures released by the company. The 1957 earnings include realized profits from investment transactions of $378,019 or 26 cents per share compared with $346,799 or 24 cents per share in the comparable period last year.

Reactor Diagram

Atomic Development Mutual Fund, Inc. has just relased a revised Reactor Diagram which contains a simple visual presentation in color of how an atomic power reactor works. It describes in non-technical language how each of 10 different reactor types works to generate power. A description of the atomic activities of each of 77 companies in which Atomic Fund was invested on March 31, 1957 is contained on the reverse of the Reactor Diagram. Copies are available from the Fund's Distributor at 1033-30th St., N.W., Washington 7, D. C.

F. J. Brown Co. Formed

UTICA, N. Y. — Francis J. Brown is engaging in a securities business from offices in the Mayro Building under the firm name of Francis J. Brown Co.

Wellington Co. Sponsors Film

PHILADELPHIA, Pa. — The Wellington Company, sponsor and distributor of Wellington Fund is making available to the securities industry a new professionally produced sound-color motion picture entitled "Your Money At Work."

This new educational motion picture about mutual fund investing is now available to investment dealers throughout the country for showing to clubs, groups and organizations interested in a program of prudent investment through mutual investment funds.

"Your Money At Work" is another important development in the mutual fund industry's efforts to educate the investing public to the importance of conservative securities management and sound investment policy.

The new film dramatically describes mutual funds, their benefits and conveniences—and how to go about investing in mutual funds.

"Your Money At Work" is the second documentary film developed by Wellington Fund for showing to the investing public. Wellington's previous film, produced two years ago, has been shown in nearly every important city and town in the country.

Copies of the new film will be made available by district representatives of Wellington in the principal cities or through The Wellington Company, 1630 Locust Street, Philadelphia 3, Pa.

Personal Progress

The stockholders of Wellington Fund at their annual meeting elected two new directors to the board, in addition to reelecting the 11 present directors of the Fund.

The two new directors are Harold M. Cole, partner of Cole, Grimes, Friedman & Deitz, attorneys of New York City and Andrew B. Young, partner of Stradley, Ronon, Stevens & Young, attorneys of Philadelphia.

Mr. Cole is a graduate of Brown University, 1929, and Harvard Law School, 1932. He has been a partner of the law firm of Cole, Grimes, Friedman & Deitz since 1942. He is a director of Eversharp, Inc., and McCandless Corporation, both of New York City, and a member of the New York Advisory Committee of the American Mutual Liability Insurance Company.

Mr. Young graduated from Princeton University, 1928, and Harvard Law School, 1931. Since 1935 he has been a partner of Stradley, Ronon, Stevens and Young which has been counsel for Wellington Fund since 1929. He is secretary and a director of Peoples Water and Gas Company, Miami, Florida, and a director of Tampa Gas Company, Tampa, Florida, and of M. A. Bruder & Sons, Inc., Philadelphia.

Canadian Dollar's Strength Analyzed

Factors contributing to resurgent Canadian dollar's premium and grounds for the belief that the same capital investment influences at work will continue in the year ahead are recapitulated by Bank of Montreal's latest newsletter. The Review points out that Canada's debt servicing cost could become burdensome should the Canadian dollar fall from its present premium to a significant discount in terms of U. S. funds. Notes that for the first time,, following the Suez Crisis, the total value of overseas sales of stocks exceeded those to the United States; and that eight U. S. investment funds investing in Canadian securities own 90% of U. S. market purchases of Canadian stocks.

The strength in the Canadian dollar is analyzed by "Business Review," monthly newsletter published by the Bank of Montreal, which examines the capital investment outlook for the year ahead.

According to the April 26th issue of the "Review," "the Canadian dollar, after hovering around parity in terms of U. S. funds during the winter of 1955-56, appreciated sharply in the spring and autumn of last year and by December, the average monthly level was at a premium of a little more than 4%. During the first quarter of 1957 it rose still further and by March the average level had risen to 4.6%, with the high within the month of 4.71%, surpassing all previous peaks since 1933.

"That the rise in the dollar during the past 12 months has occurred as a result of a phenomenal inflow of capital from abroad, and despite a record deficit in Canada's international transactions on current account, is by now fairly well known. But it is only in recent weeks, with the publication of the preliminary survey of the Canadian balance of international payments in 1956, that it has become possible adequately to appraise the strength of these opposing forces."

Imports Increase

"Probably the outstanding feature of the current account transactions was the upsurge in merchandise imports, which rose 23% over 1955 to reach $5,568 million. Roughly 40% of this increase consisted of capital goods such as machinery, rolling mill products, pipes, tubes and fittings, and electrical apparatus, which can be directly associated with Canada's heavy program of capital investment. In addition to these items, there was a wide range of commodities that were required in higher volume either by Canadian producers or consumers, one of the more notable increases being in automobiles.

"Export trade also strengthened in 1956 but the increase of approximately 12% over 1955 was little better than half that which occurred in imports. Moreover, the gain was concentrated in a few key commodities; roughly a third arose from higher shipments of wheat as a result of sales to Eastern Europe, and an additional third was contributed by petroleum, iron ore and newsprint. In some lines, notably lumber, farm machinery and fertilizer, the value of export shipments declined.

"With imports rising much more rapidly than exports, the net deficit in Canada's balance of merchandise trade rose from $208 million in 1955 to $734 million in 1956, the largest ever recorded. In non-merchandise transactions, also, there was an increased deficit. . . ."

"For most countries, a current account deficit of the order of $1.4 billion, such as Canada experienced last year, would probably be considered an adverse development of critical importance. But while in Canada's case it is not something to be viewed with equanimity, it has produced no suggestion of a crisis or of any deterioration in the economic position of the country. On the contrary, it has been accompanied by a marked buoyancy in domestic business activity, and the foreign exchange necessary to finance the current account deficit was readily forthcoming from the inward movement of capital funds, some of which were obtained by provincial, municipal and corporate borrowers but a good part of which arose at the initiative of non-resident investors.

"Prominent in the latter category was the capital inflow from abroad for direct investment in Canadian subsidiaries. This expanded by 28% over 1955 to reach the record figure of $525 million. As in previous years, the major part of such direct investment came from the United States and went into the development of natural resources and associated industries. But there appears to have been a sharp expansion in the movement of funds from overseas countries, and a larger than usual proportion of the total inflow was invested in holding and real estate companies. The reverse movement of Canadian direct investment abroad also increased in 1956, amounting to $100 million, much of which was invested in merchandising concerns in the United States and in mining enterprises overseas.

"The largest single change in the capital account, however, was an inward movement of funds arising from net sales of new issues of Canadian securities to non-residents. In contrast to 1955, when retirements of Canadian securities held abroad exceeded sales of new issues by $18 million, there was a net sale balance in 1956 of $541 million, most of it being with residents of the United States.

"Fundamentally, such large-scale borrowing abroad can be said to have arisen from the sharp rise in Canadian capital requirements. But the practical considerations were that, for large borrowers with well established credit ratings, capital was more readily available and interest costs somewhat lower in New York than in Canada. These attractions were sufficient to offset the deterrent effect of the decline in the Canadian dollar equivalent of the U. S. funds borrowed."

If the Canadian Dollar Fell

"The relative advantage of endeavoring to sell a new issue of securities in New York rather than in Canada is determined by a number of factors, not the least important of which is the individual borrower's appraisal of the likely level of the exchange rate over the life of the security. Should the Canadian dollar fall from its present premium to a significant discount in terms of U. S. funds, the cost of servicing a debt payable in foreign currency could become quite burdensome. The significance of this can be illustrated in the case of a 10-year bond placed in New York at a yield 0.50% lower than would be necessary in Canada; this interest saving would be more than offset if the effective cost of purchasing foreign exchange to meet interest and principal payments were only 3½% higher than at the time the issue was sold. As year after year the Canadian dollar continues to sell at a premium, however, there is perhaps a natural psychological tendency to discount the probability of such a deterioration in the exchange rate taking place.

"The differential in interest rates between the two markets may vary according to the credit rating of the borrower and the terms of the security issue. But, generally speaking, it would seem that the margin was considerably wider in 1956 than in 1955 and tended to increase in the final quarter of the year when, for example, the spread between yields on two representative long-term Canadian and U. S. Government bonds averaged 0.60%. In these three months alone, net new issues of Canadian securities abroad amounted to $179 million."

Little Demand for Bonds

"International purchases and sales of Canadian bonds already outstanding, most of which are payable in Canadian dollars, are more directly affected by the exchange rate. Thus, despite the fact that interest rates were somewhat higher in Canada than in the United States, there was little U. S. demand for Canadian bonds in the securities markets since the premium on the dollar more than outweighed the advantage in yield. In the first quarter of the year, before the Canadian dollar began its upward movement, sales to all non-residents of Canadian bonds already outstanding in the market (i. e., exclusive of new issues) amounted to $46 million; during the rest of the year, however, non-residents were, on balance, net sellers in the amount of $34 million, although there continued to be some demand emanating from overseas."

"An interesting feature of the securities markets last year was a noticeable pick-up in overseas buying of Canadian stocks following the Suez Canal crisis. In the second half of the year, net sales of Canadian stocks to residents of overseas countries amounted to $85 million compared with $35 million in the first half and $51 million in the whole of 1955. For the first time in the postwar period, the total value of such overseas sales exceeded those to the United States which, at $76 million, were $21 million less than in 1955. It has been officially estimated that the eight large investment funds established by United States interests for investment in Canadian securities accounted for some 90% of U. S. market purchases of Canadian stocks.

"Other capital movements, among the more important of which were borrowings by finance companies from their parent concerns in the United States and a rise in trade accounts payable, resulted in a net inflow of $257 million, $83 million less than in 1955. As in previous years, there was no conscious attempt on the part of the monetary authorities to add to Canada's reserves of gold and foreign exchange, their interventions in the market being only for the purpose of smoothing out disorderly fluctuations in the exchange rate. There was, however, a small net addition of $33 million to the reserves during the year and at Dec. 31 they stood at $1,936 million, the highest ever recorded."

Summary

"Taking a broad view of Canada's balance of international payments during the past year, it is evident that most of the major changes that occurred can be traced directly to the impact of Canada's heavy program of capital investment. The rise in merchandise imports, the increased deficit in non-merchandise transactions, the expanded flow of funds to Canadian subsidiary companies and the large-scale borrowing in the United States were all associated in significant degree with the sharp growth in expenditure on new construction and equipment.

"The official survey of capital investment intentions for 1957, outlined in last month's "Review," indicates that the same influences can be expected to be at work in the year ahead. Certainly, this view is supported by the fragmentary information available for the early months of the year, when the deficit in merchandise trade was significantly larger than a year earlier and flotations of new security issues in the United States continued in undiminished volume, attracted by a differential in interest rates that was even larger than in the final quarter of 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:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	May 12	§87.5	*87.0	90.3	95.2
Equivalent to—					
Steel ingots and castings (net tons)	May 12	§2,240,000	*2,226,000	2,310,000	2,343,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Apr. 26	7,536,550	7,550,850	7,786,300	7,146,000
Crude runs to stills—daily average (bbls.)	Apr. 26	¶7,634,000	7,690,000	8,099,000	7,447,000
Gasoline output (bbls.)	Apr. 26	26,211,000	26,370,000	26,007,000	24,904,000
Kerosene output (bbls.)	Arp. 26	1,648,000	2,156,000	2,170,000	2,205,000
Distillate fuel oil output (bbls.)	Apr. 26	12,352,000	11,942,000	12,296,000	11,867,000
Residual fuel oil output (bbls.)	Apr. 26	8,339,000	8,345,000	8,651,000	7,858,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 26	200,222,000	201,945,000	203,489,000	190,188,000
Kerosene (bbls.) at	Apr. 26	20,163,000	19,779,000	20,168,000	17,894,000
Distillate fuel oil (bbls.) at	Apr. 26	74,898,000	72,801,000	75,855,000	61,923,000
Residual fuel oil (bbls.) at	Apr. 26	36,800,000	36,943,000	37,098,000	32,476,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 27	690,789	686,950	694,922	779,977
Revenue freight received from connections (no. of cars)	Apr. 27	595,119	613,805	642,210	673,049
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 2	$476,032,000	$439,627,000	$281,484,000	$389,020,000
Private construction	May 2	173,545,000	258,720,000	127,546,000	238,826,000
Public construction	May 2	302,487,000	180,907,000	153,938,000	150,194,000
State and municipal	May 2	136,221,000	136,704,000	124,888,000	129,312,000
Federal	May 2	166,266,000	44,203,000	29,050,000	20,882,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 27	10,000,000	10,200,000	10,570,000	10,037,000
Pennsylvania anthracite (tons)	Apr. 27	489,000	482,000	386,000	563,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Apr. 27	123	128	112	119
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 4	11,286,000	11,310,000	11,693,000	10,815,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 2	297	263	231	277
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 30	5.670c	5.670c	5.670c	5.179c
Pig iron (per gross ton)	Apr. 30	$64.56	$64.56	$64.56	$60.29
Scrap steel (per gross ton)	Apr. 30	$42.83	$42.17	$44.17	$55.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 1	31.600c	31.550c	31.275c	45.700c
Export refinery at	May 1	30.175c	29.500c	29.375c	44.475c
Lead (New York) at	May 1	16.000c	16.000c	16.000c	16.000c
Lead (St. Louis) at	May 1	15.800c	15.800c	15.800c	15.800c
‡Zinc (delivered) at	May 1	14.000c	14.000c	14.000c	14.000c
Zinc (East St. Louis) at	May 1	13.500c	13.500c	13.500c	13.500c
Aluminum (primary pig, 99%) at	May 1	25.000c	25.000c	25.000c	24.000c
Straits tin (New York) at	May 1	98.750c	100.000c	99.125c	97.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 7	89.88	89.65	91.38	94.09
Average corporate	May 7	96.07	96.23	96.85	105.00
Aaa	May 7	100.65	100.65	101.47	107.98
Aa	May 7	98.88	99.04	99.52	107.09
A	May 7	96.54	96.54	96.85	104.83
Baa	May 7	89.09	89.09	89.92	100.49
Railroad Group	May 7	94.56	94.56	95.47	103.80
Public Utilities Group	May 7	96.54	96.69	97.16	105.17
Industrials Group	May 7	97.16	97.31	97.94	106.04
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 7	3.35	3.37	3.22	2.96
Average corporate	May 7	4.00	3.99	3.95	3.45
Aaa	May 7	3.71	3.71	3.66	3.28
Aa	May 7	3.82	3.81	3.78	3.33
A	May 7	3.97	3.97	3.95	3.46
Baa	May 7	4.48	4.48	4.42	3.72
Railroad Group	May 7	4.10	4.10	4.04	3.52
Public Utilities Group	May 7	3.97	3.96	3.93	3.44
Industrials Group	May 7	3.93	3.92	3.88	3.39
MOODY'S COMMODITY INDEX	May 7	408.9	405.6	408.0	418.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 27	235,168	229,036	275,692	276,341
Production (tons)	Apr. 27	248,935	282,574	274,516	293,282
Percentage of activity	Apr. 27	86	94	92	99
Unfilled orders (tons) at end of period	Apr. 27	388,939	403,901	408,271	535,018
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 3	107.48	110.61	110.87	109.13
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Apr. 13	1,593,190	1,249,660	1,040,610	1,790,900
Short sales	Apr. 13	248,880	219,350	158,900	309,280
Other sales	Apr. 13	1,310,860	977,890	836,210	1,442,650
Total sales	Apr. 13	1,559,740	1,197,240	995,110	1,751,930
Other transactions initiated on the floor—					
Total purchases	Apr. 13	423,610	263,670	270,470	444,500
Short sales	Apr. 13	44,700	31,300	35,200	30,100
Other sales	Apr. 13	414,560	263,310	217,550	386,320
Total sales	Apr. 13	459,260	314,610	252,750	416,420
Other transactions initiated off the floor—					
Total purchases	Apr. 13	751,450	559,720	391,441	572,402
Short sales	Apr. 13	125,100	162,470	94,950	68,130
Other sales	Apr. 13	779,319	567,932	545,420	785,143
Total sales	Apr. 13	904,419	730,402	640,370	853,273
Total round-lot transactions for account of members—					
Total purchases	Apr. 13	2,768,250	2,093,050	1,702,521	2,807,802
Short sales	Apr. 13	418,680	413,120	289,050	407,510
Other sales	Apr. 13	2,504,739	1,829,132	1,599,180	2,614,113
Total sales	Apr. 13	2,923,419	2,242,252	1,888,230	3,021,623
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. 13	1,317,169	1,130,815	1,003,696	1,527,717
Dollar value	Apr. 13	$63,741,054	$52,823,642	$46,511,275	$79,965,877
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Apr. 13	1,161,536	946,835	814,542	1,214,538
Customers' short sales	Apr. 13	11,944	12,817	10,757	5,834
Customers' other sales	Apr. 13	1,149,592	934,018	803,785	1,208,704
Dollar value	Apr. 13	$54,884,002	$44,008,703	$37,032,054	$61,920,057
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 13	300,220	233,340	203,880	283,550
Short sales	Apr. 13	------	------	------	------
Other sales	Apr. 13	300,220	233,340	203,880	283,550
Round-lot purchases by dealers—					
Number of shares	Apr. 13	477,290	417,490	418,670	595,080
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. 13	574,240	594,510	412,400	557,770
Other sales	Apr. 13	12,230,160	9,599,560	8,390,760	12,906,630
Total sales	Apr. 13	12,804,400	10,194,070	8,803,160	13,464,400
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Apr. 30	117.1	117.3	117.0	113.8
Farm products	Apr. 30	89.4	90.7	89.2	89.0
Processed foods	Apr. 30	104.3	104.8	104.0	101.5
Meats	Apr. 30	87.1	88.0	84.2	78.5
All commodities other than farm and foods	Apr. 30	125.4	125.4	125.4	121.4

*Revised figure. ¶Includes 889,000 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
AMERICAN GAS ASSOCIATION—For month of February:			
Total gas sales (M therms)	8,260,000	8,812,700	7,678,400
Natural gas sales (M therms)	7,967,200	8,437,100	7,241,500
Manufactured gas sales (M therms)	28,200	26,800	48,400
Mixed gas sales (M therms)	264,600	288,800	388,500
AMERICAN RAILWAY CAR INSTITUTE—Month of March:			
Orders for new freight cars	5,359	6,065	1,618
New freight cars delivered	9,772	8,184	5,949
Backlog of cars on order and undelivered (end of month)	107,708	111,965	137,070
AMERICAN ZINC INSTITUTE, INC.—Month of March:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	96,715	*86,078	91,690
Shipments (tons of 2,000 pounds)	94,263	*86,163	91,485
Stocks at end of period (tons)	89,341	*86,889	40,038
Unfilled orders at end of period (tons)	56,818	56,421	53,070
ASSOCIATION OF AMERICAN RAILROADS—Month of February:			
Locomotive units installed in service	127	117	113
New locomotive units on order (end of month)	867	787	897
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of March (in thousands)	$107,024,000	$178,049,000	$189,793,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of March:			
New England	$37,866,038	$16,947,232	$19,847,491
Middle Atlantic	121,164,310	83,355,413	88,316,461
South Atlantic	42,706,227	46,549,416	48,521,484
East Central	110,198,083	96,648,886	93,982,006
South Central	78,652,140	79,268,506	87,614,619
West Central	23,950,960	22,249,456	31,041,504
Mountain	24,470,972	15,161,781	24,454,695
Pacific	104,979,391	72,826,312	109,355,083
Total United States	$543,988,151	$432,407,002	$503,133,253
New York City	81,243,150	56,474,685	52,512,472
Outside New York City	462,745,001	375,932,317	450,620,581
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of March:			
Manufacturing number	239	199	224
Wholesale number	121	106	122
Retail number	672	568	572
Construction number	205	180	150
Commercial service number	99	93	102
Total number	1,336	1,146	1,170
Manufacturers' liabilities	$17,760,000	$33,402,000	$15,649,000
Wholesale liabilities	6,000,000	6,291,000	5,439,000
Retail liabilities	17,816,000	14,780,000	12,430,000
Construction liabilities	10,424,000	8,440,000	7,089,000
Commercial service liabilities	3,833,000	2,493,000	2,015,000
Total liabilities	$55,833,000	$65,406,000	$42,622,000
COAL EXPORTS (BUREAU OF MINES)—Month of February:			
U. S. exports of Pennsylvania anthracite (net tons)	305,466	469,442	331,456
To North and Central America (net tons)	104,382	167,111	191,785
To Europe (net tons)	195,974	299,488	131,326
To Asia (net tons)	5,110	2,723	8,141
To South America (net tons)	------	------	204
Undesignated	------	120	------
COAL OUTPUT (BUREAU OF MINES)—Month of March:			
Bituminous coal and lignite (net tons)	42,750,000	39,260,000	43,235,000
Pennsylvania anthracite (net tons)	1,750,000	*1,885,000	2,029,000
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate consumers—Month of January (000's omitted)	47,692,745	46,161,496	44,374,468
Revenue from ultimate customers—month of January	$784,979,000	$757,026,000	$733,224,000
Number of ultimate customers at Jan. 31	54,059,284	53,994,893	52,648,746
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of March:			
All manufacturing (production workers)	13,048,000	13,084,000	13,125,000
Durable goods	7,649,000	7,680,000	7,621,000
Nondurable goods	5,399,000	5,404,000	5,504,000
Employment indexes (1947-49 Avge.=100)—All manufacturing	105.5	*105.8	106.1
Payroll indexes (1947-49 Average=100)—All manufacturing	163.4	164.7	157.9
Estimated number of employees in manufacturing industries—			
All manufacturing	16,898,000	16,922,000	16,764,000
Durable goods	9,922,000	9,943,000	9,730,000
Nondurable goods	6,976,000	6,979,000	7,034,000
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of February:			
Gas-fired furnace shipments (units)	45,300	48,100	51,000
Gas conversion burner shipments (units)	5,900	7,300	8,400
Gas-fired boiler shipments (units)	5,200	5,200	5,400
Domestic gas range shipments (units)	150,800	138,400	178,400
Gas water heater shipments (units)	208,100	227,300	259,200
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of February (1947-49=100)	76.7	76.5	80.8
PORTLAND CEMENT (BUREAU OF MINES)—Month of January:			
Production (barrels)	19,308,000	24,429,000	21,440,000
Shipments from mills (barrels)	11,805,000	17,822,000	13,273,000
Stocks (at end of month—barrels)	29,819,000	*22,441,000	25,454,000
Capacity used (per cent)	71	90	80
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICA RRs.)—Month of February:			
Total operating revenues	$815,462,206	$855,565,473	$814,618,567
Total operating expenses	643,339,479	688,578,802	641,393,912
Operating ratio	78.89	80.48	78.74
Taxes	$84,423,267	$86,726,000	$84,113,345
Net railway operating income before charges	65,734,214	58,266,229	67,047,928
Net income after charges (estimated)	47,000,000	44,000,000	48,000,000
ZINC OXIDE (BUREAU OF MINES)—Month of February:			
Production (short tons)	15,003	17,464	17,353
Shipments (short tons)	14,711	15,560	20,437
Stocks at end of month (short tons)	28,389	28,097	20,355

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc. and associates yesterday (May 8) offered $25,000,000 of Cincinnati Gas & Electric Co. first mortgage bonds, 4⅛% series due May 1, 1987, at 99¼% and accrued interest, to yield approximately 4.17%. Award of the bonds was won by the underwriters at competitive sale on May 7 on a bid of 98.5899%.

Net proceeds from the sale of the bonds will be used by the company to finance a portion of its construction program, to repay $7,000,000 of notes payable to banks under revolving credit agreements, and for other corporate purposes.

The new bonds will be dedeemable at regular redemption prices ranging from 105% to par, and for special redemption prices at par, plus accrued interest in each case.

The Cincinnati Gas & Electric Co. renders electric or gas service, or both, in nine counties in southwestern Ohio covering a territory of about 2,158 square miles and having an estimated population of about 1,080,000. The company's subsidiaries, The Union Light, Heat & Power Co., Miami Power Corp. and West Harrison Electric & Water Co., Inc., render electric or gas service, or both, in six counties in Northern Kentucky and a small portion of Indiana, serving an area of about 478 square miles and an estimated population of almost 215,000. During the year 1956, operating revenues of the company and its subsidiaries were derived 61.9%, 37.9% and .2% from electric, gas and other operations, respectively.

For the year 1956, the company and its subsidiaries had consolidated operating revenues of $114,403,000 and consolidated net income of $15,294,000.

Eastman Dillon Moves Inst. & Mun. Depts.

Eastman Dillon, Union Securities & Co. have announced that their institutional and municipal departments are now located at their main office, 15 Broad Street, New York City.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Organized labor is now fighting a furious undercover battle to try to escape next year some broad legislation cutting down the economic and political power of the big union leaders.

This drive is taking the form of trying to get passed this year some mild legislation to "democratize" union practices and to place union funds, including pension and welfare funds, under Federal supervision.

Purpose of the drive is that by getting milder legislation enacted this year on these subjects, it is hoped that the edge for far-reaching legislation can be blunted next year.

This all is the consequence, of course, of the McClellan committee hearings. It has finally dawned on the big wheels of labor that if the McClellan committee's hearings go on for months, as they are likely to do, that the prestige of organized labor will have sunk so low that it will not be able effectively to resist legislation curtailing the vast power of the big union leaders to scare the daylights out of politicians by threat of electoral reprisals, and to wheedle big raises out of employers.

In other words, the union boys now realize that they are up against what the banking and investment world was after the stock market and banking inquiries of the early 1930s.

So the real drive for "democratizing" and fund supervision legislation comes from the labor camp. The "democratizing" legislation would so regulate union practices that majorities of union members could actually vote out slates of union officers and raise objections to these officers' policies without being fired out of the union and hence out of a job under closed or "union shop" contracts, or without being mauled and beaten.

Labor Thinking

Organized labor has been slow to catch on to what the McClellan show meant. For some time these people were merely opposing action on the quiet, of course, for extension of coverage of the minimum wage law or any amendments to Taft-Hartley, for fear that if any labor legislation got on the floor of the Senate, amendments regulating labor would be tacked on. For this reason the House Labor Committee has been tacitly delaying indefinitely pushing the minimum wage coverage extension.

Now the labor crowd, it is said, is affirmatively seeking the "democratizing" legislation and fund control this year, expressly with the hope that if these things can be passed this year, they will have blunted what is now almost certainly going to be a drive to cut organized labor down to size politically and economically, by legislation likely to come up next year.

Wittingly or otherwise, Eisenhower is supporting the labor game by proposing legislation this year on fund control.

Go Much Farther

It is now becoming clear that the McClellan committee is not going to limits its inquiry to providing a juicy show of the alleged scandals in the "House of Labor." In his speech before the newspaper publishers in New York, Senator John L. McClellan (D., Ark.) gave what was taken as a clear hint that he will go into some of the strong-arm tactics of organized labor, but in due course. There will be some more exposure of alleged scandals for a while, for that is what the public eats up. Then Mr. McClellan, at the prompting of such men as Senator Barry Goldwater (R., Ariz.) will finally and almost as if reluctantly, go into how one clubs dissenting workmen into joining the union, and so on.

Monetary Show

Since this column reported (April 18) on the dull investigation of fiscal affairs and current monetary policy to be put on by the Finance Committee of the Senate, certain things have gone astray.

In the first place, the Democratic leadership of the Senate has actively backed the Finance Committee "liberals" in their drive to make political hay out of "tight money and high interest rates." It thus is now Democratic strategy to flay current monetary policy.

However, things have begun to look poorly for the gate on the monetary show. It is now rather definite that George Humphrey is going and it is said that he may not now await the end of the session before going to National Steel, one of the companies with which he was associated before becoming Secretary of the Treasury. It is reported that Mr. Humphrey may not stay around longer than July 1 and may go sooner, but may stay long enough for the opening of the monetary show if it doesn't take too long getting started.

W. Randolph Burgess, the Under Secretary of the Treasury and firm exponent of current monetary policy, is also likely to go, it is reported.

Therefore, if the "liberals" want to make political mileage out of a stop beating your wife inquiry into monetary policy, the two logical men to exhibit to the "liberal" scorn are Messrs. Humphrey and Burgess.

It is a well-understood fact of political life that when the principal witnesses about to be burned at the hearing stake are on their way out, that the show loses a lot of its charm. It is like beating dead horses.

Hit Reserve Board

Of course, it is the Federal Reserve Board which takes the leadership in making monetary policy. However, the Board is an independent agency and "tight money" only becomes an issue when, as is the case at present, the national Administration backs it.

Chairman William McChesnew Martin will have to stand up and act pleasant while Senators Bob Kerr, Russell Long, Paul Douglas, and Al Gore sound off on what a naughty thing it is monetarily speaking to beat your wife. The boys will get a few paragraphs in the newspapers, but it won't do them much good politically when the spokesmen for the Administration are resigning their commissions in the Eisenhower army. And what fun Mr. Humphrey may have all the while.

BUSINESS BUZZ

"I'm sure we've seen each other somewhere—New York Stock Exchange? — London Stock Exchange? — Paris Bourse?—McGinty's Burlesque?"

Anderson New Secretary

Robert B. Anderson, former Secretary of the Navy and former Deputy Secretary of Defense, has been tapped to be the new Secretary of the Treasury. It is firmly reported, although some Capitol Democrats are skeptical that he will take it, that Anderson will accept. This will make it easier for Mr. Humphrey to make faces at the "liberal" Democratic panel on the Finance Committee, because he can get out any time he pleases.

Presidential Timber

Incidentally, Bob Anderson was frequently mentioned by Mr. Eisenhower two years ago as being a man of unquestioned Presidential timber. This was when Dwight D. was insinuating that no man was indispensable in the White House and that maybe he thoughtlessly would fail to heed the voice of the people that he take a second term. The word that Bob Anderson also was equipped to save the world, the school children, the nation's health, and the prosperity of farmers, was communicated in very private talks to intimates, and were promptly passed on to the press, very privately again, of course.

Anderson, Humphrey Careers

There is one curious similarity in the business careers of the retiring and incoming Secretaries of the Treasury. George Humphrey is credited with being the organizing genius who enlisted several smaller U. S. steel companies to throw in with M. A. Hanna and three Canadian companies to form the Iron Ore Company of Canada and bring out the rich ores of Labrador and Quebec. If Mr. Anderson becomes Secretary of the Treasury, he will retire as president of Ventures, Ltd., a company with many spectacular activities in developing the resources of Canada's hinterland, by itself and through its associated companies.

Newsprint Inquiry Burial

It is now only a question of whether the Commerce Committee newsprint inquiry shall or shall not have a decent burial.

When in March the Canadian newsprint companies put in a $4 per ton increase in newsprint prices, there was a great weeping, wailing, and gnashing of the teeth of the members of the Senate Commerce Committee.

It was proposed that the Federal Trade Commission look into this alleged conspiracy. The Trade Commission chairman reported privately, that he was so sorry, but the FTC didn't have jurisdiction over business practices of Canadian companies.

Whereat in late February the Commerce Committee had three days of hearings, which brought out the idea that U. S. users of Canadian newsprint wished to heck the Canadians would expand their production capacity more than they planned.

This would have ended the matter except that the lawyer for the FTC said they wouldn't mind making an "economic investigation" of the newsprint industry. Such an "economic investigation" would connote no antitrust action. It would just show who produced so much newsprint for what prices and sold it where—no secret to the industry. However, it would save the face of the Commerce Committee which can't do anything much about what Canadians do.

Promptly the Commerce Committee unanimously favored and reported out a proposed concurrent resolution directing this "economic investigation." This will be the decent burial. However, there is no certainty that even the Senate will approve this proposal.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

Business Man's Bookshelf

American Economy, The—Alvin H. Hansen—McGraw-Hill Book Company, 330 West 42nd Street, New York 36, N. Y. (cloth) $5.

Freeman—Monthly magazine with articles on "Two Ways to Develop a Country," "Rent Controlled Slums," "Your Tax Burden—Limits of Tolerance," "High Cost of Unionism," "Agriculture with a Future," "The Thing We Call Time," "The Achilles' Heel of Socialism and Communism," "Blind Spots in the New Socialism," etc.—Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y., 50 cents per copy.

World Time Chart—Showing time differences in over 100 countries throughout the world compared with Eastern Daylight Saving Time, and including a map of the standard time variations in the United States listing States and communities observing Daylight Saving Time—International Banking Department, Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

Yearbook of Railroad Information 1957 Edition—Eastern Railroad Presidents Conference, 143 Liberty Street, New York 6, N. Y.—Paper.

Your Family Without You—N. R. Caine—Crown Publishers, Inc., 419 Fourth Avenue, New York 16, N. Y.—(Cloth)—$3.95.