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EDITORIAL

## As We See It

The consternation of the officials of the City of New York over the apparent prospects that a special census they had arranged will show no increase, and possibly a decrease, in the population of their city in recent years is understandable enough in some respects. Cities generally are much inclined to feel pleased when they are growing, no matter how big and congested they already are. Funds from outside, too, are apportioned in some instances on the basis of population. To some minds a population no longer growing means stagnation. No one, therefore, need be particularly surprised at complaints from New Yorkers, and possibly charges of inaccuracies or incompetence in the taking of the census.

Yet it would not be particularly surprising if presently the final figures showed the population of New York City no larger, or even smaller than a half a decade or so ago. The same could be said of a very considerable number of our other larger cities throughout the land. As all students of population movements are well aware there has been a trend away from the large cities as such to smaller surrounding places, either suburbs of the larger cities or what one might be called satellite cities, and even to more or less open country in metropolitan areas. It has been in evidence for several decades, and is continuing unabated so far as can be determined from somewhat inadequate current statistics.

This process of suburbanization has brought vast economic consequences. It has been the subject of a great deal of study and analysis by marketing specialists. With it is closely associated a great growth in home ownership and mortgage

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## Questions on Inflation

By HON. LEWIS W. DOUGLAS*
Chairman of the Board,
Mutual Life Insurance Company of New York

**A rumored successor to Treasurer Humphrey calls for a concerted attack upon continuous currency depreciation after pinpointing dilemmatic fiscal and monetary-credit policies in our age of inflation and accentuated insinuation of government in the economy. Former Ambassador Douglas questions Federal Reserve's total effectiveness in deterring inflationary forces in view of: (1) eighteen years of *not* being at peace; (2) fear of causing unemployment and of violating the employment mandate of the government; (3) inflexible, unyielding factors in the economy; (4) changed internal credit structure; and (5) complications and contradictions in fiscal and credit policies. Suggests Federal budget expenditures and tax structure be modified to permit greater savings.**

It was on the second of July a bare 24 years ago that President Roosevelt sent his famous message to the London Economic Conference. In this message he implicitly put his finger upon what many people in almost every spot in the world believed to be the most important and pressing economic problem of their time.

Lewis W. Douglas

Today the issue is not how to elevate prices, but rather how an inordinate rise in prices can be abated, if as a practical matter it is possible, by using a variety of different devices, to achieve this purpose at all. Twenty-five years ago, and for a number of years thereafter, the problem was not how to suppress the rise in prices, but how to stimulate them to rise. The issue of the 30's was a complete contradiction of the issue of today. The problem that we now face, almost everywhere in the world, does not derive its definition from a particular mass of evidence relevant to a particular moment in experience. Just as

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*An address by Mr. Douglas before the 41st Annual Meeting of the National Industrial Conference Board, New York City, May 16, 1957.

## Stock Market Investing In This Scientific Age

By RALPH A. ROTNEM*
Director of Research, Harris, Upham & Co.
Members New York Stock Exchange

**Citing advantages in stock market investment, market economist urges diversion of funds to industries in position to grow through nation's remarkable scientific achievements. Lists issues affording diversification and in position to benefit from technological research. Urges use of investment company or Dollar Cost Averaging Plan. Offers permanent criteria in company appraisal, as management, research, financial position, and capital expenditure. As to this "sensible" market's future, maintains clearer picture may be available after Labor Day, with floor of 400-420 for the D. J. Average, with subsequent opportunity to sell stocks in 750-800 area.**

Careful thinking, planning, and imagination are necessary in achieving success in investment programs. Perhaps the first question that should be answered is whether an individual should buy securities. We feel that you should first provide adequate insurance protection, a reserve of cash for emergencies, and suitable living quarters. After those needs are met it is wise to consider securities for your surplus funds for several reasons—

Ralph A. Rotnem

(1) As protection from inflation or the rising cost of living. The dollar that was worth 100 cents in 1939 is worth only 50 cents in terms of purchasing power today. As we shall see later the stock market has been one place where a person has been able to protect his savings from the ravages of inflation.

(2) More intelligent investing is possible today than it was before the 1930's because of the better sources of

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*A speech by Mr. Rotnem before the New Jersey Section of the American Institute of Chemical Engineers, Newark, New Jersey, May 14, 1957.

**SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 44.**



# 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**

Southdown Sugars, Inc.—John B. Ellis, Partner, Courts & Co., Atlanta, Ga. (page 2)

Curtiss Wright Corp.—Robin L. Winkler, Partner, Bernard, Winkler & Co., New York City. (Page 2)

JOHN B. ELLIS
Partner, Courts & Co., Atlanta, Ga.

**Southdown Sugars, Inc.**
**(Sweeter Than Sugar?)**

Jean Lafitte wouldn't recognize his Louisiana bayou land today for the discovery of oil and gas and the industrialization of the area are having a terrific impact on the pirate's old country. Many of Louisiana's plantation owners are benefiting from these developments and one in particular is Southdown Sugars, Inc.

John B. Ellis

This business was incorporated in 1930 when the Canal Bank & Trust Co. of New Orleans, in liquidation, transferred certain notes, mortgages, plantations and other properties to the new company. Southdown Sugars is a fully integrated sugar producer and refiner and in recent years has become a substantial oil and gas royalty company. Income from oil and gas sources has been expanding rapidly and now is as important as profits from sugar operations. Oil and gas royalties and bonuses increased nearly 40% last year as Southdown realized over $1,000,000 from these sources.

**Sugar**

Southdown owns 21 plantations covering 46,168 acres of land in the sugar bowl section of southern Louisiana. The company owns 3 factories with a combined capacity of 7,400 tons of raw sugar per day and a refinery which can turn out 1,000,000 lbs. of refined sugar per day. The main factory and refinery are located near Houma, which is 57 miles from New Orleans via the Old Spanish Trail (U. S. 90).

Southdown has about 18,000 acres under cultivation which supply about one-fourth of the cane refined, another one-fourth is purchased from other Louisiana growers while the remaining one-half is imported from Cuba. Refined sugar is sold under the brand name "Southdown" principally in southern and central freight rate territories to such big name customers as General Foods and Coca-Cola.

Government acreage and marketing restrictions imposed by the Sugar Act have jeopardized Southdown's sugar operations. The allowable acreage to be planted to sugar cane by the company was reduced almost 10% in 1954 from the 1953 amount. Subsequent reductions were imposed so that 1956 allowable was about 28% below the 1953 acreage. As a result of the 1956 Amendment to the Act, acreage allowables will be eased in 1957 so that Southdown will have only 18% less acres to sugar cane than in 1953. The problems of acreage restrictions and higher costs have been met by increasing production per acre with more effective use of herbicides and fertilizer.

During the last 12 months the heavy demand for sugar in domestic and world markets has pushed sugar prices up considerably. Current prices for raw sugar are up nearly 9% and prices for refined sugar have advanced over 5%.

Two by-products of sugar processing are blackstrap molasses and bagasse. Southdown realizes about 2,500,000 gallons of molasses annually which is sold mainly for cattle feed, alcohol and vinegar manufacture. Celotex and Valentine Pulp and Paper purchase all of Southdown's bagasse on long term contracts.

**Oil and Gas**

The increasing importance of Southdown's oil and gas business is evidenced by the fact that income from oil and gas has doubled in the last four years. Certain developments during this period indicate a vast potential may be forthcoming. In addition to the 46,168 acres of land in Louisiana owned in fee, Southdown holds a one-fourth interest in the mineral rights on 10,500 acres of land in Alabama. The company now has varying royalty interests (from one-eighth to one-third) in over 50 oil and gas wells.

The oldest producing section of the company's property is the Gibson Field which is located some 15 miles west of Houma. On a tract of 3,438 acres, leased to Shell Oil with a one-eighth royalty, the company has an interest in 28 producing oil and gas wells, some of which have been flowing since 1937. Production has been holding up well and following the discovery of a good gas producer in November, 1955,

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ROBIN L. WINKLER
Partner, Bernard, Winkler & Co.
New York City
Members: New York Stock Exchange and American Stock Exchange

**Curtiss Wright**

It is rare that a common stock sells with the doubly enhancing characteristics of growth and income. The recent history of Curtiss Wright has dramatically illustrated both of these factors and unquestionably is the security I like best.

Robin L. Winkler

Curtiss Wright offers the investor an opportunity for sustained growth in the dynamic fields of plastics, ultrasonics and electronics as well as continuing income from defense products sold to the government and its agencies. In addition, its most conservative interest in Studebaker-Packard via a management contract and an option to purchase 5 million shares of the automotive company's common stock at 5 (currently selling at 7¼ on the New York Stock Exchange) provides Curtiss Wright with a unique speculative appeal. Recently the management announced a three-way agreement between Germany's Daimler Benz, Curtiss Wright and Studebaker-Packard calling for an integration of engineering skills and production. These new relationships provide Curtiss Wright with unusual diversification and the potentials inherent in them give the company interesting growth prospects. Without them Curtiss Wright has demonstrated an impressive growth record; with them, the company should become a major industrial empire.

Today with competition throughout industry so intense, management represents the most significant aspect in the evaluation of a company. The product must be good — but it is the manner in which the product is produced and distributed that is the ultimate test of the success of a company.

In 1949 a new management group led by Roy T. Hurley took control of Curtiss Wright at a time when the company's sales had declined from a peak in 1945 of $1,200,000,000 to $112,000,000 in 1948 and the number of employees from 185,000 to 9,000. Rigid cost control, sharply increased expenditures for research and operational efficiency have characterized the company since 1949. Sales have increased to more than $571 million in 1956, earnings from $2,750,000 to $43,153,518 and book value from $13.22 to $22.68.

Although Curtiss Wright is and will continue to be a major factor in the aircraft engine industry, investments in other fields—prior to the very recent Studebaker-Packard and Daimler Benz developments — already are demonstrating signs of substantial profit. Acquisition of the Columbia Protektosite Company provided an interest in plastics. For an almost nominal amount, Curtis Wright obtained sole rights to Multiprin, an exciting new plastic developed by a German scientist. Used as a soundproofing material, carpeting, furniture cover, this plastic can be painted, washed; can be made translucent or opaque. In addition, the 20% waste thrown off in Multiprin's manufacture has been utilized in the production of sponges that look and feel like natural sponges but sell at one-twentieth the price.

During 1956 Curtiss Wright firmly established itself in the field of ultrasonics with the sale of non-destructive testing and cleaning equipment to more than 60 major domestic manufacturers among which are General Motors, Bethlehem Steel and Kaiser Aluminum & Chemical Company. Nuclear measurement systems utilizing Beta rays have been developed for manufacturing plants in the cellulose, building materials, paper and textile industries. Advanced research is going ahead in the field of nuclear energy and its application for defense and industry at the vast research center in Quehanna, Pennsylvania.

Curtiss Wright's operations are now divided among 17 divisions all of which are headed by general managers with substantial supervisory powers. Morale among officers and employees is excellent and stockholders have been eminently pleased with the growth in dividend income from $1.00 in 1949 to the current $3.00 and the price appreciation from a low of 7 in 1949 to the 1956 high of 49¾.

Currently selling at 43 on the New York Stock Exchange, providing a return of almost 7% and offering the investor exceptional growth potential in the fields of plastics, electronics, aircraft, and the automotive industry, Curtiss Wright well merits investor interest as a most uncommon value.

# Threat to U.S.-Canada Investments Removed by Tax Court's Decision

By SIDNEY BROWN
Adjunct Assistant Professor of Economics
Pace College, New York City

**U. S. Tax Court's reversal of tax assessments against Cyrus S. Eaton, Wm. R. Daley, and Canadian firm, is praised by Professor Brown who considers this decision as a momentous and necessary reassurance to U. S. investors regarding tax treatment of their venture capital abroad. The Economist discerns in the decision's careful distinction between tax evasion and tax avoidance salutary effects upon foreign capital-flows.**

Definite encouragement to the flow of American private capital —and existing billions of dollars invested — abroad was given by Judge Ernest H. Van Fossan in the Tax Court of the United States last month. The importance of this action for American investors and Canadian enterprise should be of more than mere casual or routine importance since it transcends the immediate countries concerned.

Sidney Brown

In a clearly written and forthright judgment reversing the Internal Revenue Commissioner's tax levy against the American petitioners Cyrus S. Eaton, William R. Daley, and the Canadian corporation, Consolidated PPremium Iron Ores, Ltd., principally owned by Eaton and Daley, the Tax Court ruled as follows: The American investors acted as representatives and agents for their Canadian corporate entities and, thus, were not liable personally or in their individual capacity; If there were tax liability then the Canadian corporate entities were the taxable parties; And Premium, the Canadian corporation in which Eaton and Daley were the principal stockholders, was held to be immune to taxation by the United States since it did not engage in trade or business in the United States and had no "permanent establishment" here.*

### The Crux of the Case

At issue generally was the subject of tax avoidance in foreign investments and promotions, and whether the investments and investors' activities were such as to exclude them from being taxed by the United States. The crucial importance to the flow of capital investment of the distinction between tax avoidance and tax evasion should be clear. The latter is against the law, whereas tax avoidance envisages the use of lawful means to reduce the amount of the payable tax.

*See author's article, "Serious Consequences Ahead for U. S. Funds in Canada," *Commercial & Financial Chronicle*, Jan. 24, 1957, p. 3 for summary of facts and description of the case when it appeared before the Tax Court. Then and now, the intent is to explore some of the economic implications.

The case centered around the Steep Rock Iron Mines, Ltd., a Canadian corporation, which had been unsuccessful in exploiting an iron ore development until Eaton and others helped make it possible to successfully solve stupendous engineering, construction and financial problems that at times appeared insuperable. This involved draining an entire lake to uncover an extensive and rich-bearing body of ore, Canadian and American governmental financial and other assistance as part of a World War II war measure, and the formation of a Canadian sales company (pertinent to the tax case) which was prepared also to provide a large sum of financing, transportation, and technical services.

Our tax treaty with Canada provided in effect that certain Canadian corporate activities could be set up to promote and finance this project and to sell the product, and that such an arrangement was non-taxable in the U. S. However our Internal Revenue Service sought in this case to pierce these Canadian corporate entities and to hold their principal stockholders taxable. The Bureau contended in its brief that this was a scheme to escape payment of any income tax and that it was a fanciful aberration induced by the contemplation of the impact of the Federal Income tax laws. As to one such corporation, Premium, the Government claimed that it engaged in trade in the United States and had a "permanent establishment" here.

The Tax Court over-ruled all these claims. In doing so careful delineation was made as to the parties involved and their activities as to: one, when investors act as agents or representatives of incorporated firms and act as individuals in a personal capacity, and, two, as to when a foreign corporation is a "permanent establishment" within this country. The Court pointed out in its decision:

> It is axiomatic that tax liability depends upon what in fact is done, not what might have been done. Eaton and Daley were businessmen with wide experience and strong aggressive personalities. Undoubtedly they were aware of the nature, rights and liabilities incident to corporate procedure. It is not too much to assume that they were conscious of the advantages taxwise of corporate as dis-

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# Observations . . .

## By A. WILFRED MAY

### MORE ON THE SHAREHOLDER AND THE NUMERICAL SIZE OF HIS HOLDING

IBM at the 600-level finally "comes through" with a 2-for-1 stock split; with President Thomas Watson, Jr., finding it necessary to explain to the annual meeting why the "bonanza" was not greater. The directors of a large publicly-held investment management company, Investors Diversified Services, recommend a split of four-for-one of the common stock, now selling at 80. And a good part of Philadelphia and Reading Co.'s annual meeting, held in a hotel ballroom, is taken up with stockholders' vigorous demands for stock dividends; with the company's President hard put to make clear to the avid shareholder that the stock dividend, like the stock split, merely changes the printed form of ownership, that his former 100 shares have merely become 110 smaller shares with his proportionate interest in the property remaining unchanged, and that the additional paper does not constitute income since if he sells the dividend the remainder of his holding represents a proportionally diluted share. The public's enchantment with and illusions over numerical change in the certificate representing his ownership goes on undiminished!

A. Wilfred May

Not to imply that they will be effective in disabusing the public of its persisting illusions, but we note some important additional items of realistic evidence that have come to hand.

Empirical demonstration of the invalidity of the low price-ownership-breadth thesis is found in the experience of the American Telephone and Telegraph Company, the nation's most "populous" corporation. With its stock selling in the "splittable" 140-190 area, the giant corporation has nevertheless since 1945 enjoyed shareholder growth of 118% to a 1,492-297 total, which number is over double that of the second-ranking General Motors, and which growth rate is second only to that achieved by Standard Oil of New Jersey.

While repeated bond conversion and, to a somewhat lesser extent, the 1956 direct stock offering, no doubt stimulated ATT ownership, the breadth and character of the new holders shows these mechanics to have been minor factors. Totals of 10, 2, 5, and 1 are the most popular shareholdings. Holdings of half the stockholders are less than 15 shares each. Most of the new owners have started with 10 shares or less. Women are the largest group of owners at about 700,000 doubling that of the men. Manifesting the exceptionally long-term investment attitude of this shareholder family, possibly tied to the high-price, is the fact that one-half of the holders have been owners for 5 years or more and one-quarter for 10 years or more.

Important additional light is thrown on the market-place effect of the stock split through a new study by C. Austin Barker, manager of Financial Research with The Cleveland Electric Illuminating Company, published in the current issue of The Harvard Business Review. Now reporting his findings in the bull market of 1954 and 1955, this study up-dates a previous analysis covering the side-wise markets of 1951-1953. The earlier analysis, published in the same publication's January-February 1956 issue, showed that, contrary to general belief, stock splits do not automatically produce a lasting price gain; that dividend increases are a determining factor; and that the achievement of the worthwhile aim of broader ownership thereby is dubious.

In his current article, "Stock Splits in a Bull Market," reporting on the definitely rising market period of 1954 and 1955, Mr. Barker finds that even in an advancing market increased dividends are indispensable to a lasting increase in stock prices. His data demonstrate anew that splits unaccompanied by dividend increases are actually followed by relative price decline.

* * *

### THE HIGHER THE FEWER

Sophisticated observers know that the "insider" and professional, no less than the amateur speculator and invester, commit the psychological foible of following, rather than countering, the market trend; of intensifying buying interest as prices go up, instead of down toward greater value.

This Street proclivity is reaffirmed by the short interest position covering the month ended May 15, just released by the New York Stock Exchange. Again a market rise has illogically elicited a decline in bearishness, apparently on the premise that the higher prices go, the cheaper they become. During the interval since April 15, while the Dow Jones Industrial Average rose, from 485 to 500, the short position declined, from 3,071,799 shares to 2,964,249 shares; and similarly illogical, the short interest was the lowest since last February 15 when the market stood down at 468.

* * *

### VALUE WILL OUT

Our long-time conviction that value will in the long-run become recognized in the market place derives some additional confirmation through news coming to hand that under the Stock Exchange's Monthly Investment Plan closed-end investment company shares were purchased during the first quarter at a rate higher than that of all securities being bought under that technique. While the total number of plans in force increased by 8.8%, investor purchases of closed-investment company plans rose 13.6%, according to information disclosed by the National Association of Investment Companies.

This investor selection marks an intelligent shift from the long period of neglect of the closed-end "trust," a situation manifested in the sizable discounts from asset value at which many of these portfolios have constantly been available—in contrast to the asset value plus "load" price at which the popular *open-end* funds have concurrently been so widely bought.

With nearly half a million investors currently buying the open-end funds at the annual aggregate of a quarter billion dollars under several types of purchase programs (as estimated by Arthur Wiesenberger in his 1957 edition of *Investment Companies* published this week), it may be expected that plans in addition to MIP will be devised for the public's similar accumulation of the closed-end companies. This will afford the double-advantage of closing up discounts for the benefit of their existing shareholders, and channeling good values to fresh buyers.

## Tee Off Against High Taxes via Tax Exempts

In what is believed to be the first offer of its kind, Boland, Saffin & Co., 35 Wall Street, New York City, underwriters, distributors and dealers in municipal bonds, are offering to each purchaser of the tax-exempt municipal bonds one dozen of top quality golf balls.

"Tee off against high income taxes with municipal bonds," the investment firm states in its advertising copy announcing the free offer. "Here's a chance to cut your golf score . . . and cut your taxes at the same time," investors are advised.

## New York Stock Exchange Weekly Firm Changes

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

John J. O'Brien & Co. is dissolving May 31.

Jerome A. Eaton, member of the Exchange, retires from Batchker, Eaton & Co., May 31.

George C. Seifried retires from McLaughlin, Cryan & Co., May 31.

Howard R. Bouton withdraws from Murphy & Co., May 31.

Transfer of the Exchange membership of the late Leslie Harman to James Morton-Smith will be considered May 29.

Transfer of the Exchange membership of the late Charles E. Merrill to S. Robert Weltz, Jr. will be considered May 29.

# The State of Trade and Industry

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

On the industrial front last week steel output dropped to 84.2% of ingot capacity as compared to 86.7% in the prior period. The average operating rate for the month of April was 89.5%, or the lowest for any month since August of last year. Automotive production continued to register a higher trend during the week and the steel mills, as a consequence, benefited by a slight rise in orders for steel sheets. Further, the settlement of some labor troubles in the industry aided in raising automotive output 4% above the week before and 17% over that of the comparable level in 1956. Electric power production also showed gains in the latest week, rising fractionally from its 1957 low of the prior week and 4.4% above the level of a year ago.

Although housing starts in April rose 11% over March, they fell 17% below last year and were at the lowest level for any April since 1949. Private housing accounted for all of the month-to-month gain as public housing dropped sharply. The FHA revised its earlier estimates of 1957 housing starts downward from about 1,100,000 units to slightly under 1,000,000.

In mid-April employment rose to 64,300,000 persons from 63,900,000 in March, and compared with 64,000,000 in April 1956. Seasonal rises in agriculture, construction and food processing may push employment to a record 68,000,000 this Summer, exceeding the previous high of 66,500,000 last August, according to Labor Secretary James Mitchell.

The employment situation in the week ended May 11, shows that claims for unemployment insurance by newly laid-off workers declined 13,700 to a total of 233,500, according to the Bureau of Employment Security.

The agency noted that seasonal drop-offs in the number of initial claims were reported by 37 states. For the like week of last year, the total of initial claims was 222,900.

The bureau further stated that insured unemployment also went down, dropping by 31,000 to a total of 1,427,900 in the week ended May 4.

Industrial production declined slightly in April from its recent record highs, the Federal Reserve Board reported. The decrease centered in output of durable goods and minerals.

The Board said American industries turned out goods at the rate of 146% of the 1947-49 average. This was 2 points below the March level, but 2 points above April last year.

The production decline was a bit wider than is seasonally normal for April, as a consequence, the Board's seasonally adjusted index dropped to 145 in April from 146 in March.

Production of non-durable goods advanced to a new high, on the other hand. The Board stated that output of textiles and apparel changed little in April, but production of other non-durable goods increased somewhat.

In the steel trade this week, "The Iron Age," national metalworking weekly, states that steel users are fighting the battle of low inventories versus next July's scheduled steel price increase. Some companies, particularly in the Chicago area, it points out, have already figured out the arithmetic and plumped for fattening inventories as a hedge against the price boost. As a result, steel shipments will go up a little next month.

The situation among steel users is their concern over just how much prices will rise next July. They are trying to get an inkling from the mills on this, but nobody's talking for the record, this trade paper declares. Some producers are thinking pretty big and frequent reference is being made to the near-20¢ wage cost increase coming up in July, but it adds, while there is some talk of a price boost comparable to last year's average $8.50, the chances are that it will be under $7 per ton.

Current demand for some steel products is generating hard

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# Common Stocks as Investments For Life Insurance Companies

By HARRY B. FREEMAN, JR.*

Investment Officer, Teachers Insurance & Annuity Association of America

**Based upon assumption of favorable results from long-term common stock purchase program, and the economy's need for continuing supply of equity capital, teachers' insurance investment officer proposes insurance firms aggressively fill the gap of permissible stock purchases from existing $1 billion to allowable $4.8 billion. To help this come about, Mr. Freeman suggests several legislative changes are needed first—such as: better method of stock valuation, stock selection, and common stock reserves.**

Those charged with the responsibility for the investment of policyholders' funds have an obligation to their policyholders to take advantage of the opportunities afforded by investment in common stocks. In this field they can also fulfill their responsibility of keeping the economy strong by increasing the supply of savings going into equity capital. Before these opportunities can be fully achieved, however, certain changes in the laws relating to life insurance company valuations and selection of stocks are needed.

H. B. Freeman, Jr.

Common stocks have been found in life insurance company portfolios for over 100 years. In the first few years of the 20th century, they reached their peak in importance when they accounted for approximately 5% of assets. Most of the stock holdings at this time were bank, railroad, and public utility stocks.

The Armstrong investigation in New York in 1905 resulted in common stocks becoming illegal for the New York companies. This legislation resulted from abuses uncovered by the investigation. Insurance company stock holdings in many cases had been used to control other companies — sometimes for the financial gain of "insiders."

After this change in the law stock holdings dropped in both absolute amount and in relation to total assets. By 1928 they reached their low point and accounted for only one-third of 1% of assets. This general ratio remained constant until the late 1940s.

### Increase in Stock Purchases

In 1951 the New York Insurance Law was amended to provide for limited investments in common stocks. Two provisions of the amendment were specifically designed to avoid the abuses found by the Armstrong Committee 46 years previously. One of these was the specific barring of stocks of banks and insurance companies from eligibility. The other was the proviso restricting any insurance company from purchasing more than 2% of the outstanding stock of a company.

Maximum purchases of common stocks under the 1951 amendment were limited to the lesser of 3% of a company's assets or one-third of its surplus. This legislation stimulated some stock buying and by the end of 1956 common stocks had increased in importance to 1.13% of assets in the life insurance company portfolios.

Finally, the most recent development in this field was the legislation in New York this year increasing the limits of common stock purchases to the lesser of 5% of assets or one-half of surplus as well as legalizing the purchase of bank and insurance stocks, previously specifically banned.

At this point the life insurance companies have a large amount of buying power in the common stock area. For example, while present common stock holdings total slightly over $1 billion, 5% of the assets of all life insurance companies would equal $4.8 billion. While many companies already have embarked on active common stock purchase programs, others have made virtually no start in the field.

### Advantages of Stocks

There are two major reasons why we in the life insurance companies should concern ourselves with common stocks. The first relates to the economy. The economy needs a continuing supply of equity capital to remain balanced, healthy and dynamic. In the past, over-expansion of debt structures has had devastating consequences on specific industries such as railroads. And in many cases, these consequences were not confined to the industries, but affected the entire economy. The life insurance industry has a responsibility to the economy to do its share in the channeling of the necessary proportion of savings into equity capital.

The second reason for our interest in common stocks is that they should prove to be excellent long-term investments for the life companies and their policyholders. This has been true in the past as shown by the very successful records of companies domiciled in states where common stocks have been permitted for many years.

Long-term trends in common stock prices and dividends have been extraordinarily favorable. In this regard the Cowles Commission's findings for the years 1870 through 1938 indicated an average annual return of 6.8% from common stocks when both dividend return and price appreciation were considered. Returns will vary, of course, with any time period used. Virtually all studies in the area, however, indicate that favorable results have accrued from long-term common stock purchase programs. And in this time qualification the life insurance companies find themselves particularly well-situated. The very essence of any life company's investment program is its long-range nature. Accordingly, the life companies are most fvorably situated to benefit from investment in common stocks.

### Legislative Changes Needed

But before the life companies can realize fully the advantages to be derived from aggressive common stock purchase programs, changes in legislation need to be made. These changes regard the valuation and selection of stocks. We have been slowly evolving from the old market value approach toward the "going concern" concept in the field of life insurance valuation. Under the latter, temporarily market prices are of less importance than longer range expected realizations. Since there is no expectation that a life insurance company will have to liquidate its assets at any one time, no write-downs during periods of temporarily depressed markets are needed. It is this concept which underlies the practice of carrying virtually all assets with fixed maturities at their "amortized" value no matter what the market price.

For a number of years a great amount of time and effort has been devoted to devising a method of valuation of preferred stocks which would use this going concern concept, modifying the violent year-to-year valuation changes often caused by changes in interest rates.

The method currently being considered for preferred stocks provides, in general, that these holdings be carried at values computed by a five-year moving average of market prices. Accordingly, changes in carrying value in any one year are greatly modified from the present system of using year-end market values. Use of a method similar to this for common stocks might be reasonable. One of its favorable characteristics is, of course, its simplicity.

Other approaches to the valuation of stocks using an intrinsic value method might also be suitable. For example, an approach which entailed a capitalization of several years' earnings or dividends would have common sense to recommend it. Also, a combination of these approaches might be the best answer.

It is not the aim here to recommend a specific method, but to urge that some valuation method be legislated which would serve to modify the violent changes in year-to-year carrying values of common stocks.

### Segregated Reserves

A second problem which needs legislative correction involves investment reserves. A segregated reserve for common stocks is preferable to the present method of pooling all mandatory investment reserves together to cover bonds, preferreds, and commons.

As a matter of fact, in many companies this reserve has grown very rapidly in the past few years primarily as a result of contributions from the write-up of stocks. The other side of the coin is, of course, that these reserves might be depleted just as fast as they were built up if stocks receded to their prices of several years ago. Thus, reserves which now appear sufficient to offset any credit risk in bond portfolios might be entirely insufficient.

A third change in legislation which appears desirable here in New York centers on the problem of selection. The present law provides that stocks which are purchased must have paid cash dividends in each of the past ten years.

At this stage in the business cycle most leading stocks qualify under this provision. It is only realistic to assume, however, that there will be years in the future when many of the leading companies in the country will forego a cash dividend for reasons of sound financial planning. When this is the case it will disqualify the stocks of those companies from life insurance company purchase for the following ten years. Yet those might well be the years of most advantageous purchase. A specific example of this would be the steel stocks. Most of the leading steel companies passed one or more dividends during the depression years of the 1930s. The stock of the United States Steel Corp., for example, would not have been a legal purchase until 1950. Yet purchases of the stock during the 1940s would have been extremely profitable over the longer period.

Most life insurance company common stock purchasing is done on some sort of dollar cost averaging basis and any forced stopping of purchases for a prolonged period violates such a program.

Recent changes in legislation have expanded the opportunity for the life insurance industry in the field of common stocks. As trustees of our policyholders' funds, it is our responsibility to take full advantage of our opportunities. Furthermore, it is also our responsibility to press for expansion of opportunity through needed changes in the law. Given a more realistic valuation method, moderate investment in common stocks in accordance with a long-range dollar averaging program will prove to be in the best interests of our companies, our policyholders and the entire economy.

*From an address by Mr. Freeman before Society of LOMA Graduates, New York City, May 14, 1957.

### Andrews, Posner Admits

Andrews, Posner & Rothschild, 52 Wall Street, New York City, on June 3 will admit Maurice J. Cohn to partnership.

# Our Current Monetary Policy: Appraisals and Prognosis

By NORRIS O. JOHNSON*
Vice-President, The First National City Bank of New York

**Distinguished banker examines some of the current critical economic monetary and fiscal problems. In pointing out that economic stability demands support from the inter-related credit, budget, and debt management policies, Mr. Johnson observes: (1) past eighteen months of creeping inflation has come from the latter two; (2) cash budget's surplus can be changed into a deficit if one includes savings bond redemptions; and (3) the Treasury has failed to proceed with long-term financing in a modest way. Offers cogent reasons for revising Federal spending and taxing, and asseverates that there is a way out from creeping inflation and spending, and its corollary of inadequate savings and stultified natural economic growth.**

I appreciate that monetary policy is generally defined today more narrowly, in the special sense of credit policies administered by the Federal Reserve Banks and Board. Our generation has had burnt into its consciousness the importance of a freedom of the Federal Reserve System to restrain excessive monetary expansion. But we are learning out of practical experience that power to restrain credit creation among the banks, however vital, does not insure a stable dollar.

Norris Oliver Johnson

For one thing there is an increasing amount of money lending outside the banks; people give up idle bank balances to get a rate of return on money substitutes. Of course there are limits on the velocity we can get out of money. But these limits are elastic. We can again, as we have in the past, develop a tremendous boom on a fairly stable money supply.

Fiscal and debt management policies have a power to undermine the effectiveness of a restrictive credit policy. As a matter of fact, public debt management bears directly on this money velocity business. When the Treasury concentrates on short-dated debt like Treasury bills, it is inviting holders of cash to let the Treasury turn their balances into active use. The other way to look at it is to note that the Treasury in issuing more bills adds to the supply of highly liquid assets and gives the community the right to draw cash from the Treasury as the bills mature.

Then there is the $55 billion of savings bonds, redeemable at the option of the holder and assuredly a cash equivalent. Redemptions of savings bonds, particularly the F and G series, are draining money out of the Treasury continuously.

And here we get into the relationship of the public debt to the Federal budget. Most economists prefer the cash consolidated budget over the administrative budget as a measure of the inflationary or deflationary influence of Federal fiscal policy. This brings in transactions through the trust funds. If we went a step further and added savings bond redemptions as an element of outgo, we might see that the Federal Government is not enjoying a surplus on an inclusive basis but instead is running a deficit.

I mention these confusing complications to emphasize that credit, budget and debt management policies are inter-related. The analogy of a tripod suggests itself. Economic stability demands support from the three points. The economy cannot hold steady on one leg very long.

From the title of my remarks I am supposed to give a "prognosis" of monetary policy. Now "prognosis" is a medical term that demands prior identification of the disease. This we all should know is creeping inflation. In 1953-55, with a major surgical operation on the Federal budget, and dosages of restrictive Federal Reserve credit policies, and long-term Treasury bond issues, we gained a two-year respite from chronic inflation. Over the last 18 months creeping inflation has reappeared despite the resumption of a restrictive credit policy. To see why, we have to look at the other legs of our tripod: the budget and public debt management.

### Can the Federal Reserve Ignore Treasury's Problem?

So far as Federal Reserve credit policy itself is concerned, I believe that it will continue to be restrictive until the consumer price index of the Bureau of Labor Statistics become restabilized. I assume that credit policy will waver between passive and active restraint after the fashion of a man leaning against a fluctuating breeze.

But Federal Reserve credit policy cannot accomplish the whole task. It is impractical to let pressure develop to a point where the Treasury cannot finance its billions of monthly outlays and monthly maturities. And the maturities give the economy the means of escape from absolute shortage of money and credit. Of course we do not want the absolute shortage that precipitates panic and depression. But we cannot err all the time on the other side and make access to the Federal Treasury so easy that prices keep rising.

Let us look at debt management. The Eisenhower Administration started out with the aspiration—as the President's 1953 State of the Union message put it—to extend part of the debt over longer periods and gradually to place greater amounts in the hands of long-term investors: "It is clear," he said, "that too great a part of the national debt comes due in too short a time."

In 1953 and 1955 $4 billion long-term Treasury bonds were placed in the market. Meanwhile, $6 billion demand obligations in the shape of savings notes have been retired. These are by no means negligible accomplishments but the fact remains that the rest of the $275 billion debt has been getting shorter and shorter and that Treasury bill finance has been used more than ever before in our history.

Debt lengthening has formidable opposition, based on the interest cost that is required to put out long bonds, the injury to the demand for home mortgages, and impressions in some quarters that price inflation is the means to prosperity. Even Senator Douglas, who more than anyone else had laid groundwork for the unpegging of the bond market in 1951, attacked the Treasury for offering a 3¼% long-term bond issue in 1953. In the background of the ensuing mild recession of 1954, the Administration is reluctant to take any action which might constrict the supply of funds for the purchase of mortgages and state and municipal bonds. Meanwhile, no investor groups, with the possible exception of state pension funds, are urging the Treasury to supply more long-term bonds. In the absence of a larger supply, yields on long governments are out of line with the general structure of bond yields and money rates. This is fine for other borrowers but not so good from the standpoint of a sound public debt structure and economic stability.

At the moment, the government bond market appears ready to rally briskly if the Treasury again decides against long-term financing or to adjust to levels where broader buying power can be attracted if another long issue is attempted. It would seem to me appropriate to proceed with long-term financing in a modest way, recognizing that here we have an instrument of undoubted power suffering from disuse.

### Need for Debt Reduction

One could argue that the need for long-term Treasury financing is increased by the lack of any prospect of really sizable debt retirement in periods of prosperity. Certainly it would be hard to defend, from any standpoint of practical convenience to the Treasury, having $64 billion maturities due within one year. The cash surplus for fiscal 1958 was forecast in the January budget message at $3 billion. It would now seem that this estimate was too optimistic. Revenues seem to be lagging a little behind estimates while military outlays are running well ahead. The narrowing of the margin of surplus would seem to call for a review of Federal spending plans.

But there are other and much more cogent reasons to review Federal spending plans. One is the urgency of State and local government needs, as for school-building. It would seem logical for the Federal Government, which takes so much of our resources for national defense, to hold back its domestic programs so that more money can be available to be tapped—through taxes or borrowing—by State and local governments. Instead the logic seems to be that the Federal Government should make amends to the States and municipalities by doling out grants-in-aid for purposes

*Continued on page 22*

*An address by Mr. Johnson before the National Industrial Conference Board, New York City, May 16, 1957.



# Outlook for the Credit Markets

By ROY L. REIERSON*
Vice-President and Economist
Bankers Trust Company, New York City

**Capital and credit market trends, the problems of the Treasury, and the business climate, indicate to Economist and Banker Reierson no early easing in bond yields, which may for some time continue to fluctuate within the fairly high range established so far in 1957, and bank lending rates remaining around present levels in the months ahead. The Economist points out that not only are demands for funds continuing larger than the inflow of new savings, but outstanding commitments of many institutions are very high, and Government security holdings have been reduced importantly over the years.**

The state of the credit markets today mirrors the vigorous economic expansion which began almost three years ago, and which brought with it tremendous demands for credit both long and short term. In 1955, booming residential building activity led to a record increase in real estate mortgage debt and peak automobile sales were accompanied by a rapid growth of instalment loans. In 1956, the sharp upsurge in business outlays on plant and equipment was reflected in a substantially higher volume of new corporate financing. Throughout bank loans soared to ever greater heights.

Roy L. Reierson

Moreover, the pressures in the credit markets created by the boom in business were intensified by rising costs, higher prices and decreased liquidity of business and financial institutions in the aggregate, and by a shortage of new savings in the face of persistent demands for funds. Adding to these pressures, finally, were the policies of credit restraint necessarily followed by the Federal Reserve in an inflationary environment; these poliices compelled the commercial banks to undertake large reductions in their government security portfolios in an effort to meet the sustained requirements for bank loans. As a result, interest rates in recent months reached the highest levels in a generation.

### Recent Market Fluctuations

Shortly after the start of this year, the credit markets evidenced some relaxation of tensions. Contrary to apprehensions prevailing in the closing weeks of 1956, there was no increase in the discount rate, and the large volume of new financing which had been hanging over the market at the turn of the year was accomplished with considerable success, albeit assisted by strong reinvestment demands resulting from large redemptions of Series F and G savings bonds. Also, the business news became more mixed, bank loans declined conspicuously in the first few weeks of the year, and business sentiment turned cautious. All this brought about some easing in bond yields.

More recently, however, the bond market has experienced renewed tightening. The volume of new issues, corporate as well as municipal, has remained at or near record levels, business activity in the aggregate has demonstrated surprising resilience, and business confidence has improved again. At the same time, the rapid worsening in the Treasury's cash position has raised complications. Bond yields have advanced once more and are generally close to the high marks reached some months ago.

### Current Investment Outlook

Present conditions in the investment markets thus seem to indicate that many of the forces which led to huge financing requirements in 1955 and 1956 are still at work. Total economic activity is still firm, wages and costs are still moving upward, and the economy is still in a tremendous investment boom. The outlook, therefore, is for continued large demands for investment funds.

Public construction is in a sustained uptrend which is likely to persist for years to come. It seems clear that new long-term offerings by state and local governments will show a sizable increase this year.

Offerings of corporate securities are expected to exceed their 1956 volume. Business spending on plant and equipment in 1957 as a whole is likely to be significantly above a year ago, and the higher outlays are unlikely to be fully offset by enhanced internal financing. Furthermore, another substantial increase is in prospect in the plant programs of the public utilities, which tend to finance a large portion of their capital expenditures in the securities market. In addition, some companies may desire to fund short-term indebtedness into long-term obligations to improve their liquidity, even though the additions to inventories and receivables are expected to be lower than in 1956.

Real estate mortgage credit remains the largest single outlet for new savings, but the increase in outstanding mortgage debt in 1957 is expected to be somewhat less than in the preceding year. Scattered signs indicate some improvement in the mortgage market, and a moderate upturn in housing activity is possible later in the year. However, a resurgence of the residential building boom is hardly a reasonable expectation.

With a smaller increase in real estate mortgage debt in prospect but greater expansion in the net debt of state and local governments and larger net new corporate issues, combined demands for investment funds for these uses may well be about as sizable in 1957 as in 1956. Likewise, the flow of funds to the major savings institutions may approximate last year's total, although here too some diversity is to be expected. Life insurance companies and pension funds may do slightly better than last year, and time deposits of commercial banks will doubtless show a significantly larger rise this year. Mutual savings banks and savings and loan associations, on the other hand, are likely to gain fewer funds than in 1956, in part because of the more aggressive competition of commercial banks. In sum, therefore, the total amount of funds flowing from the major classes of savings institutions into the major long-term investment outlets may not differ importantly from 1956.

### Bank Lending

While demands for long-term funds continue large, demands for bank loans have shown some

*An address by Dr. Reierson before the 41st Annual Meeting of the National Industrial Conference Board, New York City, May 16, 1957.

slackening in recent months, at least in comparison with the strong upsurge a year ago. Loans to business registered a considerably larger seasonal decline in the early weeks of 1957 than in the comparable period of 1956, borrowings over the March tax date were below last year, and demands for bank loans since that date have been slower. In part, this trend reflects larger repayments this year by seasonal borrowers, such as the food, liquor and tobacco companies and commodity dealers. However, some lessening of borrowing pressure seems evident also in so widely diversified a list of industries as metals and metal products, petroleum, coal, chemicals, rubber, public utilities and transportation. On balance, it seems reasonable to conclude that the vigor of demands for bank credit has lessened, reflecting presumably the greater caution in inventory policies and the retirement of some bank loans out of the proceeds of long-term issues.

Some further increase in bank loans, but of smaller proportions than in 1956, seems in prospect for the balance of the year. Another round of tax borrowing may be anticipated in June, but it seems likely that, as was the case in March, the volume of tax borrowing will be smaller than it was last year. The pattern of bank lending in the second half of the year obviously depends upon the course of prices, inventories, and business activity in general. However, the second half of the calendar year is normally a period of loan expansion, and demands will be augmented by the continuing acceleration of corporate income tax payments. Thus, it seems reasonable to expect bank loans in the latter half of the year to register at least a normal seasonal advance.

**The Treasury's Dilemma**

A new factor to enter the financial picture in recent months is the progressive deterioration of the Treasury's cash position. Heavy cash drains arising out of the Suez crisis and the rapid growth in defense outlays have been compounded by substantially increased redemptions of savings bonds and a sharp increase in attrition on maturing Treasury obligations. Adding to these difficulties is the fact that the Federal budget is not showing a surplus adequate to meet this drain on cash.

Net cash redemptions of savings bonds in the first four months of 1957 totalled over $1½ billion, about twice as much as in the same period a year ago. Moreover, in the latest Treasury refinancing operation, when 3½% certificates and 3⅝% notes were offered in exchange for a $4.2 billion maturity, cash attrition soared to a spectacular $1.2 billion, or 29% of the securities held outside the Federal Reserve, compared with an average attrition rate of 16-18% for other recent refinancing operations, the latest attrition would presumably have been even larger had not substantial purchases of the maturing issue been made for the Treasury's investment accounts. Finally, to add to the Treasury's debt management problems, most of the exchange was for the shorter-term certificates; the market clearly indicated its lack of interest in the medium-term notes.

Assuredly, increased redemptions of Treasury obligations have helped provide funds for the large volume of public offerings and direct placements so far this year. However, a growing share of the burden created by sustained high cash requirements in our economy appears to have been shifted to the Treasury, and recent developments graphically illustrate the difficulties confronting the Treasury in an investment boom, when the Government must actively compete with other borrowers. The Treasury will not only have to raise substantial amounts of new money in the second half of the year to cover its deficit, but, contrary to earlier expectations, will have to come to market even before June 30. Also, about $700 million of Series F and G bonds mature in May and June, and the additional $10 billion of these securities outstanding, which are redeemable on demand, pose a further threat to the Treasury's cash position. Finally, next August and October the Treasury faces the refinancing of $9 billion of maturing marketable issues held outside the Federal Reserve.

The financial community expects the Treasury to offer holders of maturing F and G bonds a security at terms sufficiently attractive to encourage an exchange in lieu of cash redemptions. This expectation has contributed to some easing in the prices of long-term Governments. The Treasury faces the problem of devising an exchange offering which will induce holders to convert, without at the same time contributing to a greater adjustment in prices of Government bonds than may appear compatible with the Treasury's debt management objectives. However, it seems evident that, until some easing occurs in business sentiment and in the investment climate, the Treasury will continue to face large cash attrition on maturing issues and continuing impediments to the sale of securities other than short-term obligations.

**Implications for Interest Rates**

While trends in the capital and credit markets, and the problems of the Treasury, obviously have a crucial bearing upon the behavior of interest rates, they cannot serve as a basis for definite forecast. Even if demand and supply conditions in the credit markets could be appraised within reasonably accurate margins, their impact upon security prices and interest rates, as recent developments have shown, may vary greatly with credit policies, bank lending and institutional investment practices, and the fluctuating expectations of the business and financial community.

Taking these intangibles into account, it is difficult to foresee any important easing of interest rates in the months ahead. Demands for investment funds are still pressing against a limited supply of savings, the financing calendar presages a reasonably large and continuing flow of new offerings, business expectations are generally favorable and credit policy continues firm.

Institutional investment conditions also seems to argue against any appreciable decline in bond yields. Not only are demands for funds continuing larger than the inflow of new savings, but outstanding commitments of many institutions are very high, and Government security holdings have been reduced importantly over the years. All this makes it reasonable to surmise that bond yields in the months immediately ahead will probably not move below the levels prevailing earlier in 1957, when the outlook for bond prices was marked by excessive optimism.

At the same time, there is little prospect over the near-term of a resurgence of inflation that would contribute to increased credit pressure and to the advances of interest rates to new high levels. Aggressive efforts by the Treasury to lengthen the debt could bring some further adjustments in yields, particularly on Treasury bonds, but the market appears to have anticipated such measures, at least to some extent. In effect, the guess here is that bond yields may for some time continue to fluctuate within the fairly high range established in the first four months of this year.

In addition, bank lending policies continue generally restrictive Loans are near record levels, bank holdings of short-term Treasury obligations have been reduced sharply, and loan expansion has made inroads on the ratio of capital funds to risk assets. Moreover, member bank borrowings from the Federal Reserve banks have been high in recent weeks. Thus bank managements in the months ahead will be more interested in rebuilding liquidity than in embarking upon an aggressive lending policy. All this, in combination with the steady rise in the operating expenses of commercial banks, may be expected to operate against any early weakness in lending rates.

Credit conditions and interest rates alike are, of course, responsive to changes in the business climate. Should business prospects take a more bearish turn, this would presumably be reflected in an easing of pressures in the credit markets and some sag in interest rates. At the moment, however, there is no evidence at hand to suggest a decline in business activity so pronounced as to warrant the adoption of an outright easy credit policy in the months ahead.

## E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Walter N. Lynch has been added to the staff of E. F. Hutton & Company 623 South Spring Street.

## With Keller & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — C. Bertram Currier has become affiliated with Keller & Co., 31 State Street. He was previously with T. R. Alcock & Co.

# Dealer-Broker Investment Recommendations & Literature

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

**Are Mutual Funds A Good Investment** — Analysis of mutual fund industry — Foresight Investment Advisory Service, 70 Wall Street, New York 5, N. Y.—Paper—$1 per copy.

**Area Resources**—Booklet setting forth industrial opportunities in area served—Utah Power & Light Co., Dept. K, Box 899, Salt Lake City 10, Utah.

**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.**

**Canadian Oil Companies**—Analysis of **Imperial Oil, B. A. Oil, McColl-Frontenac** and **Canadian Oil Companies** — McLeod, Young, Weir & Company, Limited, 50 King Street, West, Toronto, Ont., Canada.

**Chemical & Ethical Drug Price Indexes**—Bulletin—Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.

**Commercial Bank Stocks**—Analysis of 39 banks and three holding companies—First Boston Corporation, 15 Broad Street, New York 5, N. Y.

**Fire & Casualty Stocks**—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

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

**Oil Industry**—Survey with particular reference to **Continental Oil, Ohio Oil, Phillips Petroleum, Sinclair Oil, Standard Oil of New Jersey** and **Standard Oil of Ohio**—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **International Harvester Company.**

**Outlook for 1957** — Market outlook — Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

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

**Petroleum Investor**—Bulletin covering recent developments in the petroleum industry — Distributors Group, Incorporated, 63 Wall Street, New York 5, 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.**

**Somebody Wins**—A positive approach to capitalistic investment—McDonnell & Co., 120 Broadway, New York 5, N. Y. Also available is a card memorandum on **General Telephone Corporation.**

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**Abbott Laboratories** — Analysis — Bacon, Whipple & Co., 135 South La Salle Street, Chicago 3, Ill.

**American Can**—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

**American Machine & Metals Inc.**—Memorandum—Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C. Also available is a memorandum on **General Fireproofing Co.**

**American Marietta Company**—Report—Hubert J. Soher & Co., 155 Montgomery Street, San Francisco 4, Calif.

**Ansul Chemical Co.**—Memorandum—Milwaukee Co., 207 East Michigan Street, Milwaukee 2, Wis. Also available are memoranda on **Kellogg Co.** and **Nekoosa Edwards Paper Co.**

**Atlantic Refining Company**—Analysis—Gude, Winmill & Co., 1 Wall Street, New York 5, N. Y.

**Bergstrom Paper Company**—Report—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available are analyses of **Nekoosa Edwards Paper Co.** and **Mountain Fuel Supply Company.**

**Blaw-Knox Corporation**—Bulletin—Mellott, Thomsen, Pitney & Co., 29 Broadway, New York 6, N. Y. Also available is a memorandum on **Basic Inc.**

**Cities Service Co.**—Memorandum—The Illinois Company, 231 South La Salle Street, Chicago 4, Ill.

**Craig Systems Inc.**—Memorandum—Richard Bruce & Co., 26 Broadway, New York 18, N. Y.

**Crowell Collier Publishing Co.**—Memorandum—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

**L. A. Darling Co.**—Memorandum—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

**Diebold Incorporated** — Bulletin — De Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available are bulletins on **Eastern Industries, Inc., Strong, Cobb & Company, Inc.** and **Pacific Coast Company.**

**Fisher Governor Co.** — Memorandum — Jesup & Lamont, 26 Broadway, New York 26, N. Y.

**Frigikar Corporation**—Analysis—Muir Investment Corp., 101 North St. Marys, San Antonio 5, Tex. Also available is a study of the outlook for **Automotive Air Conditioning** and the **Frigikar Corporation.**

**Gas Service Company** — Analysis — H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

**General Shoe** — Analysis — J. C. Bradford & Co., 418 Union Street, Nashville 3, Tenn.

**Hertz Corp.** — Analysis — McManus & Walker, 120 Broadway, New York 5, N. Y. Also available in the same bulletin is an analysis of **Hycon Manufacturing Co.**

**Hubinger Co.**—Memorandum—Glore, Forgan & Co., 135 South La Salle Street, Chicago 3, Ill.

**Hurd Lock & Manufacturing Co.** — Memorandum — Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich.

**International Telephone & Telegraph**—Bulletin—Purcell & Co., 50 Broadway, New York 4, N. Y. Also available is an analysis of **W. R. Grace & Co.**

**Investors Diversified Services, Inc.** — Memorandum — Eppler, Guerin & Turner, Inc., Fidelity Union Life Building, Dallas 1, Tex.

**Kaiser Aluminum** — Data — Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Combustion Engineering.**

**Lone Star Cement**—Bulletin—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also available in the same bulletin are data on **Giant Portland Cement Company.**

**Memorial Oaks** — Report — Mickle & Company, Bank of the Southwest Building, Houston 2, Tex.

**Missouri Public Service Company**—Analysis—Boenning & Co., 1529 Walnut Street, Philadelphia 2, Pa.

**Northern Pacific**—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are bulletins on **Atlantic Refining** and **Emerson Electric** and an analysis of the **Canadian Market.**

**Northwest Production Corporation**—Analysis—Western Securities, 1 Exchange Place, Jersey City 2, N. J.

**Otis Elevator Co.** — Data in current issue of "Gleanings" — Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are data on **White Motor Co.** and a list of favorably situated stocks.

**Pacific Power & Light Co.**—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

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

**Sangamo Electric Company**—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

**Scott Paper Company** — Analytical brochure — Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.



# NSTA Notes

**SECURITY TRADERS ASSOCIATION OF NEW YORK**

The STANY Glee Club announces that it will hold its third annual dinner dance on Friday, June 7, at the Belmont Plaza Hotel. As attendance is limited, reservation should be made as soon as possible with Murray Barysh, Ernst & Co.

**SAN FRANCISCO SECURITY TRADERS ASSOCIATION**

The San Francisco Security Traders Association is having its Annual Spring Outing on June 7, 8 and 9, at the Carmel Valley Inn. Each attending member will be charged $25, which will help pay part of the expenses.

Below is the schedule of events planned for the party.

**FRIDAY, JUNE 7:**

2:00 P.M.—Buses will depart from the Russ Building equipped with a bar for those who wish a little libation.
7:00-8:30 P.M.—Dinner will be served in the main dining room.
9:00-???? —You are on your own.

**SATURDAY, JUNE 8:**

7:30-8:30 A.M.—Fizz Party in the main bar, followed by breakfast at your own convenience.
9:00 A.M.—Golfers will depart for the Pebble Beach Golf Course.
1:00-2:30 P.M.—Barbecue luncheon and free beer will be served adjacent to the pool.
2:00-5:00 P.M.—Siesta for those who can't stand the pace.
7:00-8:00 P.M.—Cocktail party in the main bar.
8:00 P.M.—Dinner.

**SUNDAY, JUNE 9:**

8:30 A.M.—Breakfast at your convenience.
1:30 P.M.—Buses will return to San Francisco.

## COMING EVENTS

In Investment Field

**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.

**May 24, 1957 (Columbus, Ohio)**
Columbus Stock and Bond Club annual golf outing at the Columbus Country Club.

**May 24, 1957 (Seattle, Wash.)**
Seattle Bond Club annual spring party at the Seattle Golf and Racing Club.

**June 7, 1957 (Chicago, Ill.)**
Bond Club of Chicago 44th annual Field Day at the Knollwood Club, Lake Forest, Ill.

**June 7, 1957 (New York, N. Y.)**
Security Traders Association of New York Glee Club third annual dinner dance at the Belmont Plaza.

**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 14, 1957 (Philadelphia, Pa.)**
Investment Association of Philadelphia annual outing at Philadelphia Cricket Club.

**June 18, 1957 (New York, N. Y.)**
New York Society of Security Analysts, Inc. annual outing at Westchester Country Club.

**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.

# General Electric Company

By IRA U. COBLEIGH
*Enterprise Economist*

## Profit is its most important by-product.

One of the best known, and best run, of the giant corporations of America is General Electric. By all the customary criteria of corporate excellence — intelligent expansion and growth, rising earning power, sustained high solvency, dividend durability, quality and diversity of products, sound engineering and imaginative research, merchandising and advertising know-how, effective customer, public and labor relations, consistently competent and patriotic presiding officers leading effective echelons of management through the years—by all of these criteria General Electric is an eminent company, and its common stock an elite equity.

Ira U. Cobleigh

Perhaps the best approach to a swift portrait of GE is an historical one. Of the 5,600 companies now engaged in electrical manufacturing in the United States, GE is, of course, by far the largest. It was among the earliest, too, and its rising fortunes have followed with amazing fidelity the sales of energy by electric utilities in the United States. In the past eight years, sales of electric energy have doubled—and so have sales for General Electric.

Beginning with dynamos to generate electricity, whether thermally or hydro electrically, electric motors to run trolley cars, or industrial plants, and bulbs for home, commercial and industrial lighting, the GE product list has broadened and diversified to a point where it includes almost everything that makes electricity, and almost everything that electricity runs. For instance, it now turns out a liquid cooled generator of 260,000 kw. capacity — big enough to supply the residential power needs of almost a million people. General Electric also has a leading position in atomic power installations. GE circuit breakers, transformers, high tension transmission lines and cables send the juice into tens of millions of American homes where GE appliances take over. An electric "Snooz-alarm" clock to wake you up, a radio to bring you eye-opening news, electric toasters, coffee makers and stoves — to breakfast you; refrigerator-freezers to bring cold milk and orange juice, meats, fruits and vegetables; fluorescents that double light output, "All Weather" room air conditioners that can either heat or cool; "Disposall" garbage destroyers, "Mobil Maid" portable dishwashers, Filter Flo clothes washers, and assorted TV sets to educate and amuse you, starting with a nine inch portable weighing but 13½ pounds.

In transportation, General Electric motors drive locomotives, tug boats, subways and, in 1956, GE made great strides in gas turbine power. A single company-designed unit installed in a Liberty Ship, the "John Sergeant," increased the speed of this vessel by 80% and made it one of the most efficient cargo ships afloat. General Electric's latest jet engine, in 1956, powered the world's fastest bomber and the world's fastest fighter; and will soon jog commercial planes along at above 600 mph.

In the defense effort GE is playing a major part in both research and production. The company is presently at work on nuclear propulsion of aircraft and submarines; radar defenses against aircraft or missile; and missile guidance and gunfire control equipment.

For the future, GE has developed a motor that can operate at 900 degrees Fahrenheit; controls, timing, circuit and switching devices for automation, and "borazon" (developed in 1956), the hardest man-made material, that can withstand a temperature of 3500 degrees Fahrenheit (a diamond will "burn" at 2000 degrees Fahrenheit). In addition, company is developing a lot of other components which can withstand heat and atomic radiation, and thus serve in missiles, rockets, satellites and reactors.

This swift and sketchy attempt to catalog GE activities and products will serve to show both the variety of the fields in which the company is at work, and the magnitude and importance of its end products. From Snorkel tube to Stratosphere, GE is in there pitching.

And now having viewed some of the merchandise, let's turn to the earning statement. For 1956, sales moved up 18% to a new, all time, high of $4,090,000,000. They are moving ahead still further this year, and bid fair to advance by roughly 15%. That would carry sales above $4.6 billion.

This report and projection of gross leads logically to some comments about profitability. For the year 1954, General Electric was able to earn 19.2% on $1,071,000,000 of "capital employed." For 1956, however, the comparable percentage was $15.3% on $1,451,900,000. (Of this, $300 million represented new capital injected in May 1956 via public sale of debentures.) For 25 other major electrical manufacturers, however, this return on capital employed averaged only 7.3%. Which indicates that, while there was a narrowing of the profit margin in the industry, GE was doing better than its competitors. Now the management of GE is acutely conscious of this earning-on-capital ratio, and because intense attention is being given it, all along the line, some improvement may be expected for 1957. If, for example, the 19.2% ratio (of 1954) were achieved on the existing invested capital base, then 1957 net would advance over 30% above last year's figure to around $3.30 per share. If the market responded in a like manner, then GE common would be selling above 90. All of which, you realize, is pure conjecture, based on possible improvement in profit margins.

Now let's talk about personnel. Over 280,000 employees make up the GE family, and a great measure of sustained corporate success has been due to effective personnel relationships. This has not been easy, for GE has to deal with 90 separate unions; and other companies in electric manufacture have, on occasion, experienced long and costly strikes and work stoppages. At GE, however, under the shepherding of Mr. Lemuel R. Boulware, Vice-President in charge of Public and Employee Relations, labor problems seem to have been handled with wisdom, vision, and fairness. Friendly and cooperative relationships with personnel have been developed and maintained by a steady advance in employee earnings and the benefits of the company's "Better Living Program." For example, in 1939 the average GE employee earned (with benefits) about $2,026 per year. In 1956, the average position at GE was worth over 2½ times as much per year including a broad package of pension, insurance, vacation and economic security benefits. There's also a stock purchase plan for key personnel. At the end of 1956, 18,000 retired employees were receiving pensions. GE has pioneered in on-job training, as well as in grants of university scholarships to encourage top grade scientific training.

Stockholders in General Electric have, year after year, found their investment a rewarding one. Dividends have been paid without interruption since 1899—58 years. This record relates to cash payments but there have been generous stock dividends as well—a 4-for-1 split in 1930 and a 3-for-1 split in June of 1954. The 1956 report listed 362,122 shareholders of record plus some 94,000 more whose shares are registered in the names of brokers or nominees.

For years, common stock was the sole capitalization at GE. In 1956, however, $300 million of 3½% debentures due May 1, 1976 were publicly sold and this debt now precedes the 87,162,264 common shares now listed on NYSE and selling currently at 67. The present dividend is $2 affording a yield of 3%. For the past five years the cash payout has averaged 68% of net. GE is widely owned, not only by individuals, but is found in most portfolios of investment trusts, endowed institutions, fire and casualty insurance companies, and such savings banks and life insurance companies as have entered the equity market.

From the foregoing you will perceive that General Electric has been advancing steadily in the best tradition of enterprise capitalism. It has invested over $1.4 billion in new facilities since World War II, and will spend $185 million more this year on plant addition and improvement. It not only supplies about 25% of the total output of electric equipment manufacturers in the U. S. but, through International General Electric and Canadian General Electric, it is a major supplier to the free world.

It is no coincidence that progress at General Electric has been continuously inspired by the leadership of a series of most competent and public spirited men who may best be described as industrial statesmen — men like Owen D. Young, Gerard Swope, Philip D. Reed (now Chairman), and Ralph J. Cordiner, President.

If the past at General Electric has been a distinguished one, the future should prove equally so, predicated on the program outlined by Mr. Cordiner in the 1956 report: "General Electric is endeavoring in three principal ways to assure that earnings will support and warrant the proper amount of investment in research, expansion, and modernization: (1) by earning customer acceptance of improved product values and of price levels adequate to maintain growth and progress; (2) by improving methods of operation; and (3) by minimizing the distraction and temporary costs incidental to expansion and improvement."

### Lewis W. Poole Opens

SALT LAKE CITY, Utah — Lewis W. Poole is conducting a securities business from offices at 2479 Glenmare Street.

# The Short-Term Outlook for Money

By ERNEST S. ALLSOPP*
Vice-President, Prudential Insurance Company of America, Newark, New Jersey

**Demand for funds and heavy backlog of loan commitments indicate to Prudential executive that we're facing last year's savings-deficiency situation again, and that interest rates in the main will hold to current levels. Doubts, however, that pressures are strong enough to cause further credit tightening; expects banks to be kept in negative reserve position despite the supplying of some additional reserves by the Federal Reserve; and warns against turning on the easy money spigot, and of being insensitive to deflation, too. Mr. Allsopp anticipates $21 billion GNP increase for 1957 and believes it will keep our economy fully employed and advancing at a good rate**

There is no doubt that my subject exemplifies the importance and strength of that old economic law of supply and demand.


Ernest S. Allsopp

Where is all the money coming from to satisfy the tremendous need for long-term investment which we are hearing about? That brings up the thought—what is the present state of the capital market? Within these two questions probably lies the answer as to whether we shall see any decided change in this field during the next 12 months.

I'm a businessman, and attend to my particular job day by day—yet—as a lender of long-term funds, I must try to judge where my product is coming from, whether the market will continue to require it, and in what amounts. In one sense, most of you can control your output by heeding the listening posts of your sales force. Individual lenders of money have no such control over the source of their product, but are dependent upon the state of over-all business and Government action. This requires my entrance into the field of economics.

*An address by Mr. Allsopp before the 9th Annual Business Conference of Rutgers School of Business Administration, May 16, 1957.

Now my product, or long-term money, today is limited, or "tight." But probably in some of our minds there is a growing doubt about the future. Perhaps you'd like to wait or defer the use of this money if the price is going down, for I presume those, representing all forms of business, require this product — money — at some time or another. In borrowing short-term funds, the matter of rate is not so vitally important, because each 60 or 90 days at maturity, the cost may change with the whims of the short-term market.

However, those with business experience and news reports, know of specific examples of layoffs here and cut-backs there, and they are asking themselves the $64 question—is tight money about over? Well, I'll agree with them, there has been some news which supports a bearish attitude regarding future business conditions, and I further agree, if business shows any appreciable decline during the coming months, a tight money situation will be over—at least for a while.

### Technical Factors

Money and capital markets are influenced by what is called technical conditions, which range all the way from the volume of unmarketed securities in dealers' hands to whether the Treasury plans to offer a refunding issue in the near future. A couple of weeks ago the strike of the Railway Express Company affected the clearing of checks by the banks. This temporarily increased the banks' reserve funds and temporarily affected interest rates of the more sensitive securities.

These technical influences are important to security dealers and do affect, as well as explain, the day-by-day changes in yields, but the real trend of the capital market depends on much more fundamental factors. Whether the long-term capital market will ease during the remainder of the year depends basically on what is going to happen to the level of business activity, as well as Government action, namely, what policy the Federal Reserve deems appropriate.

### Business In General

Now as to over-all business. Since the beginning of the year, we have had more than the usual crop of discouraging statistics and gloomy predictions. Perhaps there is some cause for concern. There have been some real elements in our economy which have not done as well this year as expected. To start the year off, employment in January fell more than usual for that month. Construction contracts dropped. Freight car loadings were down from a year ago. Auto sales were not measuring up to the predictions of the leaders in this field. The stock market and bond yields weakened markedly. Home building fell off still further. Since then, there has been talk about the "approaching recession."

"Depression" is probably not mentioned, because two-thirds of the businessmen today, that is, men 45 years of age or younger, have never experienced one. But I shall not try to minimize these factors. They are important areas in our society. It is also true that what people have to say has an important effect on business psychology. But may I remind you that there is no time when all business indices are headed upward. Temporary adjustments are always in the picture. So rather than being satisfied with a few isolated statistics, let's try to get an over-all view as to where we are headed the rest of the year. The major segments of our economy are consumers' buying, business capital investment, inventory spending and Government purchases. On these points, what conclusion can we reach?

### Consumer Spending

**First, the Consumer.** He is the most important buyer of goods and services, and accounts for almost two-thirds of total spending in the United States. This year, he is not lacking funds to spend—after taxes, he has $16 billion above the rate of a year ago, and he is fully employed, with wage rates holding steady or increasing. I could say wage rates are not falling, but, like the optimist, it is better put to say that the flask is half full—not half empty. Perhaps Mr. Consumer has not recovered fully from his '55 buying splurge, and he may be resisting rising prices to some degree—yet, retail sales are gradually creeping ahead. It is true that part of the $16 billion increase in consumer income will be put aside into savings, and consumers this year are not borrowing as much as they did last year. Nevertheless, studies made in this important field indicate that the increase in consumer spending for goods and services this year, over last year, will amount to as much as $12 billion.

As a sub-heading to consumer spending, we must consider the important segment of **housing**. This is ever on our minds—and it ought to be, as far as my business is concerned. It's so competitive for use of funds in the long-term market. This is another field that has contributed to current doubts about the business outlook. Housing starts have been declining rather steadily for over two years. This past March, an eight-year low of 880,000 units was established. Nevertheless, I'm not taking a position that a further decline is inevitable. I think we may have reached the end of it, and perhaps there may be even a mild recovery later on in the year. If I'm right, total spending on housing will fall not more than $1 billion below 1956.

### Capital Outlays

**Next, is the Businessman.** No area has given rise to more doubt and discussion recently than the spending on plant and equipment, because during the past two years it has provided the main drive behind our economy. With some evidence of slackening, it's natural there should be speculation as to whether we can keep going without this dynamic force. While businessmen expect to spend less in the last half of this year compared to the first half, yet the rate will be higher than in any quarter in 1956. And, as the year progresses, plans may be raised above current expectations. Even though heavy construction awards in January and February of this year were down from last year, the most recent figures indicate a tremendous upsurge in new contracts. Also, smaller manufacturing and commercial contracts are substantially higher than last year, and are still rising. McGraw Hill's survey, completed last month, indicates that plant expansion may slow down, but replacement and modernization will be stepped up—an over-all 12% increase over last year.

While machine tool shipments are exceeding new orders, this industry still has more than a five-month backlog at current production rates. Yes, the capital business is far from dead. From what I can see and judge, capital spending at the end of the year will be at least as high as at present, which means a 1957 total of about $5 billion over 1956—certainly no reason for crepe hanging.

### Inventories

**Inventory purchases** — another important kind of business spending—differs so widely that it's difficult to generalize about this type of spending. From all I can learn, it seems quite clear there's no danger here. Inventory sales ratios in most lines look good. Auto inventories, while rising more rapidly than expected, are still in a better position than last year. I believe that auto output can exceed that of 1956 without running into a serious inventory problem.

Our first quarter rate of total business inventory accumulation has slowed down appreciably from that which characterized both 1955 and 1956. This reduction in buying is a main factor which has imparted a certain sluggishness to over-all activity. But it's a healthy correction and goes a long way to ensure no inventory recession in the last half of the year. Nevertheless, since current spending is somewhat below last year, it must be counted as a minus factor, or about $1 billion less than 1956.

### Government Spending

And now for the last major buyer—**the Government.** And by Government, I mean all branches —Federal, State and Local. Through countrywide publicity, everyone knows that federal spending for 1957 is headed upward. In the first quarter of the year, it has been running 10% higher than in the same period last year. Of course, state and local government spending is like "Old Man River"—it just keeps rolling along!

We hear a great deal about cutting the Eisenhower budget for fiscal year beginning this July. Although I suppose most of us here approve such an action—in fact, sound fiscal policy makes such a move imperative when the economy is booming and prices are rising — I must admit I'm skeptical that any major cuts will result. Even if there are — the effect will be small during this calendar year. It's probable that total Government purchases of goods and services will rise about $6 billion and add this impetus to business activity.

### $21 Billion GNP Increase

To summarize, this all adds up to an increase of about $21 billion in gross national product, that is, the value of all goods and services produced in our country. Last year, this gross national product amounted to $412 billion, which means that this year's total will range around $433 billion. The annual rate of output in the first quarter of this year was $427 billion. So consequently, my analysis leads to the conclusion that business activity during the rest of the year will advance steadily at a sufficiently good rate to keep our economy fully employed.

Having indicated the strong level of business activity and the consequent likely strong demand for funds, let's now turn to the supply side of the market. One guide to the probable future tone of our capital market is provided by the present commitment position of the life insurance industry. I say this because the life industry furnishes about 16% of long-term money, and is the largest single institutional supplier of savings. The Prudential, as well as most other companies in the industry, is committed from six months to a year ahead. We're not out of the lending business, but I think it's quite obvious our loan applications are in excess of our available cash flow. We're trying to distribute this short supply as broadly over the market as possible, paying particular attention to the needs of small and moderate size business. But we are not filling all demands at present. Furthermore, we see no drop in offerings in the near future. Paralleling this, there is no evidence of any weakening in the rate structure. If and when money does become more plentiful, the terms of prepayment will weaken first, delaying somewhat the fall in rate. Our problem now is definitely one of trying to ration scarce funds to the most productive uses.

While the demand for funds and the backlog of loan commitments are heavy, some of this extra demand will be taken care of through an increase in savings on the supply side. As our country develops, there is, of course, an increase in the flow of funds into savings institutions, such as, life

*Continued on page 22*

# Expected Capital Requirements For the Business Expansion Ahead

By JOHN W. HANES*
Chairman of the Finance Committee
Olin Mathieson Chemical Corporation, New York City

**Former Treasury official estimates current year's long-term capital market demands will be $2 billion higher than in 1956 and, unless capital supply increases, concludes tight money's end is still not in sight. Mr. Hanes comments on our return to historical capital-savings relationship and on the erroneous fears of the mature-economy school, in referring to our continuing problem of satisfying capital needs. Expects: 1957 corporate borrowing to run ahead of 1956 by $1 billion; the Treasury to again be a net supplier of funds, though less than in 1956; mortgages to decrease, but only as a result of lack of capital and not demand; and state-local borrowings to increase.**

In recent years the American economy has been experiencing one of the most remarkable surges of capital investment on record.

John W. Hanes

The newspapers have been full of announcements of new plant construction, enlargement and modernization of existing facilities, and the introduction of new and modernized equipment.

Business spending on new construction and producers' durable equipment, which was running at a $36 billion annual rate as recently as the beginning of 1955, has now jumped upward to a $50 billion rate.

In the short space of years since the end of World War II, capital outlays have moved up from $19 billion a year, to almost $50 billion.

Our capital-expenditure programs today are more than four times as large as they were during the twenties, and about ten times as large as at the beginning of this century.

There are more things new about this capital boom than the size of the expenditures.

Not only is there a great intensification of capital spending by those parts of the economy, such as manufacturing and mining, which have always made extensive use of heavy equipment; there is also a significant rise in the number of real capital users.

The service industries, for example, which have traditionally been relatively small users of heavy capital installations, have in recent years increased their efforts to improve productivity through giant electronic computers and other advanced machine applications.

**New Business Attitude**

There is, furthermore, an entirely new attitude on the part of businessmen toward the whole question of capital programs.

No longer are capital appropriations related primarily to current sales or short term forecasts of expected sales.

There is increased attention to planning for ten, twenty, and thirty years ahead.

There is also a growing realization that in this competitive world a business concern cannot stand still.

It must constantly innovate, introduce new products and processes, constantly review its line to discard those products which no longer serve the needs of the consumer, and be ever alert for new ways in which to bring the best product to the market in the most efficient way.

This new attitude is typified by the emphasis on research in American business.

The research, development, or planning department, which 20 years ago was characteristic of only a few leading corporations, today has become an integral part of typical corporate organization.

Top management has come to expect, and encourage, a steady flow of criticism of old methods and products.

It welcomes suggestions for new ways to keep ahead of competition by providing what the customer wants.

These new attitudes and developments have of course tremendously stimulated America's investment in capital goods.

The businessman who is pushed by the relentless force of competition into stepping up productivity knows that appreciable advances in productivity can come only from capital investment.

Without the tremendous enlargement in our capital plant, we would of course not be enjoying today anything like our current standard of living.

All of us realize that the rise in our standard of living is not the result of longer hours or greater physical exertion on the part of the labor force.

The average job today requires less physical effort than at the turn of the century, and the average manufacturing worker today puts in only about 40 hours a week compared to the 59-hour week which was customary in 1900.

Rising productivity and the resulting rise in our standard of living have come about because the worker of today is provided with much more capital equipment, and more efficient capital equipment, than his counterpart of 50 years ago.

In the mid-twenties, investment in plant and equipment per worker in today's prices was about $7,000.

Today, it takes over $12,500 in capital goods to supply a job for the average worker.

There are many industries which require an investment of as much as $20,000 per worker.

While this growth in our capital has been essential to our economic progress, it has also presented problems.

**Problem of Obtaining Capital**

Heading the list of these problems has been the question "Where is the money coming from?"

This is a question which has special significance for us today, when there is so much discussion of the problem of tight money.

But it is a question which businessmen pondered long before our time.

In fact, throughout the history of our country there has been a basic shortage of savings.

During the nineteenth century, we depended heavily on the importation of capital from the older and well-established countries of Europe.

Even in the twenties, when American capital began to flow abroad, there was certainly no surplus of loanable funds relative to investment opportunities at home, as evidenced by the high interest rates then prevailing.

During the thirties, it is true, we seemed for a while to have reached the stage where savings had finally caught up with investment needs.

You will recall that many observers concluded at that time that the American economy had reached the stage of economic maturity, or economic stagnation as some called it.

It was feared by many economists, and businessmen, and politicians that we could no longer count on the rapid growth that we had experienced in the past.

Possibilities for new products, new processes, and improved

Continued on page 33

*An address by Mr. Hanes before the Ninth Annual Business Conference, Rutgers University School of Business Administration, May 16, 1957.

# Economic and Financial Factors Affecting the Business Future

By CLIFTON H. KREPS, JR.*

Wachovia Associate Professor of Banking, School of Business Administration, University of North Carolina

**Professor Kreps emphasizes need to differentiate between long and short run business forecasts, with particular significance of the former. Asserts we stand on a prosperity peak, but with recent decline in confidence; that current situation is essentially sound; from here on, over shorter term growth rates will be slower; long run prospects are excellent, but with trend toward larger proportion of services to goods, and rising proportion of consumer instalment and residential mortgage debt to disposable personal income as potential limitations on growth and element of instability.**

The business future has two dimensions: the short run, the rest of the year, for example; and the long run, the next decade or quarter-century, say. In any discussion of economic, financial, or other factors affecting the business future, we must recognize these two different dimensions.

Clifton H. Kreps, Jr.

In discussing the short run, we are talking about the business cycle. In discussing the long run, we are talking about secular trends in the economy. If a speaker on this subject were to operate on the theory of giving the audience what they want to hear, he would undoubtedly concentrate on the short run. People are more interested in the short run than they are in the long run, because the short run is closer at hand.

An old justification for the payment of interest, the so-called time preference theory of interest, states that most people (including businessmen) prefer present goods to future goods. But some people, including bankers, prefer future goods to present goods. In fact, bankers base their business on this preference. And other people, including professors, prefer to talk about the long run rather than the short run, because:

(1) Professors usually talk to captive audiences. One needn't talk to a captive audience about what the audience wants to hear, and professors seldom do. Instead, they talk about what they want the audience to hear, or what they think it will be good for them to hear. This habit is very hard to break.

(2) Talking about the long run is much easier than talking about the short run, because the long run is far enough away for vagueness in discussing it to seem reasonable.

(3) It's also much less risky to talk about the long run than about the short run. If you predict what will happen tomorrow, tomorrow will prove you right or wrong. But if you predict what will happen ten years from now, no one will remember, when the time comes, what you said. Also, in a long-enough long run (as the late, great economist, Lord Keynes, once stated), we are all dead. And dead men tell no tales.

### Significance of Long Run

Since bankers seem to prefer the long run, and professors certainly do, it should be perfectly clear what a professor of banking would want to talk about. And in my discussion, I may tend to dwell on the influence of certain economic and financial factors on the long-run business future. There are some other better reasons for this, too.

**First**, the long run is simply a series of short runs, strung together, so if long-run influences are correctly analyzed, a great deal of light can be cast on the outlook for particular, short-run, situations.

**Second**, since the long run is simply a series of short runs, what happens in the long run is simply the cumulative result of what happens in the series of short runs that make up the long run.

The whole is sometimes greater than the sum of its parts, however, since long-run influences can and do color and shape short-run occurences. And clearly the short and long runs are inextricably intertwined and interrelated. So I can perhaps justify a certain emphasis on long-run developments in our discussion even though I strongly suspect your major interest is in short-term probabilities, which I shall also try to deal with.

In my discussion, then, I want at some point to lay stress on those long-run currents that help to shape the financial and economic future and that continue to run despite the ebb and flow of the cyclical tides of business activity. To talk about the future meaningfully, though, we need some reference point in the present. And to understand the present, we must, of course, look to the past. So I should like to try to do these four things:

(1) To review the present economic and financial situation quickly, in order to show us where we stand.

(2) To review economic and financial developments of the recent past briefly, in order to show us where we have come from, and how we have gotten where we are.

(3) To look at the near-term future—the rest of this year—in terms of what now seems likely to happen and why, in order to see where we are going.

(4) To look at the long-run future—the next decade to the next quarter century—in terms of the long-run forces at work to shape that future, and in terms of what the shape of that future will likely be.

### I. Where Do We Stand?

In 1956, for the first time ever, our Gross National Product—the nation's total output of goods and services, valued at current prices —exceeded $400 billion. It amounted, in fact, to $412.4 billion, and our rate of output rose each quarter of the year. If the fourth quarter rate of production had been maintained throughout the year, for example, G. N. P. would have amounted to $424 billion for 1956.

In terms of the distribution of this Gross National Product, in 1956 we had a *national income* of $342.4 billion, a total *personal income* of $325.2 billion, and we were able to spend $265.7 billion and to save $20.9 billion out of a *disposable* (after taxes) *personal income* of $286.7 billion. These are all, all-time record highs.

In terms of source, our 1956 Gross National Product of $412.4 billion came from *personal consumption expenditures* of $265.7 billion, as noted, from *private investment* (new capital outlays) of $66.8 billion, and from *Government expenditures* of $79.9 billion. These, too, are all, all-time highs.

In terms of employment, also, we had another all-time high—almost 65 million—in people employed at the end of 1956, with unemployment of but roughly 2.5 million (less than 4% of the civilian labor force). And in industrial production, the index for which stood at about 143 for 1956 (on a base of 1947-49 equals 100), we set a new record, too.

Moreover, these output, income, employment, spending, and savings peaks were reached in a year of relatively stable prices, compared with the recent past. Consumer prices rose something over %, and wholesale prices went up about 3%. This price stability did not reflect a balanced supply and demand situation, however, nor any absence of inflationary forces at work in the economy. Rather, strong inflationary pressures existed, but these were contained throughout the year within a "tight money" policy pursued by our central bank—the Federal Reserve System—with increasing intensity since 1955. Without this containment, all the aforementioned "all-time highs" might have been higher, because of higher prices. As it was, Gross National Product (output valued at current prices) rose about 5% between 1955 and 1956, and price rises averaged 2 to 3%. So the increase in output (productivity) was on the order of 2 to 3% also, or no more than the annual rate of increase that we have come to expect.

So much for the situation at the end of 1956. To bring us down to date, employment, output, income, and prices did not change materially, except in a normal, seasonal way, in January and February of this year (1957). But there has been a noticeable shift of sentiment and expectations, especially among businessmen. Businessmen are not so optimistic as they were last year, and the visions they seem to see in the cloudy, crystal ball are visions of at least a slacking-off in activity rates in the economy, if not visions of a noticeable decline. Few business prophets now seem to be forecasting even a continuance of present activity levels, and fewer still are predicting any further expansion in activity.

This, then, is where we find ourselves—on a peak of current prosperity, but with grave doubts about the future. It may help to resolve those doubts if we look at the past, to see where we have come from, and how we got where we are.

### II. Where Have We Come From?

Looking back from our present peak of prosperity, it seems hard to realize that only 25 years ago our nation was in the depths of the deepest depression in our history.

Consumer prices were less than half as high then as now. Employment was less than half as great and unemployment was soaring. Industrial production was about one-fifth of the present level. Reflecting these lower prices, output, and employment levels, as well as a much lower level of output per worker (productivity), Gross National Product was only $56 billion in 1933, compared with over $400 billion in 1956, or about one-eighth as great. And the nation's economic mood was one of desperation.

We have come a long way since then, and our path has been almost continuously upward. A recession in 1937, the exact causes of which are still debated, slowed our recovery in the late '30's. But by the end of 1941, all our economic indicators showed levels equal to or higher than those reached in 1929, the last pre-depression year. Then came World War II.

The war turned recovery into boom, and brought a need for massive taxes and direct controls —price and wage controls, and rationing: taxes, to permit the diversion of resources from peace to war-time uses, by diverting spending power from the people to the Government; and direct controls, to ration scarce supplies of peacetime goods (automobiles, liquor, sugar, meat, clothing, etc.) and to limit the effect of scarcities on price levels, and of rising prices on wage levels.

During the war, many economists, after looking backward to the '30s, concluded that the coming of peace would mean another depression, to overcome which would require continued, massive, Government spending. For it had become fashionable to believe that of the three components of spending making up our total demand for goods and services—consumer, business, and Government spending—two, consumer and business spending, would be so deficient at anything like a full employment level of output that the markets would be flooded with goods, unless Government spending filled up the gap in demand.

We could not have been more wrong! Peace came, reconversion came, and prosperity continued. It has continued to this day. Consumers, their financial position buttressed by liquid assets accumulated during the war, and enjoying prosperity-level incomes, spent, and spent, and spent, for new goods and services. Businessmen, faced with consumer demands that could not be met with existing production facilities, spent, and spent, and spent, for new plants and new equipment. And Government, faced with mounting international uncertainty and tension, armed conflict in Korea, and a growing awareness of Russian aims in the world, also continued to spend at high levels, for defense and defense-supporting activities.

Throughout the postwar period, however, some prophets of gloom and doom have kept insisting that our prosperous levels of activity could not be continuously sustained; that we must expect, on the basis of history alone, an eventual, substantial, downward adjustment. You have heard them chanting dolorously each year: "What goes up must come down." And then, when it didn't happen, chorusing, like Dodger fans at Ebbets Field, "Wait 'til next year!"

Well, we have waited, and waited and waited—and prosperity has continued, the economy has expanded, and each year has seen new peaks of activity recorded. We suffered a minor setback in 1949, another in 1954—an "inventory adjustment" in the first case, a so-called "rolling readjustment" in the second. But these were hardly noticeable or noticed.

Can prosperity continue, then? Will it continue? And for how long? These are not merely $64,000 questions (or even $143,000 questions, as Mr. Van Doren's got to be), but $400 billion questions, at least.

Before we consider these questions, and try to find answers for them, let's look for a minute at the major unpleasant aspect of our continued prosperity — its price. For it does have a price, and a high one—*inflation*.

We pay this price through higher prices for the things we buy; through a lower value, or purchasing power, for each dollar we get for spending or saving, in other words. We pay it also through the resulting distortions in income and asset distribution in our economy. The price, as we have said, is high. The value of money (its purchasing power) is less than half what it was 25 years ago, in terms of consumer prices. In other words, prices have more than doubled. Half of this price rise has come since 1945, the end of the war, and the value of money has fallen a third in that period. In the last five years, the pace has slowed somewhat, but the steady erosion of purchasing power and savings still continues.

Can't we have prosperity without inflation? Possibly, we can, but we don't seem to have mastered the trick yet. And even if we had, I suspect we should be afraid to try it. Our fear of depression, based on our experience of the '30s, is still so strong that most of us seem to feel safer with a little head of inflationary steam in the economic boiler. That way, we think we have a margin to compensate for errors in economic judgment that might lead to recession if the relation between

*Continued on page 34*

*An address by Prof. Kreps before the Charlotte, N. C., Small Business Management Conference, The Charlotte Chamber of Commerce.

# *From Washington Ahead of the News*

By CARLISLE BARGERON

In a government of checks and balances, of three co-equal branches, as ours is supposed to be, President Eisenhower is truly getting some amazing advice from an influential segment of the press in his budget fight. I have seen Congress denounced in the past for not following the President's leadership, in short, for not doing what he says, and I have usually thought this silly in view of the fact that Congress is made up of grown men and women seeking to represent those who elected them and with a tremendous amount of collective wisdom and experience.

Carlisle Bargeron

But this time the attack is not so much against Congress as it is against the President for not whipping it into line, for not browbeating it, for not withholding patronage from those who won't follow him. This is what other strong Presidents have done, Mr. Eisenhower is being told, and it is something he must do if he is to be a strong President.

The press as a whole is not doing this. Indeed, one of Mr. Eisenhower's problems, and very probably one of the reasons he is not attempting the strong man stuff, is that the great majority of the press seems to be for reduction of the budget. But for this influential segment that wants him to get rough, you wonder if it has completely lost its concept of the American Government.

You wonder, too, if it has completely lost its sense of proportion. There are simply not enough patronage jobs available for the President to offer one to every member of Congress who will support him in his budget fight and thereby risk defeat for reelection. This can be done when a fight is closer and a few votes can determine the outcome one way or the other. It can be done when the rank and file of voters are not deeply concerned in the issue.

However, the budget fight is close to every home. The members of Congress are not voting to reduce the budget out of dislike of the President. The Democrats, it is true, realize they have an issue that tends to deflate him. But what is really motivating them is the heat that is being applied from home. No President can win over that.

It is probably forgotten that after his unsuccessful purge campaign in 1938, the great Roosevelt with more patronage and more money to throw around than any President we've ever had, completely lost control over Congress on domestic affairs and never got it back. He turned to war and retained power, and through his war powers he was able to continue to work in some of his domestic reforms, but indirectly and not through vote by Congress. Instead, Congress kept a wary eye on him.

The fact is that Mr. Eisenhower, regardless of his nature, is carrying his fight to preserve the budget in just about the only way available to him, that is, appealing to the American people. If he can turn them around, Congress will respond.

It is doubtful, though, that he can do this at this late date and one of the reasons is that he would not dare use his most cogent argument. This argument heard privately in Administration circles and discussed rather freely around political Washington is that the American economy has become too dependent upon government spending to permit of any serious budget cutting. Such an argument admittedly has a lot of merit but it is doubtful if any Administration would want to go to the people with it. As a matter of fact, one of the things which the Republicans bragged about in the last campaign was that they had made inroads upon this dependency, that the field of business not dependent upon government spending had been greatly enlarged. It is not perceptible to the naked eye but the Republicans had a lot of convincing statistics on the subject. If the Administration were by chance to use the scare argument now, it would run head on into the statement by Secretary of the Treasury Humphrey that if the government keeps on spending at its present rate, we will run into a depression that will make our hair curl. The result would likely be an utter bewilderment on the part of the public.

Aside from the unsoundness of the advice being given to the President to get tough, it is to my mind disgusting on a moral basis. It is a plain fact that men in Congress have often voted with the President against their judgment on the promise of judgeships and other jobs. Some of them have even come to Congress with a determination never to exercise any judgment of their own but to work for a promotion at the hands of the President. I have always thought they were deserving of contempt, not additional honors. I have never been able to understand that school of thought which holds that all the wisdom resides in the man who is President, and the small group around him, and they must be followed blindly. Congress certainly has a responsibility in government.

## Janeway Consultant For Nat'l Secs. Res.

Eliot Janeway has been appointed Business Trends Consultant to National Securities & Research Corp., it was announced by Henry J. Simonson, Jr., President of National Securities & Research Corp., 120 Broadway, New York City, sponsor and manager of the National Securities Series of mutual investment funds.

Eliot Janeway

Mr. Janeway is President of Janeway Publishing and Research Corporation, publisher of Janeway's Trend Analysis and Janeway's Applications Service. For many years, he was associated with Time, Inc. as Business Editor of Time magazine and special writer for Life and Fortune. Mr. Janeway is widely recognized as an authority on the influence of defense and international conditions in determining domestic business trends. He was educated at Cornell University and the London School of Economics.

# The Stock and Bond Crop Has Never Failed

By EDWARD D. JONES

Partner, Edward D. Jones & Co., St. Louis, Mo.

**An urgent demand for more current assets in our leading companies is revealed in Mr. Jones' comparison of current assets times current liabilities for 1929 and 1955-1956.**

In the Middle West the past few years we have had serious droughts and now we are encountering some serious floods in certain areas. This, of course, makes some farmers predict the failure of crops. But as I view it the stock and bond crop has never failed.

Edward D. Jones

I believe the demand for public and private long-term capital funds this year is likely to be greater than ever. There appears to be no lessening in the need for capital.

We recently prepared a balance sheet of some of the prominent companies in this country showing the current assets times current liabilities for 1929 and for the years ending 1955 and 1956. The following table clearly indicates that there is an urgent demand for financing or more current assets in many of our leading companies.

**Balance Sheet Ratios: 1929 vs. 1955-6**

| Company | Current Assets Times Current Liab. (1929) | (1955-6) |
|---|---|---|
| Abbott Laboratories | 7.7 | 2.5 |
| Air Reduction | 7.4 | 2.8* |
| Allied Chemical | 9.5 | 3.2 |
| Alum. Co. of America | 5.6 | 2.5* |
| Amerada | 6.6 | 4.5* |
| Amer. Brake Shoe | 8.8 | 2.2* |
| American Can | 4.0 | 2.7 |
| Amer. Smelt. & Ref. | 4.1 | 2.5 |
| American Tobacco | 13.5 | 4.5 |
| Babcock & Wilcox Co. | 6.3 | 3.1 |
| Beatrice Foods | 6.2 | 3.1* |
| Beech-Nut Packing | 12.3 | 4.9 |
| Bethlehem Steel | 4.7 | 2.7 |
| Burroughs Corp | 10.5 | 3.4* |
| Chrysler Corp. | 4.8 | 1.5* |
| Coca-Cola Co. | 6.3 | 3.1* |
| Colgate-Palmolive | 5.1 | 3.4* |
| Continental Oil | 7.0 | 2.7* |
| Eastman Kodak | 6.2 | 2.3 |
| Endicott Johnson | 8.1 | 2.7 |
| Fairbanks Morse | 6.8 | 2.3 |
| Federated Dept. Store | 5.1 | 2.9* |
| Freeport Sulphur | 3.4 | 2.3* |
| General Amer. Trans. | 4.2 | 2.3* |
| General Electric | 5.1 | 1.5* |
| General Motors | 3.1 | 1.8* |
| Gillette Co. | 16.8 | 2.0 |
| Goodyear | 8.5 | 4.0 |
| W. T. Grant | 6.0 | 2.6* |
| Gulf Oil | 6.4 | 2.2 |
| Inland Steel | 8.1 | 2.8 |
| International Shoe | 13.8 | 4.2 |
| Liggett & Myers | 10.3 | 3.8 |
| P. Lorillard Co. | 41.6 | 3.5 |
| May Dept. Store | 4.5 | 2.7* |
| National Cash Reg. | 4.1 | 2.1* |
| National Lead | 7.2 | 2.2* |
| Ohio Oil | 8.9 | 3.4* |
| Otis Elevator | 7.2 | 3.8* |
| Owens Ill. Glass | 8.6 | 2.6 |
| J. C. Penney | 6.1 | 2.2* |
| Procter & Gamble | 10.4 | 2.0 |
| Remington Rand | 8.5 | 3.1† |
| Shell Oil | 4.5 | 1.9* |
| Sherwin-Williams Co. | 6.4 | 3.7 |
| Sinclair Oil Corp. | 6.7 | 2.5* |
| Standard Brands | 10.3 | 4.5* |
| Standard Oil Calif. | 10.5 | 2.2* |
| Standard Oil Indiana | 4.0 | 3.0* |
| Standard Oil N. J. | 4.6 | 2.4* |
| Standard Oil Ohio | 3.6 | 1.9* |
| Swift & Co. | 3.8 | 2.2 |
| Texas Co. | 6.9 | 3.1* |
| U. Carbide & Carbon | 8.3 | 3.0 |
| Union Oil Calif. | 7.0 | 2.7* |
| United Biscuit | 3.2 | 2.4* |
| U. S. Gypsum Co. | 8.4 | 2.9* |
| U. S. Steel | 4.6 | 1.6 |
| Walgreen Co. | 3.0 | 2.2 |
| Hiram Walker | 14.8 | 6.0* |
| Westinghouse Elec. | 6.2 | 4.2 |
| Wilson & Co. | 6.5 | 3.5 |
| F. W. Woolworth Co. | 16.8 | 2.7 |
| Wm. Wrigley Jr. | 9.2 | 4.4 |

*1955 year-end ratios. †1951.

## Hill Brothers to Admit E. A. Eddy, Jr.

ST. LOUIS, Mo.—Hill Brothers, Security Building, members of the New York Stock Exchange, on June 1 will admit Ernest A. Eddy, Jr. to partnership. Mr. Eddy has been associated with G. H. Walker & Co. as analyst.

## Joins Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William W. Windle is now with Hornblower & Weeks, 75 Federal Street.

# Restoration of Monetary Order Called for by Philip Cortney

**Chairman-elect of the U. S. Council of the International Chamber of Commerce, at a meeting in Naples, discussing International Monetary Fund, maintains present monetary and credit policies will not permit restoration of free convertibility. States Fund's problem's difficulties have been accentuated by political considerations and people's dependence on their governments. Terms international gold standard a remedy.**

Restoration of the international gold standard or the exercises of rigorous discipline by the International Monetary Fund were offered as the only alternatives to present arbitrary nationalistic monetary policies by Philip Cortney, President of Coty, Inc., and Chairman-Elect of the U. S. Council of the International Chamber of Commerce, at the Chamber's 16th Congress, in Naples, Italy, May 9. A summary of Mr. Cortney's remarks follows:

Philip Cortney

"Let me state at the outset of my short speech that I doubt the International Monetary Fund could get two better men for its management than Per Jacobsson as its General Director and Ed Bernstein as its Director of Research. It is indeed an outstanding and capable team of monetary technicians, but we must recognize that the policies of the I.M.F. are subject to political contingencies.

"I agree with Ed Bernstein particularly on two statements he made:

"(1) 'Currency convertibility depends primarily on a strong payment position rather than any precise amount of reserves.'

"(2) 'The test of economic statesmanship is a willingness to reduce government spending when there is an increase in private expenditure and to restrain the creation of bank credit when savings are inadequate to meet investment demand.'

"I also agree that most of the great trading currencies have acquired a high degree of *de facto* convertibility. This progress is due to a large extent to the aid and large expenditures of the American Government the world over, and I suspect that in the process, the monetary situation of the United States has been undermined.

"My main disagreement with Mr. Bernstein has to do with the profession of faith in the *ultimate* results of the present budgetary and monetary policies as they are conducted in all great countries. It is true that he was careful not to mention the year when the 'ultimate results' will be attained!"

**Convertibility Obstructed**

"Yet, quite to the contrary, I am convinced that the present monetary and credit policies will not permit the restoration of free convertibility of currencies. The chances of obtaining concurrently the free convertibility of currencies, stable exchange rates and unhampered, non-discriminatory, multilateral trade, are nil as long as each one of the great trading countries practices an arbitrary, nationalistic monetary policy. It is also simply absurd to envisage a common European market without the free convertibility of currencies of the countries involved. I was happy to hear Mr. Otto Wolff make some pertinent remarks in his request in this address on the European common market.

"I may be wrong but I do not believe that the coordination of the national monetary policies is possible—politics being what they are — without either the restoration of the international gold standard or without the rigorous discipline of the International Monetary Fund. There are deeply entrenched, unjustified prejudices or intellectual prepossessions against the gold standard. But what are we waiting for to terminate the transitional period provided by the by-laws of the International Monetary Fund? It should have been ended five years ago, as everyone was entitled to expect at the time the I.M.F. began to operate. The maintenance of stable exchange rates without free convertibility of currencies can only create serious maladjustments and give a semblance of justification to unrealistic exchange rates.

"I was in favor of the I.M.F. at the time it was created, but I maintained that the sounder the policies of the participants' governments will be, the less the I.M.F. will have to do, and the better the management of its own affairs will prove to be. Presently we witness the I.M.F. extending credits in the same manner as the large commercial banks are doing, while I submit that their resources should constitute a common reserve pool of gold and currencies, to help support the free convertibility of currencies. The I.M.F. was not meant to be a credit-institution, but a common pool of ultimate reserves of all the central banks of the participating countries, I am afraid that with its present policies, the resources of the I.M.F. will get frozen.

"I also disagree for many reasons with Mr. Ed Bernstein that reserves in form of dollar balances or sterling balances are a sound substitute for gold reserves. It seems to me a dangerous fallacy that the separate countries can cover their lack of liquidity with debts from some countries or by borrowing from each other. This is the famous gold-exchange standard which has played much havoc with the domestic and international economic situation of many countries at the time of the Great Depression and for a few years thereafter. The gold-exchange standard is essentially an inflationary device.

"Some people take the view that the monetary situation, nationally and internationally, is so deteriorated that the restoration of monetary order has become a task beyond the human wits — again politics being what they are. Therefore, argue the pessimists, let us try to maintain the boom by the 'management of money,' by which they mean essentially the further monetizing of government debt and the manipulation and expansion of credit."

**Pessimism Decried**

"I refuse to be so pessimistic because while it is late, it may not be too late to do what is right for the preservation of the free enterprise system and human freedom. It is high time to stop inflation, the root causes of which are the monetizing of government debt and the abuses of inflationary credits, by which I mean bank credits for investment beyond the savings of people. In his recent report to the ECOSOC on the activities of the I.M.F., Per Jacobsson warned against recourse to the banking system to cover part of government expenditures, and against ever mounting budgets—and courageously and rightly, he singled out the United States in this respect.

"I hold strongly the view that there is no more urgent and important job to which the I.C.C. could and should devote its energies in the near future than the restoration of international monetary order. The problem is intricate and difficult, because of political considerations and because people have been led to expect too much from their governments — I say too much, because they cannot deliver.

"We have taken the habit of recommending goals which are either unattainable by the present means, or sometimes are mutually conflicting. It is high time that we mobilize the knowledge and talents in the I.C.C. to recommend the means by which the world can hope to attain the aims we profess to believe in. I fully realize that it is a difficult job, but I submit that only a body of men like this which comprises the elite of independent businessmen from all free countries, can have the ambition to come forth with sensible, realistic solutions to the problems of restoring monetary order, by which we mean essentially to stop inflation and restore the free convertibility of currencies. If the I.C.C. should fail in this mission, I for one would despair for the future of the free society of men. But I am confident it will not fail."

## F. K. Easter Given Navy Civilian Honor

SEATTLE, Wash.—The Navy's highest civilian honor, the Navy Distinguished Public Service Award, was given F. Kenneth Easter, head of the bond department of Dean Witter & Co. in Seattle, at the annual banquet of the National Navy League. Mr. Easter, who was nominated by Rear Admiral A. M. Bledsoe, commandant of the 13th Naval District, is a national Vice-President of the league.

F. Kenneth Easter

## Conway Brothers Add to Staff

DES MOINES, Iowa — Conway Brothers, formerly located at 205 Equitable Building, have recently moved to new and larger quarters at 509 Equitable Building.

The new offices will accommodate the expansion of registered personnel with the firm. New associates include Cecil Murrow, Conrad Kouri, Schiller Frazier and Thomas Seymour, all of Des Moines, Iowa. Also, Kenneth Hopkins, who will represent the firm at Decorah, Iowa.

Conway Brothers, a partnership, was formed in 1951. Offices are presently maintained in Mason City and Rolfe, Iowa, in addition to the Des Moines office. The firm is a correspondent of E. F. Hutton & Company, members of the New York Stock Exchange.

## With Savard & Hart

(Special to The Financial Chronicle)

MIAMI, Fla.—Paul M. Soupart has become connected with Savard & Hart of New York and Montreal.

# Ending Exchange Control: Progress Toward Convertibility

By E. M. BERNSTEIN*
Research and Statistics Department, International Monetary Fund

**Leading international economist, in reviewing the improved growth and redirection of world trade, avers most of the great trading currencies have acquired a high degree of *de facto* convertibility, and suggests sterling be made convertible in order to help accelerate the progress already made in removing exchange obstacles to the free flow of trade. Supporting this suggestion, Mr. Bernstein emphasizes that convertibility depends primarily on a strong payment position rather than any precise amount of reserves. The author praises anti-inflationary monetary-credit policies and offers the fund's resources to those improving their financial policies, payments position, and relaxation of trade-exchange restrictions.**

One of the objectives of economic policy in every country is to maintain a high level of real income. Obstacles to the free flow of trade are a barrier to the achievement of this objective. The ability to trade freely contributes to a high level of real income in two ways. First, exports enable a country to concentrate the employment of its labor, capital, and resources in the fields in which they can produce with relatively greater efficiency and in which incomes are high. Second, imports supply a country with the goods which other countries can produce with relatively greater efficiency, so that each country benefits from low cost production throughout the world.

Edward M. Bernstein

**Exchange Impediments to Trade**

Although it is in the interest of all countries to widen the exchange of their exports for their imports, world trade is hampered by restrictions of all kinds. Traditionally, these restrictions were in the form of customs duties designed to provide protection for domestic industry against the competition of efficient producers abroad. Unfortunately, such restrictions give rise to vested interests seeking greater protection through higher tariffs. The adoption of new and higher tariffs was especially marked after the depression of 1929.

Exchange controls were introduced as an emergency device to deal with the payments crisis of the 1930's. When recovery took place, several countries abandoned their exchange controls. With the outbreak of war, complete control of exchange transactions was adopted in nearly all belligerent countries. It was generally recognized that their continued use after the war to restrict current transactions would impede the recovery of world trade. The experience of the 1930's had shown that the best means of dealing with exchange and payments problems would be through an institution such as the International Monetary Fund.

One of the purposes of the Fund is to assist in maintaining fair exchange practices and in eliminating exchange restrictions which hamper the growth of world trade. At the end of the war, most countries, and particularly those of Europe and the Far East, were confronted with shortages of all kinds —foodstuffs, raw materials and fuel, consumer goods, and capital equipment. Because of the widespread destruction, these shortages could be met only by imports, primarily from the United States and Canada, the two countries whose productive capacity had been greatly expanded during the war. At the same time, the disruption of normal trade connections between Europe and the rest of the world increased the dependence of all countries on imports from North America.

The monetary reserves that might have enabled countries to maintain imports until production and exports were restored had been seriously depleted during the war and their purchasing power greatly reduced by the postwar rise in prices. The wartime inflation, which involved the accumulation of large liquid assets, was activated and intensified after the war. The postwar inflation manifested itself not only in large balance of payments deficits, but also in much higher prices and costs. The inflation absorbed production that should have been available for export and created an insatiable demand for imports; and the inflated prices and costs made exports to the dollar countries especially difficult.

This was the environment in which the postwar exchange controls were administered. The greatest restrictions were on dollar payments, in order to conserve the limited dollar earnings and the dwindling gold reserves to pay for the most essential imports. Even within such a closely knit trading area as Western Europe, payments were governed by bilateral agreements between trading partners with some flexibility provided by swing credits. In these arrangements, trade tended to be restricted to the amount that could be financed by the exports of the deficit country to its bilateral creditor. With such restrictions, it is not surprising that international trade was far below the level suited to a prosperous world economy.

**Recovery of Production and Trade**

Enormous resources have gone into the reconstruction and modernization of the European economy. Most of these resources have come out of their own savings; but aid from the United States, Canada, and other countries, and from international institutions, has been invaluable. By 1948, production had reached and exceeded the prewar level in nearly all of Europe. Trade still lagged, hampered by high costs and inflated demand. In 1949, devaluations by countries accounting for about two-thirds of world trade helped to restore their competitive position. The revival of monetary policy in 1951 and 1952 was a major factor in moderating inflation and strengthening international payments.

The extent to which the world economy has recovered from the effects of the war is indicated by the growth in production and trade. In the United States and Canada, the rapid expansion of

Continued on page 36

*An address by Mr. Bernstein before the XVI Congress of the International Chamber of Commerce, Naples, Italy, May 9, 1957.

# Suez Canal Controversy

By BURTON ANDREWS*
Professor of Law, Albany Law School
Union University

**Nasser's unilateral nationalization action does not, according to distinguished law professor, obvert the Canal users' legal interest and right "as to the servitude for navigation of the Canal including a right . . . to share . . . [effectively] in the administration of the operation of the Canal. . . ." Referring to Public International Law, and drawing a parallel with users' legal interest in public utility service, Professor Andrews finds operational-navigation rights in this case cannot unilaterally be denied, but does agree Municipal Law permits, here, only the nationalization of ownership-franchise interest. To arrive at this decision, the author first reviews the case for Egypt and then the case for the Canal users.**

To assist our discussion it will be helpful, as an introduction to our subject, to comment on three basic legal terms. These are: Municipal Law, Private International Law, Public International Law.

Burton Andrews

Municipal Law as here used does not refer to the law of urban areas but to the internal law of a nation which includes such subjects as the law of Civil Rights, the law of Torts, the law of Contracts, and for example, the relationship between the State of New York and a stock corporation formed under the law of New York State, *e.g.*, a public utility corporation.

Private International Law[1] is that body of the law governing relations of a person or corporation in a nation with persons and corporations in other nations. Private International Law is administered by the courts in the same way that Municipal Law is administered. This includes controversies involving some foreign element, *e.g.*, Jane Froman's action in the New York Supreme Court for personal injuries in an airplane crash in 1943 in Portugal against the Pan American Airways, Inc., to recover $1 million which was limited in recovery to $8,291.87 because of the Warsaw Convention to which the United States became a party in 1934.[2]

Public International Law is what we ordinarily think of as International Law. It concerns relations between nations. Such law includes agreements between nations such as treaties, conventions and executive agreements and also precedents and customs, as to the conduct and behavior of one nation in its relations with other nations.

Two significant differences between Public International Law are often noted, viz.: (1) as to the way in which the law arises or originates, and (2) as to its enforcement. These differences can be easily exaggerated or misconstrued but simply though inadequately expressed, we may state that Municipal Law is laid down by a single sovereign power through its legislative agencies and enforced by that power within its territory through its organs of government, *e.g.*, the police, the legal profession and the courts within its territory: whereas Public International Law arises by agreements between sovereign powers, by precedents such as those made through negotiated settlements of controversies between nations and by customary behavior between sovereign powers and such agreements, precedents and customs are enforced by moral suasion or by negotiated settlement, or by arbitration or by economic or military action.

Private International Law arises and is enforced in the same ways that Municipal Law arises and is enforced but it also arises from treaties and conventions that concern private rights and these are sometimes enforced by those means employed for enforcement of Public International Law, that is when national governments concern themselves with the enforcement of international aspects of private rights, but when this happens the subject matter becomes at least in part a problem of Public International Law and is taken out of the area at least in part of Private International Law.

The Suez controversy being between Egypt on the one side and Britain, France and the other users of the Canal on the other side is obviously an international controversy; but is the point at issue a matter of Municipal Law, Private International Law, or of Public International Law?

Egypt claims that it is a matter solely of Municipal Law and that the problem is to be determined solely according to the Municipal Law of Egypt; whereas. Britain, France and most of the other users of the Canal maintain that it is a matter of Public International Law and to be determined according to the treaties, conventions, precedents, and customs of Public International Law that apply.

Particularly stated the point at issue is whether the Suez Canal Company was subject to the right of the Egyptian Government to nationalize the operation by unilateral action as a matter solely of Municipal Law, or whether the company had a status in 1956 as a matter of Public International Law which would require that nationalization of the operation of the Canal or that any fundamental change in the operation of the Canal, be accomplished only in consultation with and the concurrence of the national governments representing the principal users of the Canal.

That a sovereign government can legally nationalize the operations of one of its domestic corporations in which no international interests are involved is generally acknowledged. But it is also a general rule that a sovereign government cannot legally disregard the interests and rights of other sovereign governments but must respect them in accordance with the usages and practices which constitute Public International Law.

### The Case for Egypt

The case for Egypt is based initially on three decrees or acts of state, called "Firmans" in Turkish law.

The first of these was made Nov. 30, 1854.[3] The Khedive, meaning the supreme ruler of Egypt who was then in Egypt the Viceroy of the Sultan of Turkey, granted to Ferdinand de Lesseps a concession: to construct a canal that would link the Mediterranean and the Red Sea and to form a joint stock company to cut the passage for navigation and to administer operations through the Canal. The term of the grant was 99 years from the day of the opening of the Canal, after which the Egyptian Government would take the place of the Company, and enjoy all its rights without reservation, an indemnity to be allowed the Company by amicable agreement or by arbitration. The Egyptian Government was to receive from the Company 15% of the net profits without prejudice to dividends on shares which the Government reserved the right to purchase upon issuance. Dues for the passage of the Canal, "to be agreed upon between the Company and the Viceroy of Egypt, and collected by the Company's agents, shall be always equal for all nations; no particular advantage can ever be stipulated for the exclusive benefit of any one country." Finally the Viceroy promised true and hearty cooperation in facilitating the execution and carrying out of the work but added a stipulation that the grant had to be ratified by the Sultan before the work was started.

### Agreement of 1856

January 5, 1956, another Act or Charter of Concession[4] was made by the Viceroy at the request of de Lesseps in order to have stated in more detail the "burthens, obligations, and services" to which the Company would be subjected and the "concessions, immunities, and advantages" to which it would be entitled and the facilities which would be accorded to it.

By this Charter of Concession the Company was to construct at its own "cost, risk and damage" a Canal navigable by large vessels between the Red Sea and the Mediterranean and also certain fresh water canals joining the Nile and the Canal, within six years, unavoidable delays excepted. Egypt reserved the right to appoint "at the official headquarters of the Company a special commissioner, whose salary they shall pay and who shall represent at the Board of Direction the rights and interests of the Egyptian Government" and if the "principal office of the Company be established elsewhere than in Egypt, the Company shall be represented at Alexandria by a superior agent" with necessary powers to secure proper management and relations "with our Government." It was stipulated that "four-fifths of the workmen employed upon these works shall be Egyptians" and they were later conscripted by the Viceroy but paid wages by the Company. Large land grants from public domain in the Canal area were given the company in part for development and in part for use in relation to the Canal.

It was solemnly declared, subject to ratification by the Sultan, that the Canal "and the ports appertaining thereto, shall always remain open as a neutral passage to every merchant ship crossing from one sea to another, without any distinction, exclusion, or preference of persons or nationalities, on payment of the dues and observance of the regulations established" by the Company and that the "Company can in no case grant to any vessel, company, or individual, any advantages or favor not accorded to all other vessels, companies or individuals on the same conditions" and maximum tolls were stipulated. The duration of the concession and thereafter the Company's right of indemnity and the Government's claim upon 15% of the net profits each year, were substantially repeated. The statutes of the Company drawn as the Articles of Association of a French joint stock company, were approved by the Viceroy and annexed to the concession. They provided that:

(1) The central office of the company would be in Alexandria, Egypt.

(2) The legal and administrative offices would be in Paris, France.

(3) The capital was fixed at 200,000,000 francs, divided into 400,000 shares at 500 francs each.

(4) The shareholders were to meet annually and any shareholder having 25 shares was to have one vote and no shareholder more than 10 votes.

(5) The Board of Directors was to meet once per month and was given wide powers. There were to be 32 in number elected by the shareholders for an 8-year term and to represent the nations chiefly interested in the enterprise.

(6) The President and three Vice-Presidents were to be chosen by the Board of Directors.

(7) The Executive Committee consisting of the President and four directors was to be in charge of the administration of the business of the company and was authorized to do all things not requiring the approval of the shareholders or the Board of Directors.

### Napoleon III As Arbitrator

The third Firman or decree by the Khedive or Viceroy of Egypt was ratified by the Sultan on March 19, 1866,[5] based on an award by Napoleon III as arbitrator. As the result of the arbitration the prior provision that "four-

*Continued on page 42*

*This article is adopted by the author from a talk he delivered in a panel discussion before the Hudson-Mohawk Council on World Affairs at the Albany Institute of History and Art on Oct. 15, 1956. 

1 The term "Conflict of Laws" is a synonym used in the United States.

2 Ross v. Pan American Airways, Inc., 299 N. Y. 88, 85 N. E. 2d 880 (1949).

3 White Paper p. 17, by Government of Egypt, Aug. 12, 1956.

4 White Paper p. 21, by Government of Egypt, Aug. 12, 1956.

5 White Paper p. 29, by Government of Egypt, Aug. 12, 1956.

# THE MARKET . . . AND YOU

By WALLACE STREETE

Industrial shares worked ahead laboriously, inching into the heavy overhead resistance on the way to the all-time peak set more than 13 months ago. But again what progress was made this week was almost entirely without any help from the long-laggard rails.

* * *

As has been the case for long, the best work was done by issues outside the group used in computing most of the averages, so the painful progress which the averages indicated wasn't entirely typical of the over-all market.

### Divergence Marked

A better measure of the resistance being encountered is the fact that during eight straight weeks of advances for the industrial average, five times the weekly score showed more issues unchanged or lower than the advances. This sparsity of plus signs was more pronounced in the last two weeks than in the earlier ones.

* * *

On the constructive side was that the new highs consistently outpaced the new lows, mostly by a margin of 3-to-1 or so, with the help of assorted oils, utilities, a couple of glass issues and General Electric in the blue chip section.

* * *

Earnings results were so thoroughly scrambled for the first quarter of the year that there was much searching around for outfits that had materially improved their profit potential without, as yet, too much market recognition of the fact.

### A Un-Squeezed Profit Maker

Standard Brands, for one, was able to add nearly 20% to first quarter results on sales improvement of less than 10%. The general pattern was quite the reverse, profits pinched although sales expanded well. Standard, despite projections of earnings of around $4 this year against slightly less than $3.50 last year which would also make it a candidate for dividend liberality, has held so far this year in a range of half a dozen points around 40. In fact, ever since 1954 it has held in a 16-point range despite the market gyrations elsewhere and it is one of the quality issues that still has to go back to the 1946 bull market for the peak price on the present shares. It makes it about as good a case of inertia available in the investment section of the list.

So many of the quality issues have, like Standard Brands, done so little for so long that a rather spirited debate is underway currently whether to concentrate on the neglected and deflated issues, awaiting the day when they will come into popularity, or to pinpoint investment attention only on those stocks that already have demonstrated their ability to forge ahead even in desultory markets. Little conclusive has emerged from the argument, however.

### Thermometer-Conscious Issues

The seasonal influence emerged in considerable discussion of the "hot weather" stocks — soft drinks, air conditioning, and the leisure fields of outboard motors, cameras, etc. Included in this lineup are such as Pepsi-Cola and Canada Dry, Outboard Marine, Carrier Corp. and Fedders Quigan.

* * *

Lukens Steel, among the issues that through last year and early this year showed a determination to forge higher against any and all other market interests, was down to occasional flips marketwise, but the persistence with which it ploughed ahead relentlessly seems to have evaporated to a great degree. It is nearly a month now since it posted its peak above $110 and this figure hasn't been in any jeopardy on moments of strength since. Such a stalemate is the first since it tacked on 300% last year and more than 100% from the 1957 low earlier this year.

* * *

Among the groups that are well deflated are the textiles, the carpet makers and, lately, the paper shares where a dividend cut by St. Regis Paper was the chilling note. Union Bag, for instance, was more than a third under last year's high. The company did suffer a shade profitwise in the first quarter but projections of 1957 profit approaching $3 still covers the dividend over and over.

* * *

Lowenstein has been able to post more comforting results in the textile section than most of the others and even in this company the management is on record as stating the earnings downtrend was reversed in the first quarter of this year. In the carpet group, both Bigelow-Sanford and James Lees & Sons last year showed earnings that ran two or more times the dividend requirement.

### Expectations of New Oil Colossus

In the oils section a center of interest was the hydra-headed mixture and blends of the Skelly and Getty companies, plus the possibilities of getting them all forged together into a single, new oil colossus following the death of one of the principals who once blocked just such a move.

* * *

The companies involved are Getty Oil, Skelly Oil, Mission Corp., Mission Development and Tidewater Oil. As a practical matter, the holdings of one company in another are usually discounted a bit in market value. Specifically Mission Development, for instance, has as its dominant asset some 5.7 million shares of Tidewater. At recent levels, the indicated $44 represented by 1.16 shares of Tidewater to each Mission Development share produced a market value on the latter of only $36.50. This 17% discount presumably would be eliminated in a corporate simplification.

### Bowling Boom Beneficiaries

In the leisure time issues, a bit of realignment has taken place with Brunswick-Balke buying the half interest of Murray Corp. in their bowling pinsetter business. It helped more than double first quarter sales for Brunswick and converted a loss for last year's first quarter into a net profit of an even larger amount. Brunswick, apparently, is about to turn something of a corner.

* * *

American Machine & Foundry, the prime competitor in the pinsetter field, now has run its bowling equipment into the largest source of profit to the company where once its cigaret and cigar making machinery was the mainstay. The difference between the two bowling suppliers is that AMF leases its machines while those of Brunswick are sold. The lease income to AMF last year is estimated at $17 million from this source.

[*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.*]

### First Washington Corp.

WASHINGTON, D. C.—The First Washington Corp. has been formed with offices at 1300 Connecticut Avenue, N. W., to engage in a securities business. Officers are Don F. Widmayer, President and Treasurer, and Richard N. Williams, Executive Vice-President and Secretary. Both were previously with Sade, Kristeller & Co.

### With Kostman, Inc.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Howard W. Pace is now with Kostman, Inc., 215 West Seventh Street.

# Stresses Safeguards for Today's Investor

**Charles B. Harding says present laws and regulations eliminate possibility of financial manipulations practiced in the "crazy 'twenties."**

Charles B. Harding, Senior Partner of Smith, Barney & Co., New York City, speaking on May 21 at a luncheon meeting of the Investment Association of New York, expressed the belief that the many safeguards provided investors today make it almost impossible for a re-occurrence of financial manipulations like those practiced by Insull and Kreuger. The investment Association of New York is comprised of younger men in the investment banking business.

Charles B. Harding

Drawing upon his 35 years' experience in Wall Street, Mr. Harding told members of the Association about the great changes and improvements that have taken place in the financial world. He traced the developments that have occurred from the days of the "crazy '20s" with their stock pools and bucket shops and contrasted today's elaborate prospectuses, containing complete information about new issues, with the very meager information offered to investors in the '20s. Sample circulars for securities sold in pre-Securities and Exchange Commission days were shown to the group to illustrate how little an investor was told how *"caveat emptor"* was the rule of the day.

One of the most impressive developments, Mr. Harding said, has been the development of sound research and investment counselling facilities. Today investors enjoy the benefits of extensive research departments to provide them with judgment and knowledge for better investing and there has been acceptance of the principle of complete disclosure with the development of professional attitudes by investment firms, he said.

Particularly important, Mr. Harding added, was the careful supervision of firms by stock exchanges, the National Association of Securities Dealers and the Securities and Exchange Commission. Surprise audits, capital requirements, examinations for registered representatives and other similar safeguards have been developed to protect the investor. Mr. Harding, who was Chairman of the Board of Governors of the New York Stock Exchange in 1940-41 and a member of the Special Committee charged with the re-organiation of the New York Stock Exchange in 1938, described how the financial community had developed its own self-regulatory machinery to curtail the borderline broker or dealer.

While many improvements have been made, Mr. Harding said the financial community must continue to work toward full achievement of the professional attitude in the handling of investment accounts. He told the young men who are members of the Association that they had it in their power to complete the change of the investment business into a profession. He emphasized the great advantages they have today because they are more carefully selected, more rigorously supervised and far better educated and trained than the old-timers were. As long as it is believed the United States will continue to make economic advances, the responsibilities and opportunities for the "Wall Streeter" are tremendous provided he recognizes his ethical duties and responsibilities for useful service to the economy, Mr. Harding said. Wall Street will progress and prosper as it justifies its existence in meeting the needs of the nation honestly and completely, he said.

## Allen & Co. Group Underwrite Offering

Public Service Co. of New Mexico is offering holders of outstanding common shares rights to subscribe for 166,997 shares at the subscription price of $13.50 per share, on the basis of one share of additional common stock for each 10 shares held of record on May 20, 1957. Subscription rights will expire at 3:30 p.m. N. Y. Time, June 30, 1957. An additional 15,000 shares of common are being offered to company employees at the same subscription price.

Allen & Co. and associates are underwriting the offering of the 166,997 additional shares to holders of outstanding common stock.

Net proceeds from the sale of the additional shares to the stockholders and to employees, to the extent that employees subcribe for the 15,000 shares, are estimated at approximately $2,400,000 and will be applied by the company to the costs of new construction in 1957. It is estimated that construction costs to meet the increasing electrical power needs of the communities served by the company, will total around $9,197,000 in 1957, and will aggregate $34,300,000 through 1960.

Public Service Co. of New Mexico is a general public utility engaged principally in the generation, purchase, distribution and sale of electricity and in supplying various communities with water. The company's operations are wholly within the State of New Mexico where it serves a large area of the north central part of the state, embracing the cities of Albuquerque, Santa Fe and Los Vegas, and the city of Deming in southwestern New Mexico. Total population of the area served with electricity is estimated at around 300,000, and that served with water at around 42,500.

For the year 1956, the company had total operating revenues of $12,006,355 and net income of $2,040,138, equal after preferred dividends to $1.14 per common share.

Associated with Allen & Co. in underwriting the offering to stockholders are: Quinn & Co.; Rauscher, Pierce & Co., Inc.; Taylor, Rogers & Tracy Inc.

### Joins McCarley Staff

ASHEVILLE, N. C.—McCarley & Company, Inc., members New York Stock Exchange, announce that Frank H. Woodson has joined them as a registered representative in their Greenville, S. C. office in the South Carolina National Bank Building. Mr. Woodson was formerly with Investors Diversified Services for over seven years.

### A. G. Bellin Secs.

A. G. Bellin Securities Corp. has been formed with offices at 27 William Street, New York City, to engage in a securities business. Officers are Arthur G. Bellin, President, and Norman Holtzberg, Secretary-Treasurer. Both were previously with Benjamin Zwang & Co. Inc.

### Eli S. Newburger

Eli S. Newburger, partner in Vercoe & Co., passed away May 10.

## William H. Dore With Curtiss, House & Co.

CLEVELAND, Ohio — Curtiss, House & Company, Union Commerce Building, members of the New York and Midwest Stock Exchanges, have announced that William H. Dore is now associated with their firm as manager of the municipal bond department. Mr. Dore who has been in the investment business for more than 25 years was formerly manager of the Cleveland office of Singer, Deane & Scribner. In the past he was Columbus, Ohio, manager for Stranahan, Harris & Co.

William H. Dore

## R. G. Wasson, Trustee Of Barnard College

R. Gordon Wasson, Vice-President of J. P. Morgan & Co., has been elected to the Board of Trustees at Barnard College, it was announced by Samuel R. Milbank, Chairman of the Barnard Board. Mr. Wasson will serve a seven-year term on the 25-member Board of Trustees.

Mr. Wasson has been with J. P. Morgan since 1934, and a vice-President since 1943. Before joining J. P. Morgan he was with Guaranty Co. of New York from 1928 to 1934. Previously he had been a writer with the New York "Herald Tribune" and the New Haven "Register" and an associate editor of Current Opinion. He graduated from the Columbia School of Journalism in 1920, where he was awarded a Pulitzer Traveling Scholarship.

### Lentz, Newton Branch

VICTORIA, Tex.—Lentz, Newton & Co. has opened a branch office at 114 East Constitution Street, under the management of Dion R. Holm, Jr.

### Great Southern Secs.

ATLANTA, Ga.—The firm name of Great Southern Mutual Funds, Inc., William Oliver Building, has been changed to Great Southern Securities, Inc.

The firm maintains a branch office at 238½ Pine Avenue, Albany, Ga., under the management of Paul J. Lewis.

### Now Riviere, Marsh

WASHINGTON, D. C. — The firm name of Colson, Marsh and Co., Inc., 1832 M. Street, Northwest, has been changed to Riviere, March & Co., Inc.



# Public Utility Securities

By OWEN ELY

## Idaho Power Company

Idaho Power supplies electricity to a population of 350,000 in southern Idaho, eastern Oregon and northern Nevada. The principal cities served are Boise, Pocatello, Twin Falls, Nampa and Caldwell. Revenues in 1956 were 30% domestic, 13% farm, 9% irrigation, 21% commercial, 18% industrial, and 9% miscellaneous. The average residential electric rate of 1.68¢ per kwh compared with the U. S. average of 2.58¢, and the annual usage of 5,995 kwh was over twice the national figure.

The company's present generating capacity of 373,000 kw is entirely hydro, no standby steam plants being necessary because of the reliability of the Snake River. The Shoshone Falls, higher than Niagara, are located in the south central part of the state. Some distance upstream nearly all the waters are diverted to irrigation during summer months, at which time the Falls diminish; however, spring water and the return flow of irrigation water are sufficient for the company's hydro plant.

Idaho Power has enjoyed remarkable growth, present revenues being between three and four times the prewar level. Share earnings were irregular during 1946-52—the $1.38 earned in the latter year being almost the same as six years earlier—but since that time there has been a rapid increase to $2.18 last year. President Roach stated in the report to stockholders: "The growth during the past decade can reasonably be expected to continue at an accelerated pace during the next 10 years. In terms of the company's electric generating capacity, we believe a four-fold increase by the year 1966 will be required to meet anticipated customer needs and we are planning accordingly."

The growth of the state's economy is reflected in the following figures, for millions of dollars income from different sources:

| | 1916 | 1946 | 1956 | % Incr. 1946-56 |
|---|---|---|---|---|
| Agriculture | $131 | $300 | $333 | 11 |
| Lumber | 14 | 37 | 112 | 203 |
| Mining | 49 | 44 | 70 | 59 |
| Manufacturing | 27 | 105 | 200 | 90 |
| Tourists, etc. | 29 | 122 | 210 | 72 |
| Total | $250 | $608 | $925 | 52% |

While these figures are for the state of Idaho—instead of the company's service area—the economy of eastern Oregon is similar to that of eastern Idaho and the trends shown are representative of the entire service area.

Irrigation in Idaho makes farm productivity high—crops and livestock being almost equal in importance. Lumbering, on a basis of sustained forest yield, provides a steady income. Phosphate extraction and processing are a major new part of the mining industry, using large amounts of electric power. Income from manufacturing is only 22% of the state total, but is growing rapidly; new industries are based largely on the availability of national resources and climatic and recreational advantages. AEC activities in the state are important and growing. Many sportsmen and tourists, having discovered Idaho, decided to become residents.

The company's detailed forecast for 10 years ahead is about as follows:

| | Percent Increase |
|---|---|
| Plant Investment | 177 |
| Revenues | 95 |
| KWH Sales—Domestic | 183 |
| KWH Sales—Industrial | 83 |
| KWH Sales—Agriculture | 77 |

Idaho Power has been in the limelight over the past year or two because of the issue over "Hells Canyon." There has been a long drawn-out fight between the advocates of public and private power over the question of further development of power on the Snake River, important tributary of the Columbia. Advocates of public power are anxious to build a single large dam at Hells Canyon, while Idaho Power proposed instead to build three smaller developments (Brownlee, Oxbow and Hells Canyon) at a combined cost considerably less than that of the government project.

Idaho Power finally received an FPC license and the U. S. Supreme Court recently denied a petition (filed by the National Hells Canyon Association and other public power groups) to review the decision of the Court of Appeals upholding the Federal license, and affirming the commission's finding that the three projects are best adapted to a comprehensive plan for developing this section of the Snake. After receiving a license Idaho Power immediately proceeded with the construction of Brownlee, which will be the second highest rock-fill dam in the world—missing the record held in Japan by just one foot. Sometime next year the dam will be "on the line" with 360,000 kw capacity out of the ultimate 1,175,000 kw over-all development.

The three dams will be extremely cheap to construct as compared with many others where the terrain is less favorable—the cost will average only about $168 per kw—not much more than a modern steam plant. (Oxbow is estimated at $142 and the other two at $176 each). Work is proceeding on schedule with 2,600,000 cubic yards already moved. Meantime public power advocates are making a last-ditch effort to pass a law for construction of a Federal dam at Hells Canyon, but it seems highly unlikely that the measure can pass both houses (it passed only the Senate last year) and survive a probable veto. Idaho Power has a favorable regulatory set-up and enjoys strong support in the state of Idaho from farm and other local organizations.

The stock has been selling recently around 38 (up from 29¼ this year), having joined in the substantial recent advance of other growth utilities. Paying $1.40, the yield is 3.7% and the price-earnings ratio is 17.3. President Roach has forecast earnings of $2.25 for 1957 and an equity ratio of 34% at the year end. Earnings will include 62¢ credit for interest on construction.

## Chicago Bond Club Annual Field Day

CHICAGO, Ill.—The Bond Club of Chicago will hold its 44th annual field day on Friday June 7 at the Knollwood Club, Lake Forest, Ill. Chairman of the event is George R. Torrey, McCormick & Co., assisted by Robert I. Kelley, Harriman Ripley & Co., Inc., Carl H. Ollman, Dean Witter & Co., and Milton S. Emrich, Julien Collins & Co., Vice-Chairmen.

Members of the field day committee are:

**Arrangements:** G. Fabian Brewer, William Blair & Co., Chairman; James E. Snyder, A. C. Allyn & Co.; Donald T. Fletcher, William Blair & Co.; Bernard J. Cunningham, Blunt Ellis & Simons; John J. Markham, Hornblower & Weeks; Edward W. Liphardt, R. S. Dickson & Co.; and John F. Detmer, Hemphill, Noyes & Co.

**Golf:** Clarke J. Robertson, Bache & Co., Chairman; William N. Murray, Jr., Illinois Company; Joseph P. Condon, McDougal & Condon; and Willis L. Roberts, Eastman Dillon, Union Securities & Co.

**Baseball:** William A. Noonan, Jr., Continental Illinois National Bank & Trust Co., Chairman; Walter A. Hintz, Stone & Webster Securities Corp.; Justin T. Ottens, Salomon Bros. & Hutzler.

**Lunch-Dinner:** Robert L. Sanders, Hemphill, Noyes & Co., Chairman; William O. Feeley, Dean Witter & Co.; Donald C. Malmquist, John Nuveen & Co.

**Trophies:** Robert G. Berry, Hornblower & Weeks, Chairman; Richard J. Leonard, Harriman Ripley & Co., Inc.; Joseph T. Fuller, William A. Fuller & Co.; O. H. Heighway, Hornblower & Weeks.

**Entertainment:** Robert L. Myers, Stone & Webster Securities Corp., Chairman; Gordon Bent, Bacon, Whipple & Co.; Blair A. Phillips, Jr., Baxter & Co.

**Investments:** William M. Witter, Dean Witter & Co., Chairman; George K. Hendrick, Jr., Blunt Ellis & Simmons; Burton J. Vincent, Burton J. Vincent & Co.

**Dividends:** Matthew J. Hickey, III, Hickey & Co., Inc., Chairman; Thomas A. Lewis, Stifel Nicolaus & Co. Incorporated; Preston J. McNurlen, F. S. Moseley & Co.

A baseball game is scheduled between the Corporates under George Wahlquist, Weeden & Co., vs. the Municipals under Joseph Corbus, Brown Brothers Harriman & Co. Umpires will be Walter Fitzgerald, Blunt Ellis & Simmons and Donald Searles, Blyth & Co., Inc. Edgar Grimm, F. S. Moseley & Co. will be official scorer.

### Two With Stevens, White

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Michael J. Lyons and Clifford O. Turnbull are now associated with Stevens, White & McClure, Inc., 617 Madison Street, members of the Midwest Stock Exchange.

# Industries Offering Best Investment Opportunities

By ROGER W. BABSON

**Well known New England business analyst offers and defends his suggestions of industries possessing best investment opportunities. Other trends commented on by Mr. Babson include the future of automobiles, churches and shopping centers.**

During the past winter I have used my spare time trying to decide what industries have the best opportunities. Among these, the following seem the leaders. The **Oil Industry**, represented by any of the large companies. The **Chemical Industry**, in which I consider the American Agricultural Chemical Co., of Florida, one of the best. **Household Heating** by uranium, with American Radiator & Standard Sanitary the most conservative and National U. S. Radiator perhaps the best speculation. **Electronics and Thermodynamics**, with Westinghouse Air Brake perhaps the best speculation. **Earthmoving Machinery**, with Caterpillar Tractor the most speculative and International Harvester perhaps the most conservative purchase. The **Microwave Industry**, of which Hughes Products of Los Angeles and the Motorola Co., of Chicago, are among the leaders. **Greeting Cards**, with a Gibson, Hallmark, or Norcross trademark. The **Broadcasting of Power** for small kitchen utensils may be developed by the Radio Corporation of America.

Roger W. Babson

**Reasons for the Above Selections**

There are four basic factors which I am considering in selecting these industries:

(1) **Labor Shortage.** This will continue due to the desire for four more years of education and for retirement at 65, and to other factors which will offset the population growth. This will further strengthen the power of Labor Unions.

(2) **Automation.** At first glance this should cause unemployment, but automation will be so expensive that it will come about only slowly. Furthermore, although automation reduces greatly the number of employees needed, yet the quality of the employees needed will be considerably upgraded. Automation for many years will barely offset the possible shortage of labor under present conditions.

(3) **Inflation.** We ought to fight inflation in any form, but it will slowly creep up on us, resulting in a gradual increase in the cost of living. Of course, if World War III should come, the value of the dollar will drop from 50 cents to 25 cents, but I am not looking for anything like this now.

(4) **Government Expenses,** barring World War III, should hold fairly steady. The development of missiles should reduce defense expenses in both the Navy and Army. This should offset any increase arising from the growth of bureaucratic government.

**Other Trends to Watch**

(1) **Higher Education** will be considered a necessity. Not only will teachers receive higher salaries, but they must work harder to earn the same by having double sessions, by the further use of television, and by proper grading. Anytime there may be discovered a completely new revolutionary system of education. Colleges will cease as residence schools and become day schools with elaborate parking facilities.

(2) **Automobiles and Parking.** Unless the trend for larger cars and automobile accidents soon turn downward, with greatly increasing "4 lane" highways, the automobile industry will be leveling off. There will be more money in providing parking facilities than in the sale of automobiles.

(3) **Community Churches.** The Church is the hope of America, but young people are giving less attention to formal creeds and the old religious dogmas. Denominations are meaning less to the coming generation. I forecast a great growth in community churches attended by a large number of people of different denominations. Churches will be located adjacent to municipal playgrounds, lakes, rivers, etc.

(4) **Shopping Centers** for retail stores will be followed by **brain centers** for insurance companies, legal firms, architects, etc. The suburban population definitely will increase, attracting churches, YWCA's and other organizations, as well as retail stores. As the working population grows and working hours lessen, the time given to sports will increase; in fact, the sale of sporting goods will increase. Stores in downtown metropolitan cities will gradually appeal more to men who have not the time to visit shopping centers. With self-service properly developed, there will always be a field for self-service speciality stores, variety stores, and the up-to-date "dime store" in the dense downtown districts of all cities.



## Morgan Stanley Group Offers Bonds of New York Telephone Co.

Morgan Stanley & Co. and 68 associated underwriters offered for public sale yesterday (May 22) a new issue of $70,000,000 New York Telephone Co. refunding mortgage 4½% bonds, series J, due 1991. The bonds are priced at 101.755% and accrued interest to yield approximately 4.40% to maturity. The issue was awarded to the group at competitive sale May 21 on its bid of 101.113 for the indicated coupon.

The proceeds from the sale will be applied by the company toward the repayment of borrowings from banks which are expected to amount to $163,500,000 when the proceeds are received. The company also expects to sell 1,400,000 shares of its common stock to American Telephone & Telegraph Co., parent company, at $100 per share on or about June 28 and to use the proceeds to repay similar borrowings.

Bank borrowings have been used extensively by the company in connection with its construction program which has involved expenditures totaling $928,000,000 during the five-year period 1952-1956.

Upon completion of the sale of the new bonds the company will have an outstanding funded debt of $550,000,000. All of the company's outstanding 10,113,000 shares of $100 par value common stock are held by American Telephone and Telegraph Company.

The new bonds are redeemable at 106.755% before May 15, 1959, at 105.75% before May 15, 1961 and thereafter at prices decreasing annually to 100% on and after May 15, 1986.

The company's service territory covers New York State and a small area in Connecticut, and includes all of the larger New York State cities except Rochester. On March 31, 1957, it had 7,143,947 telephones in service, of which about 70% were in the New York metropolitan area.

Operating revenues for 1956 were $822,309,740 compared with $752,068,405 for 1955. Total income before interest deductions was $94,865,005 for 1956 and $84,-722,006 in the preceding year.

## Investment Co. of Boston

BOSTON, Mass.—Investment Company of Boston, Inc. has been formed with offices at 294 Washington Street. Joseph Furst is a principal.

## W. D. Bradford Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William D. Bradford is engaging in a securities business from offices at 639 South Spring Street.

*Continued from page 3*

# Threat to U.S.-Canada Investments Removed by Tax Court's Decision

tinguished from individual liability. In the present day, one of the first considerations to be taken into account in almost any business deal is the incidence of taxes and the relative advantages taxwise of one procedure as against another. Nor is a taxpayer to be penalized for electing the legal or legitimate procedure that carries the least tax liability.

This pronouncement should prove to have a salutary effect in investment circles, and remove the fear that an administrative-adjudicatory arm of the Government would attempt to interfere with an international tax convention, and subject private international capital-flow to unforeseen and unintended Internal Revenue control. So long as the Government's tax assessment remained in effect, it conceivably could raise doubts in investors' minds as to the tax status of international investments and financing, particularly as to which country has the right to levy taxes where U. S. ownership and promotion of a Canadian firm is involved under the United States-Canada tax convention.

The refusal of Canada to openly and directly protest **via** the consultation provisions of the tax agreement which permits bilateral discussions of disputed points did not help clear matters as to where Canada stood. The reaction to Canada's standing on the side lines was one of puzzlement. Prime Minister Louis St. Laurent did, however, protest indirectly, through his Ambassador to our State Department, that Canada did not support the Treasury's efforts to assess the Canadian firm involved. (It is probable that Canada would have acted more forcefully if the appeal-decision had been lost by the petitioners in the Tax Court.)

**Issues Are Not New**

Some of the issues decided are not new nor do they necessarily apply to foreign and not to domestic investments. The Government has maintained frequently that the activities of a corporation are the activities of its shareholders; i. e., an alter ego. The implication of this case should mean that Americans through Canadian corporations may invest, organize and do business in Canada without United States tax repercussions, provided, of course, these activities are bonafide and not a subterfuge to hold one's investments in other companies.

It should reassure the taxpayer that by means of organized foreign corporations he can select the better legal way to insulate himself in a limited, legitimate degree from American taxes in pursuing risk-taking investments.

Since 1951 there has been a tendency for Canadian blue chip stocks to sell at a lower yield and higher price-to-earnings ratio than comparable stocks in the United States due to investors' response to Canada's remarkable and potential economic growth rate. Consequently, such equities require an investment for the long-term rather than for current income, on the whole. The premium on the Canadian dollar serves to discourage investments in Canadian bonds so long as the American dollar remains at a discount —since it does cut into the actual yield. To remove lawful tax protection might be tantamount to discouraging and directing capital away from Canada.

No brief is made here, of course, in favor of illegitimate tax havens, or legal violations of any other kind. This tax dispute indicated to the writer that an incorrect evaluation was being made as though the individuals involved were attempting to incorporate their own portfolios. This the Court emphatically showed was not so in this case.

Had the Tax Court accepted the Internal Revenue Commissioner's contention, then changes in the statutory law and the international tax treaty would be required in order to avert probable significant changes in foreign risk-taking activities.

**Canadian Development**

The customary understanding of our tax laws, which until this case was not in such danger of reversal, has assisted Canada's economic development. Numerous other factors did, too, such as the absence of a capital gains tax in Canada, and the interest rate and yield differential between the two countries. These acted as special incentives and encouraged investments in the more risky mining, smelting, refining, forest and other development ventures. By helping to unlock abundant resources and to develop their associated industries, Canada's population, which grew from 11 million in 1935 to 16.5 million today, and is estimated as likely to reach 26.7 million by 1980, has enjoyed a rising standard of living.

The Canadian Gross National Product was $4.5 billion in 1936, grew to about $30 billion at present, and is expected to reach $76 billion by 1960. Our neighbor to the north of us is now the fourth largest trading nation in the world and the sixth greatest industrial nation in terms of manufacturing output — and certainly has not stopped developing.

Canadian iron ore was not an export item to the United States in 1937, but in 1956 we bought around 20 million tons. Steep Rock Iron Mines, one of the two Canadian corporate entities in the tax controversy, shipped over 3 million tons of high-grade iron ore to the steel mills of Canada and the United States. Barely a dozen years ago, the mine lay buried deep beneath the bed of a wilderness lake. The production of oil was about 7 million barrels in 1936 and now has been increased to 170 million barrels, achieving first place in Canadian minerals in terms of value. Ten years ago Canada produced 7% of its oil needs, now it produces 80% despite a tremendously increased consumption.

The major part of non-resident direct investment has come from the United States. Prior to World War II, United States investment in Canada was almost $3 billion; in 1945 it came close to $5 billion; but in 1955 it was over $10 billion and (the 1956 data are still unavailable) should reach over $11 billion, with little prospect for change in pace and volume for 1957—particularly in view of the Court's April decision which should overcome any investor hesitancy that may have developed since the initiation of the original tax claim in the dispute.

Canada's share of total American capital invested abroad is the largest for any single country. The Canadians have invested 75% of their capital needs which together with the foreign in-flow amounted in the past year to nearly one-quarter of their Gross National Product. This is one of the largest, if not the largest, capital investment rates in any free country.

**Another Consideration**

At the end of 1955 United States investors owned three-quarters of Canada's oil and natural gas, one-half of mining and over two-fifths of manufacturing. While this economic consideration and appraisal was not mentioned at any time at all in the case under discussion, it is an intangible that should influence our tax concepts and policies. Thus, we should be aware of the economic reality of possible repercussions of our tax decisions in other countries. The American stake in Canadian securities is considerable. Our earnings in 1955 were close to $600 million; and for all foreign areas our earnings were about $3 billion. Unreasonable tax disparagement of our private investments abroad is quite likely to discourage American investors and invite retaliation. All this could create a most unhealthy prospect for world economic growth and bring about that which we castigate Socialist economies for doing directly when in pursuit of their doctrines they outlaw private initiative and investment and undertake public international outlays.

Our private investment has helped speed up Canada's economic growth just as British and other European capital helped speed up our own growth rate, particularly in the 19th century. The present complicated structure of tax laws, however, does provide one marked difference; i.e., the intentional and unintentional effects on the flow of capital did not enter into international investment decisions and international specialization then. In that difference international development was not as impeded as it is today. Today's international investment climate in most trading nations of the world is difficult enough as it is without introducing, on our own initiative, tax impediments.

Whether this case will be appealed is not known as of this writing. The Government's decision on whether it will appeal must be made within the usual three-month period after the decision is entered. A prerequisite of the entry of the Court's decision will be the approval of a Rule 50 computation. In view of the facts in the case, the author believes there is no valid reason as to why the case should be appealed by the Government. The decision has reestablished investor tax certainty for bonafide investment in a foreign corporation. It should be allowed to serve as a guide for American investors.

# Hot Spots in the International Picture

By ERNEST K. LINDLEY*

Director of the Washington Bureau of "Newsweek"

**Mr. Lindley discusses some of the "hot spots" in the world today and concludes that it would not be safe to devote less effort and money in our defense.**

We have had an unexpectedly favorable "break" in Jordan. No one could have foreseen that young King Hussein would act with the strength and skill which he demonstrated at the critical hour. A coup which would put Jordan definitely in the Syrian-Egyptian-Communist camp had been planned for weeks ago. It was to be the culmination of a long process of infiltration and manipulation. The key man was a favorite of the King's, General Nuwar. The King finally came to realize that Nuwar was not loyal and moved just in time to frustrate the coup. He was greatly assisted of course by the support of King Saud of Saudi Arabia. This is one of the reasons—but only one of several—why King Saud's visit to Washington is now regarded by high officials of our government as one of the most useful diplomatic steps we have recently taken. It is significant that since King Saud returned home, heads and representatives of other Arab states have gone to see him. They recognize that he has become a key man in the situation.

Ernest L. Lindley

**The Middle East**

King Saud is no pliant tool of American diplomacy. He is a shrewd man — although perhaps not so shrewd as his father. He knows that he now occupies a key position. He is unlikely to go with us all the way. But he has long been disturbed by the growth of Communist influence in Egypt and Syria, and he is aware of Egyptian-inspired machinations in Saudi Arabia against his own regime. His decision to bury old dynastic rivalries and to support Hussein was of decisive importance.

We helped Hussein by three measures: declaring the integrity and independence of Jordan to be "vital," by sending the Sixth Fleet to the Eastern Mediterranean, and by offering Jordan financial aid. Only a few months ago, it was generally expected that Jordan would soon fall apart. But Hussein's display of leadership and his backing by Saud suddenly made Jordan an acceptable risk. On the other hand, this little country could not be partitioned at the present time without a war—at least a free-for-all struggle locally, with unpredictable consequences. It is not true—contrary to some despatches—that the Sixth Fleet was sent to deter Israel. Washington was confident that Israel would not take the initiative in provoking another war—although Israel could hardly be expected to stay put if Syria, Iraq, and other nations grabbed portions of Jordan.

Whether Hussein can stabilize Jordan is an open question. Few impartial observers think that he can unless the Palestinian refugees in the western part of his country are resettled elsewhere. But if Hussein succeeds, his example is likely to hearten the pro-western elements in Syria and perhaps also in Egypt.

Generally, we have made good progress in explaining the Eisenhower doctrine in the Middle East and in winning acceptance for it. At the same time—and that is one of our prime objectives—we have made progress in isolating Nasser. Despite his substantial victory in the Suez dispute, his influence in the Arab states has diminished. That is a gain for us. If Egyptian influence can be confined to Egypt, it will not make so much difference who rules that country.

**The Far East**

In the Far East, two of the most troublesome spots are Indonesia and Laos. Indonesia is a fabulous prize, and it is threatened by Communist infiltration and the toleration of that infiltration by President Sukarno. It is by no means clear what we can do about the internal Communist threat in Indonesia. Laos is a weak and obscure little country. The Communists have retained their foothold in its northern part. If they should succeed in taking all of it, they would arrive at the borders of Thailand and Cambodia and pose a new threat to South Vietnam. We are putting a good deal of effort—and money—into Laos.

The Soviets have launched another of their recurrent peace offensives. Undoubtedly they want to relax international tension, although their primary purpose is probably to drive a wedge between Western Europe and the United States. The internal reorganization on which they are embarking is one of the most important changes since the Bolshevik revolution. It is reasonable to suppose that this measure of decentralization in the control of industry will be followed, in due course, by a further decentralization of political power.

**Our Supposition About U.S.S.R.**

Our policy for 10 years has been based on the hope, and supposition, that the Communist regime in the Soviet Union would gradually evolve into something more tolerable or at least less dangerous. That is the basis of the policy of containment—which continues to be our official policy. Had we not seen some hope for evolution in the Communist system, we should have come to grips with it while we still had an atomic monopoly.

But the evolution which has occurred so far in the Soviet Union is not sufficient to give us just cause to relax. We are up against a formidable adversary, who is growing in industrial power and modern weapons. When I visited the Soviet Union years ago, during the first Five Year Plan, I thought and wrote that regardless of the future of Communism—and many thought then that it would evolve—the rise of Russia as an industrial state would alter the balance of world power. A century and a quarter ago a great French liberal historian-journalist foresaw a struggle for control of the globe between Russia and the United States. He saw that struggle in the same terms in which we now see it: as one between tyranny and freedom. And he wrote that 80 years or more before the Bolshevik Revolution and even before Karl Marx wrote Das Kapital.

We hear much about the rising standard of education in the Soviet Union and the growing class of industrial managers. But the Russians are a people with little experience in self-government. And we have had in very recent history a striking refutation of the thesis that highly educated peoples are automatically democratic and peaceful. Few if any peoples in the world had a higher average of education than the Germans when Hitler took power over them and launched the second world war. The same sort of thing could happen in the Soviet Union.

**Conclusion**

Realistically, I see no prospect in the visible future that it will be safe for us to devote less effort and money than we are now devoting to our defense—including foreign aid, diplomacy, intelligence, and overseas information, as well as our military establishment.

*From an address by Mr. Lindley at the 25th Anniversary Meeting of "Newsweek," Dayton, Ohio.

## Invest. Assn. of NY Annual Outing

It has been announced by Maitland I. Ijams of W. C. Langley & Company, President of the Investment Association of New York that the 11th annual outing will be held at the Apawamis Country Club, Rye, N. Y., on Friday, June 28. The entertainment and sports events to be arranged by A. Parker Hall, Jr., of Shearson, Hammill & Co., will include lunch, dinner, a tennis tournament and a golf tournament with a permanent trophy to be presented for the first time to the winner of the low gross. There will also be other special events to be announced on the day of the outing.

## Now With Waldron Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Wendell A. Hutchinson has become associated with Waldron & Co., Inc., Russ Building. Mr. Hutchinson who has been in the investment business for many years was recently with Maisel Investment Co.

## A. M. Kidder Appoints

BRADENTON, Fla. — Effective May 1, 1957, Harry B. Barton, Registered Representative in the Bradenton, Florida office of A. M. Kidder & Co. was appointed Co-Manager of that office, together with Harry S. Myles, who is presently classified as Manager.

## With A. C. Allyn & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Martin A. McDevitt, Jr. has become associated with A. C. Allyn and Company, Incorporated, 122 South La Salle Street. He was formerly with Hallgarten & Co.

## Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Joseph P. Dalton has been added to the staff of Reynolds & Co., 39 South La Salle Street. He was previously with Arthur M. Krensky & Co., Inc.

## Joins Hess Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—Louis B. Craft has joined the staff of Hess Investment Company, 721 Maine Street. Miss Craft was previously with A. G. Edwards & Sons.

## Now With F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Ralph W. Olson has become connected with Francis I. du Pont & Co., San Diego Trust & Savings Building. He was formerly with Walston & Co.

# Pressures Acting on the Franc And Possible Impact on Sterling

By PAUL EINZIG

**Noted Economist writes on the conditions surrounding the possible devaluation of the French franc and the likely impact upon British sterling. The British writer compares the similar and dissimilar pressures operating on these currencies and explains why the burden is still less on sterling—though it too may become unbearable with additional wage-inflation. Sees greater danger to sterling coming from British authorities' over-confidence rather than from market-pessimism.**

LONDON, Eng.—The determination with which the French Government is defending the franc against devaluation compels admiration. It recalls the successful resistance to adverse pressure against the franc by Poincaré in the '20s and by M. Reynaud in the '30s. But unfortunately this time the dice are heavily loaded against the staunch defenders of the franc. During the inter-war period the French Governments that followed each other in rapid succession had largely themselves to blame for the endless series of devaluations. Internal political instability was the main cause of the weakness of the franc. In the postwar period that factor has continued to operate, but it has been overshadowed by two major sources of weakness—the heavy military expenditure on the defense of Indo-China and later of Algeria, and the strength of Communist influence in the French trade unions.

Paul Einzig

So long as the heavy military requirements continue, all efforts at balancing the budget have failed to produce the desired result. And the pressure of Communists in wages disputes has made it impossible to moderate wages inflation. As a result, the price level in France is decidedly too high. The balance of payments situation is unsatisfactory, and the French authorities have to support the franc on an extensive scale against adverse pressure aggravated by speculative anticipation of its devaluation. In such circumstances the possibility of a devaluation cannot be ruled out. Although the Government fully deserves to be successful in its resistance to devaluation, it would be unwarranted optimism to assume that the sacrifices made to that end will necessarily produce the desired result.

### Impact Upon Sterling

The question that interests financial circles in London and in other banking centers is whether, if and when the franc should be devalued, pressure on sterling would increase to such extent as to become irresistible. There could be no doubt that, should sterling be devalued first, the franc could not survive on its present parities for 24 hours. The psychological effect of a sterling devaluation on the franc would become a decisive factor. Is there any reason to believe that the psychological effect of a franc devaluation on sterling would be equally decisive? If a sufficiently large number of people should believe this to be the case, the devaluation of the franc would greatly aggravate the adverse pressure on sterling. It is important, therefore, to examine in advance the position that is liable to develop after a devaluation of the franc.

There is in many ways a high degree of similarity between the British and French position. Although the domestic political situation in Britain is not as unstable as in France, the Socialist gains in recent local elections and the "rebellion" of a number of Conservatives as a result of the Government's decision to submit to Nasser's terms concerning the use of the Suez Canal have caused a certain amount of uneasiness about the future of the Conservative regime. Informed quarters know that this uneasiness is unjustified, because the discontented elements in the Conservative Party are most unlikely to carry their criticisms sufficiently far to endanger the Government. They will only abstain from supporting the Government so long as they are satisfied that they can make this danger without risking a defeat of the Government. And in the absence of a defeat in the House of Commons there is no reason why there should be a general election for another three years. But these facts are not generally realized, so that the fears of political changes constitute a real factor in the sterling position.

### Giving Up Colonies

In spite of the cuts in military expenditure which the British Government has undertaken or intends to undertake, that item remains unduly heavy, and it will continue to press on sterling. But this burden is not nearly as troublesome for Britain as it is for France. There is more willingness in Britain than in France to face realities by giving up overseas possessions, retention of which would be too costly. On the other hand, from the point of view of the industrial situation, Britain's position is about as bad as that of France. Even though the numerical proportion of Communists in British trade unions is negligible, their influence on wages demands is fully as strong as in France.

Having said all this it is necessary to draw attention to the important differences between the position of sterling and that of the franc. Britain's gold and dollar reserves are much stronger than those of France. Moreover, Britain has much larger easily realizable overseas investments as a second line of defense. Britain's balance of payments position is also much sounder than that of France.

### Compares Export Prices

Over and above all, while the franc is distinctly overvalued at its present parities, the same cannot be said to be true about sterling. In spite of recent wages increases and the prospects of further increases, British exports remain competitive in many spheres. While a devaluation of the franc may be necessary in order to restore equilibrium between the price levels in France and in other countries, the same cannot be said to be true about sterling. Of course, if the rising trend in wages should proceed much further, Britain would find herself sooner or later in the same position as exists in France today. But at the moment the level of British prices and costs does not call for a devaluation.

The question of the psychological effect of a devaluation of the franc deserves attention. Beyond doubt, it would be followed by a fresh burst of speculation against sterling. But in possession of substantial gold resources, reinforced by recently obtained dollar facilities, the British authorities would be in a position to face such a pressure, provided that domestic inflation could be held in check. From this point of view a relaxation of the credit squeeze would be ill-timed if it were to coincide with a French devaluation. Already the revival of activity in the automobile industry as a result of the relaxation of instalment credit restrictions has gone a long way towards bringing back inflationary overfull employment.

It seems, therefore, that excessive confidence on the part of the British authorities in sterling's capacity to resist after a devaluation of the franc may become a source of graver danger than excessive pessimism on the part of the foreign exchange markets.

## Dempsey-Tegeler Offer Topp Industries Debs.

Public offering of $2,750,000 6% convertible subordinated debentures of Topp Industries, Inc., was made today (May 23) by a syndicate headed by Dempsey-Tegeler & Co.

The debentures, due May 1, 1977 are convertible at 10 through May 1, 1962, at 12 through May 1, 1977, and at 15 to maturity.

Topp Industries, consists of three operating divisions, covering the fields of electronics, avionics and automation. The parent organization, located in Los Angeles, Calif., is active in electronics subsystems, instrumentation and controls, and precision electronic components for guided missiles and military and commercial aircraft, as well as in industrial automation.

Haller, Raymond and Brown is the technical center of the corporation. Its more than 330 engineers, scientists and related personnel work in the fields of systems analysis, technical intelligence, and equipment development for industry and government.

Located at State College, Pa., this highly developed technical team produces specific engineering and research on products to be manufactured by either Topp Industries or Heli-Coil, Inc., the firm's third subsidiary.

The chief product of Heli-Coil is a line of patented, precision-formed coils, which act as a liner for pre-drilled and tapped holes. This coil imparts 2½ times the strength of the original thread, and, as a result, is finding wide industrial and military acceptance.

Recently the firm has designed a new screw lock insert which will eliminate to a large extent the need for lock nuts and lock wiring, with resultant savings in weight and cost.

Sales for the firm were $5,050,974 for the fiscal year ended April 30, 1956, while present projections indicate sales through April 30, 1957, at approximately $9,200,000. Backlog as of Feb. 28, 1957, amounted to $6,175,000.

## Forrest Laidley Joins McDougal & Condon

(Special to The Financial Chronicle)

DETROIT, Mich.—Forrest Laidley has become associated with McDougal & Condon, Inc., 208 South La Salle Street. Mr. Laidley has recently been with Rodman & Renshaw. In the past he was a partner in Hicks & Price.

### With Dean Witter

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Chris Musun is with Dean Witter & Co., 632 South Spring Street.

## Cook Investment Co. Formed in Chicago

CHICAGO, Ill.—Announcement is made of the formation of Cook Investment Co. by Frederick J. Cook, John P. Pollick, Morey D. Sachnoff and William J. Sennott, Jr. The new firm with offices at 208 South La Salle Street, Chicago, will engage in a general investment security business. They will hold membership in the Midwest Stock Exchange and the National Association of Security Dealers, Inc.

M. D. Sachnoff

John P. Pollick

William J. Sennott

Frederick J. Cook

All of the four principals are well known in the investment field, having had many years experience on La Salle Street. Mr. Cook and Mr. Sennott have been associated with H. M. Byllesby & Co. for the past few years, Mr. Pollick with Swift, Henke & Co. Mr. Sachnoff was associated with the New York Stock Exchange house of A. M. Krensky & Co., and for many years prior to that with Straus, Blosser & McDowell.

Business will be conducted with banks, dealers and individuals specializing in over-the-counter securities.

## Murch & Co., Inc. Opens in Cleveland

CLEVELAND, Ohio.—Murch & Co., Inc., the first investment securities firm to be organized in Cleveland in over twenty years as members of the New York Stock Exchange, commenced business May 21 at 330 Hanna Building in Cleveland.

Boynton D. Murch

Warren G. Steffen

Fred F. Leustig

Murch & Co., Inc., was formed by Boynton D. Murch, who is President and Treasurer; Fred F. Leustig, Vice-President and Secretary; and Warren G. Steffen, Vice-President.

Mr. Murch is the son of Maynard H. Murch, founder of Maynard H. Murch & Co., Cleveland investment securities house.

He began his career in the brokerage business in 1947 with his father's firm, and for the past two years has been Cleveland branch manager of the New York house of Cosgrove, Whitehead & Gammack.

Fred F. Leustig, Vice-President and Secretary of Murch & Co., Inc., was until recently associated with L. B. Schwinn & Co. He was at one time with Cleveland's North American Bank and has been engaged in the securities business in Cleveland since 1936.

Warren G. Steffen has been engaged in the securities business since 1945. He is a Vice-President and also sales manager and research director of Murch & Co., Inc.

Elliot B. Lemon is Cashier and Assistant Treasurer. Prior to joining the new concern, Mr. Lemon was for 12 years with the U. S. Securities and Exchange Commission.

Registered representatives of Murch & Co., Inc., are Joseph F. Lennon, Joseph H. Ternes and Edward L. Rickard.

Helen C. Sherlock is Assistant Cashier.

## Bank Credit Assoc. Elects Officers

At a regular meeting of the Bank Credit Associates of New York, held May 16, 1957, the following were elected as officers and governors for the years 1957-1958:

President—William D. Smith, Irving Trust Company.

First Vice-President—Francis D. Weeks, Marine Midland Trust Co.

Second Vice-President—John J. Battista, Swiss Credit Bank, New York Agency.

Treasurer—Justin F. McCarthy, Industrial Bank of Commerce.

Secretary—Thomas E. McCullough, Chemical Corn Exchange Bank.

**Board of Governors for Two Years:** Burton B. Mitchell, Meadowbrook National Bank; Everett Estes, Bank of New York; Richard J. Verdu, Goldman Sachs & Company; Thomas N. Flournoy, First National City Bank of Jersey City; Dale Y. Freed, The Hanover Bank; Ramsey E. Joslin, New York Trust Company.

### With Marache, Dofflemyre

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Frederick G. Kimball has become connected with Marache, Dofflemyre & Co., 634 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. Kimball was previously with Kostman, Inc. and Samuel B. Franklin & Co.

### Join Mitchum, Jones

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Kenneth J. Griffin is now with Mitchum, Jones & Templeton, 650 South Spring Street, members of the New York and Pacific Coast Stock Exchanges.

# NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

**The First National City Bank of New York** announced the declaration on May 21 of a quarterly dividend of 75 cents per share on the shares presently outstanding payable Aug. 1, to holders of record July 9. This action increases the dividend rate from $2.80 to $3.00 per annum.

Simultaneously, Howard C. Sheperd, Chairman, announced that the Board of Directors is recommending to the shareholders a proposal to increase the capital funds of the Bank through the sale of 2,000,000 additional shares of capital stock at $60 per share, a total of $120,000,000. The number of shares of $20 par value would be increased from 10,000,000 to 12,000,000. He said a special meeting of stockholders will be held on June 24 to vote on the proposed increase.

Upon approval, the additional shares will be offered to shareholders pro rata on a basis of one new share for each five shares held of record as of June 24.

Mr. Sheperd stated it is the intention of the Board, subject to future earnings, to continue the $3.00 rate on the increased number of shares.

Arrangements have been completed with investment bankers headed by The First Boston Corporation for the purchase of any unsubscribed shares at the subscription price of $60 per share.

Of the proceeds of the sale of the additional shares, $40,000,000 would be added to the capital of the Bank and $80,000,000 to surplus. With these changes, the capital of the Bank would be increased from $200,000,000 to $240,000,000 and the surplus from $300,000,000 to $380,000,000.

Including approximately $73,000,000 of undivided profits, total capital funds of the Bank would approximate $693,000,000. This total does not include either the capital funds of City Bank Farmers Trust Company, of approximately $33,000,000, or unallocated reserves of the Bank of more than $100,000,000.

Capital funds as proposed would have represented 18.3% of loans and 10.3% of deposits as of March 31, 1957, compared with 15.1% and 8.6%, respectively, on that date. The legal lending limit (10% of capital and surplus) would be increased from $50,000,000 to $62,000,000.

The book value of the combined capital funds of the Bank and of City Bank Farmers Trust Company was $60.56 per share as of March 31. After the foregoing changes it would be approximately $60.47 per share.

If the capital stock increase is authorized, warrants covering the subscription rights will be issued and mailed about June 28 to shareholders of record June 24. The rights will terminate if not exercised on or before July 22.

* * *

The appointment of James R. Patchett as an Assistant Secretary of **Manufacturers Trust Company, New York**, is announced by Horace C. Flanigan, Chairman of the Board.

Mr. Patchett was appointed as an Assistant Manager of the Bank in December 1954.

At present Mr. Patchett is assigned to the bank's Personal Loan Department, 67 Broad Street, New York.

Mr. Flanigan also announced the appointment of Louis Cassetta as an Assistant Secretary.

Mr. Cassetta began his banking career with the **Chatham Phenix National Bank** in 1916 and joined Manufacturers Trust Company with the merger of the two banks in 1932. He was appointed a branch Manager in 1947.

At present, Mr. Cassetta is assigned as officer in charge of the bank's Boston Road office near Eastchester Road in the Bronx.

* * *

Maurice Zimmerman, 54, senior analyst in the trust investment division of **Guaranty Trust Co. of New York** died on May 15.

* * *

Donald R. Atkin and Clement D. Gile have been named Assistant Vice-Presidents of **J. P. Morgan & Co., Incorporated, New York.** Carl W. Klemme was appointed an Assistant Secretary. Mr. Atkin and Mr. Gile have been assigned to the general banking department and Mr. Klemme to the bank's operations department.

* * *

**Trust Company of North America, New York, N. Y.,** filed an application dated April 25 with the Banking Department of the State of New York for approval of change of name from Trust Company of North America to **Bank of North America.**

* * *

Percy C. Magnus has been elected a member of the Board of Trustees of the **Kings County Trust Company, Brooklyn, N. Y.**

Mr. Magnus is a trustee of the **East River Savings Bank, New York.**

Mr. Magnus' many activities include a directorship in the **Underwriters Trust Company, New York.**

* * *

**The Lynbrook National Bank & Trust Co., Lynbrook, N. Y.,** officially launched its golden anniversary celebration on May 14 at a dinner attended by officers, directors and the entire personnel of the bank.

* * *

The Controller of the Currency has approved a merger of the **First National Bank of Sparkill, N. Y.,** and the **First National Bank of Spring Valley,** it was announced on May 14. Special stockholder meetings are being called to act on the proposal.

* * *

**First National Bank of Morrisville, New York** with common capital stock of $50,000 went into voluntary liquidation effective April 30. Liquidating agents or committee: Hugh T. Davis, Langdon Smith and DeBanks M. Henward, care of the liquidating bank. Absorbed by: **The First Trust and Deposit Company of Syracuse, New York.**

* * *

W. G. Semisch, President of the **Second National Bank of Philadelphia, Pa.** announces the completion of the sale of 12,500 shares of capital stock at $28.00 per share. The capital will amount to $1,375,000; surplus of $1,625,000, and undivided profits and reserves of $1,000,000. This brings Second National's total capital funds to approximately $4,000,000. The approval by the stockholders to issue the stock was given in the April 25 issue of the "Chronicle" on page 1959.

* * *

**Central Trust Company, Harrisburg, Pa.,** and the **Allison-East End Trust Company, Harrisburg, Pa.,** merged under charter and title of Central Trust Company, effective May 6.

* * *

**Equitable Security Trust Company, Wilmington, Del.,** and **The National Bank of Smyrna, Del.,** merged under charter and title of Equitable Security Trust Company, effective May 6.

* * *

Albert D. Graham, one of Baltimore's most prominent bankers, died on May 17. He was 87 years old.

Mr. Graham was Board Chairman of the **First National Bank.** He had been President of the **Citizens National Bank** when in 1928 it was merged with the **Merchants National Bank** to become the First National.

A native of Baltimore, Mr. Graham was also a director of the **Eutaw Place Savings Bank.**

* * *

**The Bank of Dinwiddie, Incorporated, McKenney, Virginia,** has changed its title, effective April 4, to **The Bank of McKenney, Inc.**

* * *

The common capital stock of **The Cosmopolitan National Bank of Chicago, Ill.,** was increased from $1,000,000 to $1,100,000 by a stock dividend and from $1,100,000 to $1,200,000 by the sale of new stock, effective May 7 (12,000 shares, par value $100).

* * *

**The First National Bank of South Carolina of Columbia, S. C.,** increased its common capital stock from $1,514,500 to $1,652,181.80 by the sale of new stock. Effective May 13.

* * *

**Citizens & Southern National Bank, Atlanta, Ga.,** elected Henry J. Miller a director, succeeding the late Judge W. W. Douglas.

* * *

A charter was issued by the office of the Comptroller of the Currency on May 3 to the **Florida National Bank at Vero Beach, Vero Beach, Indian River County, Florida.** The President is Ernest J. C. Doll and the Cashier is George E. Elms. The bank has a capital of $150,000 and a surplus of $125,000.

* * *

Effective May 8 the **Fidelity National Bank of Baton Rouge, Louisiana,** increased its common capital stock from $1,375,000 to $1,750,000 by the sale of new stock (70,000 shares, par value $25).

* * *

Stockholders of **The First National Bank of Fort Worth, Texas,** will be asked to increase the capital accounts of the bank at a special meeting to be held June 4, J. Lee Johnson, Jr., President, announced following a regular meeting of the bank's board of directors.

According to a resolution passed by the board, the stockholders will be asked first to approve an increase in the common stock of the bank from $6,500,000 to $7,500,000 by the sale to stockholders of 100,000 additional shares of the $10 par value stock at $24 per share. Stockholders will be accorded rights to purchase these additional shares on the basis of one new share for every six and one-half shares owned at the time of the adoption of the resolution.

Proceeds received from the sale of the additional shares of stock will amount to $2,400,000 and will be allocated in the following manner: $1,000,000 to capital, $1,000,000 to surplus, and $400,000 to undivided profits.

The resolution also provides for a stock dividend of $500,000 out of undivided profits. This stock dividend will be payable pro-rata to stockholders of record on the day that the Comptroller of the Currency issues a certificate of approval for the capital increase. The stock dividend will be issued on the basis of one share for every 15 shares owned after the sale of the new stock has been effected.

* * *

**The First National Bank of Caldwell, Caldwell, Idaho,** with common stock of $250,000, and **Bank of Eastern Idaho, Idaho Falls, Idaho,** with common stock of $175,000, were merged with and into **Continental State Bank, Boise, Idaho,** under the charter of Continental State Bank and under title **"Bank of Idaho,"** effective as of the close of business April 30.

* * *

Elliott McAllister Chairman of the Board, announced May 16 that the board of directors of **The Bank of California, San Francisco, Calif.** has ratified the merger agreement of the Bank of California and **Placer County Bank, Auburn.** A special meeting of The Bank of California shareholders has been set for July 2 when they will vote on the merger.

Placer County Bank's directors will meet to take similar action. Upon their approval a special meeting of Placer County Bank shareholders will be called for July 1.

* * *

**Farmers and Merchants Bank of Lodi, California, Lodi, Calif.,** has changed its title to **Farmers and Merchants Bank of Central California,** effective April 12.

* * *

**The First National Bank of Ontario, Calif.,** increased its common capital stock from $300,000 to $400,000 by a stock dividend, effective May 6 (8,000 shares, par value $50).

## McManus & Walker to Admit Partners

McManus & Walker, 39 Broadway, New York City, members of the New York Stock Exchange, on June 1 will admit James H. Sheils to general partnership and Louise Hitchcock Stephaich to limited partnership in the firm.

## With Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Marjorie C. Childress is now with Crowell, Weedon & Co., 650 South Spring Street, members of the Pacific Coast Stock Exchange. Miss Childress was formerly with Hemphill, Noyes & Co.

## Joins Fewel Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Willis H. Doetschman has joined the staff of Fewel & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. Doetschman was previously with Kostman, Inc. and Samuel B. Franklin & Co.

# Bank and Insurance Stocks

By ARTHUR B. WALLACE

## This Week — Insurance Stocks

The magnitude of the underwriting losses of the fire-casualty insurance stocks in 1956 is realized when the figures for statutory losses are set out. These are among the worst for the industry in a number of years. There are, of course, two possible offsets to these figures: one comes about from a possible increase in the premium reserve; the other as a tax credit or, it may be, a tax refund.

So far as the change in the unearned premium reserve is concerned, where a company's premium reserve increases in a given period, the usual practice is to assign an equity in this increase to the shareholder. If a fire company, the custom is to make the equity 40% of the increase in the unearned premium reserve. If a casualty company, the general practice is to make the equity 35%. However, for some casualty units this varies considerably.

For example, Seaboard Surety Company in 1956 had about 80% of its total net premiums in surety and fidelity lines, and what general casualty lines were written in addition to these were largely an outgrowth of its principal lines. But its experience in these principal lines has been so favorable generally that one of the statistical services assigns an equity of 40% to the change in this reserve. The same service gives Fidelity & Deposit Co. a like equity in the change in the reserve, it, too, concentrating the bulk of its writings in three lines, surety and fidelity bonds, and burglary and theft, nearly 90%. Of course, if the change in a given year is minus rather than plus, the equity in the change is also minus, and so reduces the adjusted underwriting figure correspondingly.

Federal income taxes usually affect insurance companies somewhat differently. Any profits in underwriting (excluding the change in the unearned premium reserve) are subject to regular corporation tax rates. However, because most companies hold tax-free bonds in greater or lesser amounts, the total effective rate is usually somewhat less than that on statutory results. The 1956 underwriting results were so poor for the industry that not only was little tax collected on this portion of the business, but there are likely to be numerous sizable refunds.

So we find that government which, generally speaking, is so niggardly with adequate premium rates, in a year such as 1956 must share in the industry's losses; the policyholder is the one who derives the chief benefit from the inadequate rates.

Following are the statutory gain or loss (mostly loss, it will be evident) figures for a list of companies whose stocks are among the more actively traded insurance issues:

ESTIMATED STATUTORY RESULTS, 1956

| | | | |
|---|---|---|---|
| Aetna Casualty | + $500,000 | Hartford Fire | + $700,000 |
| Aetna Insurance | —7,960,000 | Home Insurance | —17,680,000 |
| Agricultural Insurance | —1,936,000 | Ins. Co. of No. Amer. | + 320,000 |
| American Equitable | — 951,000 | Massachusetts Bond. | + 405,000 |
| American Insurance | —14,922,000 | National Fire | —11,345,000 |
| American Re Insurance | — 160,000 | National Union Fire | — 3,942,000 |
| American Surety | — 1,344,000 | New Amsterdam Cas. | — 4,375,000 |
| Bankers & Shippers | — 124,000 | New Hampshire Fire | — 2,588,000 |
| Boston Insurance | — 5,220,000 | Northern Insurance | — 212,000 |
| Continental Casualty | + 7,325,000 | North River | — 872,000 |
| Continental Insurance | — 5,200,000 | Pacific Fire | — 142,000 |
| Federal Insurance | + 675,000 | Phoenix Insurance | — 6,880,000 |
| Fidelity & Deposit | + 2,596,000 | Providence Washington | — 1,596,000 |
| Fidelity Phenix | — 6,120,000 | St. Paul Fire & Marine | + 64,000 |
| Fire Association | — 1,829,000 | Seaboard Surety | + 1,688,000 |
| Fireman's Fund | —22,470,000 | Security Insurance | — 2,725,000 |
| Firemen's Insurance | — 7,440,000 | Springfield Fire | — 4,963,000 |
| General Re Insurance | + 1,128,000 | Standard Accident | — 2,662,000 |
| Glens Falls | — 2,575,000 | United States Fid. & Gty. | — 5,082,000 |
| Great American Ins. | — 4,619,000 | United States Fire | — 2,016,000 |
| Hanover Fire | — 2,455,000 | Westchester Fire | — 1,060,000 |

It does seem that upward rate adjustments have become essential if some of the smaller units in the industry are to avoid trouble. Fire losses continue to run high; and tornados are working overtime. Conditions point to another bad underwriting year.

### Dempsey-Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James A. Taylor is now with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Taylor was formerly with First California Company.

### Now With Lackner

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Joe Davis has joined the staff of Lackner & Company, First National Bank Building. He was formerly with Carroll & Co.

### With Wagenseller, Durst

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Richard D. Salamida is now connected with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. Salamida was previously with Kostman, Inc.

### Coe With Hayden, Stone

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Francis L. Coe has become associated with Hayden, Stone & Co., 332 Main Street. He was formerly with Paine, Webber, Jackson & Curtis and prior thereto was a partner in Gibbs & Coe.





*Continued from page 10*

# The Short-Term Outlook for Money

insurance companies, savings and loan associations, private pension funds, mutual savings banks and time deposits of commercial banks. Last year, these savings supplied slightly over $18 billion of net new funds to the capital market over and above repayments on outstanding loans. This year, private savings probably will be $1 billion larger than last year. Government trust funds may add one-half billion dollars. The supply of savings this year is, therefore, likely to rise by almost as much as the $2 billion in demand for savings.

At first glance, this looks like a stand-off and that money might ease. But this conclusion would ignore the fact that in 1956, savings fell short by $2 billion of meeting market demand. At that time, the lack was made up through expansion in commercial bank credit. It appears, therefore, that we're facing the same situation as last year—that pressure will build up for bank credit to make up the difference.

**Keep Away From Easy Credit**

This brings us to the final factor—Government—which will also have an important influence on the money and capital markets during the coming months. As you know, the credit policy of the Federal Reserve is designed to secure as high a rate of growth in our economy as is consistent with stable prices. In other words, prosperity and price stability are the twin goals. Because of the importance of these objectives to all of us, I think you'll agree that the Federal Reserve should adopt the procedure most likely to achieve them, even though it may, at times, subject us to curbs which, at the moment, we may not like. Now that's hard to do when it hits us individually. All of us, as businessmen, would like to borrow all we need.

You can bet that we, as lenders, would like to have more money to lend — especially so at these attractive prices. But when our society is fully employed with prices inching up, it's quite clear that credit expansion, not based on savings, will fail to increase our real prosperity and only feed the fires of inflation, which robs us all.

The Federal Reserve must be sensitive to deflation too, and guard against a policy so tight as to result in unfavorable business conditions, such as unemployment. Right now I doubt that upward pressures are strong enough to cause any further tightening of money by the Federal Reserve Board. But, by like token, it appears to me our business world is sufficiently strong, so that it would be a mistake to turn on the easy money spigot. Our commercial banks are in a negative reserve position — that is, their borrowings at the Federal Reserve exceed their excess reserves. I believe that for the remainder of the year, the Federal Reserve will supply some small additional amount of reserves to enable our banks to make up some of the shortage of savings, but with sufficient restraint to still keep the banks in a negative reserve position.

And now, considering all the factors I've discussed—the course of business in the coming months —the expected deficiency of savings relative to demand for funds —and the probable Federal Reserve Board action—my best guess is that interest rates for the rest of the year will hold at current levels, with minor movements above or below, due to technical or temporary conditions, rather than to any fundamental or underlying changes in the credit situation.

*Continued from page 6*

# Our Current Monetary Policy: Appraisals and Prognosis

adjudged in distant Washington to be desirable for local communities.

This involves waste of time and money. Funds gathered in the local community shrink as they pass through the bureaucratic turnstiles on the Washington detour to pay for the wrapping as gift packages. The taxes we pay are so neatly concealed or withheld that there is no wonder heads of government departments report astronomical needs for those luscious Federal funds. In a more serious vein I must not neglect to mention the loss of local autonomy and the misdirection of economic resources. I have always liked President Eisenhower's favorite Lincoln quotation:

"The legitimate object of government is to do for a community of people whatever they need to have done, but cannot do at all, or cannot so well do for themselves in their separate and individual capacities. And in all that the people can individually do as well themselves, government ought not to interfere."

**Compensatory Principle Breaks Down**

Another reason for reconsideration of Federal budget outlays is the creeping inflation disease of which I spoke. If compensatory fiscal policy is to have any meaning, government expenditures need to be stabilized. Some theorists held that Federal Government expenditures would automatically decline in prosperity and increase in depression. They overlooked that Congressmen and government administrators are human beings and feel a natural inclination to spend up to the limit of revenues if not beyond. Now the emerging policy is to put Federal expenditures on an escalator, programmed to follow rising price, revenue, and GNP curves. This would seem a dubious course, most particularly from a point where Government at all levels is taking above 30% of the national income and above 25% of the GNP.

There are some economists who are concerned with shortage of buying power. They are disturbed by the possibility that people left too much to their own free will may decide at times not to spend and create a recession. Thus, they argue, a high percentage of government outlays to the national income or gross national product is an economic stabilizer. On the record such a line of policy leads to social discontent from resultant upward pressures on prices and excessive taxation. There is disillusionment in the standard of living provided by a nominally generous gross income and impulse is given to borrowing—and still more pressure on prices—from the effort to obtain the kind of living the gross wage is supposed to afford.

**Failure of High Taxes**

There is a widening recognition that a one-quarter or one-third tax take is not healthy for the dollar. Government has never been able to take so much out of the economy without putting upward pressure on prices.

Neither is it healthy for the private enterprise economy, which provides the goods and services that people want enough to pay for them with their own precious disposable incomes. Senator Byrd noted this when he asked Treasury Secretary Humphrey in March: "How long do you think we can preserve our free enterprise system and make progress when we take more than 33% in cash of individual income each year?" Secretary Humphrey's reply was characteristically forthright:

"I firmly believe that our present tax rates and our present public expenditures in this country are too high.

"I think that we cannot continue with the present programs and take that amount of money from the people and maintain America as the land of opportunity—as the land of competitive enterprise. Individual freedom and competitive enterprise go together."

It is an impressive fact that trade union leaders omit government benefits in evaluating the welfare of the workman. They indicate concern over the slackened rise—if not decline—in the buying power of the average factory worker's earnings **after tax**. This is a high compliment to private enterprise. But if the government crowds in on the national product how much chance will industry have to give the people higher real buying power for their disposable incomes?

**Budget & Tax Reform**

Finally, thus, we have the need for reconsideration of the Federal budget from the standpoint of tax reliefs and reforms. The income tax structure is quite a mess—as almost every student of the subject agrees. Yet in a budget directed toward a strong and expanding economy, this problem was passed over in favor of more spending on almost every front.

The omission of tax concessions from the budget was not unnoticed by the people. They still possess the sovereignty and are bringing considerable pressure to bear on the Congress and Administration to curtail Federal expenditures and taxes.

Getting back to my prognosis, there are dangers in a situation of this kind that action may be directed by impulse rather than thoughtful consideration. An illustration would be a cutback in essential mail services in order to initiate programs of Federal grants to help build public schools. The mail service is an essential Federal responsibility; education is essentially a local responsibility and has been since the nation was founded. But, with an eye to such risks, the budget review is wholesome. If it can bring a reduction in corporate as well as individual income tax rates within an overbalanced budget, we can have some relief from the pressure of corporate needs for funds on the money market. Business will have some ability to absorb cost increase without price increase. With the further help from a limitation of Federal Government demands upon the markets, the cost of living can be steadied and the escalator part of pay increases eliminated. Individual tax reductions can add to disposable income, supplant government procurement in the markets, and brighten the outlook for every enterprise seeking to satisfy the desires of people to improve their living standards and meet the personal budget pressures of growing families.

**A Way Out Must Be Found**

Here is the way to check the disease. You may feel fatalistically that creeping inflation, and its compatriot, creeping government spending, are so firmly embedded that we might as well adjust ourselves to it. In that event you can also look for controls and chronic shortages of saving which will stultify our natural economic development. But there is a way out and I hope we can see it and seize it.

## Dominick & Dominick Group Sells Grolier Society Securities

An underwriting group headed by Dominick & Dominick offered publicly yesterday (May 22) 318,000 shares of the common stock of The Grolier Society, Inc., publishers of The Book of Knowledge, The Encyclopedia Americana and other encyclopedias and reference books. Dominick & Dominick offered at the same time $2,500,000 of 5% convertible subordinated debentures due May 1, 1967.

The 5% convertible subordinated debentures were priced at 100% and the common stock at $15.50 per share. Of the shares offered, 18,000 are being sold for the account of a selling stockholder.

The debentures will be convertible into common stock at $17 per share before May 1, 1960, at $20 thereafter and before May 1, 1963, and at $23 thereafter.

The sinking fund will retire $250,000 of the debentures in each year beginning 1959, at the principal amount plus accrued interest; other redemption prices range from 105% for those called in the 12 months prior to May 1, 1958 to 100% for those redeemed in the 12 months prior to due date.

The proceeds to the company from the sale of the debentures and 300,000 shares of common stock will be added to working capital generally to finance installment sales contracts receivable.

Among the other underwriters are: The First Boston Corp.; Kidder, Peabody & Co.; Lehman Brothers; and Smith, Barney & Co.

## Montreal Stock Exch. Governing Committee

MONTREAL, Canada—Herbert K. Crabtree was elected Chairman of the Governing Committee of the Montreal Stock Exchange by acclamation, May 16. Mr. Crabtree is General Partner in the firm of Baker, Weeks & Co., and has been a member of the Montreal and Canadian Stock Exchanges since 1948. This will mark the new Chairman's first term in office. He previously served as Vice-Chairman of the Canadian Stock Exchange in 1953-1954.

J. D. Herdt, of L. G. Beaubien & Co., was elected Vice-Chairman by acclamation. Mr. Herdt was re-elected a member of the Montreal Stock Exchange in 1951, but had previously been a member from 1921 to 1946, and acted as Vice-Chairman of the Governing Committee during the 1938-1940 terms.

J. E. Chaput, of Brault & Chaput, was elected Secretary-Treasurer by acclamation. Mr. Chaput has been a member of the Montreal Stock Exchange since 1933, and has served on the Governing Committee for the past 11 years.

J. R. Donaldson, of Hickey, Donaldson & Co., was elected a Trustee of the Gratuity Fund for a period of three years.

The newly elected Chairman announced that the following were elected members of the Governing Committee of the ensuing year in addition to the officers:

Governors (regular members): W. L. S. O'Brien, O'Brien & Williams; J. R. Hughes, Royal Securities Company; H. E. Murray, Nesbitt, Thomson & Co.; F. L. Stuart, Kingstone & Mackenzie; F. G. McArthur, A. E. Ames & Co.

Governors (advisory members): P. Kilburn, Greenshields & Co.; H. R. McCuaig, McCuaig Bros. & Co. Ltd.; E. H. McAteer, Graham & Co.

## With Powell, Johnson

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Charles J. Brunner has become connected with Powell, Johnson & Powell Inc., Security Building. He was formerly with McCormick & Co.

## David Bullen Joins Brush, Slocumb & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—David Bullen has become associated with Brush, Slocumb & Co. Inc., 465 California Street, members of the Pacific Coast Stock Exchange. Mr. Bullen was formerly Sales Manager for Walter C. Gorey Co. and prior thereto was with Elworthy & Co.

## Two With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Ronald W. Cordingley and Ralph D. Joslin have become connected with Paine, Webber, Jackson & Curtis, 24 Federal Street. Mr. Cordingley was formerly with Donald B. Litchard. Mr. Joslin was with Chapman & Co., Inc.

# People's Attitude Toward Banks And Competing Institutions

By CHARLES A. EATON, JR.*
President, New Jersey Bankers Association
Vice-President, Fidelity Union Trust Company, Newark

**New Jersey Bankers' head makes use of recent motivation research study to urge an intensive public education campaign to inform a very confused American public about the differences between financial institutions. Mr. Eaton points out that a sizable number of those interviewed did not know the difference between banks and savings and loan associations; thought that a commercial bank is a businessman's bank without varied services to individuals; and did not know what a mutual savings bank is.**

A good contact personality, while distinctly an asset, is no more essential to a successful public relations man than it is to a successful business man, attorney or C.P.A. Furthermore, a good contact personality no more guarantees success in public relations than it does in any other field. Public relations is not a gentle art practiced on Dale Carnegie principles by men of good will, preferably in cocktail bars. At the risk of over-simplifying, I would note that what it takes to succeed in public relations is basically nothing more than plain hard work combined with a good measure of realism, imagination and common sense. This is the hard fact.

Charles A. Eaton, Jr.

### First Things First

It is axiomatic in our profession today that the key to successful public relations is a well-planned program. This axiom is not always reflected in practice and far too little attention has been paid to the method of drawing up a program. Many of the pitfalls of public relations could in my opinion be avoided by one basic, common-sense step which is not always taken by any means. Before a program for action is formulated, a conference should be held with top-level management to discuss and define as specifically as possible just what this particular management hopes to prove.

We must ask management to do some careful thinking. What are the goals of its public relations program? What are its various audiences and what image or images of itself as an institution does the bank hope to build in the public mind? This is the kind of basic planning, followed by scheduling, that is everyday practice in manufacturing industry and we are used to this kind of precision in bank operation. Too often, however, public relations omits these things. We all know that a program fired only by a kind of hit and miss opportunism is likely to run off the track.

There is a further common-sense step which should be taken in formulating a public relations program, and it is this step that I want to emphasize today. It is not enough to define desired images and goals. How can an institution build a successful program for better relations with the public if it does not know what is on the public's mind? Suppose the public mind is dominated by false images of banking . . . or of your bank or mine? Clearly one of our first tasks is to dispel these false images, and in order to do so we must know exactly what they are.

*An address by Mr. Eaton before the Financial Public Relations Association East Coast Conference and Public Relations Seminar of New Jersey Bankers Association, Atlantic City, N. J.

We need to pinpoint the problem areas, the areas of negative opinion, for special attention. By the same token we need to pinpoint the areas of positive opinion. Only in this way can we set out to reach our audience effectively and make the most telling and efficient use of money and time.

### Public's View of Banking

Until very recently, we in banking had no real way of knowing what image the American public had of us—at least of our industry as a whole. We are only now learning this for the first time. The new motivation study just completed for the American Bankers Association is reported to be the first study of its kind made at a national level in our industry and is one of the most progressive steps ever made in banking. It is one of the many valuable services performed by this great national organization on behalf of its membership. The aim of the research was to study ". . . the fundamental attitudes of people toward bankers, banks and competing institutions."

The study was based on a sample chosen to approximate the characteristics of a cross-section of the adult American population. An effort was made to secure the freest and frankest possible expression of opinion unhampered by personal reticence and the questions were also framed with this in mind. The study was conducted by means of the most expert techniques and its results are certainly well worth pondering. This is fresh material which casts a searching ray of light in a vital area of information that has hitherto been shrouded in darkness.

How has our industry fared in this unprecedented test of its popularity and prestige? In some respects very well. The cross-section of Americans interviewed overwhelmingly think of banks as honest, sound, safe, reliable institutions. There is no false image to be corrected in this area. Most people, according to the study, also think of a bank as the best place to go to save, borrow or get financial advice. This finding is one in which we may all take satisfaction.

By no means, however, will these people necessarily *go* to a bank for such financial needs. The study indicates that despite their high opinion of banks, people may be led by other factors, including psychological reactions, to patronize rival institutions instead. It also suggests that many people are not sure what a bank is and does. This uncertainty is important, if not exactly pleasing, for bankers to know. Some of the results of the A.B.A. study are as startling and disturbing for bankers, to discover as they are valuable for bankers to learn. Other results will be disturbing to finance companies or savings and loans, but I think it will be most fruitful if I stress those that apply directly to most of financial public relations people.

### Semantics

Let me cite a concrete example of direct interest to all those present who are handling public relations for what we call commercial banks. The study strongly suggests that a commercial bank which seeks to increase its small loans, savings deposits, and further use of its many other services to individuals will not necessarily gain new customers by publicizing itself as a *commercial* bank. It is just as likely that such publicity will keep new customers away. Why so? For the simple reason that many people are under the impression that a commercial bank is a business man's bank. Approximately half of those interviewed thought so. In fact only one out of five people identified a commercial bank as a "regular" bank, although more may have considered it to be such.

Other replies of people who were asked to define a commercial bank are also worth citing. Apart from those who said that it is a business man's bank, the highest proportion, 29% of the respondents said that a commercial bank handles loans and finances homes. Only 20% said that a commercial bank handles checking accounts and only 19% said that handling savings and deposits are commercial bank services. 16% said that a commercial bank has lots of services, hardly a high proportion either. "The word commercial," the A.B.A. study counsels, "obviously misleads a lot of people and is to be avoided."

As for public recognition of mutual savings banks, the results are no less surprising. Asked what a mutual savings bank is, 34% of those interviewed replied that they did not know. Almost as many, 32%, said that a mutual savings bank is like a "regular" bank. 18% defined them as cooperatives. 7% replied that a mutual savings bank pays interest or dividends and approximately the same number of people replied that it handles loans.

### Widespread Confusion

One of the most disconcerting results of the study is the revelation that the American public is very confused as to the differences between financial institutions. It is astonishing how widespread this confusion apparently is. Judging from the study's results, it is not impossible that some bank institutional promotion could actually be promoting new business and prestige for savings and loans as well as for banks themselves. I suggest this arresting possibility because a great many people are apparently under the impression that savings and loan associations are banks.

In fact, when those interviewed were asked to name as many different kinds of banks as they could, the distribution of replies showed savings banks, mutual not being mentioned, in first place, named by 50% of the sample. *Savings and loans were in second place,* named by some 40%. It is noteworthy that Federal Reserve came next, named by 38%. Commercial banks were fourth, named by 35%. In general people think first of all of a bank as a place in which to put savings.

Actual replies cited in the study are well worth our attention, if not to be recommended as soothing bedtime reading. "I know banks and finance companies," one person said. "They are the only places I know. Well, for banks you have your savings and loan banks, and regular checking banks, and commercial banks."

Another reply was even more remarkable: "All I know is the savings and loan bank—you know, the usual savings banks — they have a savings and loan in the window. And there are the commercial banks, you know, that my husband deals with. Of course I've heard about personal finance corporations and that kind of thing, but they're not savings banks, they're loan companies. The personal financing places, the regular savings and loan banks that are savings banks where you can have a checking account or a savings account, or I guess you can go for a loan, and the big commercial banks—the international banks."

Confusion, confusion, confusion! This gem of misconceptions is an extreme case, but the study certainly suggests that confusion is in general definitely widespread.

### Reaction to Bankers

Let us now see what opinion the public has of bankers. According to this study, rated in comparison with lawyers, insurance men and TV repairmen, bankers are regarded as more honest, richer, harder to know, older and considerably more formal. Asked to give his image of bankers, one person replied: "Pillars of the community, very conservative, sometimes too much so, sometimes stuffy and usually for the most part knows only about what he's doing and very little about anything else."

Another person said, "The average banker to me is a stuffed shirt. And he would . . . like those people who came in with a lot of money. I mean, he wouldn't pay any mind to the average guy who came in without too much dough. Those bankers—well, I mean the average guy with his few dollars would never even *see* the big cheese."

Here I am reminded of a comment I vividly remember, the description of a banker an elderly lady gave me following the banking "reformation" of the '30's. She said "He is one who believes in one God, no hell and 100 cents on the dollar."

Other replies in the study are more favorable. "Did you ever hear the expression firm but fair?" one person said. "That's a banker to me." Another person thought of bankers as "on the whole, rather kind." It is gratifying to note that bankers were rated as more helpful than TV men and lawyers, if less helpful than insurance men. They were also rated as friendlier than lawyers. On the whole, however, to quote the study: "The banker is seen as a rather austere figure — respected, conservative, competent and distant. The public feels little emotional rapport with him."

### Tellers Are Friendly

How people feel about tellers is another aspect of the study of obvious interest to everyone in our industry. The public does not think that the teller's chance of rising to the top is very good, and many people feel that his pay leaves much to be desired. One person defined a teller as "a low paid young fellow. Doesn't know what he's working for. He's jealous every time anyone makes a deposit because he's underpaid and can't save." Another said: "He's about 45 years, wears glasses, has on a white immaculate shirt, uses a Parker pen. He's a melancholy sort of fellow because he's underpaid." In the rating as to human qualities, however, the teller emerges from the study quite favorably. More people think of tellers as "helpful and being interested" than as anything else; many characterize them as nice, pleasant and polite. Only a fraction of those interviewed spoke of tellers as haughty, or as cold and stern. This opinion is encouraging, based as it doubtless is for the most part on actual experience.

In view of the special emphasis which many of our banks are today putting on campaigns to attract savings, the study's results in this area are of special interest. Time does not permit a detailed analysis and I must limit myself to some of the more general aspects revealed. The study indicates that despite the unprecedented level of consumer spending today people still feel quite strongly that it is wise and good to save.

I am reminded of the woman who came home with a new hat and told her husband it hadn't cost her anything. "In the first place," she told him, "it was marked down from $20 to $10. So I bought the hat with the $10 I saved. Actually, you see, it didn't cost me a cent."

When survey respondents were asked what a hypothetical couple with extra money would do with it, most of them said they would put it in a bank. Only one out of seven people said the couple would go out and spend it. The study indicated in particular a strong traditional moral attitude that saving is a virtue and having to borrow is in general bad.

### Savings and Morals

Knowledge of this psychological fact may prove very useful to us in the development of savings campaigns, but caution is indicated. As it relates to us the psychology is tricky. A moralistic feeling about savings is not entirely a positive factor in terms of expanding savings business for banks. Moral feelings do not prevent people from going into debt or spending all their income. If they do so they often feel uneasy and embarrassed about their conduct, and this embarrassment, the study suggests, may keep them from going to a bank for advice about saving.

The part of the study that deals with loans and borrowing suggests such a psychological reaction more strongly. It indicates that people have a mixed attitude toward banks that may sometimes make a handicap of what is otherwise one of our main assets. Because people regard bankers as "pillars of society" and banks as places of great integrity, and because people apparently feel some embarrassment if not guilt about borrowing instead of saving, the study suggests that they often avoid banks for loans and seek to borrow elsewhere—even though they think of banks as offering lower interest rates on loans. Other factors are also at work, but this psychological reaction is apparently strong. To quote the study, "the bank seems to get charged with the views of the person's own conscience."

### Loan Sources

A typical statement says: "I'd go to a bank for a mortgage. For a car, I'd go to a finance company. Well the bank might feel that I don't *need* the car and not grant the loan. Whereas the finance company would say well he thinks he wants a car. Let him do what he wants so long as we get our money back."

Another one says of a loan obtained from a bank: "I don't know why, but I was sort of nervous about asking for their loan. It's the bank's business to lend money, but I felt sort of uneasy about it. There was the thought that maybe they would turn me down or something."

Another: "The only reason why anyone would prefer a finance company . . . is that these people found that the money is readily available for them there and that very little security is required. I don't think they would ever have approached a bank for fear that the banker would laugh and say *now isn't this ridiculous.*" Coupled with this uneasiness is a belief on the part of the public that the business borrower is more welcome in a bank and more apt to get a loan than a man or woman borrowing for personal reasons.

The study makes a professional observation of enormous interest for everyone engaged in the banking public relations field. Noting that people tend to regard banks, in general, as stable, honest, reliable, conservative and rather "cool," the study suggests that this image is desirable for the prospective saver but not necessarily so for prospective borrowers. "The bank," it says, "is in the unusual and difficult position or having to play dual and seemingly incompatible roles." In fact we have two different customer audiences here—borrowers and savers—and perhaps our programs should reflect this fact more than they have to date. The existing popular image of banks, the study points out, needs to be *"softened"* to attract borrowers.

**Summary**

Summing up the results, the study finds that historical stereotypes still characterize the bank and the banker in the public mind. The image of bankers is still rather austere and remote. The image of banks is still rather cool, formal, lacking in friendliness, there is a very definite anxiety on the part of many people about doing business with banks, particularly in borrowing transactions. In other words, public awareness simply has not kept pace with the vast change that our industry has undergone in the last 20 years.

We must face it: Despite all the progress that we have made in bank public relations, the change in banking has not yet been sufficiently communicated. Public opinion has lagged. The ghost of the 19th century banking image still prowls to haunt our modern industry. This is not perhaps surprising — the transformation in banking has been so swift and basic—but there is a big job of banking public relations still to be accomplished if we are to remove the false image, lay the meddlesome 19th century specter low.

I have cited parts of the new A.B.A. study at length because I consider it an unusually challenging document and feel that it should be widely noted and discussed by those engaged in our specialized trade. I hope that more such studies may be made in the near future. I have not mentioned specific techniques that this study suggests to me for my own use, but it clearly offers new guidelines for more effective action in many phases of banking public relations. These guide-lines can be of much value to everyone of us in drawing up programs that are soundly and realistically based.

**Objective**

It is evident that one of our major assignments must be an intensive public education campaign to set people straight on the differences between various financial institutions. How can we expect people's financial interests to be best served if they do not even know the difference between the various financial institutions serving them?

In closing I want to urge that we also build public relations programs that are big enough to deal with the situation at hand. It is far easier to scale down an overambitious project than to try to add late in the game to a project that is flimsy and inadequate. "Make no little plans," a leading American architect one counseled, "they have no magic to stir men's blood. Make big plans aim high in life and work." To put the matter more bluntly—why be backward about going forward? Energy, realism and imagination are needed if we are to succeed in the task which we jointly face.

## With Montgomery, Scott

PHILADELPHIA, Pa. — Montgomery, Scott & Co., 123 South Broad Street, members of leading Exchanges, announce that John G. Hunter is now associated with them as a registered representative.

## New Fahnestock Branch

Fahnestock & Co., members of the New York Stock Exchange, has opened a branch office in the Palais St. James, Monte Carlo.

## Washington Gas Light Co. 5% Bonds at Par

An underwriting group managed by Halsey, Stuart & Co. Inc. on May 17 offered $8,000,000 of Washington Gas Light Co. refunding mortgage bonds, 5% series due May 15, 1982, at 100% and accrued interest. The underwriters won award of the issue at competitive sale on May 16 on a bid of 99.11%.

The new bonds will be redeemable at regular redemption prices receding from 105% to par, and at a special redemption price of 100%, plus accrued interest in each case.

Net proceeds from the financing will be added to the general funds of the company and will be used for general corporate purposes, including providing for part of the current construction program and to retire $205,000 principal amount of long-term debt by Dec. 1, 1957.

Washington Gas Light Co. is engaged in the business of purchasing, distributing and selling natural gas for cooking, heating, refrigeration and other purposes within the metropolitan area of Washington, comprising the District of Columbia and adjoining areas in the states of Maryland and Virginia.

For the year 1956, the company had total operating revenues of $48,360,000 and net income of $4,494,000.

Participating in the offering were: Dick & Merle-Smith; Salomon Bros. & Hutzler; William Blair & Co.; Francis I. duPont & Co.; Gregory & Sons; Wm. E. Pollock & Co., Inc.; The Robinson-Humphrey Co., Inc.; Thomas & Co.; Mullaney, Wells & Co.; F. S. Yantis & Co., Inc.; Fauset, Steele & Co.; Penington, Colket & Co.; and Walter Stokes & Co.

## With J. N. Russell

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Adelbert L. Knight has become affiliated with J. N. Russell & Co., Inc., Union Commerce Building, members of the New York and Midwest Stock Exchanges. Mr. Knight was previously with Saunders, Stiver & Co.

## Two With Keller Bros.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Carmen Di Lorenzo and Abbott J. Reeves have become affiliated with Keller Brothers Securities Co., Zero Court Street. Mr. Di Lorenzo was formerly with P. de Rensis & Co.

## With Morfeld, Moss

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Bonnie L. Rothe is now connected with Morfeld, Moss & Hartnett, 721 Olive Street, members of the Midwest Stock Exchange. Miss Rothe was previously with Slayton & Co., Inc.

# America's Growth Potential

By FRANK RACKLEY*
President, Jessop Steel Company

**Propellent factors causing a second industrial revolution are outlined by 40 year old steel head along with the steel industry's expansion plans for a "growing America." The 115 million ton steel production of 1956, Mr. Rackley states, should reach 145 million in 2 or 3 years, and the present $128 billion metal working industry is expected to attain $193 billion in sales in 1957 and $372 billion by 1975. Hopes that technology will restore sales earning competitive with other industries; notes seasonal dips no longer deter capital expenditure plans; and avers the industry no longer equips itself to produce as much steel as the demand required, for it is confident that supply at the right price will create demand.**

We are entering into, I firmly believe, what might be typified as the second industrial revolution, one which will make the industrial revolution recognized in history in the 19th Century, small by comparison. Why? Because we are living in a day in this growing America of ours where we are witnessing and experiencing the introduction of electronics and atomics. This is the first time in history that two such great forces have come into being simultaneously.

Frank B. Rackley

We have experienced a change from the manual to the mechanical age, and now we are going to experience one from mechanical to automatic. Automation is a familiar term. It wasn't so ten years ago. Automics and the atomic age is a familiar term—change and growth in America, if you will.

Today we rip apart the basic elements of the earth, and we receive fissionable materials, and we are utilizing values heretofore unascertained. No experience, no background. We discuss neutrons and protons. We are reclaiming those materials that I mentioned. And, therefore, we must experience a readjustment of values in this growing America.

Education. We are informed that the physics textbooks written prior to 1940 are today out of date. Also we understand from the leading engineering universities of these States that an electrical engineer over 37 years of age has a very difficult time comprehending or understanding the new developments in electronics, because the precepts are so different since the days of his formal education.

### Changing Civilization

Briefly, the whole character of our civilization is and will change, with or without you and I. We must learn to adjust and change with it and grow with it, or we will not survive.

We are informed that in a few years it will be possible to take a handful of glass marbles containing waste fissionable material, put them in a boiler, and heat your home for several decades without replenishing your fuel supply.

We know from the Atomic Energy Commission, and its real significant interest in regard to industry is un-ending, that electric heat from a central plant, powered by atomic energy is only a year away in your home.

In discussing this subject, I am reminded about the son of this prominent Philadelphia attorney, a great speaker who said to his dad: "I am privileged to speak to a very prominent group, dad, and I would like to pick a subject and do a good job. What shall I talk about?" His father said: "Well, son, don't talk about the past because there will be men in the room who will be older than you are and they will know more about it; and don't talk about the present because there will be men in the room who are more intelligent than you are and they will know more about it; but give hell to the future, son, because no one knows anything about that."

The next item on my outline is called "Missiles." Guided missiles is a new business. In 1956 it was a billion-dollar business. It is not so large, but is a darn exciting beginning.

We are informed that the components for a reactor plant will be a billion-dollar business by the early 1960s; between the years 1960 and 1975 there will be $8 billion worth of nuclear power plants built. These are already on announced programs.

And within the next 15 years we will experience pocket atomic reactors which will supply the power or be capable of supplying power to the electric furnaces of the steel mills of our nation.

Electronics. The growth is just as startling in the field of electronics. The development of transistors to replace radio tubes represents a radical change in the thinking of our communications industry in this era. Now the rush is on to develop sending and receiving sets no larger than a wristwatch.

General Electric. According to a publicized statement, electronics and atomic energy are so profitable that they expect to produce more in the next 10 years than in all the previous 75 years of their existence.

This missile program, that I mentioned, is tremendous, and it is here with us today. Yet very few of us have realized what can happen. Why? We have got to develop materials to withstand higher temperatures. It will be solved. It will come to pass. The turbine blades, and the rotors used in automic fields, and the jet propulsion fields today are only capable, on any sort of efficiency rating, to withstand temperatures of 1650 degrees Fahrenheit. We need metals to hold up under temperatures in the range of 2500 to 5000 degrees Fahrenheit.

### Steel Expansion

I am a part of the steel industry and I am proud to be. I was Mr. Fairless' office boy. I think the steel industry typifies the American way of life. I think it is basic to our American way of life, and I am proud to be a part of it.

I think the steel industry is facing the facts of life. In January of this year you read that the industry is now capable of turning out 115 million tons of steel a year, five million tons more than our capacity for 1956. The industry has informed you that we have added nearly 42 million tons capacity since the end of World War II. We spent over $8 billion in the industry in the past 10 years to just get where we are right now. The next two or three years will add another 20 million tons. These are announced programs, which will bring the capacity announced up to 145 million tons a year.

Now, some analysts have heard me say 115 million tons was our capacity. Their reply has been: "Well, you produced 115 million last year." Of course, it doesn't take much to reach known potentials. It takes a lot to exceed them. We will do it.

Now, does this mean that this expansion program that I mentioned in the next two or three years will stop? Or will it level off? No, not necessarily. But it means simply this: The steel industry has announced its program for more, and they have made appropriations for the next two or three years, and that certainly must be an indication that we are not dreaming too much.

So for those who think that this expansion program with its capital requirements might be too expansive, I would like to show or attempt to explain actually that it is on the conservative side.

People who live in Chicago; people who are part of the Midwest can see growth on every side: New school buildings, roads, —growth. Some are part of it, and still some are complaining about business being bad.

Many are aware of the fact that decentralization is an important point today. The government is preaching it from the security standpoint. We are trying to get closer to our given markets and the consumption areas. The population is moving out into the hinterland. People are living longer, and more children survive birth, and consumption is increasing.

Steel, for example, is now produced in 27 states, and you can remember, most of you, when the Pittsburgh District had almost a monopoly.

### Competition and Decentralization

The rise in the total production of steel of all types reflects the dynamic trend of the industry and our economy as a whole.

The real evidence of the technological program emerges when the totals are broken down to show the notable increase in output of alloy, stainless, and specialized steels in recent years.

There is hardly a machine used today in his progress, this revolution in growing America, that can be made without using one of these highly specialized steels for one or more of its essential parts.

And there is competition in the steel industry. There are companies today producing steel in 118 communities in 27 states. Between 1939 and 1956, 11 new steel companies, steel producers, ingot producers took the field, and several of these newcomers now rank among the top 30 companies with capacities of over half a million tons a year.

Fifty years ago one steel company produced over half the steel consumed in the United States. Today the three largest companies in the industry only produce 54%.

Yet the steel industry in its growth has not overlooked human values. We face the facts of life. The facts are that the employees in the industry work under conditions that are the best of all industries. Why? The degree of safety prevailing in the daily work records show that steel's accident rate is among the lowest recorded for manufacturing industries by the National Safety Council.

Our wages, heaven forbid, but they are there, rank among the top 10% of the manufacturing wage earners.

The Bureau of Labor Statistics indicates that earnings have advanced far more rapidly than the cost of living, and are now at the highest level in our history.

The capital investment in our industry has doubled since 1937. Net earnings per dollar are not as high as in 1940. Nine other manufacturing industries show a higher profit on sales. And therein lies our challenge. The steel industry's 16-year average earnings on sales show a percentage of only 5.6 on the sales dollar. All manufacturing average is 5.9. How are we going to overcome this? The accent is on technology.

### Metal Working

We can't talk about steel unless you talk about metal working, because they are synonymous, and when you talk about electronics and atomics you are talking about metal working: steel, copper, lead, aluminum, uranium—they are all metals. And they must be dealt with by the metal-working segment of the industry.

Steel is fundamental to metal working. They are parallel.

Now, how big is metal working in relation to our economy, as a whole? The 1956 figures are not out yet, but in 1955, gross metal working sales totaled $128 billion. In relation to our gross national product in '55, it was $387 billion. Historically, metal working sales are about one-third of the gross national product.

Metal working of $128 billion compared with the next five largest classifications of industry shows the following:

**Food and beverage:** $49 billion.

**Petroleum and coal products:** $28 billion.

**Chemicals:** $23 billion.

**Lumber and furniture:** $13 billion.

**Textiles:** $13 billion.

Add them all up and you have $126 billion, as compared with metal working of $128 billion, and thus metal working is larger than the next five classifications of American industry.

Now, let us just take this increase and let us look at the facts of life and see where we are going. We project the increase in ratio to the growing population in the consuming market of the United States, and the increase in population by 1960 will have the metal working sales $193 billion. That is 50% increase over 1955—five years.

Growing America. Even if it is wrong, it is good.

Now, you want to project a little bit further: 1975, 20 years from '55, will show metal working sales up to $372 billion, or as much as the gross national product sales in 1955.

So I say that it is almost axiomatic, as metal working grows, so grows the nation.

The steel industry has not sat idly by in this growing America, and watched this revolution that we discussed develop, but we have taken an active part.

There was a time in history, too, and not too many years ago, when the steel industry equipped itself to produce only as much steel as the demand required. That is far from true today.

As late as 1936, I can remember, before U. S. Steel was all changed around, and I was an office boy, people waiting in the halls of the American Sheet & Tin Plate Company for their purchases. These were customers and they were essential to the companies that produced steel. What were they there for? To find out how much tinplate they could get. That wasn't very long ago. I am only 40.

### Sees No Curtailment in Steel Expansion

Steel is of such a nature and basic nature to our economy that the industry is confident that supply at the right price will create demand.

Replying to this new economic precept of the postwar steel industry, we lead the way in the nation's path to prosperity. The steel industry will rise to the occasion.

The steel market right now is somewhat soft. However, I do not know of any company that has announced any curtailment of its capital expenditure program.

I can remember as recently as 1954 when the steel industry over all sales were off 27%, and there again there wasn't one successful steel company, or aggressive steel company that curtailed its program. They took their profits in '55 and '56 based on what they did in '54.

By the end of 1957 another five million tons of steel capacity will go into production. So we are not so frightened by these seasonal dips, because today we have a long-range plan based on long-range economic forecasts of the under-developed areas of this nation, and of the world. And the basic commodity for development of undeveloped areas is steel, and the steel industry is committed to furnish that steel.

Somebody said: "Well, this raw material situation is getting to be a problem." The industry is spending hundreds of millions of dollars to develop foreign sources of iron ore in Canada, Venezuela, Liberia, and other millions are being invested in beneficiating plants to convert our domestic deposits of low grade iron ore and coal into usable materials.

And then, of course, again we have the fields of atomic energy and electronics.

Since 1900 our population has doubled. The steel making capacity has multiplied six times. We now produce about three times as much steel per person as we did at the start of the century.

*From an address by Mr. Rackley before the Central States Group of the Investment Bankers Association of America.

## Chemical Corn Opens New Downtown Office

Chemical Corn Exchange Bank has opened its newest branch office at Rector & Greenwich Streets, New York City, Harold H. Helm, Chairman, announces.

The new quarters, completely air-conditioned, occupy the street and basement floors of the new 10-story addition to the 19 Rector Street Building. Since May, 1922, the branch has been located in the Allied Chemical & Dye Building at Rector & Washington Streets. Charles A. Bernard is Manager and Raymond H. Mazanec is Assistant Manager.

Chemical Corn Exchange Bank, which was founded in 1824, maintains more than 90 offices in all five boroughs of New York City with headquarters at 165 Boardway.

## Hill, Darlington Branch

BOSTON, Mass.—Hill, Darlington & Co. have opened an office at 31 Milk Street under the direction of Don P. Johnston, Jr.

## Burns With Sutro

(Special to The Financial Chronicle)

KEY WEST, Fla. — Robert S. Burns has become associated with Sutro Bros. & Co., La Concha Hotel. In the past he was with Blair & Co., Inc., in N. Y. City.

## Joins Glaser, Vogel

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Robert E. Henske is now with Glaser, Vogel & Co., Boatmen's Bank Building. He was formerly with E. L. Zoernig & Co. and A. G. Edwards & Sons.

## Now With Westheimer

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Henry M. Falke has become connected with Westheimer and Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges. He was formerly with W. D. Gradison & Co.

# Construction Industry's Role In the National Economy

By WILLIAM F. BUTLER*

Vice-President, Chase Manhattan Bank, New York City

**In the course of warning the construction industry of the perils of inflation to its bright prospects, Chase Manhattan Banker and Economist predicts a good business year for the economy in 1957, and envisions a leveling, or moderate downward adjustment in 1958. Mr. Butler opines: (1) serious slumps can be averted by wise use of new weapons providing they are employed with timely restraint and boldness; (2) general price inflation "is positively dangerous" and continued upward construction costs may price the industry out of its market; and (3) we must learn to live with tight money due to ever present dangers of inflation.**

I have before me 24 questions and I propose to answer most of these questions. In doing so, I'll probably sound like one of my fellow economists who explained that: "He's frequently wrong but never in doubt."


William F. Butler

Dollar expenditures on non-residential construction for the nation as a whole have really soared in the past decade. At first glance they look dangerously high.

However, construction costs have gone up—a fact that I take it is something short of a divine revelation to some.

If you adjust for rising prices and compare heavy construction with our total economy, you note that non-residential construction accounted for about 6½% of the nation's total output in the 1920's. Despite the very high level of activity recently, construction's share in the total economy is lower than in the late 1920's.

Now what does this mean for the future? That's a large subject, and one to which I propose to devote the rest of my remarks. But I'll give you my over-all conclusion first. I believe the outlook for construction and for general business activity is most favorable if we can keep our feet on solid ground as we move ahead. Now let's look at what lies behind this broad conclusion.

### Growth Is Axiomtic

First, I believe the evidence shows that our growing economy will need an expanding volume of construction. We need more roads, schools, office and apartment buildings, water systems, industrial buildings and other construction products to support the continued growth of our economy.

More than three-fifths of the nation's wealth consists of the products of the construction industry. Thus, if the nation prospers, construction as a whole must prosper.

Such studies as we have been able to make show that needs in the New York Area for construction, outside the one-family housing field, are vast and will continue to grow. Neighborhood shopping centers may possibly be an exception in the near future. But the continued growth of New York as a center for the Headquarters of the nation's business and finance should sustain the demand for new office buildings.

To put it in its most elemental terms, a growing corporation must have a New York office to entertain customers properly in these days of a 52% tax rate. And the New York office has to be air conditioned — American business couldn't operate without secretaries and stenographers — they're perhaps our scarcest resource. And they're probably the best salespeople the air conditioning and construction industries have.

### Avoiding Depressions

Now, I've made the point that business should be good in the construction industry if the nation as a whole continues to prosper and advance. This brings us to a second large subject: Can the nation continue to move ahead without a major depression? Many of us are old enough to have vivid memories of the 1930's — though it's a bit startling to realize that 75 million persons or 45% of our population have had no personal experience with a period of depression.

For lack of space, I can do little more than state my personal belief that we can avoid the sort of deep and prolonged business slumps that have characterized our past history. Our economy is basically different now than in the past — we have an amazing population growth, a consumer market that is broader and deeper than ever before, the revolutionary new factor of large-scale, systematic research, and we have given government the responsibility and the power to combat both inflation and slumps.

Think of what the government could do to stimulate purchasing power by cutting taxes if business slumped. The Federal Government now takes in almost $80 billion each year—almost 20 times the amount of taxes a quarter of a century ago. If we use these new weapons against inflation and slumps wisely, I believe we can move ahead in fine fashion for many years.

To make a very sharp and specific statement, it is my view that this will be a good year for business. As things look now, we may have a leveling or a moderate downward adjustment next year. But we can avoid anything like a serious slump next year, and for many more years, if we pursue wise policies.

### Restraint and Boldness

Having made that glowing statement, let me proceed rapidly to qualify it by explaining what I mean by saying that we can maintain prosperity if we act wisely. Wisdom in this sense involves the exercise of restraint in times when inflation threatens and of boldness when the business curve turns down a bit.

Of the two, the problem of exercising the restraint necessary to contain inflation may prove to be the more difficult. The general trend of consumer prices has been upwards since 1940—a period of 18 years. The general average of prices was reasonably stable from mid-1951 until the middle of last year. Since then prices have moved up—the cost of living has advanced 3.7%.

Well, why worry about inflation? It has been argued that a gradual inflation in prices may be necessary for prosperity. In my opinion that's not only a misguided view but one that is positively dangerous. And I believe inflation is a particular threat to the building industry.

Inflation breeds excesses and distortions in our economy. If carried far enough, these excesses can build up to the point where they bring on a severe business slump. Thus, it was the boom in the stock market and in real estate in the 1920's—booms which were generated by a too-liberal use of credit—which played an important role in the 1929 crash.

### Warns Construction Industry

The inflation we have had in recent years has brought a more rapid rise in construction costs than in industrial prices. If these trends should continue, there is real danger that construction will be priced out of its market. In that event, construction activity might start down in advance of a general business slump, as it did in the 1920's. Thus, the construction industry should be most concerned about the recent upward trends in construction costs as well as in the general price level.

Well, what can be done to contain inflation? There is a general relationship between increases in our money supply (i.e. all currency in circulation plus bank deposits) and increases in prices. A popular, and reasonably accurate, definition of inflation is that it is a result of too much money and credit chasing around after too few goods. Thus, tight money is one of the standard antidotes for inflation.

The objective of a tight money policy should not be to squeeze the economy to the point of strangulation. Rather, the goal should be to keep the increase in the nation's total investment in line with the increase in savings. Now, savings and investments are two of the most misused terms in the language—they can mean all things to all men.

* * *

The problem is 1956 was that we were trying to invest more than the amount which could be financed out of savings. Individuals, businesses and government were all trying to borrow more to step up their investment in autos, houses, plant and equipment, roads and schools. If the Federal Reserve system had provided the reserves to enable all these demands to be met, we would have had a sharp increase in the money supply. But our economy was working at its capacity — there could have been little or no increase in physical volume. Thus, easy money would have merely given up more inflation. The fact that prices did go up in face of tight money shows the strength of inflationary forces.

### Political Problems of Credit Restraint

In strictly economic terms, there is no reason why we cannot keep inflationary pressures under control. We could do this by a combination of tight money and a cash surplus in the government budget. Such policies can keep the rise in investment in line with the growth of savings. Heavy construction and other investment could rise each year—but only at a rate that could be financed out of savings.

The problem is chiefly a political one. By definition, tight credit means that some requests for loans go begging. And no one likes to pay the high taxes needed for a budget surplus. That's why you see so many politicians making speeches inveighing against inflation, and then voting for tax cuts, or more spending or for an investigation of the Federal Reserve. In this connection, a friend of mine remarked that "Politics frequently rises above principle."

If, as I believe, the nation can continue to move ahead on a general upward course of economic growth, we are likely to have extended periods of inflationary pressures in the future. Thus, we'll have to learn to live with tight money, if we are to avoid a boom and bust pattern.

All of this poses special problems for the building industry. About half of all private debt outstanding at the end of 1955 was incurred to finance construction, so this business is more intimately affected by tight credit than most others. Yet, as I pointed out previously, it has a very considerable stake in helping the nation keep inflation under control. In the past, construction has been one of the leading casualties in periods of boom and bust. What's more, the recent inflation in construction costs is the chief threat to your prosperity in the next few years. For very practical reasons, therefore, the industry should be giving full and active support to those who are working to keep our economy stable as it advances.

### Summing Up

Now, by way of summing up, let's see if I've answered the important questions. Here are the points I have tried to make:

(1) If we act wisely, we can keep our economy moving ahead on a strong growth trend, one that could double our over-all production by 1975.

(2) The continued growth of our economy would mean steadily expanding needs for construction. In many fields — roads, schools, office buildings, waterworks, hospitals—needs are still outrunning construction volume by a wide margin.

(3) The outlook for heavy construction in the New York area would seem to be at least as favorable as that for the nation as a whole.

(4) To achieve this glowing future, the nation, and your industry, must bring the rise in prices and costs under control.

(5) By following appropriate policies in the fields of tight money and a Federal cash surplus, we can contain inflationary pressures.

(6) In the short run, tight money holds down the increase in construction volume — ideally it should be held down to the rate of increase in savings.

(7) The construction industry should support measures to contain inflation. In the long run, inflation will lead to a boom and bust in construction.

It is my personal belief that our nation will be wise enough, and lucky enough, to cope reasonably well with all these problems. Thus, I am confident that we'll enjoy general prosperity and remarkable growth in the years ahead.

*An address (Charts omitted) by Mr. Butler before the New York Building Congress, New York City, May 6, 1957.

## J. F. Jackson, Jr., V.-P. Of Fewel & Co.

LOS ANGELES, Calif.—M. F. Jackson, Jr., has been elected a Vice-President of Fewel & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange.

## F. S. Moseley Branch

LEWISTON, Me.—F. S. Moseley & Co. has opened a branch office at 110 Pettengill Street, with Raymond H. Cole as representative.

# A New Approach to Economic Aid And Mutual Security Program

By HON. C. DOUGLAS DILLON*
Deputy Under-Secretary for Economic Affairs
Department of State

**To lessen public confusion and to further more effectively our national interests, State Department's economic head reviews proposal which would allocate properly $3 of the $4 billion a year Mutual Security Program to the Defense Department, and create an Economic Development Fund to utilize eventually $750 million, in loans, on a new basis for rendering economic assistance abroad. The remainder of the Mutual Security funds would be used, Mr. Dillon states, for administrative expense, Point IV, and our share of International Children's Fund, Aid to Refugees, and limited emergency grants. Claims this will achieve budgetary responsibility, place aid largely on a loan basis, and clearly show "our people just what their money is being spent for and why."**

During the past year our programs of Mutual Security have been going through a period of critical re-examination. The complexity of these programs has made them difficult for the American people to understand. There has grown up in many quarters the mistaken impression that the United States, in an attempt to please foreign countries and without adequate thought for its own best interests, has been busy giving away some four billion dollars a year of our taxpayers' money.

C. Douglas Dillon

Of course nothing could be further from the truth, but there is no denying that this is what foreign aid means to many Americans.

There has also grown up in some quarters a feeling that our economic aid programs may not have been administered in the most effective manner possible, that there may have been unnecessary waste in the use of government funds abroad.

All this has led to a widespread and thorough-going review of our programs for Mutual Security. This is as it should be, for these are complex and costly programs.

Studies have been made by a Presidential Commission, a Presidential Advisory Board, the Foreign Affairs Committee of the House, a Special Senate Committee, and by the interested executive agencies of the government. Universities, business groups, and research institutions have been studying and debating the subject. The meeting of the American Assembly is but one of many serious attempts by groups of private citizens to find the right answer to this question which is so important to the future of the American people.

In short, this effort at reappraisal has involved not only officials in Washington, but also a great many of our most distinguished private citizens.

It is our hope that as a result of all this interest, both public and private, the way can be found to redefine, clarify and simplify the program so that all our people can have confidence that we are pursuing the right objectives in the right way.

Are there any general guide lines that we can draw from all this study and thought? Is there any real consensus? The answer is certainly yes. Two general conclusions are found in all the reports and studies; they are sometimes expressed with greater or lesser vigor but they are always present.

### Two General Conclusions

First and most important, there is agreement that the continuation of a Mutual Security program is in the best interests of the United States, and that we will have to maintain such a program for a long time to come. So long as international Communism exists in its present form, challenging our very existence, either by direct military threats or by economic penetration and subversion; so long as the explosive demands for economic progress in the underdeveloped countries threaten the very existence of free and democratic institutions in those countries, we must maintain some form of Mutual Security program.

The second general conclusion of all the studies is that there is need for greater clarity in defining what the Mutual Security Program actually is. Both the objectives of the program and the ways in which we move to achieve these objectives must be widely understood by the American people or the program itself will not be supported.

What is the reason for all this confusion about the Mutual Security Program? The answer is simple. We have in the past lumped together under the heading of Mutual Security, a bundle of diverse programs, a package with a broad variety of contents.

For example, during the last six years Mutual Security has meant 44,000 artillery pieces, 40,000 tanks and combat vehicles, and 7,000 aircraft for the military forces of our Allies.

It has meant loans to build dams, roads, and harbors.

It has also meant technical assistance, such as telling people how to plow, or how to kill mosquitoes so as to avoid malaria.

All of these things, involving an expenditure of approximately $4 billion, have been lumped together in our budget. It has been difficult, if not impossible, for the American people to know just what part of these funds were going for military purposes, what part for long term capital development, and what part for technical assistance or for meeting unforeseeable emergencies.

### Present Efforts to Untangle Public Confusion

In view of the complexities of this program, it is easy to understand why there is public confusion. Our major efforts are now being devoted to finding a better way to present the program so as to clearly explain its purposes to the American people, while at the same time assigning major responsibility for the various parts of the program to the agencies which should have that responsibility.

The general lines of this new approach were first announced by Secretary of State Dulles on April 8th in his testimony before the Special Senate Committee. The President will send the completed proposal to the Congress later this month. I would like to give a brief review of our current thinking.

First, let us look at the military portion of the Mutual Security Program. It is by far the largest. It includes two kinds of funds.

The first is for military hardware—the actual guns, tanks, planes, etc., which we put into the hands of the Koreans, the Vietnamese, the Nationalist Chinese, the Turks and our other military allies.

The second kind of funds are those required to help those countries who maintain, for our common security, military forces larger than they could otherwise support. This second form of aid is called defense support. A good example of defense support is the economic assistance we provide to Korea to assist in maintaining the 20 divisions of Korean troops which are such an important part of our joint defense against the Chinese Communist threat.

About $2 billion, or half of the present Mutual Security appropriation, goes for military hardware. Just under a billion dollars a year is required for defense support. None of this billion dollar figure goes to our NATO allies in Western Europe. All of it goes to those of our allies who are maintaining military forces larger than they themselves can support. Thus we see that approximately $3 billion a year, or three quarters of our Mutual Security Program, goes for military purposes.

All of this military assistance, whatever it takes to equip and maintain strong forces, is an integral part of the defense of the free world and serves the purpose of deterring Communist attack. Admiral Radford, Chairman of the Joint Chiefs of Staff, put the matter plainly last year when he said, "The military aid program is part and parcel of the U. S. Defense Department program. The expenditures abroad in support of our alliances do not differ in purpose, scope and objective from our own military expenditures . . . The fact that this part of our program was not included in the Defense Department budget is more a matter of procedure and administration than of substance."

What we intend to do now is to change the procedure. Henceforth, we wish to place all funds for foreign military assistance in the Defense Department budget where they can be recognized for what they really are, part of the United States military security program. We will recommend that this sum of approximately $3 billion be taken out of the Mutual Security appropriation bill and be added to the funds which the Defense Department has already requested for the armed forces of the United States.

It is the Defense Department that must make the military decision as to how many divisions equipped with American arms are needed to defend the Republic of Korea and other places where we and our Allies are facing Communist troops. It seems only plain common sense for the Defense Department to justify to the Congress, and so to the American people, the cost of equipping and maintaining these divisions.

On the other hand, the Defense Department is not organized to do the actual day-to-day administer-

*An address by Mr. Dillon before the 11th American Assembly on International Stability and Progress, Arden House, ing of the defense support funds required to maintain these allied troops. Although their purpose is purely military, these funds are a form of economic assistance. This assistance can best be administered in the field by the same organization which handles other forms of economic assistance. Therefore, it is proposed that the administration of these defense support funds be carried out in the field by the ICA, the International Cooperation Administration, which presently administers all United States economic assistance abroad.

Now let us turn to the purely economic side of the Mutual Security Program which goes primarily to help the underdeveloped countries of the world. One may ask why should we, the United States, be concerned with their economic progress.

All of the studies which have been made during the past year agree that it is vitally important for the United States to cooperate and assist in the economic development of these countries, whether or not they are allied to us militarily.

It is not hard to see why this is in the national interest of the United States when one considers the revolutionary changes that are taking place in Asia and Africa today. There are 700 million people in the 19 new nations which have come into being since the end of World War II, ranging in population from India, with nearly 400 million, to Libya with slightly more than one million. Most of these people, and millions of others in older countries, exist under primitive and backward economic conditions, but modern communications have brought them the knowledge that other people on their planet live in far greater comfort and happiness. So these peoples are pressing their governments to bring them economic improvement and to do it rapidly.

If these underdeveloped countries find themselves unable to move toward the fulfillment of their economic aspirations under free and democratic conditions, there is real danger of their falling into some form of totalitarianism under which the people would be forcibly deprived of goods and freedom in an effort to achieve the goals of the State. This is the solution offered throughout the underdeveloped regions by the Communists. They say that their system, and only their system, can bring about the rapid economic improvement so much desired. And they are accompanying this propaganda attack by an active campaign of economic penetration and subversion which poses a continuing threat to the stability and peace of these vast and highly populated regions of the world.

It seems clear that the national interest of the United States would be best protected in a world in which free institutions predominate, and in which popular aspirations for material improvement and social change can be met by free and democratic governments without recourse to forceful means.

Therefore, it is in our interest to do what we can to help the underdeveloped peoples along, and so to make it easier for them to resist the Communist drive. At the same time their advance will help them to participate increasingly in world trade to the benefit of all, including the United States. However, our main motive in extending this sort of assistance is, I think, to further our own enlightened self-interest by helping to maintain a peacefully advancing world in which free and democratic institutions can flourish.

We believe that the best development comes through private capital, domestic and foreign. But within the regions we are talking about there is simply not enough private capital available to do the basic things that must be done. Technical skills are also lacking.

Our part is to supplement this dearth of capital and know-how. Our effort is bound to be small compared to those of the countries themselves, but we can help to stimulate the growth process until such time as private capital and the increasing resources of the people can take over. This, however, can only be a long haul proposition. Good business demands that we adopt the methods most suitable for long-term operations.

Therefore, the Administration intends to propose the establishment within the ICA of an Economic Development Fund which would be an agency of the United States similar to the Export-Import Bank.

Instead of the present method of setting dollar figures for assistance to each country every year in advance, instead of creating projects in Washington for construction all over the world, we would expect foreign governments to develop sound projects themselves, and to apply for loans to cover the costs of these projects. We would have the time carefully to consider and examine the plans for each project because we would no longer be operating on only a year-to-year basis. After thorough study, we would decide each case on its merits.

Loans would be granted only in cases where there was assurance that the project would be carried out competently and where there was reasonable promise that it would contribute directly or indirectly toward the growth of the productive capacity of the recipient country.

The Economic Development Fund would not compete with the World Bank, the Export-Import Bank, or with private sources of capital. Indeed, we contemplate that it would make no loans until assurance had been received that the projects could not obtain financing either from other public institutions or from private sources.

The Economic Development Fund would differ from the World Bank in that projects would not necessarily have to develop the foreign exchange required for prompt repayment in dollars. It is probable that many of the loans from the Development Fund would be repayable largely in the currency of the borrowing country. For example, a loan to India might be repaid in rupees.

But this repayment in local currency would not rule out possible eventual repayment in dollars. For instance, suppose the Fund makes a loan to an underdeveloped country repayable in local currency over a period of, say, 15 or 20 years. After the loan has been repaid this money might well be loaned again to the same government, but we could reasonably hope that the economic situation of that country would have so improved that it would be possible for this second loan to be repaid at least partly in dollars. In this way the great bulk of such foreign currency loans could eventually be repaid in dollars.

The vital feature of the Economic Development Fund, differentiating it from the present method of operation, is that it would have continuing and flexible authority to operate on a world-wide basis in the same way the Export-Import Bank now does. It would not have to be authorized all over again each year. Thus, it could plan ahead in the same way that a businessman, a banker, a university president, or a farmer can plan ahead. This should result in far more efficient and effective use of United States funds.

The Export-Import Bank can only make loans for the specific purpose of promoting U. S. exports. Its loans must be repayable in dollars. The new Fund would complement the operations of the Export-Import Bank, and of the World Bank. It would be empowered to make subordinated loans to support projects favored by these two institutions.

As Secretary Dulles has said, it is our view that loans by the new Fund may eventually amount to some $750 million a year. During the next fiscal year, however, as the Fund gets into operation they could be expected to be considerably smaller.

Aside from these funds for military purposes and for economic development, there remains something less than $500 million out of the $4 billion Mutual Security Program total. These funds would be used to cover administrative expenses, the costs of the Technical Assistance Program, and our contributions to international activities such as the International Children's Fund and Aid to Refugees. They would also cover such emergency grants as might be found necessary and a strictly limited amount of capital assistance for those countries needing help and unable to contract further loans of any sort.

The important point in all this is that the American people should know that what we are proposing to use, both for technical assistance and in all other cases where grants will still be necessary, comes to something less than $500 million a year, a small percentage of the over-all amounts involved in our national budget.

By this new program, the basic outlines of which I have just described, we hope to accomplish three things.

First, by centering budgetary responsibility for the military portion of the program in the Defense Department where it belongs, we will ensure that our military programs are as economical as possible consistent with the national security.

Second, by putting our economic development largely on a loan basis, administered in a business-like manner over the long-term, we will provide more effective and economical use of these funds so that the American people can be satisfied that they are not being wasted.

Third, and most important, we will clearly show to all our people just what their money is being spent for and why.

By such methods as these—and in my belief only by such methods—can we hope to continue, at maximum usefulness, a reasonable program of Mutual Security. In closing I would like to leave one final reminder: this program is a vital ingredient of the platform of security from which true peace will some day come.

## Grimm Opens Branch

CLEARWATER, Fla.—Grimm & Co. has opened a branch office at 533 Cleveland Street under the direction of Ferris W. Schnedler.

## New Baird Branch

SHEBOYGAN, Wis.—Robert W. Baird & Co. has opened a branch office in the Security National Bank Building under the management of William R. Sachse.

# The Long Range Need for Incentives

By CRAWFORD H. GREENEWALT*
President, E. I. du Pont de Nemours & Company

**Pointing to an existing dichotomy resulting from government's relationship to business which discourages men from giving their best efforts, and to the moral implications involved, E. I. du Pont head declares that "diminishing incentive is the most critical long-range problem of business today and, by corollary of the nation itself." Mr. Greenewalt refers to the high standards of achievement we set and observes that when the rewards of achievement are won, we tax most of them away; thus, we admire success but penalize the successful, and so forth. Advises we not apply progressive taxes to corporations and that we create an environment which will encourage people to give their best effort, even though successful, talented people are a minority group with few champions.**

The public speeches made in recent years by businessmen and by people in government appear to be following a curious pattern. With blithe disregard of the rules of qualification once taught to students in oratory, businessmen, in one way or another, talk about government, and government people—present company always excepted—seem to talk about business. Mr. Eisenhower, for example, suggests that if business people and their employees did what they should, the price-wage spiral, in which we are now revolving, could easily be cured. Businessmen respond by suggesting to Mr. Eisenhower that the same worthy objectives could be reached if government expenditures were examined with a somewhat more jaundiced eye.

C. H. Greenewalt

As a demonstration of my own complete impartiality, let me say at once that both suggestions seem to have considerable merit.

Perhaps all of this is merely an indication of the close relationships that now exist between business and government. We do after all live in each other's pocket. The financial stability of government clearly depends on the successful operation of our industrial economy, and on the other hand no one can doubt that the climate established by government has a most important effect on the health and tranquility of our business system.

However true this may be, there is no excuse for each side blaming the other for its own difficulties. It may be an easy, but it is scarcely a responsible pastime for anyone to assume the role of master-minding the other fellow's game.

Speaking of master-minding, my sympathies are all with Mr. Benson, for I suspect strongly that he has had enough outside master-minding of his own game to last three or four lifetimes.

### Mutual Finger Pointing

Mutual finger-pointing by government and business is of course nothing new, either in our country or elsewhere. When visiting Argentina some months ago I found businessmen complaining bitterly about the new government, a rather surprising development in view of the Peron regime which it replaced. Yet I was prompted to comment that I heard nothing said that has not been said with equal vehemence about our own government, the present administration as well as its predecessors.

*An address by Mr. Greenewalt before the Economic Club of New York, New York City.

The proper relationship between government and each of the economic groups represented in the country is a delicate and an important question. Public debate of national issues is of course a healthy and, in fact, an indispensable facet of the democratic process, for it is criticism, whether well intentioned or not, that provides the best framework for honest self-appraisal.

Government in a democracy should be a mirror of national thinking, and if it is to fulfill that function, it must necessarily be everybody's government. Indeed it is this concept which distinguishes our form of society from that of other countries and other eras. It is as wrong for us to have a business government, as to have a labor government, or a farm government. It is only by safeguarding the rights and privileges of each element of our society regardless of its numerical weight in the balance, that our democracy acquires and maintains its strength.

Within the four walls of constitutional principle there is ample room for experiment, and for the development of a government which fits the times and the changing needs of our people. So long as constitutional limits are observed, in spirit as well as in fact, I am quite willing to see government respond to whatever demands an informed electorate may make, whether these demands increase or decrease the boundaries of Federal influence, or the size of the Federal budget. This after all is the essence of democracy—a willingness to submerge a particular desire in the common interest, a recognition that there are many aspirations besides our own, each of which must be sustained by the hope of ultimate realization.

I suppose that if we were to attempt to state in a short sentence the principle to which our society has been dedicated, we would say that here we have encouraged the maximum in personal achievement by every citizen, regardless of race or creed or national origin.

### Individual Effort Encouraged

It was this concept which brought our form of government into being and which has enabled it to function so well. The 175-odd years of its existence have been beyond question the most productive period in history. Under principles which have encouraged human effort and achievement, we have observed a fantastic succession of technical developments, a prodigious growth and expansion, a vast enlargement of our horizons for the future. I cannot believe that any historian appraising the first century and three-quarters of the American experiment could do so with anything but admiration.

It remains to be seen how the second century and three-quarters will appear to a Gibbon, or a Macaulay of the future. What will they say of us then? What—most importantly—will they say that we did, or failed to do, in the middle years of the 20th century that would affect the future for better or for worse?

Historical perspective sets up criteria which are pretty difficult to meet. For one thing, the deciduous values which change with the times must be carefully winnowed out from the more enduring fundamentals. History is less likely to appraise us on our accomplishments, great as they may appear by the standards of the day, as on how well we fulfilled our potentialities.

One of the fascinating exercises in which historians indulge is to speculate upon those intervals and those occasions of history when it would have been most rewarding to have lived.

They usually cite the Greece of Pericles, Rome under the so-called Good Emperors, Florence at the time of the Renaissance, or Paris during the lifetimes of Diderot and Rousseau. I suppose a satisfactory case could be made for each of these provided we were fortunate enough to be highly born or otherwise blessed, but the fact is that no society has ever brought so much to so many as our own.

We have demonstrated before the world that the greatest good comes to the greatest numbers of people when the energies and the imaginations of men are freed of artificial and unnatural restraints.

We have come far beyond any age—whether Golden, or Silver, or merely Tarnished—in providing the opportunities for each of us to achieve, and we have achieved because each man has had the encouragement to give of his best effort, unhampered by distinctions of class, status, or parentage.

Most of the bright periods of history have been short-lived, seldom exceeding a hundred years, and many of them have ended in turmoil and retrogression. And they have come to a close when the opportunities for personal achievement, limited as they may have been to an elite few or an elite group, were swept away.

In our own case, we are confident that we have done better—yet we, too, are young. And if there is anything on the national scene today which disturbs me, it is the fear that we, too, seem to be forsaking the simple principle which brought us to greatness: The principle which in other lands at other periods brought a people to great achievement, then cast them to ruin when it was lost—the simple principle of encouraging men to give of their best effort.

### Removing Incentives

I take no occasion to quarrel with government in performing its appointed tasks. But I do take issue, not for the present but for the future, with those patterns of thought which seem determined to abandon the very drive which has placed us on the road to great accomplishment.

Men are turned aside from their resolve to achieve in various ways. Sometimes it has been the dungeon and the guillotine; sometimes it has been the suffocation of the spirit as applied by a Stalin or a Hitler. Sometimes, as with us, it can be the simple matter of removing the incentives toward achievement.

So, I often wonder how that future historian, looking back at this age of ours with the erudition of hindsight, will see us. And I must conclude that no people ever presented their biographer with so much confusion or complexity.

What an astonishing paradox we present: We set high standards of achievement, yet, when the rewards of achievement are won, we reclaim most of them in the guise of taxation so that achievement becomes not only financially unattractive but an actual burden. We admire success, but penalize the successful; we admire talent, but penalize the talented; we admire initiative, yet penalize the initiator; we admire philanthropy, yet penalize the philanthropist; we admire leadership, yet we penalize and harass our leaders.

### A Moral Consideration

For a dozen years or so, we have somehow rationalized the strange thesis that minority rights applicable to the talented and the successful could safely be abrogated. I am afraid that too little thought has been given to the moral implications of taxing away 90% of one man's earnings so that another's tax might seem less unpalatable. I am afraid that the issue has been drawn too often along political rather than moral lines. Politically, the talented and successful people of America represent a minority group with few champions and little prospect for improvement. The result is that the evil of confiscatory taxes has, like vice, been first endured and ultimately embraced regardless of the wrong it imposes, regardless of the threat it poses to the future.

Perhaps we should all take to the new tranquilizing drugs, relax in a feeling of warmth and security, and so forget all of these worrisome problems. I'm afraid my admiration for the pharmaceutical industry is not great enough for me to recommend Miltown as a substitute for incentive or Equanil as an alternate to achievement.

Now we have come to a point where it is proposed that this same principle of taxation be applied to corporations, calibrating the rate to the size of the corporate unit. Here we have penalty en masse; a group handicap invoked against the large and successful enterprise because it is large and successful.

I suppose that, on the surface, this can be made to appear quite a reasonable approach. Certainly it is no less immoral than the application of the same premise to personal income. It is based on the same kind of tortured "ability-to-pay" reasoning which seems to have become well established even through we might argue, with equal logic, that you or I should pay a dollar to ride in the subway, presumably filling out a form, under oath, while doing so. Or that parking meters should be fitted with slots of different denominations for each make of car.

But, putting the moral issue aside, a discriminatory tax on industry and business must, in the end, penalize the country's development far more drastically than it would the corporations'.

### Burden of Taxes and Research

Whatever the rate of progression of the tax levied on corporations, no one is going to give up those products which, by their very nature, can be produced only by a large enterprise. Progressive tax or no, we will have automobiles, and the tax that comes with them will be a penalty paid by the consumer for his transportation. Or to put in a commercial, we will certainly continue to have cellophane, whatever the tax consequences, and the added cost will be paid, not by Du Pont, but by the housewife as she buys her cellophane-wrapped loaf of bread. To the extent that small enterprises elect to stay small in order to avoid the next tax bracket, here also the penalty will be paid by the consumer, in foregoing the benefits of a more economically sized unit.

There is, moreover, a far more important consequence in the realm of industrial research. Research, and here I can speak with some authority, is at its very best a chancy business. We in Du Pont justify our large research expenditures on the expectation that we will profit through new commercial ventures, whether they be large of small. If we and our industrial associates are forced to direct our research into channels where the commercial results can be profitable in spite of the high tax bracket, we will obviously have to turn our backs on much that we are now doing. This is not a gap that can be filled by smaller enterprises, and the result will inevitably be a slowing down of technological progress and a longer and perhaps even endless trip to those bright horizons that technology has to offer.

The dangerous fallacy inherent in this legislation, however, transcends its immediate effects. The danger and the fallacy alike lie in the acceptance of its thesis, in the attitude that somehow we can attain progress by making progress unprofitable, that we can further achievement by rendering achievement unattractive. What is now proposed is one more step—perhaps a decisive step—toward that philosophical oblivion in which the burdens of accomplishment begin to outweigh the rewards.

### Most Critical Chronic Problem

I am very serious when I say that, in my opinion, diminishing incentive is the most critical long-range problem of business today, and by corollary, of the nation itself. The big things, the worthwhile things in this country have always been the result of an extra effort, of something a little beyond expectations. To expect that extra effort when incentive is lacking is to cast human nature into a new and unfamiliar mold.

While many people are moved profoundly by the good of mankind and all people are motivated to some extent by high purposes, most of us have, of necessity, somewhat more personal objectives. Adequate incentives, of course, differ with different people. Some are attracted most strongly by the promise of prestige. Some are more interested in leisure time, to follow scholarly pursuits or perhaps simply to commune with their souls. To some people, public notice or outward signs of rank and importance are alluring goals. For most, however, the strongest and most desirable incentive is financial reward.

It is not my purpose to debate the relative nobility of these inducements, although I see no reason to believe that financial gain is any less desirable than prestige or recognition, and it is certainly less stultifying than the lust for power or of mere social distinction. The question of worthiness is not germane to the discussion. The important thing is that people be encouraged to give that extra effort, for routine and perfunctory performance brings routine and perfunctory results.

And let no one think himself immune. As rewards in the material sense become subject to attrition, it is my guess that, in time, those non-monetary incentives which now compensate in some fields will be subject to the same kind of attack, for this is not an economic question but a philosophical question, a state of mind. Who can say that a national attitude which will countenance the confiscation of reward in one area will not, in time, be reflected in others, to the end that the prize will lack its former luster, the rank and the titles lose their prestige, the acclaim ring hollow?

As I noted earlier, I make no claims to wizardry in statecraft and would not dream of lecturing government as to what it should or should not do. But, in a broad and very general way, it seems to me that the role of government, in the economic area at least, is analogous to that of management in a large and diversified operation. And in this area where most of us here are at home, we recognize that our most compelling duty is to create that kind of environment in which people can and will give their best effort.

So, if I have any word of advice to offer in the national arena, it is that the maintenance of such an atmosphere for the country generally represents a prime responsibility. Only history will be able to say, a hundred or a thousand years hence, how well or how carelessly it was discharged.

## Cooperatives Banks Offer New Debentures

The 13 Banks for Cooperatives offering publicly on May 21 $46,000,000 of nine-month consolidated collateral trust debentures, through John T. Knox, their fiscal agent, with the assistance of a nationwide group of security dealers.

The debentures are being offered at par and bear interest at 4⅛% per annum. Interest is payable with the principal at maturity. They are dated June 3, 1957, and will mature March 3, 1958.

Proceeds from the sale of these consolidated debentures will be used to redeem the $38,000,000 of 2% debentures of the Central Bank for Cooperatives due June 1, to repay short-term borrowings, and for lending operations.

These consolidated, secured debentures are the joint and several obligations of the 13 Banks for Cooperatives. The banks are chartered under the provisions of the Farm Credit Act of 1933. They operate under the supervision of the Farm Credit Administration. The banks make and service loans to farmers' marketing, purchasing, and business service cooperatives on terms particularly suited to their needs.

## Bowery Savings Bank Elects Clerke, Strung

The Board of Trustees of The Bowery Savings Bank has elected Paul B. Clerke and August M. Strung as Vice-Presidents.

Mr. Clerke joined The Bowery in 1914 and has been Assistant Vice-President since 1939. In 1950, he became Manager of the bank's Fifth Avenue office and since that time that office has shown an increase of 14,000 accounts and a deposit growth of more than $100 million.

Mr. Strung began his career at The Bowery in 1928. He joined the bank's mortgage department in 1940, was appointed a deputy mortgage officer in 1951 and was promoted to Assistant Vice-President in 1954. A graduate of the Graduate School of Banking at Rutgers University, Mr. Strung will continue in the mortgage department where he has been responsible for many improvements in operations.

### Joins Merrill, Turben

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Richard L. Whitmer has become connected with Merrill, Turben & Co., Inc., Union Commerce Building, members of the New York and Midwest Stock Exchanges.

### Milwaukee Co. Adds

(Special to The Financial Chronicle)

MILWAUKEE, Wis.—James F. Eckrich is now affiliated with the Milwaukee Company, 207 East Michigan Street, members of the Midwest Stock Exchange. In the past he was with Robert W. Baird & Co.

### W. A. Faoro Opens

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Ward A. Faoro has opened offices at 730 South Western Avenue to engage in a securities business.

# The Investor's Role in Preserving America's Freedom

By EDWIN VENNARD*

Vice-President and Managing Director, Edison Electric Institute

**Edison Electric executive warns Americans that they must supply necessary capital to keep our nation strong or suffer the consequences of U. S. S. R. economic superiority. Inadequate private capital is seen by Mr. Vennard as an invitation to our Government to adopt Russian methods of forced investment; i. e., an open door to eventual nation-wide ownership under the pretext of maintaining economic superiority. Singles out present taxes as the principal deterrent to savings; asserts tax savings would be used to buy more tools to permit more production and jobs; and points out that apathy about the welfare-state trend permits a handful of people to bring about socialism.**

America has progressed because its people have been free to work and save, to found businesses and industries, to question and investigate, to train and educate themselves as they wished. If we are to continue to grow and progress, we must keep these freedoms. It is the loss of such liberties as these that leads to a nation's downfall.

Edwin Vennard

History has shown us that every major civilization — the Babylonian, the Egyptian, the Greek, the Roman—without exception, has suffered the same fate: supremacy for a short time, then internal decay followed by a rapid decline. For example, about 2,000 years ago the Roman Empire had reached the height of its power and controlled most of the known world. As the Empire had expanded, the institutions and offices necessary to govern it had grown larger and more powerful until the government became excessively complicated, oversized and corrupt. The citizens, once proud and free, had little by little given up their liberty by submitting to the declared need for a stronger central government. This period, when Rome outwardly appeared to be in its greatest glory, carried within it the germ of the decay which followed.

America has built the greatest civilization the world has ever known because we have thus far kept our government in its proper role as servant of the people, rather than allow it to become their master. But we can lose this freedom from oppression and domination; we can make the same mistakes that were made by those who preceded us.

**Losing Freedom Gradually**

Today local, state and Federal governments require one dollar out of every three spent in the United States. In 1930, the Federal budget was less than three and one-half billion; in comparison, the Federal Government plans to spend more than $70 billion next year. In the past 30 years the Federal Government has increased its responsibilities and powers enormously.

Throughout the history of mankind it has been demonstrated, time and again, that as the size and power of government increased, the freedom of the individual citizen was curtailed. Perhaps we can learn from the record of other civilizations how to avoid the ultimate loss of our freedom. It is important to us now because Americans are more dependent on a strong central government today than they have ever been. When we become completely dependent on the government for our economic security and advancement, we will have lost all our freedom. To the extent that we are now dependent, we have lost a measure of the freedom left to us by our predecessors.

**The Widening Role of Government**

The March 18 issue of "Time" magazine, in a cover story on Carroll M. Shanks, President of Prudential Insurance Co., reported that:

"Growing public desire for more security threatens his company with a new competitor far stronger than any within the industry; the U. S. Government itself, which is steadily expanding social security and other Federal welfare programs."

Why has the government shown such a strong tendency to expand? Perhaps part of the answer is that government is essentially an organization committed to carry out the will of the people, and a large portion of the people have been persuaded to vote for government welfare programs and "free" benefits, without pondering the question of where the money will come from.

A recent survey reported that exactly the same number of people (36%) were in favor of government owned and operated atomic energy plants for the production of electricity as were in favor of investor-owned plants. Sixteen percent of the citizens questioned didn't think it mattered one way or the other. As long as large numbers of people want an expanded government to take an active part in business and industry our free enterprise system will be in danger.

We in the electric power industry discovered some time ago that virtually all the attitudes which encouraged government expansion into the power business could be traced to a lack of knowledge of facts—facts that we had but had failed to pass on to the public. We found in our measurements of public knowledge and opinion that those who knew the least about our economic system were, in the main, those who were in favor of collectivist programs and government expansion. On the other hand, the more people knew about the free enterprise system the more they tended to be in favor of it.

Since the root of our problems lies in the public's lack of knowledge of basic economic facts, there is an obvious need for ways to communicate this needed information to them. We know that merely making the facts available is not enough. This information has been available for years, but it has not been assimilated. We have failed to simulate much interest in these facts on the part of the public.

An organization such as the "Invest-in-America" Committee can do a great deal to promote interest on the part of the public. A broader base of stock ownership and investment will result in a greater number of people with a personal interest in preserving our free enterprise system. Through the medium of monthly investment plans, stock ownership has been made easier. We should look for more means of increasing the number of our citizens who have a personal stake in our free economy. We need more investors.

**Role of the Investor**

Before the dawn of history man discovered that he could accomplish more work with the aid of tools. We began with tools made of wood, stone and animal sinew. Later we progressed to the use of iron, bronze, copper and other metals. Since the manufacture of these tools took time, he was forced to refrain from doing other things which he made then, or to bartering something of value for a tool made by someone else.

About the same situation exists today, people build up savings by foregoing pleasure or consumption of some sort. Having amassed savings, they can put them to work in our economy as tools.

Very simply stated, an investor is the person who supplies the tools, or the money used to purchase a tool. The investor expects to receive reasonable compensa-

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*An address by Mr. Vennard before the Philadelphia Invest-in-America-Week Luncheon, Philadelphia.

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# The Investor's Role in Preserving America's Freedom

tion for its use and for the risk involved. It is by this means that the burden of supplying tools to our economy is placed on those willing to assume it. The supplying of tools is a large burden and a most important one. Every civilized society—Democratic, Socialist or Communist—must have a large investment in tools.

Throughout history, man's progress has depended on the efficiency, quality and number of his tools. Our standard of living has risen at the rate it has because we have consistently improved old tools and developed new ones. Our future growth depends upon our continued development of more and better tools.

Soviet Russia, too, is dependent on capital—the money used to buy tools. Russia also gets its capital from investors. However, there is a significant difference, in the way Russia obtains the captal it needs and the way we in America obtain ours.

In Russia, people are forced to invest in industry. Since the State owns all business and industry of any importance, investment by free choice as we know it is impossible; but the government, through taxation or confiscation, still must turn to the individual for the funds necessary to supply the nation with tools. Soviet Russia, since the end of World War II, has invested billions in new tools in an attempt to match, and ultimately surpass, the productive capacity of the United States. Should Russia succeed in this attempt she will simultaneously acquire military as well as economic superiority over us.

If American savers fail to supply the capital necessary to provide tools in the years to come, our government will be forced to adopt the same methods Russia uses, in order to guarantee that the Soviet Union does not achieve this superiority.

If these methods of financing should ever become necessary, America would find herself virtually a socialist state; the government would be on its way towards ownership of more and more industry and business. This inevitably means control of more and more of the wealth of our country and control over more and more jobs and occupational pursuits. Whether or not a man is permitted to hold a job might then depend on how he voted. We saw this happen in Germany under Hitler. When this has happened in America, the rights, dignity and freedom of the individual will have been lost.

### Taxes and Capital

In the years to come, America will need large numbers of people with savings to invest and an economic situation in which a reasonable return on investment is possible.

The present tax structure is such that saving is becoming increasingly difficult. Our present high taxes are, of course, a direct result of a high level of government expenditure. If a portion of the large sums which the government obtains by taxation could be saved and used to buy more tools, we would enjoy the benefits of increased production—more jobs, more and better products, a higher standard of living and so on—without forming a dangerous and habit-forming dependence on a fickle government largesse.

Senator Frank Lausche, former Ohio governor, has set an example in working for a lower budget. He recently opposed a $5-million Federal appropriation to help finance the 1959 Pan American Games to be held in Cleveland. In an explanatory letter to Cleveland's mayor he wrote: "The Federal Budget must be cut. I cannot suport for Ohio something which I would oppose for another state." Since that time, the citizens of Chicago have offered to assume this expense, and the project is thus being financed without calling on the U. S. taxpayer.

We must keep in mind that the government does not and should not produce anything. Its job is to protect our liberty. Sometimes our people need to be reminded that the Federal Government is not a Fairy Godmother with a bottomless purse, but a piper who must be paid and whose prices are usually quite high. In a recent article in "Reader's Digest," for example, it was estimated that in some instances it costs the government about 39c to collect, handle and distribute $1.00 in grants.

### A Question of Free Choice

There is no important difference between the way our Federal Government raises money for government enterprises and the way the Soviet government, or any other government, raises funds for the same purposes. Taxes are taxes, the world over.

There is a major difference between the way American industry is financed and the way the Russians or any other Socialistic society get the capital for their tools. The American way involves freedom of choice for the individual involved; people are free to invest or not to invest as they see fit. Once having invested, they are free to sell their interest at any time. The Russian system permits no freedom of choice whatever.

We have reached the point where, as a nation, we must decide which of these economic philosophies we will use to finance America's future needs for tools, machines and factories. Continued refusal of the American people to take a consistent stand against "creeping socialism" will result in the continued expansion of a welfare government.

The reason for this is that those who aim to socialize America are not likely to advertise every means by which they intend to collectivize the country. The American public will not be given the opportunity to vote for or against socialism as such in one election, because those who favor a welfare state know that this would result in their sure defeat. They know, however, that people can be tricked into approving so-called "welfare" measures put before them one at a time, usually with a sugar coating of some sort, or hidden in the fine print of a piece of worthwhile legislation. These are the means by which the socialists gained control of England a few years ago. Americans must learn to recognize socialism, however it may be disguised.

### The Need for Speaking Up

Those of us who are interested in preserving American freedom as we know it now must speak up every time we spot a leftist power-play. We must be quick to refute the claims of the social planners, the welfare-state people, the socialists, the collectivists, the government-ownership advocates. We must point out to the public the steps that governments, here and abroad, have taken in the past which have resulted in a loss of liberty for the individual. We must convince individual citizens, corporations, and local and state governments that they should stop looking to the Federal Government for financial aid.

### Apathy Our Greatest Enemy

It is the feeling of many observers that the trend toward the welfare state which has taken place in our country in the last generation has been sparked by only a comparative handful of people. The principal protagonists are, of course, the Communists, who are guided from Moscow. They seek a peaceful purpose, to eliminate a clash of philosophies by eliminating one of the philosophies—ours. Associated with them in this effort are the Socialists, who want to establish a society in which a man's rank is decreed by the state or a political machine rather than by his own initiative and willingness to work hard for what he wants. Carried along with this red tide are a lot of well-meaning dogooders, who feel they have an obligation to supervise the welfare of those whom they consider incapable of taking care of themselves.

These are the sparkplugs of socialism. They are alert to every issue, and are ready to take a stand in every question. They write their Congressmen religiously. They send letters to editors. They talk to their friends. They knock on doors and make phone calls in support of certain items of legislation. In short, they constitute a highly vocal minority. As a result, our legislative policy is more than slightly influenced by this group. Although they are only a minority, they swing the weight of a majority. They have demonstrated their ability to do so time and time again over the last generation.

The reason they have been successful is that the rest of us have, by and large, remained silent. Unfortunately, we have no fear that our country will ultimately turn Communist or Socialist; we have confidence and an abiding faith in the judgment of millions of fellow Americans, each of whom is just as silent on the subject as we are. Somehow we have got the feeling that we are holding the fort, and that, like the ostrich with head in sand, we are secure in our passive faith in democracy. We are complacent about freedom and the rights of the individual. Nobody has oppressed us. We are still free.

We do not become alarmed at new developments in a new world. A $72 billion budget occasions a few extra sacks of mail to Washington, but is soon forgotten. Our share of the cost of government is deducted from our pay before we ever see it, so we are largely unaware of our tax burden; it is relatively painless. We hardly realize that one dollar out of every three we earn goes to support government. We don't associate that with socialism. We have been lulled to sleep by free-wheeling government policies and practices that advertise benefits and disguise detriments. With our dulled senses we find it hard to see possible sources of danger to our freedom and individual rights.

### What Can the Investor Do?

As the supplier of the tools which are used to manufacture every commodity and provide every service used by the American people, the investor is an essential part of America's economic system. By definition, the term "investor" does not apply only to the professional coupon-clipper or financial tycoon; every one of us who has savings in any form is an investor. The average stockholder is not a wealthy man; the beneficial owners of a large proportion of bonds are the policyholders of insurance companies, bank depositors, contributors to union trust and welfare funds, those who are providing for their retirement through pension funds, and many others. These investors can do many things to safeguard American freedom.

First of all, the investor can learn more about America's business enterprises. From a very selfish standpoint, it is to his advantage to keep advised of the progress of various industries, the demand for their products, and their competitive position, just for the sake of protecting his investment. In turn, this knowledge will lead him to invest his money where it is needed most—which is where it is likely to produce the greatest return commensurate with the risk involved.

This is a factor of great importance to our economic system. It insures that, according to the law of supply and demand, capital will flow where it is needed. This advances the building of a sound economy based on producing what the people want, and gives them those benefits which they select for themselves in the market place. In other words, it makes the free economy work well to meet the needs and desires of the people. The flow of capital into industry responds to natural stimuli arising in the market place. Where capital is allocated by any other system, including Federal budgets and appropriations, whether or not it responds to those natural stimuli of supply and demand is purely coincidental. It may or may not produce what the people want. Its only requirement is that it produce what the planners want. That is why Russia finds shoes and clothing in short supply, but there is plenty of steel.

### Should Call Attention

Secondly, the investor can guard his own interest by being watchful for developments which impair the ability of our free enterprise system to continue to meet the needs of the people. Harsh, discriminatory taxes, for example, can penalize one commodity while the absence of such taxes encourages another. Excessive government supervision or control can make an industry a political football. This can operate to cause apparent discredit to our economic system. By keeping advised of these developments, the investor can call them to the attention of lawmakers and the public.

Third, the investor can hold himself ready to clear up misunderstandings on the part of his friends and associates as to the nature of a free economy. We know from experience that the more people know about the American economic system and the freedoms on which it is founded, the more strongly they are inclined to support our present system. The converse is also true: the less they know about it, the more they are inclined to favor collectivism. Make sure your friends and acquaintances do not harbor any mistaken ideas about the American free market and its contributions to our present world leadership.

Another thing that the investor can do is keep a sharp eye on the management of American industry. Adoption of unwise corporate practices can cripple a business and render it less able to serve its customers well. The result is a loss of producing power which deprives the customer of additional products, and at the same time operates as a waste of invested capital, which might be more productive in our economy if invested elsewhere. The stockholder, through his proxy and his election of the corporate board of directors, has the power to contrail these practices, and he should do so, both to protect his own interest and to protect the nation's interest.

### Private Activities

Finally, the investor can keep a wary eye on the activities of government which tend to assume some of the duties which should be left in private hands. The American industry thrives on true competition. Competition forms the heart of our system, and is what makes the American economy so responsive to the needs of the people. Our American efficiency, famous all over the world, is the product of competition.

When we talk of government competition, however, we are speaking of an entirely different concept, which is not really competition as we know it, in which everyone follows the same rules. This is an insidious operation capable of giving itself the most outlandish of competitive advantages. Through taxation and through the establishment of arbitrary and one-sided rules and regulations, the government can bring any industry to its knees, if the people allow it to do so. An organization clothed with power such as this cannot truly be called "competition."

We have seen that the people who favor government encroachment in the civilian economy are ready to speak out for their cause. The great majority of the people who wish to continue to live in a free country, where the government itself lives within the rules it has set for the people, are not inclined to oppose such plans vigorously, if those plans are adequately camouflaged and sugar coated. It is only by continually exposing situations of possible danger that we can hope to preserve a free society.

There are many things that can only be done by the investor. Only he can do a competent job of the things mentioned. Since this work is peculiarly his, he has a responsibility which cannot be passed on to others. How well he discharges this responsibility could well mean the difference between freedom and domination. Let us pray that he has the wisdom and the courage to do it well.

Past generations of Americans have jealously guarded their freedom. They have insisted on maintaining the boundaries which fence government in and prevent it from encroaching on the rights which the people reserved for themselves. They believed that the source of all power is the people, and they have tried to keep it there. Now it is our turn to take up the task. May God grant us the wisdom to see our duty, the courage to carry it out, and the determination to keep ourselves and our fellow-citizens free of domination and dependency which has been the downfall of all the civilizations before us.

## Bond Club Exchange "Annual Offering"

The Bond Club Stock Exchange, which opens for trading once a year at the club's annual Field Day, has announced its 1957 offering of 2,500 shares of capital stock in a prospectus being distributed to members. The shares, which will pay big dividends to lucky traders, are priced at $10 each.

Trading in the shares will take place in the Sleepy Hollow Stock Exchange tent on the grounds of the Sleepy Hollow Country Club from 11 a.m. to 5 p.m. on June 7.

Subscription books on the offering will open today and close at 4 p.m., May 28.

## A. J. Watkins Opens

(Special to The Financial Chronicle)

SANTA BARBARA, Calif. — A. J. Watkins is conducting a securities business from offices at 1018 State Street.

## Form Blue Ridge Assoc.

Blue Ridge Associates, Inc. has been formed with offices at 116 John Street, New York City, to engage in a securities business. Milan D. Popovic is a principal of the firm.

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# Expected Capital Requirements For the Business Expansion Ahead

capital installations seemed limited.

**Changed Economic Theory**

The geographic frontier had been exhausted, population growth was slowing down, and there was widespread fear that perhaps we were over-saving, and this tendency would keep the economy perpetually in a state of partial employment.

Fortunately, the postwar period has shown us that the mature economy thesis was not a valid generalization of the particular conditions of the thirties.

Since then, population growth has resumed its upward climb.

The possibilities for new products and processes appear more boundless than at any time in our history.

Capital requirements are far outstripping savings.

And the economy has moved ahead year after year at the limit of its productive capacity.

The past decade has therefore constituted a return to the savings-capital a situation which has characterized most of our history.

Once again, the problem is "Where is the money coming from to finance the almost insatiable demand for plant and equipment?"

The traditional source of money for new plant has always been individual savings and investment.

**Effect of High Taxes**

Unfortunately, the outrageously high rates of the individual income tax, which take up to 87 cents of what a man earns, have seriously limited this source of risk capital.

Incidentally, many of you may be interested in a study just published May 13, by the Tax Foundation, entitled, "Are High Surtax Rates Worthwhile?"

The Foundation's answer is an emphatic "NO" and one of its reasons concerns the subject we are discussing today—capital requirements.

The high surtax rates on individual income have helped make retained profits of corporations the biggest source of funds for new plant and equipment.

But here again, taxes have been a great barrier.

With corporations paying a 52% tax, accumulation of necessary funds has been difficult, and is often made at the expense of dividend payments.

For example, dividends were only 26% of corporate profits before tax in 1955, compared to 60% in 1929.

The problem is aggravated by continued inflation which makes replacement of obsolescent plants and equipment financially impossible for many companies under present depreciation allowances.

A sharp reduction in both individual and corporate income tax rates would help solve the problem of financing new plant and equipment.

**Will Money Demand Drop Off?**

Although the basic problem has thus been how to secure the necessary financing for our rapid growth, and although money today is still tight, there has been increasing comment recently that perhaps we have now reached the end of the tight money period and are entering a period of substantially greater ease.

This is the question which we are tackling currently.

Let me point out at least **one** of the important determinants of the situation facing us in the capital market by discussing the **need** for funds over the rest of this year.

Is it likely that the demand for money will drop off in the coming months?

The total demand for long-term capital is, of course, not confined to demands arising from plant and equipment expenditures.

Corporations need funds for other purposes, and even though these needs may be short term, they are sometimes satisfied through the long term capital market.

At present, for example, corporations are very low on working capital.

During 1956, many corporations dipped into cash and government security holdings to help finance long term projects as well as tax liabilities.

The ratio of cash and governments to current liabilities of all U. S. corporations is at present at a low point for the postwar period.

There is thus likely to be some borrowing in the long-term capital market this year to shore up short-term liquid positions.

Nor is the total demand for long-term capital confined to business borrowing by corporations.

The Federal Government, and state and local governments, are borrowers in the long-term capital market, and so also are the World Bank, the Federal Land Banks, various housing authorities, and other semi-public institutions.

A further very important demand for long-term capital comes from the housing market.

In order to estimate the total need for capital during the coming months we must therefore consider each of the major types of borrowers, and estimate whether these types are likely to need more funds or less funds than has been the case up to the present.

First, what about corporate borrowing?

**Corporate Borrowing**

A good portion of corporate needs have been satisfied during the postwar period through internally generated funds — through depreciation and amortization and plowing back of earnings.

But over and above these internally created funds, corporations have been steady borrowers both from the commercial banks and in the long-term capital market.

In 1956, for example, net corporate borrowings through security issues (i.e., borrowings over and above repayments on outstanding issues) amounted to $6.5 billion.

During 1957, plant and equipment expenditures will run appreciably above the 1956 total.

Since corporations have already reduced their cash and government security holdings to a very low level, they will not be able to rely on this source, as they did in 1956, to postpone long-term borrowing.

In fact, as I have already indicated, corporations are likely to do some long-term borrowing to restore a more liquid position.

Total demand by corporations in the long-term capital market in 1957 is, therefore, likely to be higher than in 1956—perhaps as much as a billion dollars higher.

**Government Position**

The Federal Government has in some years accounted for as much as 20% of the total demand for funds in the long-term capital market.

In 1957, however, the Federal Government will be a net **supplier**, rather than a borrower.

This does not mean, of course, that the Federal Government will do no borrowing in 1957.

The Treasury is constantly rolling over outstanding issues in the bill market, and it periodically must also refund maturing notes and certificates.

There is also some talk of a new long-term issue this year in order to make up for some of the heavy redemption of Treasury savings bonds.

Finally, there are three issues of long-term bonds which could be called by the Treasury this September.

All of these refundings necessitate new borrowings.

The important point for the capital market is, however, that although the Treasury will be borrowing for refunding purposes, it will need no **net new** funds for the year as a whole.

In fact, the outstanding public debt is likely to be **reduced** during 1957 by about $3 billion.

Rather than being a net borrower during 1957, the Treasury will therefore be a supplier of funds in that it will free funds previously used to hold its debt.

Although at first glance this would seem to indicate a much easier capital market, unfortunately it indicates a tighter capital market than in 1956, because in 1956 the Treasury paid off $4 billion of the public debt.

Even though the Treasury will be a supplier of funds instead of a borrower in 1957, it will supply less funds than it did in 1956, so that unless some other factor makes up this deficiency the net effect will be to create a tighter situation than existed last year.

**Municipal and State Borrowing**

State and local government borrowing, and borrowing by various semi-public agencies, will also be heavier this year than in 1956.

We have had many postponements of state and local issues because these agencies have been reluctant to accept rising interest costs, and in some cases capital projects such as toll roads have been set aside for the foreseeable future.

In most cases, however, the projects cannot conveniently be deferred, and rising demands on the state and local governments to provide schools, sewage systems, municipal buildings and roads are forcing these governments to come into the market despite its current tightness.

State and local net borrowing in 1957 is likely to be about half a billion dollars higher than in 1956.

The only major market which will probably absorb less long-term funds in 1957 than in 1956 is the mortgage market.

With the rate of new residential construction running quite a bit lower than in 1956, and with a small decline in the turnover of existing homes, the 1957 mortgage market is likely to take a half billion dollars less than it did last year.

Even here, however, it is important to note that the **potential** in this market is very strong.

If we were to get any substantial easing in the supply of funds, there is no question that activity in the mortgage market would rise rapidly.

Hence, the lesser use of funds in the mortgage market this year is more a function of the difficulty of securing the funds than it is a lack of demands for funds.

Now, let me sum up what I have said about the major borrowers in the long-term capital market in 1957.

**Summing Up the Demands**

Corporations, with plant and equipment expenditures appreciably higher than in 1956 and liquidity reduced to a minimum, are likely to come into the long-term market in 1957 for a billion dollars more than in 1956.

The Federal Government, though it will be a net supplier on balance rather than a net borrower, will nevertheless supply $1 billion **less** to the long-term capital market than it did last year and will thus have the effect of tightening the 1957 market compared to the 1956 market.

The state and local governments, despite some deferrals, will probably increase their net borrowings a half billion dollars over the 1956 figure.

Finally, if the capital market remains tight, mortgage borrowing may be reduced this year about a half billion dollars below the 1956 level.

Total net demands on the long-term capital market are thus likely to be at least $2 billion greater than in 1956.

From the standpoint of **demand** for funds, the situation looks very tight to me.

I see no prospect of a lessening in the need for capital.

Unless there is a substantial increase during the coming months in the supply of capital, I would conclude that the tight money situation is by no means a thing of the past.

## With First California

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Robert R. Birr is now with First California Company, 300 Montgomery Street, members of the Pacific Coast Stock Exchange.

## To Be Carreau Partner

Carreau & Co., 63 Wall Street, New York City, members of the New York Stock Exchange on June 1 will admit Thomas A. Coffey to partnership.

## Andel Co. Formed

NORTH MASSAPEQUA, N. Y. —The Andel Company has been formed with offices at 128 North Drive to engage in a securities business. Andrew Steiner is a principal of the firm.

## Harriman Ripley Group Offers Niagara Mohawk Power 5.25% Pfd. Stk.

Public offering of 200,000 shares of Niagara Mohawk Power Corp. 5.25% preferred stock was made yesterday (May 22) by a group of investment banking firms headed by Harriman Ripley & Co., Inc. at par ($100 a share).

Net proceeds from the sale of the shares will be used by Niagara Mohawk to reimburse its treasury and to finance in part its construction program.

The shares are redeemable in whole or part at any time, at the option of the company, at $107.50 a share through April 30, 1962 and thereafter at reduced prices, depending upon the date of redemption.

Operating revenues of the company during the 12 months ended March 31, 1957 totaled $246,246,000 and net income $27,630,000.

Niagara Mohawk renders electric service in an area in New York State having a total population of about 3,200,000, including the cities of Buffalo, Syracuse, Albany, Utica, Schenectady, Niagara Falls and Troy. Electric operations include service to residential, farm, commercial and industrial customers. Electric energy is also sold to other utilities and municipal distribution systems.

## Lee Higginson Branch

MINNEAPOLIS, Minn. — Lee Higginson Corporation has opened a branch office in the Northwestern Bank Building under the direction of Frank A. Warner. Mr. Warner was formerly with White, Weld & Co.

## Two With J. A. Overton

(Special to The Financial Chronicle)

CORONADO, Calif.—Louise P. Conger and Shelton C. Zern have become associated with J. A. Overton & Co., 1134 Orange Ave.

Continued from first page

# As We See It

debt. Home ownership among residents of areas surrounding "central cities" is, of course, much more prevalent than in the "central cities" themselves. Residential construction for a decade or more past has been concentrated in these regions and has consisted much more largely than in former times of the building of one to four family dwellings.

### More Durables Demanded

Living in the suburbs has also greatly stimulated the demand for a long list of durable goods. Automobiles privately owned often become a family necessity. Residents of these areas are much more likely to want and to have such things as washing machines, lawn mowers, small tractors, and other labor saving devices for use in and around the house. All this has given rise to a sharp rise in the demand for consumer credit without which much of this type of development probably could not have occurred. Thus we have the rise of institutions such as sales finance companies and the growing volume of consumer loans by commercial banks.

Of course, these positive developments have had their counterparts in negative changes elsewhere. People still have to have transportation, probably more of it than ever before, but it is now supplied by owner-user facilities in a degree not known in previous decades. Street cars have vanished from the scene for the most part. Employment opportunities are in larger degree now found in outlying regions, and as older housing deteriorates, blighted areas appear. Tax collections become more difficult in the cities where real estate values decline or do not keep pace with the times.

This type of change has become in many respects far more significant than changes in the ratio of rural to urban population. We used to hear a great deal about "treks" from the farm to the city — or vice versa; the significant "trek" for a decade or two now has been from one sort of urban community to another—and this is not fully revealed in the old distinction between rural and urban residence. Unfortunately, statistics by means of which it would be possible to keep fully current track of what is going on in this area are not available. What is now being revealed in New York City, as well as other indications here and there, seems, however, to suggest very strongly that the movement has not abated since the last census taking occurred.

The real problem is whether and how long this phenomenon will continue in the future. Accurate knowledge of future trends could and would mean millions, even billions, to many industries. It would provide valuable clues to the future of demand for automobiles, washing machines, and dozens of other items, production of which has now become big, big business. The volume of sales financing either by companies organized for the purpose or by commercial banks likely to be done in future years turns in considerable part upon what takes place in this matter of population migration.

### Fiscal Problems

These migrations of the past two or three decades have brought difficult problems of public finance at the local level. These have not been alleviated by the more rapid increase in total population which has taken place at the same time. Localities, suddenly grown to double their former size need, indeed often must have, sewage systems, improved roads and streets, more school facilities and much more. Many of them are too new to have established tested credit ratings. The problem of finding needed funds is often a real one.

"Central cities" have all too often permitted the rise of bureaucracies which are more than they can comfortably carry. Of course, these costs have always been greater than should have been tolerated, but it is one thing to be tolerant of waste and extravagant when funds are relatively easy to obtain; it is quite another when times are not so good and give no great promise of becoming what they used to be. We find something of this sort in the New York City situation now, and that explains in part the consternation of the officials at the poorer prospects of getting more help from outside.

### Situation Not Hopeless

There is, of course, no reason why the financial plight of either the central cities or the outlying areas should be regarded as hopeless. The problems of both would be manageable enough if approached as they should be. The older and larger centers must simply clean house, get the costs of necessary services down within reason and resolutely decline to be drawn into the expensive folderol which so many of them have caught from New Deal reformers. The process would doubtless be painful to the political powers that be, but that is a matter of no great importance. The question is whether the people can bring themselves to the task with determination. If they can not, then the road ahead will continue to be rough.

Suburban communities may or may not have developed burdensome political hierarchies. They are too often possessed of New Dealish ideas about the functions of government at all levels. If they will resolutely insist upon the application of common sense to their affairs, and proceed with financial prudence, theirs should not be an impossible task.

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# Economic and Financial Factors Affecting the Business Future

spending and output were more finely balanced.

### III. Where Are We Going?

We have taken a quick look around at where we stand, and we have looked briefly over our shoulders at where we have been. Now we must try to look ahead at where we are going. Let's look first at the rest of this year—the short run. And after that, we'll try to guess what the longer-run future—the next quarter century —may have in store for us.

### (A) Factors Affecting the Short-Run Economic Future

Here we stand on our peak of prosperity. And we wonder: Will the road immediately ahead remain straight and level? Will it climb to a further inflationary height? Or will it suddenly drop, and carry us down into the valley of recession?

One way to seek answers to these questions is to try to identify "elements of weakness" in the current situation, that may have contributed to the rapid shift of sentiment among business forecasters toward a less optimistic view of the immediate future.

At least seven elements of weakness have been mentioned in various analyses of the current situation:

(1) Recent stock-price declines.
(2) Slackening of inventory build-ups.
(3) Easing of basic commodity prices.
(4) Decline in housing starts.
(5) Changed or questionable outlook for certain industries.
(6) Heavy debt position of consumers.
(7) Squeeze on business profits and reduced corporate liquidity.

Now for a brief look at each of these:

(1) The recent stock-price declines are, I think, without much significance. I have never viewed stock market activity as any sort of indicator of underlying business conditions. The stock market panics easily, and enthuses easily, in a manic-depressive sort of way, and never seems to reflect much more at any time than what some people think other people are thinking. All the people may think differently tomorrow, moreover.

(2) Evidence of slackening inventory build-up is slight. The First National City Bank's "Monthly Letter" for March, for example, notes that purchasing agents are in some instances shortening commitments. This may reflect inventory accumulation, but it may also reflect simply shorter delivery times (a better-balanced supply and demand picture), and a feeling that the price situation is becoming more stable.

(3) The easing of basic commodity prices may have contributed to this feeling. Consumer and wholesale prices have held firm or risen, but the more sensitive basic commodity price index of the Bureau of Labor Statistics (for 22 basic commodities) has been declining since late last year. This is not necessarily an undesirable occurrence, however. It may reflect only the bite of the "tight money" policy, and may presage a new stability in wholesale and consumer prices. There is certainly no law stating that prices must move up or down. As some business analysts so quaintly put it, prices may also move "sidewide" — meaning, not change at all.

(4) The decline in new housing starts is clearly related to the effectiveness of "tight money." As credit conditions alternate between extremes of restraint and ease, the mortgage market is the first place where credit tightens, and the first place it loosens up. This, in turn, directly affects new housing starts. They were down last year by about a sixth from their near-record peak in 1955. They are running at about the 1956 rate so far in 1957. They may go still lower this year, if credit conditions do not ease. But that's a big "if," and anyway a further reduction might or might not be very significant in the total outcome, depending on what happens in other segments of the economy.

(5) A further decline in housing starts can be taken in stride, for example so long as other basic industries, or significant groups of industries, either hold their own or improve their position. This is the essence of a "rolling readjustment," where changes in various industrial sectors end up by cancelling out. Some observers, however, profess to see weaknesses in other important industrial sectors — automobiles, steel, household appliances, textiles, and non-ferrous metals, for example. Of these, autos and steel seem most critical, from the standpoint of the general business outlook.

### Auto Makers Optimistic

In spite of the prevailing gloom in other quarters, automobile producers still seem optimistic about meeting or exceeding last year's output of almost six million cars. And in terms of consumer spending plans (discussed below), this optimism seems justified. Close observers of the steel situation, moreover, appear to believe that, while some cutback in production of lighter steels may occur (associated in part with a lower level of household appliance output), shortages—and capacity output—of heavy steels (structural steel, plates, and pipe) will continue throughout the year.

(6) In addition to specific industry weaknesses, the heavy installment and mortgage debt position of consumers is also cited as a further weakening element, as is a discernible squeeze on business profits (costs rising faster than selling prices) and a reduction in corporate liquidity caused by this profits squeeze, by accelerated tax payments, and by large-scale, internally-financed, new plant and equipment acquisitions.

The debt position of consumers is a worrisome thing in a long-run context, and we shall look at it a little later in that context. In the short-run, though, at least in the minds of consumers themselves, it does not seem particularly burdensome nor likely to act as a significant deterrent on consumer spending, so long as consumers are optimistic in their expectations of their income, as they still seem to be. The profits squeeze on corporations might be expected to work itself out in a reduced level of spending for new plant and equipment. But it has not, at least not yet.

### Elements of Strength

Against these elements of weakness we can set the following elements of strength:

(1) Announced spending plans of business and consumers.
(2) Heavy government spending commitments.
(3) Prospects of further wage increases.
(4) Possible over-emphasis on specific "weak spots"; prospect for "rolling readjustment."
(5) "Watch and wait" monetary policy.

(1) The spending plans of business, or new plant and equipment, do not reflect the change in business expectations that has been noticed. These spending plans may, of course, be scaled down, but as yet there is no evidence that they will be. If carried out at currently expected levels (about $39 billion, compared with $35 billion in 1956), they would constitute a substantial element of strength to the economy.

Similarly, consumer spending plans, as indicated by preliminary results of the 1957 survey of consumer finances, envision a continued high level of outlays for goods and services. Consumers seem not yet to have been affected by the (real or imagined) decline in business confidence. Instead, they seem to be looking forward to another prosperous year, and to be making their spending plans accordingly.

(2) Our governments—Federal, State and local—have committed themselves to tremendous outlays in 1957 (totaling an estimated $85 billion, up over $5 billion from 1956), and these outlays seem subject to revision only to the extent that they may be even larger than now contemplated. The principal Federal outlays will be for defense purposes, of course, and in the present, uncertain state of the world, any decline in defense spending seems most unlikely. Declines in non-defense spending are bound to be minor. State and local spending, for such things as schools, hospitals, roads, and the other civic appurtenances, are based on and must take account of the needs of an expanding population. So there seems no chance for much decrease here, either.

(3) In addition, there appears to be a real prospect of substantial further wage increases in broad industrial segments of the economy. For example, wage contracts are to be renegotiated this year in the textile, petroleum, rubber, chemical, lumber, and paper industries. In all likelihood, as in the recent past, the wage

increases negotiated under these contracts will exceed labor's increase in productivity since the last contracts were executed.

(4) Also, there seems to be a real possibility of over-emphasis in our discussion of specific "weak spots" in the economy, and a consequent, concurrent lack of emphasis on our prospects for achieving another "rolling readjustment," as in 1956. Then, strong performances in other sectors of the economy outweighed weakness in new housing starts, and during part of the year, in automobile production. We have had things so good for so long, that it is easy for us to forget what a wonderfully dynamic and flexible thing our economy is, and how easily it actually adjusts to changing circumstances. But we should not forget that in 1956, substantial increases in business expenditures for new plants and equipment, and rising consumer outlays, more than offset a decline of 1.5 million in new passenger-car sales, and a fall in new housing starts from 1.3 million to 1.1 million units. Our 1956 experience stands as strong evidence that an economy as big and as diversified as ours can adjust to significant shifts in demand and production without any over-all setback.

(5) Finally, the role of our flexible monetary policy looms large in my own thinking about the current business outlook. Thus far this year, the principal effect of the more pessimistic tinge to business expectations has been a subtle shifting of last year's "tight money" policy, from one of actively turning the screws in the direction of more tightness in the money and credit markets to one of playing a "waiting game." The Fed is now "taking soundings," as it were, and standing ready to loosen the screws—to ease off its restrictive policy — if developments should indicate that that course of action seems appropriate. It has not seemed appropriate yet. In fact, the official government line still holds that the predominant pressures in our economy today are inflationary in nature.

### Weaknesses Overstressed

How are we to assess this mixed situation? And how are we to weigh the elements of strength and weakness mentioned against each other? This is an "every man for himself" kind of game to play, and the judgment each man must form is essentially qualitative in nature. It seems clear to me, however, that there has been a tendency toward over-stress on elements of weakness, and a consequent under-emphasis on elements of strength that underlie a basically sound situation. Possibly we are being misled by the fact that our rate of progress seems to be declining. In a full-employment, capacity-output economy, though, our real gain must be limited each year to our gain in productivity. This is bound to be small—2 to 3%—compared to our total output. Any larger gain is illusory, however, and only reflects more inflation. This was and is the justification for "tight money." Its effectiveness in 1956 in limiting our progress to something like its real proportions may have been one major factor destabilizing business confidence in early 1957.

On the basis of these observations, I judge the prospects for the rest of this year to be for high, steady activity, at present levels or at levels slightly above those we have now. To quantify this estimate, I would expect for 1957 a Gross National Product of at least $425 billion, which would be up about 3% from 1956, as a result of productivity increases, or price increases, or both. And with any sort of luck, our G. N. P. in 1957 should be at least $430 billion.

Having had my fling at living dangerously, let me climb back to safer ground. Let's change our focus again, and talk about the long run.

### (B) Factors Affecting the Long-Run Economic Outlook

When we come to look at the long run, the clouds lift in the crystal ball, and we are able to see much more clearly. There are no certainties in these matters, of course, but there is surely a preponderance of factors favoring continued economic expansion and growth. The long-run trend runs clearly upward.

The major elements of strength leading to this conclusion are at least four:

(1) Our built-in inflationary bias, already mentioned.
(2) Population growth.
(3) The "technical revolution" we find ourselves in.
(4) Our greatly improved knowledge of how to limit cyclical fluctuations.

(1) We have mentioned our national preference, based on our fear of depression, for "just a little bit" of inflation, to make sure we're on the safe side of the business cycle. We have also referred, in passing, to a tendency for wage increases to outrun productivity increases in our economy. Both of these factors are working and will continue to work in the direction of giving the economy "lift"—more lift than it may need, possibly, in view of other expansionary forces at work.

(2) Population growth may be expected to continue at a substantial rate. Nothing, especially in an economy that's prosperous to begin with, creates demand and stimulates production better than population growth. It increases the demand for everything: capital goods—housing, schools, roads, hospitals; and consumer goods—food, clothing, services—alike.

(3) Our rate of "innovation," growing out of business imagination and the technical revolution we are undergoing, has been truly amazing in the postwar period, and should be even more amazing in the future. Ten years ago, television was just becoming a commercial possibility. But look at the television industry now. Plastics, synthetic fibers, residential air conditioning, are all relatively recent innovations. Jet air transport, electronic calculators, color TV, gas-turbine propulsion for automobiles, are not so far along, but are developing rapidly. The harnessing of atomic energy for peace, as well as for war-time use, has opened a whole new technical frontier, soon to be crossed in force.

### Growth Possibilities Staggering

Expansion of geographic frontiers, along with rapid population growth, used to be the main avenue of economic progress. In the '30s we had neither, and we developed the notion of the "mature economy," that could not sustain itself at full employment levels without massive government spending. Now we have rapid population growth again, and we have a new frontier more exciting than the old could ever be. Our economy is young in a new dimension, and the possibilities for growth are staggering. New jobs, new plants new products, new demands, new satisfactions, all lie just over the technical horizon. Whether we will find them all or not remains to be seen, of course. This kind of growth places great premiums on technical imagination and daring investment. I think the last ten years have shown, though, that we have both qualities in abundance.

(4) Along with our great advances in technical, *scientific* knowledge have come improvements in our technical, *social* knowledge. Specifically, we know a great deal more about what causes cyclical fluctuations in the economy — the business cycle— than we used to; and we know more about limiting the effects of these causes, in the interests of economic stability.

It seems fair to say that we know more about limiting the effects that we know about the causes themselves. This is not an unusual situation. My physician friends tell me it's true in medicine as well, for example. Our economic prescription for high-level stability includes compensatory fiscal policy and compensatory monetary policy, properly timed and coordinated. This prescription will not cure the "disease" of cyclical fluctuations, but it will temper the fluctuations, and limit the range of their variation. This is all we want to do, I think. The business cycle is not really a disease and we do not really want to eliminate it entirely. Our free enterprise economy must be kept flexible, and free to adjust continuously, if its great potentialities for growth are to be realized. Cyclical variations in economic activity are a principal avenue of such adjustment. What we do want to do is to keep these variations within bounds, and prevent extremes either of inflation or depression from occurring. With what we know now, I think our chances of doing this over the next several decades are reasonably good.

So our long-run prospects are good. Not quite so good as what I've said might make them appear, though. For there are some elements of weakness in the long-run picture — some unstabilizing possibilities—that we have got to watch and take account of. Two seem especially worth mentioning: (1) The long-run shift toward a greater consumption of services; and (2) The long-run increase in consumer installment and residential mortgage debt in relation to disposable income.

### Two Weak Spots

(1) As an economy grows and develops, productive activity expands beyond primary (extractive) industries, through secondary (processing) industries, to tertiary (transportation, trade, finance, service) industry. And one measure of a highly developed and developing economy is a high and rising proportion of services in the total of goods and services produced and consumed.

As living standards rise, more services are consumed in relation to goods consumed, and the nation's productive facilities and labor force are redistributed accordingly. In the last seven years, for example, the proportion of our labor force engaged in producing services (transportation, trade, finance, and "service") has risen from 44% in 1949 to 53% in 1956. Employment in primary (agriculture, mining) and secondary (manufacturing, construction) industries fell from 56 to 47% in the same period. This shift seems still to be continuing.

Such a shift reflects our continued prosperity, and rising living standards. The danger in it lies in the fact that it involves a shift of workers from industries where productivity is high and rising to industries where productivity is low and not increasing so fast. The net effect is a reduction in our rate of productivity increase.

This, in turn, limits the rate at which our living standards may continue to rise, and our rate of saving (new capital formation). It may also prove highly inflationary, if wages in service industries, keyed to wages in the higher-productivity primary and secondary industries, rise faster than service-industry productivity. This is very likely to happen. In fact, a good part, if not most, of our recent consumer price increases seem to have occurred in the prices of services.

(2) The rise in consumer installment and residential mortgage debt should also be a subject of long-run concern. Consumer installment debt and mortgage debt constitute fixed charges on disposable personal income, and reflect purchases of prior periods. The higher the proportion these charges constitute of disposable income, the greater the risk that not enough spending power will be left to maintain a current, full-employment level of demand.

More important, in the event of any decline in business activity and decrease in incomes, these fixed charges could overhang the market in a serious way. The high fixed charges must then come out of a smaller income, and even less would be left for current consumption expenditures. This could well seriously intensify the initial decline in activity.

As a proportion of disposable personal income, consumer installment and residential mortgage debt together have increased from 27% in 1941, to 30% in 1951, to 44% in 1956. This rise, too, seems still to be continuing. Whether we have reached a danger point yet I do not know, but I strongly suspect that we may have. In any event, as this proportion continues to rise, our economy will become increasingly vulnerable, in the sense that potentially small declines in activity and incomes may be greatly magnified, and the amplitude of cyclical down-swings thereby increased.

### IV. Summary

(1) The business future has two dimensions: the short-run; and the long-run. Neither dimension can be successfully discussed except by reference to the present, and the past.

(2) We have come far in the last quarter century, and we stand now on a peak of prosperity. In spite of our progress and present prosperity, though, we have suffered a sharp, recent decline in confidence about the future outlook for business.

(3) This loss of confidence does not seem justified in either a short- or long-term context. The current situation seems essentially sound, and our short-run prospects good. From here on in, though, our growth rates should be slower, since: (1) we have already long since achieved full employment and capacity output, and; (2) we have now succeeded in containing most of the inflationary pressure that in the past sometimes created the illusion that our real gains were larger than in fact they were.

(4) Our long-run prospects are excellent for continued real growth and expansion. Two long-term trends will bear close scrutiny, however: (1) the trend toward a larger proportion of services to goods in our consumption pattern; and (2) the rising proportion of consumer installment and residential mortgage debt to disposable personal income. The one will limit our long-run rate of growth, while the other introduces a new element of instability into the economy.

## Form Business Inv.

SALT LAKE CITY, Utah — Business Investment Service has been formed with offices here to engage in a securities business. Leonard W. McDonald is a principal. The firm may be reached at P. O. Box 1623.

## With Josephthal Co.

Josephthal & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announced that Richard I. Graham is now associated with the firm as an account executive.

## Morgan Stanley Group Underwrite IBM Offer

International Business Machines Corp. yesterday (May 22) launched one of the largest industrial common stock offerings to stockholders when it mailed subscription warrants to its 34,000 stockholders. The corporation is offering to its stockholders the right to subscribe at $220 per share for 1,050,223 shares of additional capital stock at the rate of one share for each ten shares held of record on May 21, 1957. The rights to subscribe will expire at 3:30 p.m. (EDT) on June 10, 1957. Stockholders must act with respect to their rights before that time or the rights lose all value. The offering which is the first public financing undertaken by International Business Machines since 1925 will raise approximately $231,000,000 in new equity capital.

The offering is being underwritten by a nationwide group of 255 investment firms headed by Morgan Stanley & Co.

The funds from the sale of the 1,050,223 additional shares will be added to the corporation's general funds and will be available for anticipated capital expenditures and for working capital. During the five years ended Dec. 31, 1956, IBM spent $686,882,000 for acquisition and replacement of property, plant, equipment and rental equipment of which $208,443,000 was spent in 1956. It is estimated that capital expenditures for 1957 will substantially exceed those made in 1956. The proposed capital expenditures are expected to be primarily for additional rental equipment and for increased production facilities required by growing demands for IBM products.

After completion of IBM's offering of capital stock to the public in 1925, its total capitalization (long-term debt, capital stock and earned surplus) was $29,552,673. At March 31, 1957, the corporation's total capitalization was $685,158,977, the increase having been effected by retained earnings and long-term borrowings. At April 30, 1957, the outstanding long-term debt was $350,000,000, all of which is privately held. Giving effect to the sale of the 1,050,223 additional shares, the corporation will have outstanding 11,552,460 shares of capital stock.

International Business Machines Corporation is the largest manufacturer of business machines in the world. It produces and leases or sells machines and systems for processing business and scientific data, including punched card accounting machines and electronic computers, as well as special computers and other devices for the armed forces, electric typewriters, time recording systems, and related supply items.

All business outside the United States is conducted by IBM World Trade Corporation, a wholly-owned but independently operated subsidiary which has plants in 14 countries and sales and service organizations at 270 locations in 84 foreign countries.

The latest dividend declared on IBM capital stock was a quarterly payment of 60c per share voted April 30, 1957 and payable June 10 to shareholders of record May 21. As they will be issued after the record date, the additional shares now being offered will not receive this dividend.

## Pac. Coast Exch. Member

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

Mr. Schwarz is a general partner in the firm of F. S. Smithers & Co., with offices in New York City and in the Russ Building in San Francisco.

*Continued from page 14*

# Ending Exchange Control: Progress Toward Convertibility

production that began during the war has continued with only minor interruption. In Western Europe, including the United Kingdom, industrial production in 1956 was more than 80% higher than immediately before the war. Some of the countries in Latin America have also increased production considerably. In the underdeveloped countries of the Far East and the Middle East, the growth in production has unfortunately been much slower, although a few of these countries are beginning to make encouraging progress.

An even greater recovery has taken place in world trade. In 1956, the value of world trade outside the Soviet bloc was $93 billion, measured by exports, and $93 billion, measured by imports. Most of the growth in trade has taken place since 1948, and much of it is accounted for by the increased exports of Western Europe and the Middle East and Far East. While the dollar value of total world exports increased by 70% between 1948 and 1956, the dollar value of the exports of Western Europe increased by more than 100%, and of the Middle East and Far East by about 85%. A very substantial part of the increase in trade took the form of exports to the United States and Canada.

The consequence of the growth and redirection of world trade has been the emergence of a surplus in the over-all payments, including aid, of the rest of the world with the United States. Since 1950, the free countries outside the United States have added about $10 billion to their gold and dollar reserves. Of course, not all countries have shared equally in this growth in reserves. In fact, some important trading countries have not yet succeeded in building up an adequate level of reserves. Despite the fact that payments difficulties do recur from time to time, that inflationary pressures seem to persist, it is possible to say that the world economy is prosperous and strong.

The test of a strong economy is its capacity to meet adversity. We have had such a test in recent months. The losses from the closing of the Suez Canal have been heavy, but they have not caused an economic crisis in Europe, nor have they resulted in a breakdown of world payments. In fact, the burden has been relatively greater for Asia, a larger proportion of whose trade moves through the Suez Canal. The high-income countries of Europe have greater flexibility in absorbing such losses than the underdeveloped countries of Asia whose economic margin is so narrow. A constructive solution of the Suez problem would open the way for new gains in the world economy.

**Relaxation of Exchange Controls**

While the countries that are members of the International Monetary Fund may maintain exchange controls on current transactions, they have undertaken in the Articles of Agreement to withdraw them as soon as they are able to do so without weakening their payments position. It is reasonable to ask whether countries have, in fact, relaxed exchange restrictions with the improvement in international payments. Since 1951, the Fund has made an annual report on exchange restrictions still in force among member countries. These reports show that a good deal has been done toward eliminating the foreign exchange controls that hamper world trade. The advance has not been without interruption; but despite occasional lapses, real progress has been made. This is not always apparent to the casual observer.

In many countries the exchange regulations confer far-reaching powers on the authorities. The restrictive significance of these regulations, however, depends on the manner in which they are exercised. Even when the regulations have remained formally unchanged, they have in practice been extensively modified by permitting many transactions that were previously restricted. In most Western European countries, for example, the elaborate framework of exchange control now has little restrictive effect, and even transactions with the dollar area have become a good deal easier. The growth of world trade, and the considerable increase in the exports of the United States and Canada since 1950, are concrete evidence of the progress that has been made in the past five years.

In most countries there is no difficulty in transferring all payments for current transactions. In a few countries, however, importers who have been licensed to purchase goods abroad may be unable to obtain official exchange to pay for such imports. Similarly, foreign investors may be unable to transfer the current earnings of their investment. The failure to provide foreign exchange to transfer such payments is equivalent to blocking the proceeds of current transactions. The elimination of this type of restriction on transfers would be of great practical importance to the countries with large payments arrears and to their trading partners. A policy of remitting promptly all current payments is an essential part of a world trading system under which each country can use the proceeds of its exports to pay for its imports. It is gratifying to note that a prompt remittance system has been successfully established in a number of Latin American countries.

**Convertibility of Currencies**

The establishment of convertibility of currencies for all current international payments is an essential step in removing all exchange obstacles to the free flow of trade. When currencies are convertible each country can use the proceeds of its exports, and other current receipts, to pay for its imports, regardless of the country with which or the currency in which it trades. It is for this reason that the International Monetary Fund attaches so much importance to the convertibility of currencies.

The establishment of general convertibility for current international payments is centered upon the currencies widely used in world trade—in the first instance the U. S. dollar and sterling, and secondarily the currencies of other great trading countries. The convertibility of the U. S. dollar has provided a sound base on which to build a world payments system in the postwar period. The convertibility of sterling is necessary to broaden and strengthen this base. Furthermore, if sterling were made convertible, most of the other great trading countries would promptly follow the lead of the United Kingdom.

Notable progress toward convertibility has been made in the past few years. While only 10 members of the Fund, all in the dollar area, have made their currencies formally convertible in accordance with the Articles of Agreement, most of the great trading currencies have acquired a high degree of *de facto* convertibility. The transferability of sterling has been for some time extended to practically all non-dollar countries. Other important European currencies have equal or nearly equal transferability. At the same time, these currencies have been steadily approaching equivalence to U. S. dollars in free exchange markets. For example, since February, 1955 transferable account sterling has been traded against U. S. dollars at a discount of only about 1 or 2% in the free exchange markets in Zurich, New York and elsewhere.

Progress has also been made toward reducing discrimination against dollar imports in practically all countries. This is inevitable once currencies become more nearly equivalent to dollars. No country would find it worthwhile to discriminate on a currency basis, paying excessive prices for its imports, if the currency with which it pays can be easily sold for dollars. In some countries of Western Europe, for example, dollar discrimination is now negligible or nonexistent. In the United Kingdom, most raw materials and foodstuffs may be imported without discrimination either from dollar or non-dollar countries; and in other sterling area countries, a substantial part of imports is bought on a competitive price basis.

**Reserves and Convertibility**

It is sometimes said that international reserves are not adequate to enable the great trading countries to remove exchange controls and to establish currency convertibility. It should be emphasized that currency convertibility depends primarily on a strong payments position rather than any precise amount of reserves. Even very large reserves can be dissipated all too soon if the underlying economic position of a country is weak. On the other hand, a strong currency will enable a country to sustain any temporary adversity in international payments and gradually to accumulate reserves.

Only a few years ago, a number of countries made their first great strides toward relaxing exchange restrictions, depending upon the International Monetary Fund to help them in time of need. Since then, the gold and dollar reserves of countries outside the United States have increased by more than the total resources of the Fund. There are some countries that have not shared in this general increase in reserves. That should not prevent them from moving toward convertibility if their payments position becomes strong. More than ever, the Fund is ready to use its resources to help countries that are relaxing exchange controls and moving toward the establishment of convertible currencies. If world trade continues to grow, if currencies continue to be strong, the steady progress toward the elimination of restrictions and discriminations will not be impeded by a lack of reserves.

In its ten years of operation, the Fund has placed at the disposal of its members about $3.3 billion of resources—largely in the form of drawings, partly in the form of stand-by agreements still in force. Nearly all of these transactions have taken place in three periods — 1947-48, 1952-53, and 1956-57. That is not surprising, as Fund resources are equivalent to reserves, and reserves, by their nature, are used intermittently when payments difficulties occur. Nor is it surprising that over $700 million of the drawings and over $1,000 million of the stand-bys were arranged in the few months since Oct. 1, 1956, when there was so much fear of the disruption of trade and payments because of the closing of the Suez Canal.

The Fund remains well supplied with reserves of gold and convertible currencies. Because of the revolving character of its resources, the liquidity of the Fund will automatically be restored in one, two and three years. The promptness with which aid has been given to its members in the recent difficulties should assure them that the Fund is ready to support every effort they make to improve their financial policies, to strengthen their payments position, and to relax exchange restrictions and discriminations. Any country ready to take these steps can count on the help of the Fund in carrying out a comprehensive program designed to make its currency convertible.

**Role of the Fund**

The International Monetary Fund has played a quiet but effective role in the progress that has been made. The improvement in international payments and the relaxation of exchange controls is to a large extent due to the revival of monetary and fiscal policy and the establishment of realistic exchange rates that enable countries to compete in world markets. The Fund has been insistent that the elimination of exchange controls that hamper world trade is essential to a prosperous world economy. Beyond that, the Fund has urged on its members the importance of avoiding inflation as the necessary condition for a strong payments position.

It is gratifying to see the extent to which countries now rely on monetary and fiscal policies to restrain inflation and to keep their payments in order. Even the difficulties and uncertainties of the closing of the Suez Canal did not result in any marked intensification of exchange controls. Instead, greater reliance was placed on taxation and credit restraints. And in this, governments have had a surprisingly large measure of support from the public. The fact is that people are tired of inflation and resentful of exchange controls. They are ready to support their governments in policies that will halt the persistent rise in prices and avoid recurrent difficulties in international payments.

No one should underestimate the importance of constant vigilance in avoiding inflation. Every country with a high level of employment and a high level of investment is exposed to inflationary pressures. The test of economic statesmanship is a willingness to reduce government spending when there is an increase in private expenditure and to restrain the creation of bank credit when savings are inadequate to meet investment demand. Nothing could be more dangerous than the view that mild inflation can do no harm. It is especially dangerous for countries to assume that a rise in their prices and costs will not result in payments difficulties because of a similar rise in dollar prices. The dollar countries, in particular the United States and Canada, have shown a determination and a capacity to deal with the problem of inflation that should inspire similar action in other countries.

The growth in production, the determination to eradicate inflation, the expansion of world trade, all give hope that the exchange obstacles to international trade and payments will in time be eliminated and the convertibility of all the great trading currencies will ulitmately be established. There may be no spectacular movement in this direction, but gradual and steady progress will be made. With good-will and mutual understanding among the great trading countries, with leadership and strength provided by the International Monetary Fund, with the support of influential business groups, such as the Congress of the International Chamber of Commerce, I am confident that this goal will be reached.

## Blyth-Merrill Lynch Group Underwrites Acme Steel Offerings

An underwriting group headed jointly by Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane offered publicly yesterday (May 22) a new issue of $22,000,000 Acme Steel Co. 4⅞% sinking fund debentures, due 1977. The debentures are priced at 99% to yield approximately 4.95% to maturity.

At the same time Acme Steel is issuing to the holders of its $10 par value common stock rights to subscribe at $29.50 per share for an additional 396,079 shares. Stockholders of record on May 21 will be entitled to subscribe for one new share for each six held; the offer will expire at 2:30 p.m. (CDT) on June 5, at which time a second underwriting group, also headed jointly by Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane, will purchase any unsubscribed shares.

The net proceeds to Acme from the sale of debentures and additional common stock will be added to general funds where they will be available initially to repay all of Acme's outstanding debt which consists of $17,000,000 of notes incurred for various purposes. The balance will be applied, along with other internally-generated funds, to the construction of additional steel-making facilities at an estimated cost of $23,000,000.

Acme Steel, whose principal plant and offices are at Riverdale, Ill., was established in 1885 and has for many years been a converter of semi-finished steel into hot-rolled and cold-rolled carbon steel strip. The company is one of the largest makers of steel strapping and strapping equipment and other associated steel products. On Sept. 14, 1956, when Acme acquired substantially all the assets of Newport Steel Corp., Newport, Ky., it became a producer of steel ingots from scrap and pig iron and a manufacturer of various types of sheet steel.

Total revenues of Acme and subsidiaries in 1956 amounted to $134,430,507, on which its net income was $6,855,938, equal to $3.28 per common share, based on the average number of shares outstanding during the year. For 1955, total revenues were $110,861,392; net income amounted to $6,172,119, or $3.11 per share.

Debenture call prices start at 105.50% for the first five years, drop to 104.50% for the sixth to the eleventh years and thereafter decline ½ of 1% each year until maturity.

Cash dividends, which have been paid on the common stock since 1901, are currently at the quarterly rate of 50 cents per share.

## Charles Prince Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles Prince has opened offices in the Statler Center to engage in a securities business. He was formerly with First California Company.

## Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Leonard Vandervelde is now connected with Bache & Co., 445 North Roxbury Drive. He was formerly with H. Hentz & Co.

## Now With T. R. Peirsol

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—William E. Donovan has become connected with T. R. Peirsol & Co., 9645 Santa Monica Boulevard. He was formerly with Investors Realty Fund, Inc. and prior thereto with Francis I. du Pont & Co.

*Continued from first page*

# Questions on Inflation

there was what was known as the "Great Depression" which started in the fall of '29 and became unique in ferocity and magnitude when Britain abandoned gold in September, 1931 and which stretched over a span of more than 10 years until, the world was plummeted into the most violent and devastating convulsion of modern history, so the tendency for prices to rise more rapidly than at the historic rate, has been with us for almost 17 years with but very minor deviations from the general trend. This period is perhaps appropriately called the "Great Inflation."

**The Age of Inflation**

Inflation expresses itself in many forms; it has many causes. It is fair to say that inflation *is* many things. I shall not attempt to define this economic phenomenon which has, on the whole been the common experience of mankind, with only a few exceptional intervals of time, since the dawn of history. The task is too complicated, the phenomena are too slippery and too numerous. Professor A. J. Brown, in his recent book, *The Great Inflation* published under the auspices of the Royal Institute of International Affairs by the Oxford University Press, commences his discussion by saying: "In two world wars and their aftermaths inflation has become familiar to the people of most countries as a threat or an actuality. Yet, despite the volume of experience so accumulated and the amount of attention so directed to it, one cannot say that there is general agreement as to how it can best be defined, how the threat of it can be assessed, or how the extent to which it has proceeded can be measured. For, despite its painful familiarity, inflation is, from the economist's point of view. an elusive phenomenon—or, perhaps more correctly, an elusive and bewildering variety of phenomena."

Although an attempt to define inflation is an undertaking which I shall quite frankly leave to others, it can be said with reasonable accuracy that the outward manifestation of inflation which concerns people and governments more perhaps than all other outward evidences of inflationary processes, is a continuous rise in the general price level. It is this economic spectacle which has historically taken, so it is thought, the greatest toll of society. Yet I would not want to be thought indifferent to what has been called the inflation of the '20's and to the devastating aftermath which so many people associate with the boom of that particular decade.

It is perhaps not wholly irrelevant to suggest that throughout the 19th Century both here and abroad, practically all of the major and seemingly protracted economic fluctuations in the level of economic activity were produced by the wartime inflations and the postwar liquidations. And it might not be without relevance to our general discussion to suggest that, if since 1945 when open and large-scale employment of military forces came to an end, we have not, so far, experienced a compensating liquidation of wartime inflation, it is not because the last 12 years have been an exception to the general rule, but rather because we have not, in the historical sense of the word, been at peace. For 18 years we have been either at war on the largest scale and over vaster frontiers and horizons, than on any other occasion in the history of the human race; or, on a wide front we have been preparing for war; or we have been arming to prevent the recurrence of war. We have been *not at* war and we have not been *at war* except for the nasty affairs in Korea. Certainly we have not known peace.

It is only by understanding the economic environment through which we have been passing and in which we still exist, an environment characterized by a larger volume of government expenditure and the insinuation of governments into the economies of countries on a scale never before contemplated in times which were not periods of war, that we can begin to understand—I confess that I have not even reached this stage myself—the perplexing dilemma which the prospect of deflation or inflation presents to society as a whole and to the public authorities.

At the moment, the apprehension of a further rise in prices seems to be absorbing the attention of politicians, of central bankers and commercial bankers, of many groups within the community.

**Can Credit Act as an Economic Regulator?**

Approximately 30 years ago the view became generally accepted in many quarters that the cyclical movement of economic activity can be arrested, if not levelled out, by a deliberate policy of restricting or augmenting the available volume of credit in the banking system—with a resulting rise or fall in the rates of interest. This idea had its birth and acceptance in an international economic environment quite different from, or if not quite different, at least far more simple and less complicated than the environment in which we live today.

Throughout the more civilized world, bank deposits are much more the symbol of money than was the case 30 years ago. Then it was not, as it is now, the policy of governments to use their power to spend to support certain groups of prices; to tax for social reasons; to lend public funds for private purposes; to engage in a whole variety of private or quasi-private undertakings; to intervene in economic activities; even to enter the market place as a buyer and seller —perhaps the largest single buyer or seller the world has ever known. This policy is not only generally accepted, it is almost universally demanded by the constituencies of many countries.

It was not 30 years ago, as it is now and as it has been for more than 20 years, the policy of governments to encourage the introduction of what in practice though not necessarily in theory are inflexible, unyielding factors into the general economic system. The trade union movement was not then what it is today. The international monetary system was firmly attached to gold and, although economic nationalism had manifested itself in a host of different forms of national subsidies, currencies generally were freely convertible and the money of one country could be transferred into money of another country on the flash of an eye in almost any hotel, bank, cashier's cage, or even retail merchandising establishment, without awaiting the decision of some distant janissariat sitting behind a desk in some remote treasury or central bank.

The internal credit structure of every country has experienced far-reaching changes—none more far-reaching than we have experienced here.

Thirty years ago installment credit was in its relative infancy, Fanny May was non-existent, savings and loan associations were relatively unknown. The extension of credit by insurance companies was effected quite differently from the extension of credit today. The capital market was a different market. Each nation also over the course of the last 25 years has developed rigidities and inflexibilities which it does not seem likely that the force of circumstances or the voluntary decisions of constituencies will make more elastic during the balance of my lifetime.

**Governmental Contradictory Policies**

Against this brief and superficial survey of the penetrating changes that have taken place is it not appropriate that there should be a re-examination of the complicating if not contradictory policies which governments pursue?

Perhaps I can best deal with some of these complications and contradictions by putting a series of questions: The question I suggest is not whether the policy of the Federal Reserve Board to restrict credit is right or wrong but whether the restriction of credit, with the consequent rise in interest rates can in practice actually arrest an inflationary movement expressed in terms of a rise in the general price level, until it has been applied so rigorously that the spectacle and fear of significant unemployment begins to appear on the horizon and to induce men to abandon demands for annual increases in pay that bear no relation to the business situation or to productivity. The reason for putting the question in this form is that there seems to be a relatively universal coincidence between the rapidity with which wages rise and the state of employment; i.e., the fuller the state of employment the more rapid the increase in labor costs. If inflationary forces cannot be arrested, unless the policy of restricting credit is vigorously pursued until the ghost of large-scale unemployment puts in its unpleasant and tragic appearance in society, would the government or public opinion tolerate it?

**Full Employment Mandate**

The Public Employment Act of 1946 throws a considerable amount of light on this question. One has only to read the first section of the law to conclude that any agency which undertakes to arrest an upward movement of prices by producing unemployment on a substantial scale, will be contradicting a policy which the Congress solemnly declares to be a fundamental policy of the Federal Government. And this, I suggest, will be the policy of governments for a long time to come, no matter whether the Democratic Party or the Republican Party controls the executive or the legislative arms of the governmental machinery. The report of the Senate Committee, Sept. 18, 1945 silhouettes this conclusion even more sharply—"Insuring Full Employment in a Free Competitive Economy" is the title of the report. The conception of full or maximum employment is woven into the fabric of the legislation and the legislative history of the law.

While the Federal Reserve is vested with certain limited power, it is implicitly enjoined from interfering with certain basic policies. It is interesting at this point to take a detour for a moment to indicate how rapidly we change the meaning of the words we use. Lord Beveridge once defined substantial unemployment as an amount in excess of 7% of the employable force. This was not so long ago—indeed, it was slightly more than ten years ago. Yet a volume of unemployment in excess of 5% is today viewed with alarm.

Our experience of the last 15 months, perhaps too limited, rather suggests that a deliberate restriction of credit and higher interest rates may not be an effective deterrent to the inflationary forces. We have had full employment; we have been going through a period of substantially higher interest rates and restriction of credit, employment rises-unemployment falls, yet there seems to be no abatement in the tendency of prices to rise. Indeed, in the New York "Times," on the financial page, May 13, we are told once more that on July 1 we must expect an increase in the price of steel. Steel is such a ubiquitous commodity that touches so many industrial and even agricultural operations, that a further rise in the price of steel may have an effect on the general level of prices.

But perhaps the rise in prices might have been greater if the Federal Reserve had not initiated and pursued its present policy.

**Contradictions and Complications**

In the 19th Century and up to about 20 years ago, it seems to have been true that prices tended to rise, and wages followed. Over the course of the last ten years the reverse appears to have become the pattern—wages appear to have risen and prices almost immediately followed. Does this introduce into the economic system an inflexibility which no purely monetary device can make more elastic without creating relatively wide-scale unemployment or the fear of unemployment?

Here is another question: Is it possible that one arm of the government by restricting credit and causing interest rates to rise, can dampen the forces that are pushing prices upwards, while at the same time another arm of the government spends hundreds of millions for the purpose of elevating the price of farm products produced by very large segments of society? Is not this a contradiction?

It cannot be wholly denied that large capital investments have been made over the course of the last five or six years to replace antiquated plants with the most modern equipment and thereby to compensate, by the introduction of machinery, for the increased cost of labor. In many industries it is only through technological improvements installed by very substantial capital investment that increased labor costs have been at least partly neutralized and, accordingly, that the price rise in these instances has been wholly or partly abated.

May not this effect of technological improvement be nullified by a restriction of credit which makes unavailable the credit which it requires? It appears to be true that the demand for capital equipment and capital expenditure is greater than the volume of savings can satisfy. Accordingly the authorities would be faithless to their public duty were they not to restrict credit. Under these circumstances should not public authorities examine the expenditure side of the Federal budget and the tax features of our Internal Revenue Acts to determine how, if at all, the tax structure can be modified so that savings can actually be accumulated rapidly enough to satisfy the appetite for capital investment? At this point it would be fair to ask whether there is not a quality as well as a quantity of money. To put the matter in its most simple form—does $10,000 in the hand of one person, as a general rule, play the same economic role in society as $10,000 distributed among 10,000 people? The quantity is the same—is the quality likewise identical? It may be justified to put the question in this very naked form to draw the distinction between spending and investing.

Can restriction of credit effectively check the inflationary forces so long as agencies of the government continue to do as they have over the course of the last 12 years or more—pump money or credit into the economic system to subsidize various activities or to guarantee quasi-private obligations?

Is it possible that by restricting credit without creating an intolerable burden of unemployment, inflationary forces can be conquered, when at the same time almost 50% of the total public expenditure is devoted to allay the government's hunger for commodities, of which there are limited supplies? Is there not a quality of expenditure as well as a quantity of expenditure? Possibly this is a phenomenon of post-World War II which is made unavoidable by the international environment in which we live and I fear will continue to live for a long time.

Cannot a budget be clearly in balance and yet be a powerful encouragement to inflation? Cannot an unbalanced budget be less inflationary than a balanced one—depending, of course, on the purposes for which the expenditures are made?

I am not suggesting that our national defense should be weakened. I am merely asking whether the pressure of this huge volume of public expenditure to purchase in the market place commodities which the private segment of society is also anxious to buy, is a force which can well nullify the results of restricted credit and higher interest rates, if in fact these two weapons can be effectively used at all.

These are only a few of the questions which a re-examination of our situation ought to raise. I do not advance them because I know the answers. I advance them because they do not often enough seem to have been given the weight which they may deserve in any discussion of the inflation of this period. I advance them also to emphasize a general proposition.

**Calls for Concerted Attack Upon Inflation**

Everyone seems to be in accord with the view that a continuous depreciation of the currency takes a cruel toll of many groups within society. In this country great progress has been made toward the elimination of poverty. Unless a 3% rise in prices each year is successfully combated, may not the accumulated deterioration of currency create in due course a new group of impoverished people? It is against the possibility of this consequence that what appear to be contradictions in public policy should be re-examined and, if need be, eliminated in order that limited powers may successfully halt a deterioration of currency, which is more rapid that the historic one.

I would not have anyone suppose or infer from what I have said that I am suggesting that the powers of the Federal or state governments should be extended over a broader front in an effort to compensate for what appear to be the contradictions of policy that may impede, if they do not frustrate, effectiveness of control over credit as an anti-inflationary device. I do mean to suggest, however, that in view of the complicated nature of society as it is today, and the apparently contradictory policies which have been initiated, formulated and put into effect, the time has come when it is as important to establish some sort of a concerted attack upon the evils of inflation as it was in the Employment Act of 1946 to try to establish a unified assault on the evils of unemployment.

## Two With Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Robert Blitz and Arne J. Huhta are now associated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges. Both were formerly with J. Logan & Co.

*Continued from first page*

# Stock Market Investing In This Scientific Age

information, desirable regulations of trading, and the higher quality of analytical work.

(3) The stock market is a place where large profits are possible.

To illustrate these points, I'm going to tell you a story. It is not a real one. It is one I made up. But it is based on actual figures taken from stock market records over the past 41 years. It is both ridiculous and impossible because it assumes a perfect score in judging the market and there is no human being who ever has, or who ever will, achieve a perfect record in the stock market. That is fortunate because in time the perfect man would accumulate too much money. The figures do not take into consideration taxes, commissions, or dividends. But the story is of use in illustrating not only the inflation protection and the profit opportunities but also the different approaches to investing.

### Divergent Investing Media

Back in 1915 a father left $1,000 to each of his four sons to invest. Last summer these four sons met to compare their results. The first one had been very conservative. He had invested his $1,000 in high grade corporate bonds in 1915 and had held them throughout the 41 years. In that time the value of his bonds had increased to $1,220. But, in the meantime, the value of the dollar had gone down so his $1,220 would buy only 45% of the items that go to make up the cost of living that he could have bought with his original $1,000 back in 1915.

The second brother was also lazy but he had shown better judgment than the first one by investing his $1,000 in the stocks making up the Dow Jones Industrial Average. By last summer the value of these stocks was $9,100 and taking into consideration the change in the cost of living he had a purchasing power that was over three and a third times as large as he would have had with his original $1,000 in 1915.

The third brother was a harder worker. He decided that there were such things as business cycles, that there were bull and bear trends in the stock market, and that he would try to benefit from them. He did the impossible. He sold at the peak of every bull market, kept his money in cash during the bear markets and reinvested his original capital and his profits at the bottom of every bear market. In the summer of 1956 he found that his original $1,000 had grown, in the nine bull markets since 1915, to a value of $1,910,000 which, after allowing for the 63% decline in the value of the dollar, gave him a purchasing power in 1956 of $707,000 as compared with only $1,000 in 1915.

The fourth brother worked even harder. He realized that some industries make greater progress than others and he believed that he would not have to worry about business cycles or bull and bear market trends if he could always invest in the particular industry that was benefiting the most from the economic conditions of the day. He always stayed invested but shifted from his original investment in automobile shares in 1915 into the steels in 1916, back to the automobiles in 1917, to the department stores in 1919 and so on, making 24 shifts of his funds in the 41-year period. Even in the severe bear market from 1929 to 1932 he made money because he invested in gold shares which appreciated 44% during the period when the general market went down sharply. By doing the impossible and always being correct in his selection of the industry group that was going to appreciate the most in value, his $1,000 had grown to be worth (hold your hats) $26,000,000,000. This gave him a purchasing power of $9,620,000,000 instead of the $1,000 he had in 1915. (The above calculations are based on the study "A Thirty Year Bull Market" by Hugh Long and Company which covered the period from 1915 to 1945. We have brought it up to date by making the calculations from 1945 to 1956.)

Perhaps these sums will not seem as ridiculous if we realize that if a man starts with $1,000 and doubles his money ten times it amounts to over $1,000,000.

Impossible and ridiculous as the story is, and inexact as the figures are because taxes, commissions and dividends are not included, it does illustrate several important things. First is the inflation protection that has been obtained in the stock market over the longer term. Second is the fact that perfection in stock market transactions is not necessary to obtain substantial profits. Third is that the rewards of investing are directly related to the effort put into the job. The ability to determine the effects of the ups and downs of the business cycle on investments is important but the ability to select the right industries is even more profitable. Perhaps such figures explain why the market has become more selective and why there has been more rotation of industry group leadership and strength recently than there has been in the past.

### Selection of Securities

The Amazing World of Tomorrow is shaping up in our research laboratories of today. From them is coming a steady of new, better, and cheaper products that will improve our health, homes, clothing, foods, defenses and means of transportation. Gone is the fear that some day the world will be starved for power, thanks to the development of nuclear energy and to the progress being made to make thermonuclear energy practical. The wise investor has unusual opportunities in such growth industries as the chemicals, electronics, automation, guided missiles, chemical fuels, atomic and solar energy, electronic business machines, drugs, petrochemicals, plastics, metallurgicals, ceramics, rare earths, etc. These should be the most rapidly expanding sections of our economy over the next decade.

You scientific men are in an enviable position to judge the future developments in the amazing world of tomorrow and should share in the capital gains opportunities that you are helping to create. There has been no period in history that is as dynamic as the present one and there is perhaps no country in the world that has made the scientific progress that is being made in the United States. Today the frontiers are scientific, not geographic, and when the history of this period is written the historians or economists are likely to refer to this as a technological or scientific revolution similar and even more important than the industrial revolution that started back in England in the 18th century.

The peacetime applications of scientific knowledge stagger the imagination. The nature and speed of changes have no precedent in human history. Scientific discoveries of the last 50 years surpass those of the preceding 100,000 years and the next 50 years should see even greater progress than the past half century. We are quicker to take advantage of scientific discoveries too. It took 60 years before the smallpox vaccine was accepted by most of the world. In contrast is the ready acceptance of the Salk vaccine. People realize that medical discoveries have added nearly 15 years to our lives in the past 50 years. We are much more interested in scientific progress than our grandparents were and newspapers today are filled with articles of the advances being made in fusion power, the earth satellite and the intercontinental missile. We know from past experience that science can revolutionize our lives within a short period of time. We are also conscious of the fact that there is a close relationship between scientific and human progress. Our well-run corporations know too that they must keep up with this progress or they will be like the dinosaurs that dominated the earth 60 million years ago. They could not adjust themselves to changing conditions so they vanished from the earth.

A great deal of the time and effort in Wall Street is being devoted to the study of scientific advances. Today we have to expand our horizons and our research staffs to include men who understand what scientific developments will do to industries, to individual companies, and to our economy as a whole. In our own office we have consultants on atomic energy and on ethical drugs. We have to have specialists who cover developments in the chemical and other scientific research industries. Investors know they cannot sit back and weigh investment possibilities from the past records. They have to have imagination to judge the rapid progress that is being made. They realize that the world changed with the invention of the steam engine which made mechanical power practical and led to the industrial revolution in the 18th century. The coming of the combustion motor and electricity broadened the gains. Tomorrow we will have the atomic age. New discoveries have helped some, but hurt other, industries. We must be alert to coming changes which can help or retard companies or entire industries.

Usually the advances in one of these scientific fields go hand in hand with progress in the others. Favorable is the fact that industry, the government, and educational institutions are cooperating in the solution of many scientific problems and projects. There is an accelerated pace of research and greater speed in making practical uses of technical discoveries.

### Smoothing the Business Cycle

How does this affect our general economy? It develops new industries to give our economy greater diversification and less dependence on a few major ones. This should help to iron out the business cycle. The great expense of research tends to favor the larger companies that can finance the cost. It should create greater leisure time as the effort necessary to provide for our needs is lessened. A larger demand for new plants and equipment is created when new products or processes are developed. The demand for scientifically trained people is increased and the demand for unskilled labor decreases. The world is smaller because of the greater speed of travel and communication. The lightness and compactness of atomic fuels will mean the development of areas of the world where power costs have been high. This will particularly benefit the underdeveloped sections of the world. The improved standards of living in such areas will in turn create a larger demand for machinery and equipment from the countries that are prepared to supply it. The conquest of diseases will change the age patterns so there will be a larger percentage of older people in the world. New electronic computers or data processing machines will speed research and solve business problems faster and cheaper.

### Two Basic Approaches

There are two approaches to the selection of securities. The more important is the study of the fundamentals. The other is technical, or the study of price behavior and volume. If someone is buying or selling a stock it is apt to show up in the price and in the volume of trading in the issue. It is difficult to accumulate or distribute large quantities of securities without having it show up in such figures. Often a stock will show better than average action before a split or an increase in a dividend is voted. Some people know the good news before it is made public. So if you have the time it is wise to make a chart of the price and volume characteristics of the stocks you are interested in.

For people who do not have the time or inclination to devote to studies of selection there is much to be said for the purchase of stocks of investment companies. You let professional investment managers decide which industries and companies have the most favorable possibilities. If in addition you see the Monthly Investment Plan or any Dollar Cost Averaging Plan, which will be discussed later, all you have to worry about is where to get the money to pay for the periodic purchases.

Diversification of holding is important in this ever changing scientific world. And it can be obtained simply without spreading your interests or studies over too large a list of securities. By buying only seven issues you would get representation in at least 25 industries:

Allied Chemical & Dye
du Pont
General Electric
Goodrich
Pittsburgh Plate Glass
Procter and Gamble
Texas Company

If you are a conservative investor you may also be interested in the following well established companies that should benefit from technological research. There are many issues that could be included in this list but the following dozen are representative:

Aluminium Ltd.
Babcock & Wilcox
Cincinnati Milling
Int'l Business Machines
Int'l Nickel
Minneapolis Honeywell
Minnesota Mining
Parke Davis
Pfizer
Radio Corp.
Scott Paper
Union Carbide

Among the newer companies that have promise are:

Ampex*
Beckman Instruments
Consolidated Electrodynamics
Corning Glass
Cross Co.*
Foote Minerals*
Haloid*
Photon*
Reynolds Metals
U. S. Borax*
*Traded Over-the-Counter.

It would take a brave man to invade the field in which you are experts and to give you advice on your own industry. As you know, there are many phases of the chemical business and it is sometimes difficult to tell whether a firm is primarily a chemical company or not. Certainly the rubber and the oil companies are partly in your business. But, perhaps, you would like to know how the chemical analysts in Wall Street look at your own industry. The chemical stocks had sharp rises from their 1949 and 1942 lows. Last year they had some good corrections. The declines were largely due to lower earnings. Several years of rising chemical earnings had made people so enthusiastic that they were paying $25,000 to $30,000 to buy annual earning power of $1,000 a year of some of the leading companies. They were paying 70% to 110% more to buy earning power of these chemicals than they were for the same earning power in the general market. As a result, the chemicals declined to more realistic levels. Surely there is no lack of faith in the growth or the future of the industry. Estimates are that it will expand at a rate of 7% a year between now and 1960 compared with a rate of 4% for our general economy. We expect you to produce many new and improved products and to benefit from the growth of atomic energy, new drugs, new chemical fuels, rare metals, plastics and many other rapidly expanding fields. So a high investment regard for chemicals is likely to continue. Competition, some price cutting, the cost of building new plants and of getting them to operate efficiently, and higher labor costs will adversely affect some companies this year. Others will benefit from special demand for certain types of chemicals and from the contribution of earnings by new plants. Among those that could show higher earnings this year are Union Carbide, Dupont, Diamond Alkali, American Cyanamid, Air Reduction and Atlas Powder. Particular emphasis is placed on those that will benefit from the demand for chemical fuels for guided missiles, for titanium, flourine, polyurethane, acetylene and boron.

### Pertinent Factors in the Appraisal Of a Company

Perhaps you will be interested in a few of the many questions that we as investment research men have to ask when we analyze a company and its securities.

**Management—One of the most important factors.** We want to know if it has an aggressive and intelligent plan of growth through carefully thought out research, marketing, personnel, financial and labor policies. Very important is the question of whether younger men are being trained to fill the important executive positions. A test of management is its ability to show a good ratio of profits to sales and a satisfactory return on the capital invested. Its reputation among both competitors and customers is important. It should maintain a strong financial condition and satisfactory relations with bankers and stockholders so capital can be raised when expansion is necessary. The directors should be capable of helping the officers and should indicate their faith in the company by being owners of the stock. The management should be profit conscious and carefully study the potential markets to make sure the product will meet demand and produce profits. Any contemplated changes in management that would alter the outlook are important.

**Research—Of growing importance**—We like to know what percent of the sales dollar is allocated to research. And, of course, not only the quantity but the quality of this work is important. Has the research program developed new products? What percentage of sales come from products or processes developed by the department? Have production costs been reduced in any significant way as a result of research? Has research resulted in good patent protection or valuable know-how which will retard competition?

**Financial Position**—Both the balance sheet and the income statements give valuable clues as to a company's position and progress and as to the efficiency of the management's pol[illegible]s. We like to know that ther[illegible]s adequate working capital and that the capitalization is conservative without too large a percentage of debt. What is the trend of profits in relation to sales and how does this ratio compare with those of similar companies or of general industry? Are the unit, as well as the dollar, sales increasing at a satisfactory rate? Does the company have enough cash resources to take care of maturing obligations? Will new financing have to be done? Is the company strong enough financially to promote its products? Are depreciation policies adequate? What is the effect of accelerated amortization on current and future earnings?

**Capital Expenditures**—A good test as to whether management policies in this respect have been wise is the rate of return on invested capital. If expansion has been wise it should increase, or at least not decrease, this rate of return when the plants and equipment are in working order. What are the future plans for these expenditures? How long will it take before the new facilities are expected to contribute to earnings?

These, of course, are just a few of the many questions that we must consider in our appraisal work. Actually, one company that studies management has a list of 300 questions that it wants answered before making its decision. The important thing to remember is that while the record of the past is helpful, the security analyst must place greater stress on what is likely to happen in the future. We are especially interested in projections of sales, earnings and dividends.

**Timing of Security Purchases**—The question of how you as an individual handle this question depends on the amount of time you have to study the market and your sources of information. Many of you do not have much time to devote to this but there is a plan of purchasing that is simple and that should be workable for you. This is the interesting program of systematic purchases called Dollar Cost Averaging which works well if one has a schedule of investing a certain amount of money at regular time intervals and keeps up the program regardless of where the market is selling. It works especially well in a country like this which has an expanding economy and mild inflation. Standard & Poor's has summarized the results of a program of investing $1,000 each July 1st from 1929 to date, or for a total of 28 years. During that time you would have put in $28.000 in cash. Had you also reinvested all dividends received each year the total value of the fund would have been $206,440 by last July and the total income received from dividends last year would have been over $8,000. The program worked well in spite of the fact that it started in the high year of 1929.

Those who can devote more time to the study of the market should find it not only profitable but much more exciting than poker or bridge. It is perhaps difficult for an engineer or a scientist to get used to the idea that two and two do not always make four in the market. If you mix two chemicals together you expect to get the same result each time. In the security business we have to deal with very dirty test tubes and cannot isolate the effect of single influences. There are hundreds of factors affecting stock prices and there are millions of investors who may come to different conclusions based on the particular information they are using. There is also a great deal of emotion which is difficult to measure as an influence. Forecasting is not an exact science and never can be. If any one knew the correct answers he would soon accumulate all the money in the country. That is why my earlier story was ridiculous. One shouldn't be disappointed over an imperfect record because the opportunities for profit are so large that even partly correct judgment should produce adequate results.

### The Present Market

My own opinion of the market at the present time is that it has been very sensible in hesitating and reacting as it has done for over a year. It had advanced 460% from its 1942 low, 225% from its 1949 low and 105% from its September 1953 level. Investors have not been lax in recognizing the uptrend of our economy or the rise in earnings and dividends since 1942. As a result we pay twice as much today to buy earning power and we get about half the yield that we got in 1949.

Fortunately, the market has not had a careless, speculative advance in the marginal type stocks which has been the signal of the end of other bull markets that we have been able to study. It is possible that we will have that kind of trading some year in the future and if it occurs I hope we will all be smart enough to take some profits.

Business activity in 1957 is still good, although it is not making the progress that it did in recent years. This is largely due to the decline in home construction and auto sales, and to the reluctance to expand inventories. Sensitive business indices which generally move up or down in advance of the general business cycle are not too healthy at the present time. Capital expenditures for new plants and equipment are still high, but the new appropriations have not been as large as they were a year ago so the backlog has declined. In the attempt to halt inflation, the Federal Reserve Board has increased the discount rate six times in the past two years and has not yet seen fit to ease money conditions.

The market has had profitable trading moves during the past 15 months, or since President Eisenhower's heart attack. In that time it has advanced only 3% so it has checked the sharp rate of advance of the preceding two years, which if continued would have made the market vulnerable. Usually the market does not make up its mind during the summer months. A better time for reviewing the situation comes around Labor Day. If by that time business is declining and money conditions are still tight, a decline of the market to around the 400-420 level of the Dow Jones industrial average would be possible. It is likely that the Federal Reserve will reverse its money policies quickly if the inflationary threat subsides and if unemployment increases. As a guess, I should say that there would be good support for the market in the 400-420 area even if business activity declines and that in some future year there will be an opportunity to sell stocks in the 750-800 area.

## Two With Paine, Webber

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Harley D. Bradeson and Ray G. Morgan have become affiliated with Paine, Webber, Jackson & Curtis, 626 South Spring Street.

## Joins Shearson, Hammill

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Stuart Mason has become associated with Shearson, Hammill & Co., 520 South Grand Avenue.

## Baron, Black, Kolb and Lawrence Formed on Coast

BEVERLY HILLS, Cal.—Baron, Black, Kolb and Lawrence, Inc., has been formed with offices at 253 North Canon Drive to engage in a securities business. Officers are Hal Baron, President; M. L. Litchtenberg, Vice-President; Solly Black Secretary; and Harry Kolb, Treasurer. All were previously with California Investors.

# *Our Reporter on Governments*

By JOHN T. CHIPPENDALE, JR.

The Treasury's recent announcement that it was indefinitely postponing its plan to make an offer of marketable bonds to the holders of the maturing F and G Savings Bonds took some of the pressure away from the capital market. Prices of the intermediate and longer-term Government bonds were quoted up and then run down again without too much being gained because these obligations are not yet competitive with new offerings of corporate and tax-exempt bonds. This news, however, did have a favorable effect on some of the non-Government bonds, because certain of these syndicate offerings which were not doing too well moved out.

The short-term Government market was slowed somewhat by the offering of the tax-anticipation bills for new money raising purposes. Nonetheless, because of the caution and uncertainty which continues to overhang the money market, the demand for the most liquid Treasury issues is expected to remain very sizable.

### Treasury Makes Quick Appeal to Market

The Treasury did not lose much time after the recent refunding operation to enter the money market again, on this occasion to get cash in order to provide funds for current needs. The heavy attrition in the refunding of the May 15th, 1⅝s, along with the cash-ins of Government savings bonds, were responsible in no small way for the sudden rush of the Treasury into this new money raising operation.

It had been believed in many quarters of the money market that the Treasury would have to raise some cash before the end of the present fiscal year. However, it had not been generally expected that it would be done so fast, and there was not an unimportant amount of opinion around that the weekly offering of Treasury bills would be increased, as has been true in the past, and in this way much of the needed new money could have been obtained.

### New Tax Bills Well Received

Evidently, the Treasury could not or did not choose to wait but decided to raise the new money all at one time. The 119-day tax anticipation bills were well received not only because they met the needs of those who wanted them for Sept. 15th income tax purposes, but also because they were payable by crediting the Treasury tax and loan accounts of the commercial banks. This new borrowing is the second time the Treasury has offered securities for cash this spring, about $3,400,000,000 having been obtained last March. It is believed that this cash operation will carry the Government through the present fiscal year, but some $3 to $4 billion of new money may have to be borrowed for July needs and this may be offered during the latter part of next month.

### Treasury's Decision on "F" and "G" Bonds Welcome

The announcement by the Treasury that its plans to refund the maturing Series F and G Savings Bonds with a long-term marketable bond had been abandoned was a very important piece of news as far as the money market was concerned. To be sure, a new money raising venture by the Treasury was expected, even though it came sooner than many had anticipated. On the other hand, the decision by the Government to make no offer to the F and G Savings Bond owners was not entirely expected. It was indicated that many money market specialists believed that a long-term bond exchange would be made, even though the conversions into a new obligation might not be very large.

Evidently, the Treasury decided after the complete figures on the recent refunding were available, especially those for the 3⅝% note, that it was advisable to give up the idea of making an exchange offer to the holders of the maturing F and G Savings Bonds.

### Investors Not Attracted to 3⅝% Note Issue

There have been many reports around that the 3⅝ note issue would have been very much smaller than it is, $647,000,000, if it were not for the heavy takings by Treasury Trust accounts. This would appear to indicate that the public did not go very well for the 1962 note with the 3⅝% rate. This most likely suggested to officials that the Treasury would have to make a long-term bond offered at this time competitive with corporates and tax-free bonds. This would have meant a coupon rate much higher than the ones which were being guessed at by not a few money market followers.

The Treasury admitted that the large offerings of non-Government bonds at attractive yields would not make investors too receptive to a long-term Treasury obligation at this time. Also, if holders of the F and G Savings Bonds should desire to make an exchange into other Government bonds, there is a very ample supply of marketable issues that are available, some at sizable discounts, even though the yields are not as good as those on the corporate and tax-exempt obligations.

## Joins Schirmer, Atherton

(Special to The Financial Chronicle)

BOSTON, Mass. — William B. Burford, Jr. has become affiliated with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

## Form Univ. Investments

WASHINGTON, D. C.—Lorayne C. Geer is engaging in a securities business from offices at 4545 Connecticut Avenue, Northwest, under the firm name of Universal Investments.

## Weinress to Admit

CHICAGO, Ill. — Weinress & Co., 231 South La Salle Street, members of the Midwest Stock Exchange, on May 2 admitted Morton O. Weinress to limited partnership.

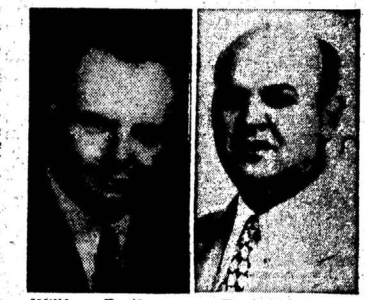
## Joins E. F. Hutton

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — H. Chester Stolee has become affiliated with E. F. Hutton & Company, 463 North Rodeo Drive. He was formerly with Daniel D. Weston & Co. and Cantor, Fitzgerald & Co., Inc.

## Brown Sales Mgr. of Baker, Simonds Co.

DETROIT, Mich. — William P. Brown has been named sales manager of Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange. Paul P. Chester has been appointed research and investment manager. Both have been with the firm for some time.



William P. Brown Paul Chester

## Supercrete Debentures Offered by Bankers

Straus, Blosser & McDowell headed a group which offered publicly on May 21 $1,150,000 of Supercrete Ltd. 6% convertible subordinated debentures, due May 1, 1967, priced at 100% and accrued interest.

The debentures may be redeemed at prices scaled from 106% to 101. They are convertible into common stock at $5.75 per share to May 1, 1960; at $6 thereafter until May 1, 1962; at $6.25 thereafter until May 1, 1964; and at $6.50 thereafter and until maturity.

The company will use the proceeds to reduce bank loans, for working capital and to acquire additional equipment and production facilities.

Supercrete Ltd. is a Manitoba, Canada, corporation with headquarters in St. Boniface, a suburb of Winnipeg. Incorporated in 1946, the company manufactures concrete building blocks, concrete pipe, pre-cast and pre-stressed concreted building products, ready-mix concrete, and lightweight aggregate products.

## Walston Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Elena Da Vinci has been added to the staff of Walston & Co., Inc., 550 South Spring Street.

# Securities Salesman's Corner

By JOHN DUTTON

## Take Out the Laggard Stocks

There is a tested formula for managing an investment account which goes, "Sell your weak stocks in which you have losses and hold your strong stocks." Many amateur investors do just the opposite. They take short profits on good stocks that are acting well and they hang onto weak ones that they hope someday will recover. Their thinking is perfectly natural but unsound. They say, "I don't want to take the loss." They already have it and they may have a bigger one if they hold on to the sick ones in the hope that someday there may be a recovery. Yet they feel that if they don't sell at a loss, they haven't taken the loss. The loss is there nevertheless.

Over the years you are going to make some recommendations to your clients that will turn out not too happily. This is also a very normal and expected thing. No one, no matter how skilled in selecting securities, can bat 100%. Many of your clients will accept this reality and you can work with them intelligently in weeding out the bad apples from time to time. Here is where the matter of obtaining an understanding with your accounts comes to the fore again. When you have established a successful and proper relationship with your customers, you not only have their complete confidence, their list of investments, but also the acceptance of the idea on their part that a periodic review of their account is part of the job of managing an investment portfolio the way it should be done.

### Not All Customers Will Agree

When I talk of periodic reviews, complete confidence, knowledge of all holdings by the salesman or advisor, I am speaking of the ideal customer - advisor relationship. These cases are in the minority as far as the average salesman is concerned. Some people will trade with you only occasionally, some won't even tell you their age, let alone inform you of the securities they own. Others just want to make a turn. Some buy advisory services and follow the tips. They call you and give you orders and since you are in business to execute orders you aren't going to try to make investors out of them. They wouldn't be temperamentally suited to such a role.

I have one account with whom I have done business for several years. She likes to take profits. She owns about 20 stocks. If she has a 10% to 15% profit, she sells. She keeps those in which she has losses. By selling the good stocks, she has missed long-term profits that in some cases have been double her purchase price. She doesn't seem to mind this. As different stocks have a market move, she sells. At the end of the year she takes inventory of her actual profits but she conveniently ignores her paper losses. I tried to talk it out with her one day but I saw it was useless. Her husband did it that way for 20 years before he died and she is still worshiping his dead image—so you go do something!

### Generally Speaking, Here's A Good Rule

Unless you have clients whose ways are set, it is good to remember that if you have sold an everyday garden variety of investor some stocks, and you are still doing some business from time to time with him, IF THERE ARE ONE OR TWO DOGS IN THE LIST WEED THEM OUT. It is better to sell out depressed, weak stocks, that have been dragging along for several years and that don't show much signs of immediate recovery, than to let them stay in the account. Try and uncover a good "switch" and go to your customer. Tell him frankly that you think it's time to either fish or cut bait. The sooner you get that lemon out of his account and put the money into something that has some signs of life in it the better he will feel about his investments and also about continuing his business relationship with you. Otherwise, every time he picks up the paper and sees that booboo you made, he'll think of you, and that, my friends, isn't the way you want him to remember you.

More accounts are lost by salesmen who are afraid to face up to the music if they have a bad situation than by any other form of neglect or incompetence. Try and catch your mistakes as soon as you can—but also remember although everybody makes them it's the smart salesman who nips them in the bud.

**When stocks go down people hold them and sometimes buy more; When stocks go up they hold them and not as often buy more; But when stocks sit and sit and sit; and they don't move up, or down, that is when they get restless and want to sell.**

Human nature being what it is, try to make allowances for these human weaknesses. If a customer must hold a stock and you think it will recover, then give him the facts and resell it as often as you can. No customer can take neglect.

*Continued from page 2*

# The Security I Like Best

United Gas Corp. laid a pipeline to the field.

The brightest news concerning Southdown's oil and gas potential is the Hollywood Field, located in the eastern section of the company's largest tract of land just out of Houma. On a one-eighth royalty lease of 2,500 acres, Tidewater Oil has discovered what is believed to be a "giant" gas field (in excess of 500 billion cubic feet). The first wildcat well was brought in during 1953 and since then Tidewater has completed nine of ten wells drilled. Two of the wells have been closed in due to the extremely high pressures encountered. After one year's work pipe has been developed that should be sufficient to handle the pressure and production may be forthcoming in the near future. At least three different sand stratas appear to be capable of commercial production and the "Southdown Sand" series found at about 14,000 feet show promise of being quite deep. Tidewater has an application pending before the Federal Power Commission for approval of a new 20 year contract with United Gas Corp. at a substantially higher price than that called for by the three-year contract made in 1953. The Hollywood Field is most promising and it appears that future income from this field alone could double the present Southdown royalties.

Next door to Hollywood is the Crescent Farms Field where eight gas wells are producing on Southdown's property. All are connected to a United Gas pipeline. Arkansas Fuel Oil with a one-fourth royalty lease of 2,552 acres and John W. Mecom on a seven forty-eighth lease of 3,373 acres are the lessees although Tidewater and Mecom jointly completed one well and are presently drilling another about one-half mile away from their producer.

Additional potentials exist at several other Southdown plantations. Union Oil of California, Superior Oil of California and Standard of Indiana individually have one-sixth royalty leases on a large area southwest of Houma. Combined these leases cover slightly over 9,000 acres and are interesting because of their proximity to the Orange Grove and Lake Hatch Fields. South of Lockport on Bayou Lafourche, The Texas Co. has a one-eighth royalty lease of 1,535 acres on two tracts of land situated on the outskirts of the Valentine Field. Two oil wells (which potentialled 197 barrels and 220 barrels per day) and one gas well are producing on Southdown's Nora Plantation.

Two other promising situations are the North Thibodaux acreage where J. R. Frankel has an important gas discovery and the Vacherie area where J. Ray McDermott has completed six successful oil and gas wells on Southdown property.

Sunray-Mid-Continent, Humble Oil & Refining, Union Oil and Gas and Howell, Holloway and Howell round out the companies which hold other leases from Southdown.

### Land Values

The accelerated pace of the industrialization of southern Louisiana and the recognition of the values of lands adjacent to deep water facilities have reduced the supply of available land of this nature between New Orleans and Baton Rouge. Southdown is fortunate in owning in excess of four and one-half miles of Mississippi River frontage which has substantially appreciated in value.

The rapid growth of Houma has added considerable value to the company's extensive property in this area while possibilities of residential and commercial development also exist on Southdown's acreage slightly north of Thibodaux.

Similar potentials are available to Avoca, Inc., a company which owns 17,000 acres of land slightly south of thriving Morgan City. Southdown owns 6.3% of Avoca's common stock.

After the payment of a 100% stock dividend last Fall and a 10% stock dividend this Spring, Southdown has 1,161,600 shares of common stock outstanding with no long-term debt ahead. During the past six months the market has substantially raised its appraisal of the company's stock (traded Over-the-Counter). The price has advanced from a low of around $20 per share in December to a recent high of $34. As one proud Southdown stockholder remarked, "There's no synthetic substitute for land!"

**Summary of Operations**
(in 000's)

| Year Ended Feb. 28: | Net Operating Profit from Sugar, etc. | Oil and Gas Royalties & Leases | Net Profits After Income Taxes | *Earnings per Share |
|---|---|---|---|---|
| 1957 | $1,316 | $1,055 | $1,274 | $1.09 |
| 1956 | 1,221 | 761 | 1,042 | 0.89 |
| 1955 | 858 | 769 | 869 | 0.74 |
| 1954 | 1,082 | 732 | 781 | 0.67 |
| 1953 | 1,234 | 550 | 674 | 0.58 |
| 1952 | 746 | 506 | 594 | 0.51 |

*On 1,161,600 shares currently outstanding.

*Continued from page 4*

# The State of Trade and Industry

selling by the old-timers in steel sales. They have been on the road for weeks and are reminding their customers how they took care of them when the market was tight. They are saying in effect: "We took care of you; what are you doing for us?" It is paying off. That is why some steel firms are doing better than others, concludes "The Iron Age."

Roughly two-thirds of the rise in the dollar amount of the nation's total output over the past year stemmed from price increases, the United States Department of Commerce reported.

It added that final tabulations put the Gross National Product for the first quarter of this year at a seasonally adjusted annual rate of $427,100,000,000, slightly higher than the $427,000,000,000 rate previously estimated by the President's Council of Economic Advisers.

Last week Commerce Secretary Weeks' select Business Advisory Council, meeting in Hot Springs, Va., predicted the nation's total output would continue to edge up slightly in each of the final three quarters of 1957, to total something higher than $427,000,000,000 for the full year. Last year's Gross National Product was $412,400,000,000 compared with $390,900,000,000 in 1955.

First quarter Gross National Product compared with annual rates of $423,800,000,000 in the final quarter of 1956.

Personal income rose to another record high in April, the United States Department of Commerce reported. Higher wages and increased old-age benefits were featured in the gain.

The department said Americans earned at a seasonally-adjusted annual rate of $339,300,000,000 last month. This compared with annual rates of $338,100,000,000 in March and $331,500,000,000 in April of last year.

For the first four months of this year, the agency reported personal income reached an annual rate of $337,300,000,000—up $18,700,000,000 from the annual rate during the like period of last year.

Nearly half of the April increase in personal income stemmed from higher old-age benefits, the department's report noted. It explained that farm operators and certain other groups who were covered by Social Security for the first time in 1955 are now becoming eligible in large numbers to receive benefit payments. In addition, the report added, old-age payments to women have increased in the past few months because of a change in the law, effective last November, which permits women to retire at age 62 instead of 65.

In the automotive industry last week manufacturers scheduled little change in production the past week, "Ward's Automotive Reports," stated on Friday last.

Plans last week called for output of 126,223 cars and 23,577 trucks compared to totals of 125,924 and 23,198 the week before.

Reflecting this steady pace was "straight time" scheduling at the majority of manufacturing plants. "Ward's" said exceptions were Plymouth workshops in Detroit and Los Angeles and Chrysler and Imperial in Detroit, where six-day sessions prevailed the past week and Mercury factories in Los Angeles, Metuchen, N. J., and St. Louis, plus Ford's St. Paul, Minn., unit, where operations were limited to four days.

General Motors Corporation's Oldsmobile and Buick factories in Michigan returned to five-day scheduling last week after several weeks of four-day output.

"Ward's" noted that the 3,000,000th vehicle of the year was turned out the past week in the United States. By Saturday, the total was to reach 3,104,143 units, comprised of 2,662,633 cars and 441,510 trucks. Through the same date in 1956, a total of 3,066,311 vehicles had been built, made up of 2,593,111 cars and 473,200 trucks.

Although holding below the year-ago level for the third successive month, corporate activity continued to rise in April, Dun & Bradstreet, Inc., reports. New stock corporations formed during the month numbered 12,078. This was an increase of 2.2% above the 11,815 for March, but it was a decrease of 3.2% from the 12,475 in April last year.

New businesses chartered during the first four months of 1957 totaled 48,071. This represented a drop of 6.0% from the record high number of 50,163 filed during the corresponding 1956 period.

Total dollar volume of building permits for the month of April rose 8% over March to reach the highest level for any April on record, according to Dun & Bradstreet, Inc. The aggregate for 217 cities, including New York, came to $588,231,693, up 12.2% over April 1956. The most noticeable year-to-year gains occurred in the Middle Atlantic region, up 58.8%; the Pacific region, up 35.4% and the South Atlantic region, up 20.3%; values declined 31.5% in New England.

For New York City alone, permits for April totaled $83,437,287, compared with $33,453,589 last year, for a rise of 149.4% and with $81,243,150 in the preceding month, for an increase of 2.7%.

### Steel Ingot Output This Week Estimated at 86.7% of Capacity

The outlook in the steel industry the current week, according to "Steel" magazine, metalworking weekly, is that steel production may continue its gradual decline through May. Steel mill operations continued to slip last week to 86.5% of capacity, down one-half point from the previous week with output at 2,213,959 net tons.

During April steelmaking furnaces produced 9,814,000 net tons, bringing output for the first four months of the year to 41,399,042 net tons, or about 1,000,000 tons below the figure for the same period last year. April ingot operations averaged 89.5%. The average for the first four months was 94.4%.

Third quarter orders, this trade weekly notes, are coming to the mills at a much slower pace than had been expected. Only plate, structural and tin plate schedules appear to be filled through July. Indications are that there won't be much new buying, except for some protective covering at midyear against a price increase, before late third quarter when auto builders will be actively seeking tonnage for 1958 models.

In the week ended May 15, the price composite on prime steelmaking grades of scrap was at $45 a gross ton, an increase of 67 cents a ton. The base price composite on finished steel remained at $140.24 a net ton, concludes "Steel" magazine.

**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 86.7% of capacity for the week beginning May 20, 1957, equivalent to 2,220,000 tons of ingot and steel for castings, as compared with 84.2% of capacity, and 2,155,000 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 88.7% and production 2,269,000 tons. A year ago the actual weekly production was placed at 2,396,900 tons or 97.3%.**

**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 Showed Further Expansion Last Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, May 18, 1957, was estimated at 11,519,000,000 kwh., according to the Edison Electric Institute. This was a greater increase than the gains made the week before.

The past week's output advanced 208,000,000 kwh. above that of the previous week; it increased 644,000,000 kwh. or 5.9% above the comparable 1956 week and 1,789,000,000 kwh. over the week ended May 21, 1955.

### Car Loadings Last Week Rose Fractionally Above Prior Week

Loadings of revenue freight for the week ended May 11, 1957, increased by 4,468 cars or 0.6% above the preceding week the Association of American Railroads reports.

Loadings for the week ended May 11, 1957, totaled 723,392 cars, a decrease of 54,214 cars, or 7% below the corresponding 1956 week, and a decrease of 29,253 cars, or 3.9% under the corresponding week in 1955.

### U. S. Automotive Output Holds to Higher Trend the Past Week

Automotive output for the latest week ended May 17, 1957, according to "Ward's Automotive Reports," continued the uptrend of past weeks.

Last week's car output totaled 126,223 units and compared with 125,924 (revised) in the previous week. The past week's production total of cars and trucks amounted to 149,800 units, or a gain of 678 units above that of the preceding week's output, states "Ward's."

Last week the agency reported there were 23,577 trucks made in the United States. This compared with 23,198 in the previous week and 20,902 a year ago.

Last week's output rose above that of the previous week by 299 cars, while truck output increased by 379 vehicles during the week. In the corresponding week last year 105,763 cars and 20,902 trucks were assembled.

Canadian output last week was placed at 10,100 cars and 2,016 trucks. In the previous week Dominion plants built 9,118 cars and 1,861 trucks, and for the comparable 1956 week, 11,465 cars and 2,833 trucks.

### Business Failures Registered Mild Decline the Past Week

Business failures dipped to 264 in the week ended May 16 from 267 in the preceding week, Dun & Bradstreet, Inc., reports. At the lowest level in three weeks the toll was slightly below the 279 a year ago, although remaining above the 226 in 1955. Failures were down 9% from the prewar level of 289 in the similar week of 1939.

Retailing and wholesaling accounted entirely for the decrease during the week with the toll among retailers down to 135 from 142 and among wholesalers to 25 from 31. In contrast, manufacturing casualties climbed to 45 from 39, construction edged to 41 from 38 and commercial service to 18 from 17.

Fewer businesses failed than last year in all functions except construction which rose above its 1956 level and commercial service which held steady.

### April Failures Drop 12% from March's Postwar High

Down 12% from the previous month's postwar high, business failures totaled 1,175 in April. However, casualties continued 14% above the comparable month a year ago; they were the heaviest for any April since 1940 when 1,291 occurred.

Businesses failed at a rate of 43.2 per 10,000 enterprises listed in the Dun & Bradstreet Reference Book, according to Dun's Failure Index which extends monthly mortality to an annual basis and adjusts for seasonal fluctuations. The rate dipped from 54.9 in March, but exceeded the 42.2 of April last year.

Contrasting with the dip in the number of casualties, their liabilities edged up 2% to $57,103,000. Failures in all size groups were less numerous than in March, with the sharpest decline occurring among very small cases involving liabilities under $5,000. In the million dollar class one less business failed than in March, but their aggregate liabilities bulked considerably larger and accounted principally for the month-to-month rise in losses. Tolls exceeded the 1956 level in all sizes; the rate of increase varied from 9% among casualties under $5,000 to 19% and 21% in middle-sized firms, and reaching 30% in the $100,000 class.

### Wholesale Food Price Index Registered New Low For Year in Latest Week

A further slight dip in the Dun & Bradstreet wholesale food price index brought the May 14 figure to $6.08, from $6.09 a week earlier. This represented a new low for the year and the lowest since Nov. 13, 1956, when it stood at $6.01. The current index is below the year-ago level for the first time this year, comparing with $6.14, or a drop of 1.0%.

Higher in wholesale cost last week were corn, rye, oats, barley, hams, cocoa, potatoes, rice and lambs. Lower in price were flour, wheat, lard, butter, sugar, cottonseed oil, eggs, prunes and hogs.

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 in Latest Week Moderately Extended Its Gains of Prior Week

Some price increases on grains, livestock and steel scrap helped boost the Dun & Bradstreet daily wholesale commodity index last week. The index closed at 286.27 on May 13, compared with 285.68 a week earlier and 293.34 a year ago. However, during the week there were price declines on rubber, lead and lard.

Although trading in grain futures slackened in the week, some prices advanced slightly. The buying of oats was steady and farm stocks were somewhat reduced, oats prices increased moderately. Continued unfavorable weather conditions in much of the corn belt encouraged trading, and corn prices advanced fractionally. Sales by government agencies of cash wheat somewhat curtailed buying and prices were close to those of the preceding week.

Soybean trading in Chicago declined moderately, from a week ago and was sharply below that of last year. Although there was a noticeable week-to-week drop in purchases of rye, volume remained well above a year ago. Average daily purchases of grain and soybean futures on the Chicago Board of Trade were approximately 42,000,000 bushels, compared with 52,000,000 bushels in the prior week and 66,000,000 bushels in the comparable period a year ago.

There was a moderate decrease in flour prices during the week as trading lagged. Export demand slackened and high stocks were reported. Flour receipts at New York railroad terminals on Friday, two weeks ago, amounted to 27,936 sacks, with 16,921 for export and 11,015 for domestic use. Sugar futures prices fell at the beginning of the week, but picked up at the end of the period as buying strengthened.

Coffee transactions fell in the week and futures prices continued close to those of the prior week.

**Reports indicated that the 1956-57 coffee crop in Mexico would probably hit a record level.**

The political situation in Columbia noticeably curtailed buying. Cocoa markets reported a moderate rise in trade and prices were unchanged. Warehouse stocks of cocoa were below both those of last week and a year ago.

Increased trading at the end of the week boosted hog prices somewhat. There was a slight rise in prices on dressed beef last week. Receipts of live steers in Chicago climbed considerably and prices continued at the levels of the preceding week. Lamb prices advanced substantially as trading mounted. Lard futures prices fluctuated widely, but closed the week with slight decreases from the prior week. Export demand for lard is expected to pick up in the next few weeks.

Cotton prices rose noticeably during most of the week, but sagged on Friday.

**The week's improvement in prices resulted from doubts that there would be any change in next year's price-support levels.**

According to the New York Cotton Exchange, exports two weeks ago amounted to about 126,000 bales against 240,000 bales in the preceding week and 74,000 bales in the comparable 1956 week.

A slight rise in the buying of cotton print cloths occurred and prices held at the levels of the prior week. Wool top prices in Boston were steady, despite a moderate decline in sales volume.

### Trade Volume in Latest Week Ranged From Unchanged to 4% Higher Than Year Ago

Numerous sales promotions and warm weather encouraged interest in women's summer clothing in the period ended on Wednesday of last week. In contrast to sales increases in cotton dresses, sportswear and bathing suits, volume in fashion accessories, toiletries and lingerie was slightly below a year ago. Sales of men's apparel fell slightly below the comparable 1956 levels. Best-sellers in household goods were summer furniture and barbecue equipment. While the buying of air conditioners rose somewhat, volume in other electrical appliances, linens, draperies and carpeting lagged. Automobile dealers reported a slight pick-up in sales and volume equalled that of last year.

The total dollar volume of retail trade in the period ended on Wednesday of the past week was unchanged to 4% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England and East South Central —1 to +3; Middle Atlantic and West North Central +2 to +6; East North Central and Mountain 0 to +4; South Atlantic —3 to +1 and West South Central and Pacific Coast +1 to +5%.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended May 11, 1957, rose 3% from the like period last year. In the preceding week, May 4, 1957, an increase of 6% (revised) was reported. For the four weeks ended May 11, 1957, an increase of 7% was recorded. For the period Jan. 1, 1957 to May 11, 1957, an increase of 2% was registered above that of 1956.

**Retail trade volume in New York City the past week registered gains of 5% to 6% above the similar period a year ago, trade observers estimated. Favorable weather was given as the main reason for the increase in sales.**

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended May 11, 1957, rose 7% above that of the like period of last year. In the preceding week, May 4, 1957, an increase of 6% was reported. For the four weeks ending May 11, 1957 a gain of 5% was registered. For the period of Jan. 1, 1957 to May 11, 1957 the index recorded a rise of 4% above that of the corresponding period in 1956.

## Paine, Webber-Blair Group Offers Coastal States Gas Debentures

Paine, Webber, Jackson & Curtis and Blair & Co. Inc. are joint managers of an investment banking group that offered publicly yesterday (May 22) $5,000,000 of Coastal States Gas Producing Co. 5½% sinking fund debentures, due 1977, with common stock purchase warrants attached, priced at 100%. The warrants entitle the holder to purchase common stock at the rate of 60 shares for each $1,000 principal amount of debentures at $7.50 per share to and including June 1, 1967, the expiration date. One-half of the warrants may be detached at any time and one-half may be detached on and after June 1, 1959.

Net proceeds from the sale of the debentures will be used in part to pay bank indebtedness of approximately $2,425,000 which was incurred in the acquisition of the capital stock of Gas Gathering Co., the Duval County Ranch Co. and John C. Robbins Field leases, and the construction of the Texas City, the Midway, Carancahua Bay and other gas gathering systems. The balance of the proceeds, together with any proceeds which the company may receive from the exercise of the warrants, will be added to general funds to be available for the construction and acquisition of additional gas gathering systems, the development of existing oil and gas leases, the acquisition and development of additional properties and for working capital.

The debentures are redeemable at the option of the company at prices ranging from 105½% if redeemed prior to June 1, 1958, to 100% if redeemed on or after June 1, 1976. They are redeemable for the sinking fund at par and accrued interest.

Coastal States Gas Producing Co. operates directly and through subsidiary corporations 20 gas gathering systems and produces and sells natural gas, crude oil and condensate from properties located principally in southern Texas. In its gas gathering operations, the company purchases gas on long-term purchase contracts from individual producers of natural gas, then collects, processes where necessary and transports the gas and finally sells gas on long-term sales contracts to large pipeline companies and industrial users.

For the eight-month period from Nov. 1, 1955, when the company commenced business, to June 30, 1956, net income was $3,828 and, for the six-month period July 1, 1956 to Dec. 31, 1956, it was $168,754. Based on unaudited figures, the company's net income for January and February 1957 amounted to $172,886.

## New Members of Midwest Stock Exchange

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership in the Exchange:

George M. Baker, Geo. M. Baker & Co., Chicago, Ill.

John O. Doerge, Saunders, Stiver & Co., Cleveland, Ohio.

M. B. Pilcher, Mid-South Securities Co., Nashville, Tenn.

John W. Bunn, Stifel, Nicolaus & Co., Inc., St. Louis, Mo.

Paul H. Gaither, Gaither & Co., Inc., Cleveland, Ohio.

Erwin R. Schweickhardt, Schweickhardt & Co., New Orleans, La.

## Baxter Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Daniel F. Sullivan Jr. has been added to the staff of Baxter & Company, 33 South Dearborn Street.

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# Suez Canal Controversy

fifths of the workmen employed upon these works shall be Egyptian" was abolished for which Egypt agreed to pay the Company 38,000,000 francs as compensation. Also the Company receded to the Egyptian Government 60,000 hectares of the prior land grants, retaining only 3,000 hectares for the requirements of the Canal and for this reclamation the Company was paid 30,000,000 francs. The Government also took over the possession and maintenance of the fresh water canals with the obligation to furnish the Company its water supply.

After providing the Egyptian Government's right to police the Canal area, the Firman stated in Article 16:

"Since the Universal Company of the Maritime Suez Canal is an Egyptian Company, it remains subject to the laws and usages of the country. However, regarding its constitution as a Company and the relation of shareholders among themselves, it is—in virtue of a special convention — governed by the laws regulating joint stock companies. It has been agreed that all disputes resulting thereof will be submitted to arbiters in France for judgment and with appeals before the Imperial Court of Paris as being a superarbiter.

"As regards the disputes that arise in Egypt between the Company and individuals of whatever nationality, these must be referred to Egyptian courts, and their procedure are subject to Egyptian law, usages and treaties.

"As regards the disputes that may arise between the Company and the Egyptian Government, these must in like manner be referred to Egyptian judiciary and settled in accordance with Egyptian law.

"Workers and other individuals subject to the administration of the Company will be tried before Egyptian courts and in accordance with Egyptian laws and treaties. This applies to all contraventions and disputes where either or both parties concerned would be Egyptian. Should all parties to the dispute be foreigners, the case will be subject to the established procedure.

"All notifications addressed to the Company by any of the parties interested in Egypt will be valid when dispatched to the Company's Office at Alexandria."

Certain aspects of the provisions of the three Firmans would seem to support the theory that it was originally contemplated that the Suez Canal Company was in general a domestic corporation so that if they were all that may be considered, the Company would today be subject to the Municipal Law of Egypt including the right of the Government of Egypt to nationalize the properties of that Company, but it is also necessary to consider the legal effect of other significant aspects of the history of the Canal and the Company.

The Convention of October 29, 1888, between Austria-Hungary, France, Germany, Great Britain, Italy, Netherlands, Russia, Spain, and Turkey, in part supports the case for Egypt. After providing that the Canal "shall always be free and open, in time of war as in time of peace, to every vessel of commerce or of war, without distinctions of flag" and stating conditions and limitation to effectuate this purpose, it reads: "The Egyptian Government shall, within the limit of its powers resulting from the Firmans, and under the conditions provided for in the present treaty, take the necessary measures for insuring the execution of the said Treaty," and also that the limitations and conditions shall not interfere with the execution of the Treaty nor "the defense of Egypt and the maintenance of public order." The "rights of Turkey as the territorial power are reserved" and "with the exception of the obligations expressly provided by the clauses of the present Treaty, the sovereign rights" of the Sultan and the Khedive "resulting from the Firmans, are in no way affected," and that "the engagements resulting from the present Treaty shall not be limited by the duration of the Acts of Concession of the Universal Suez Canal Company."

It seems clear that the free and equal navigation of the Canal by the users of the Canal expressed unilaterally by Egypt in the Firmans was confirmed and given multilateral status by this Treaty and that thereby rights were granted to them by Egypt and Turkey as a restriction upon territorial jurisdiction, characterized as a servitude for navigation through the Canal, somewhat in the nature of an easement.[6] A legal interest as a servitude is well recognized in International Law though in a particular instance its scope and effect is not always clear.

Egypt does not seem to have denied the existence of this servitude for the free and equal navigation of the Canal by all nations, but has denied that it includes any right as to the continuation of the Suez Canal Company as the instrumentality of administration of the operation of the Canal and consequently nationalization is a legal right of the Egyptian Government. The issue then is whether the servitude includes any rights in the users of the Canal in respect to the instrumentality of administration of the operation of the Canal. Presumably the burden of proof or argument that the servitude includes such a right is upon the users of the Canal.

### The Case for the Users of the Canal

From the beginning the Suez Canal Company had an international aspect. The Articles of Association drafted as for a French joint stock company provided an allotment of shares for subscription according to nations believed to be primarily interested in the project. The table[7] states the shares allotted and purchased in the various nations:

| | Shares Allotted | Shares Purchased |
|---|---|---|
| Egyptian Govt. | 64,000 | 177,642 |
| Turkey | ---- | 750 |
| Egypt | 42,000 | 998 |
| France | 80,000 | 207,160 |
| Great Britain | 80,000 | nil |
| Austria | 40,000 | 163 |
| Russia-Wallachia | 24,000 | 174 |
| Denmark | 30,000 | 7 |
| Netherlands | ---- | 2,615 |
| Spain | ---- | 4,161 |
| Portugal | 20,000 | 5 |
| Italy | ---- | 2,719 |
| United States | 20,000 | nil |
| Others | ---- | 3,606 |
| | 400,000 | 400,000 |

The Articles also provide that the Board of Directors of 32 should be nationals of those nations chiefly interested in the enterprise. The Articles were subject to approval by the Viceroy and were so approved. Consequently, this allotment and distribution of the shares of stock in the Company and this method of representation on the Board of Directors elected by the shareholders, was a nascent recognition by the Egyptian Government of the interests of those nations as users of the Canal in the administration of the operations of the Canal and was a limitation upon the proprietary right of the shareholders as to choice of personnel of the Board of Directors.

The international aspect of the Canal is also apparent from the long delay from 1854 to 1866 by the Sultan before approving the concession granted by the Viceroy to de Lesseps which must be understood in relation to the issues of the Crimean War. Great Britain's support of the Ottoman Empire against Russia broke into hostilities that were adjusted by the Peace of Paris in 1856, at which time by separate treaty of April 15, 1856, Austria, France and Great Britain guaranteed the integrity of the Ottoman Empire. Because Britain was the strongest supporter throughout this period of the Ottoman Empire, the Sultan gave great heed to the attitude of the British Government which from 1854, when the concession was publicly announced, actively opposed ratification by the Sultan.

The purpose of such opposition was to maintain Britain's dominance as to control of the sea route to India and the East around the Cape of Good Hope. The development of a sea route through the Suez Canal would naturally give some power to other states over the sea route to India and the East. The opposition of Britain was finally worn down to two principal objections: objection to the use of conscript labor in the building of the Canal which was regarded as a type of slavery and objection to the large land grants by the Viceroy to the Canal Company in the area of the Canal zone which it was thought France might colonize and thus acquire too strong a position astride the Canal. When these two objections should be obviated it was possible that opposition to the project might subside.[8]

### Napoleon III Arbitrates

Negotiations on these points and certain lesser ones between the Company and the Egyptian Government reached an agreement between them, to which the Sultan's Ambassador to Egypt did not object, to submit the controversy to Napoleon III for arbitration. On July 6, 1864, Napoleon III announced his decision in the arbitration proceedings. His decision as to the use of conscript labor was to annul the provision in the Charter of Concession upon indemnity to the Company of 38,000,000 francs to be paid by the Government of Egypt. His decision as to the land grants was that the Company should recede to the Egyptian Government 60,000 hectares of land in the Canal zone upon compensation therefor to the Company of 30,000,000 francs also to be paid by the Government of Egypt.

On the basis of the award further negotiations occurred between the Egyptian Government and the Company as to the details of settlement, and final agreement was reached on Feb. 22, 1866, which was then submitted to the Sultan who ratified it on March 19, 1866.

The significance of the arbitration proceeding is in the recognition by the Egyptian Government that the Canal Company had a status quite different from that of an ordinary domestic corporation in Egypt. In view of the interest of various nations in the project, the Company was accorded a standing as one of the parties to an arbitration proceeding before a sovereign power as arbitrator, a standing ordinarily accorded by a sovereign power to another sovereign power. It is inconceivable that any domestic corporation of New York State, *e.g.*, a public utility company, would be able to have arbitration by a foreign sovereign of a dispute between itself and the State of New York. Consequently this involved recognition by the Egyptian Government of an interest in other nations in the operations of the Canal Company.

Recognition of such an interest or right in a more significant degree occurred in 1873 when delegates of the principal maritime powers, including France, Great Britain and Russia met at Constantinople at the invitation of the Sultan. This conference was called for the purpose of devising a satisfactory system of calculating tonnage of ships passing through the Canal for the imposition of tolls to be charged. After some weeks of negotiations, this Tonnage Conference adopted the British system of determining tonnage and the Sultan instructed the Viceroy in Egypt to put it into effect within three months. De Lesseps strongly objected to the new system, but when the Viceroy prepared to send troops to the Canal zone, de Lesseps accepted the decision of the Tonnage Conference and adopted the system. It can hardly be denied that this was a recognition of an interest in the users of the Canal as to the administration of the operation of the Canal.

Consequently, by the foregoing international negotiations, settlements, agreements and precedents it does not seem too much to say that what was in certain aspects conceived in the beginning as a domestic company was at least in part lifted out of the realm of Municipal law and put into the realm of Public International Law, at least to the extent of the recognition by the Khedive of Egypt and the Sultan of the Ottoman Empire of a right in the users of the Canal as to the administration of the operation of the Canal which was and is a part of the servitude unilaterally declared in the Firmans for the benefit of the users of the Canal.

### Proprietary vs. Navigation Rights

What, then, was the legal effect of the purchase by Great Britain on Nov. 24, 1876, of 176,602[9] shares of the capital stock of the Suez Canal Company for 4,000,000 English pounds from the Khedive of Egypt? As a general rule, the ownership of shares of stock in a domestic corporation by a foreign government is a matter of Municipal Law and does not change the private or domestic status of the corporation. The proprietary interest through ownership of shares gave Britain a Municipal Law right as to the administration of the operation of the Canal which would support, though it would still be separate from, the Public International Law right accorded by the Sultan and Viceroy to users of the Canal as to the administration of the operation of the Canal. Consequently the purchase made no change in the legal nature of the servitude.

But when the Convention of 1888 gave multilateral status to the servitude for the users of the Canal theretofore unilaterally declared by the Khedive in the Firmans, of free and equal navigation through the Canal, the right theretofore accorded to the users of the Canal by the Sultan and the Khedive as to the administration of the operation of the Canal was also given multilateral status, it being a part of the servitude.

The scope and implementation of the servitude including the right of the users of the Canal as to administration of the operation of the Canal, is not, however, sufficiently clear to avoid all difficulties. While exercise of the right was in part through representation of nationalities on the Board of Directors of the Company, yet it had not been limited to this means as shown by the Tonnage Conference of 1873, and the Convention of 1888 expressly provided that "the engagements resulting from the present Treaty shall not be limited by the duration of the Acts of Concession of the Universal Suez Canal Company," which, it seems, reasonably means that the servitude exists and is to continue independently of the Canal Company as the instrumentality of administration of the operation of the Canal. How the servitude is to be implemented without the Canal Company or after expiration of the Concession was not stated but left for adjustment in the future.

The servitude described in the foregoing discussion does not seem to have been in any major way modified or changed in development, either by the British military occupaion of Egypt beginning in 1882 or by the treaties after World War I, whereby Germany, Austria and Turkey consented "to the transfer to his Brittanic Majesty's Government of the powers conferred on His Imperial Majesty the Sultan by the Convention" of 1888.[10] The purpose of Britain throughout the period after 1882, as to the servitude seems to have been to maintain the *status quo* as to its observance excepting debatable infractions during World Wars I and II. That Britain's role was that of guarantor of observance of the servitude primarily for herself, of course, but also for the benefit of all users of the Canal, is apparent from the terms of the unilateral Proclamation of 1922, the Anglo-Egyptian Treaty of Alliance of 1936, and the Anglo-Egyptian Evacuation Agreement of 1954.

### Egypt Succeeds Turkey

Finding herself at war with Turkey, Britain declared on Dec. 18, 1914, that the Sultan's authority in Egypt was terminated and was succeeded by a temporary Protectorate. The Proclamation of 1922, issued to allay friction with the Egyptian Nationalists, ended the Protectorate and declared Egypt to be an independent state, but reserved to Britain's discretion until future agreement: "(1) The security of the communications of the British Empire in Egypt; (2) The defense of Egypt against all foreign aggression or interference, direct or indirect; (3) The protection of foreign interests in Egypt and the protection of minorities; (4) The Soudan. Pending the conclusion of such agreements, the *status quo* in all these matters shall remain intact."

The Proclamation of 1922 failing to satisfy the Nationalists, it was superseded by the Treaty of Alliance of 1936 which in Article VIII stated:

"In view of the fact that the Suez Canal, whilst being an integral part of Egypt, is a universal means of communication between the different parts of the British Empire, His Majesty the King of Egypt, until such time as the High Contracting Parties agree that the Egyptian Army is in a position to insure by its own resources the liberty and entire security of navigation of the Canal, authorizes His Majesty the King and Emperor to station forces in Egyptian territory in the vicinity of the Canal, in the zone specified in the Annex to this Article, with a view to ensuring in cooperation with the Egyptian forces the defense of the Canal . . . The presence of these forces shall not constitute in any manner any occupation and will

6 Fenwick, *International Law*, 2d ed., (1934) p. 301: ". . . it may now be said that while the Suez Canal remains a private undertaking whether subject to the territorial control of Great Britain or of the new independent state of Egypt, it is nevertheless subject to a servitude of common use on the part of all nations. . ."

7 Adapted from Schonfield, *The Suez Canal in World Affairs*, (1955) p. 35.

8 Hallberg, The Suez Canal, Ch. XIII (1931).

9 This was about 40% of the outstanding share capital of the Company. More than 50% of the outstanding shares had been bought by 21,229 parties in France upon the original issue in 1858. Hallberg, op. cit. note 7, at p. 158 and p. 240.

10 Schonfield, The Suez Canal in World Affairs, (1953), p. 73 and note p. 161.

in no way prejudice the sovereign rights of Egypt. . . ."

Under the terms of this Treaty, the reoccupation of Egypt occurred during World War II, but the Treaty and the reoccupation were terminated under the Evacuation Agreement of 1954, providing that all British forces would be withdrawn from Egyptian territory within 20 months, that the Suez Canal Base should be maintained on a war footing by Egyptian and English civilian personnel so that British forces might return upon an attack by an outside power but would withdraw immediately upon cessation of hostilities; the Agreement to terminate after seven years when Britain would take away or dispose of her property then remaining in the Base. Article VIII stated:

"The two Contracting Governments recognize that the Suez Maritime Canal, which is an integral part of Egypt, is a waterway economically, commercially and strategically of international importance, and express the determination to uphold the Convention guaranteeing the freedom of navigation of the Canal signed at Constantinople on the 29th of October, 1888."

This is obviously a reaffirmation of the servitude.

Withdrawal of British forces began in August, 1954, and the last British troops left Egyptian soil on June 13, 1956.

**Egypt's Former Position**

Throughout the entire period of the occupation the Egyptian Government likewise observed the *status quo* as to the servitude for the benefit of the users of the Canal excepting only the minor modification resulting from the 1947 Statute of Corporations adopted as a general law by the Egyptian Parliament applying to all corporations operating in Egypt, providing as follows:

(1) At least 40% of the Board of Directors must be Egyptians.

(2) Seventy-five percent of the personnel must be Egyptian and receive at least 65% of the total payroll with discretion in the Minister of Commerce and Industry to allow exceptions.

(3) Compliance with the law must be made within three years.

Negotiations between the government of Egypt and the Canal Company were immediately started to determine how the Company sould comply with this stature. After lengthy negotiations an agreement or convention was reached between the Company and the government and on March 7, 1949, this convention was ratified by the Egyptian Parliament.

This convention introduced three modifications as to the company's compliance with this statute:

(1) The company was to Egyptianize its personnel gradually so as to conform to the 1947 statute before the end of the Concession in 1969, except as to pilots and maritime personnel.

(2) The Board of Directors which had theretofore been 32 in number consisting of 19 Frenchmen, 10 Britons, 1 Dutchman, and 2 Egyptians was changed so that in the future there would be 18 Frenchmen, 10 Britons, 1 Dutchman, 1 American and 4 Egyptians immediately with three more to be added by 1964. Thus the Board of Directors was increased to 37 in number.

(3) Seven percent of the gross annual profit was to be paid to the Egyptian Government with a minimum of not less than 350,000 Egyptian pounds per year and small scale shipping on the Canal was to be exempt from toll charges. This made it possible for the small Egyptian boats to use the Canal with an annual saving of 50,000 Egyptian pounds per year to Egypt.

This Agreement was another recognition by the Egyptian Government of the status of the Suez Canal Company as being something defferent from that of an ordinary domestic company in Egypt. While there is a partial compliance with the Egyptian Corporations Statute yet there is also continued election by shareholders to represent the nations chiefly interested in the enterprise and thus a continued recognition of an interest or right in the users of the Canal as part of the servitude, implemented through the Canal Company as the instrumentality of administration of the operation of the Canal as had been true from the inception of the project.

**Unilateral Decision**

As noted above the withdrawal of British forces was complete on June 13, 1956, and then six weeks later, on July 26, 1956, without notice or negotiation the Egyptian Government announced a decree:

"Article I.—The Suez Canal Maritime Company, S.A.E., is nationalized. All money, rights and obligations of the company are transferred to the State. All organizations and committees now operating the company are dissolved. . . ."

The decree promised compensation to shareholders, and authorized as the administrative agency the creation of a Governmental Authority or Corporation attached to the Egyptian Ministry of Commerce. The Egyptian Government immediately took possession of the Canal properties in Egypt and began administration of the operation of the Canal.

It is submitted that this decree has left an important question unanswered. The decree does not purport to interfere with or to take from the users of the Canal any right which they theretofore enjoyed but to take over the "money, rights and obligations of the company." Consequently there would seem to be no intent to interfere with the servitude enjoyed by the users of the Canal —the servitude which includes a right to have some representation as to the administration of the operation of the Canal. The instrumentality through which the servitude was implemented being taken away, a possibility contemplated in the Convention of 1888, providing that the servitude was not "limited by the duration of the Acts of Concession of the Universal Suez Canal Company," through what instrumentality is that represenative right as to the administration of the operation of the Canal now to be exercised?

If it be denied that the servitude includes any such right then the significance of the 1858 allotment of shares in the Company is denied, the significance of the arbitration proceedings before Napoleon III is denied, the significance of the Tonnage Conference of 1873 is denied, and the significance of the representation of nationalities in the administration of the Canal, including the 1949 agreement under the Corporation Statute, is denied. Rights once multilaterally recognized and enjoyed by the users of the Canal cannot subsequently be taken away by a unilateral denial by words or action, as a matter of Public International Law; nor is it clear that Egypt intends to take such a position.

**Summary**

The recognition of a legal interest in the users of the Canal as to the administration of the operation of the Canal is not a legal anomaly. In Municipal Law there is a well recognized analogue. The legal interest of the users of the service of a public utility company in the administration of the operation of the public utility has been recognized for many years. Such a legal interest is justified by reason of the natural monopoly nature of the business, a reason clearly applicable to the operation of the Suez Canal. Implementation of the legal interest of the users of a public utility service is made through the instrumentality of a Public Service Commission or a Public Utility Commission, to regulate the operations of the public utility companies. While an exactly parallel method of implementing the legal interest of the users of the Canal is not possible without a World Government to set up such a regulatory body on a World scale, yet no necessity probably exists or is presently possible for an exactly parallel implementation. But some method of implementation could be devised.

A recent report states that Egypt on the one hand and Britain and France on the other have been working out separate negotiations with the Secretary General of the United Nations for referral of issues concerning operation of the Canal to international arbitration should disputes arise between the Egyptian management and the principal users of the Canal and that consideration is being given to a provision for automatic sanctions that would be invoked against any party refusing to obey a judgment of the International Court of Justice.[11] Such processes would seem to constitute a possible implementation, as a substitute for the Canal Company, of the servitude enjoyed by the users of the Canal including the right as to administration of the operation of the Canal.

From the foregoing, it seems reasonable to conclude that if it should be granted that the proprietary interests of the shareholders of the Suez Canal Company and the franchise of the Company were legally subject to the nationalization, yet the users of the Canal continue to have their legal interest as to the servitude for navigation of the Canal including a right as part of the servitude to share in some effective way in the administration of the operation of the Canal and that such servitude by unilateral action is not legally subject to nationalization.

11 Marguerite Higgins, N. Y. *Herald Tribune*, Dec. 12, 1956.

## With R. J. Steichen

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Daniel A. Besser has been added to the staff of R. J. Steichen & Company, Roanoke Building.

## Texas State Inv. Formed

SAN ANTONIO, Texas—Texas State Investment has been formed with offices at 510 West Wildwood. Leon E. Schumacher is a principal of the firm.

## With C. A. Botzum

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Donald L. Fernow has become connected with C. A. Botzum Co., 210 West Seventh Street.

## With Eastman Dillon

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Fred Colton has become affiliated with Eastman Dillon, Union Securities & Co., 3115 Wilshire Boulevard. He was formerly with J. Logan & Co.

## Two With Coburn Firm

(Special to The Financial Chronicle)

WORCESTER, Mass. — Francis S. Kelly and Peter L. Mavraides have become associated with Coburn & Middlebrook, Incorporated, 390 Main Street. Mr. Kelly was formerly with Hemphill, Noyes & Co.



## Maltz, Greenwald & Co. Offers Tilmore Shares

Maltz, Greenwald & Co., of New York City today (May 23) are offering 50,000 shares of Tilmore Corp. common stock at a price of $5 per share.

Net proceeds from the sale of the common shares will be added to the company's general funds and will be available for general corporate purposes.

Tilmore Corp. is engaged in the business of acquiring and operating furniture businesses and through its Ohringer Home Furniture Division and its wholly owned subsidiaries, The Kobacker Furniture Co. and A. Victor & Co., Inc., operates a chain of eight retail stores in the States of New York and Ohio and the Commonwealth of Pennsylvania. These retail outlets sell, primarily on the instalment method, furniture, appliances, radio and television sets, floor coverings, home furnishings, toys and other similar merchandise. Men's clothing and ladies' apparel are also sold at the Buffalo, N. Y. Victor stores.

Tilmore is currently negotiating for the acquisition of other retail furniture stores and intends to make additional acquisitions from time to time whenever favorable opportunities are presented.

On a pro forma basis, the company and its subsidiaries for the 11 months ended Jan. 31, 1957 had consolidated net income of $709,251. Upon completion of the current financing, outstanding capitalization of the company will consist of 522,000 shares of $1 par value common stock and 55,800 shares of 5½% cumulative convertible preferred stock.

## Martin Stout With Dempsey-Tegeler & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Martin S. Stout has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Stout, who has been in the investment business in Los Angeles for many years, was formerly with Shearson, Hammill & Co.

Arthur L. Benson has also joined Dempsey-Tegeler's staff.

## Frohlich Co. Forming

Frohlich & Co., members of the New York Stock Exchange, are being formed as of May 29 with offices at 135 Broadway, New York City. Members of the firm will be Edward Frohlich, general partner, who will acquire a membership in the New York Stock Exchange, and Max Corwin and Beulah Corwin limited partners.

## Silberberg Partner

Silberberg & Co., 40 Wall Street, New York City, members of the New York Stock Exchange on May 29 will admit Robert C. Petersen to partnership. Mr. Petersen will become a member of the New York Stock Exchange.

# 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 about two months.

● **Acme Steel Co., Riverdale, Ill.**
May 1 filed 396,079 shares of common stock (par $10) being 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**—$29.50 per share. **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 24, 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.

**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.

**Allied Finance Co., Dallas, Texas**
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. **Offering**—Expected this week.

● **Allied Products of Florida, Inc. (6/3-15)**
May 1 filed 130,000 shares of class A common stock (par $1) to be offered to stockholders of record about June 3, 1957; rights to expire about June 18. **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.

● **American Fire & Casualty Co.**
May 1 (letter of notification) 12,060 shares of capital stock (par $5) being offered to stockholders of record May 17 on the basis of one new share for each 15 shares held (with an oversubscription privilege); rights to expire June 3, 1957. **Price**—To stockholders, $23 per share; to public, $24 per share. **Proceeds**—To increase capital and paid-in surplus. **Office**—307 S. Orange Ave., Orlando, Fla. **Underwriter**—Goodbody & Co., New York, N. Y.

**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 Petrofina, Inc., New York**
May 17 filed 15,000 shares of class A common stock, to be offered under the corporation's Employees' Stock Plan.

**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.

● **Ames (W. R.) Co., San Francisco, Calif. (6/4)**
May 13 filed 50,000 shares of capital stock (par $2). **Price** — To be supplied by amendment. **Proceeds** — Together with funds from private sale of $500,000 of notes to insurance firm, to retire bank loan; for expansion and working capital. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

**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., Tampa, Fla.; French & Crawford, Inc., Atlanta, Ga.; First Florida Investors, Inc., Orlando, Fla.; Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla.; and J. Herbert Evans & Co., St. Petersburg, 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.

**Benrus Watch Co., Inc.**
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. **Offering**—Expected this week.

**Benrus Watch Co., Inc.**
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. **Offering**—Expected this week.

**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.

★ **Bonded Contracts & Investments, Inc.**
April 26 (letter of notification) $225,000 of 6% 10-year class A debentures and 750 shares of common stock (par $100). **Price**—At par. **Proceeds**—For working capital. **Office**—400 Hutton Bldg., Spokane 4, Wash. **Underwriter**—None.

**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 up to noon (EDT) 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.

★ **Brevilana, Inc.**
May 3 (letter of notification) 30,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To produce and film three screen plays. **Office**—9121 Sunset Blvd., Los Angeles 46, Calif. **Underwriter**—None.

★ **Bridgeport (Conn.) Gas Co.**
May 17 filed 34,572 shares of common stock (no par) to be offered for subscription by common stockholders on the basis of one new share for each seven shares held. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans (presently outstanding $600,000) and for general corporate purposes. **Underwriters**—Smith Ramsay & Co., Inc., Bridgeport, Conn.; and Chas. W. Scranton & Co., New Haven, Conn.

★ **Brown Fund of Hawaii, Ltd., Honolulu, Hawaii**
May 20 filed (by amendment) 100,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

**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.

★ **Brunswig Drug Co.**
April 29 (letter of notification) 16,350 shares of common stock (par $1) to be offered to officers and key employees pursuant to stock option plan. **Price**—For 15,150 shares, $15.52 per share. **Office**—4701 S. Santa Fe Ave., Vernon, Calif. **Underwriter**—None.

**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.

**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.

**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.

★ **Chess Uranium Corp.**
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share. (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 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.

**Collins Radio Co., Cedar Rapids, Iowa**
April 17 filed $7,917,000 5% convertible subordinated debentures due June 1, 1977, being 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**—At par. **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.

**Columbia Gas System, Inc. (6/6)**
May 8 filed $20,000,000 of debentures, series H, 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.

**Consolidated Natural Gas Co. (6/11)**
May 9 filed $25,000,000 of debentures due June 1, 1982. **Proceeds**—For 1957 construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan, Stanley & Co. and the First Boston Corp. (jointly). **Bids**—To be received at Room 3000, 30 Rockefeller Plaza, New York 20, N. Y., up to 11:30 a.m. (EDT) on June 11.

**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 Gin Co., Birmingham, Ala. (5/31)**
April 30 filed 143,298 shares of common stock (no par) to be offered for subscription by common stockholders of record about May 29, 1957 at the rate of one additional share for each share held; rights to expire on or about June 20. **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.

**Continental Turpentine & Rosin Corp.**
March 12 (letter of notification) 11,400 shares of capital stock (par $5) and $125,000 of 20-year 5% subordinate debentures dated March 31, 1957 to be offered in denominations of $100 to present stockholders, officers and employees of the corporation at rate of 3/10ths of a share of new stock for each share held and $300 debentures for each 100 shares held. **Price**—Of stock, $15 per share; and of debentures at face amount. **Proceeds**—For construction purposes in Shamrock, Fla. **Office** — Laurel, Miss. **Underwriter**—None.

**Cougar Mine Development Corp.**
March 15 (letter of notification) 560,000 shares of common stock (par one cent). **Price** — 50 cents per share. **Proceeds** — For diamond drilling on company's lands, prospecting expenses, working capital and other corporate purposes. **Office**—83 Campfield St., Irvington, N. J. **Underwriter**—Roth & Co., Maplewood, N. J.

**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.

★ **Dominion Resources Development Co. (5/27)**
May 10 (letter of notification) 298,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development; road improvement; general corporate purposes and working capital. **Office**—1129 Vermont Ave., N. W., Washington 5, D. C. **Underwriter**—Landrum Allen & Co., Inc., Washington, D. C.

**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**
April 18 filed 596,701 shares of capital stock (par $1), of which 314,812 shares are being offered for subscription by stockholders at the rate of one new share for each three shares held on May 10; 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, were used to purchase all the common stock of WNEW Broadcasting, Inc. and 11,742 shares were issued to discharge certain of WNEW's liabilities. **Price**—$7 per share. **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, for 231,012 shares.

★ **Duquesne Light Co.**
May 22 filed 265,000 shares of common stock (par $10). **Proceeds**—To Standard Shares, Inc. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Bean (jointly); Kuhn, Loeb & Co. and Smith, Barney & C. (jointly); The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co., Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

★ **Emerald Oil Co., Inc., Wartburg, Tenn.**
May 13 (letter of notification) 500 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Address**—c/o Vincent Robert Lorffler, President, Route 1, Wartburg, Tenn. **Underwriter**—None.

*Continued on page 46*

# NEW ISSUE CALENDAR

**May 23 (Thursday)**

Reading Co. ________________ **Equip. Trust Ctfs.**
(Bids noon EDT) $2,465,000

**May 24 (Friday)**

Air Products, Inc. ________________ **Common**
(Offering to stockholders—underwritten by Reynolds & Co.; Drexel & Co.; and Laurence M. Marks & Co.) 170,160 shares

Hartford Special Machinery Co. ________________ **Common**
(Offering to stockholders—no underwriting) 6,105 shares

Spalding (A. G.) & Bros., Inc. ________________ **Debentures**
(Offering to stockholders—no underwriting) $2,017,300

**May 27 (Monday)**

Central Vermont Public Service Corp. ____ **Common**
(Hallgarten & Co.) 125,000 shares

Dominion Resources Development Co. ____ **Common**
(Landrum Allen & Co., Inc.) $298,000

Gulf, Mobile & Ohio RR. ________ **Equip. Trust Ctfs.**
(Bids to be invited) $3,030,000

Quinta Corp. ________________ **Common**
(Frederic H. Hatch & Co., Inc.; Clark, Landstreet & Kirkpatrick, Inc.; and Minor, Mee & Co.) $350,000

**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

New York Shipbuilding Corp. ________________ **Common**
(A. C. Allyn & Co.) 191,660 shares

Tennessee Gas Transmission Co. ________________ **Bonds**
(Stone & Webster Securities Corp.; White, Weld & Co.; and Halsey, Stuart & Co. Inc.) $50,000,000

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

Lake Lauzon Mines, Ltd. ________________ **Common**
(Steven Randall & Co., Inc.) $300,000

**May 31 (Friday)**

Bank of Montreal ________________ **Common**
(Offering to stockholders—no underwriting) 900,000 shares

Continental Gin Co. ________________ **Common**
(Offering to stockholders—underwritten by Courts & Co.) 143,298 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

**June 4 (Tuesday)**

Alabama Great Southern RR. ____ **Equip. Trust Ctfs.**
(Bids noon EDT) $2,400,000

Ames (W. R.) Co. ________________ **Common**
(Dean Witter & Co.) 50,000 shares

Boston Edison Co. ________________ **Bonds**
(Bids noon EDT) $25,000,000

First National Bank of Fort Worth ________ **Common**
(Offering to stockholders—underwritten by Dallas Union Securities Corp. and First Southwest Corp.) $2,400,000

Heritage Petroleum Corp. ________ **Debentures & Stock**
(Kuhn, Loeb & Co. to act as agent) $4,181,250

Moore Products Co. ________________ **Common**
(Hemphill, Noyes & Co. and Parrish & Co.) 100,000 shares

Northern States Power Co. (Wis.) ________ **Bonds**
(Bids 10 a.m. CDT) $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 11 a.m. EDT) $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 underwriters) 609,815 shares

Southern California Edison Co. ________ **Preferred**
(The First Boston Corp. and Dean Witter & Co.) 1,200,000 shares

Vanadium-Alloys Steel Co. ________________ **Common**
(Offering to stockholders—underwritten by Goldman, Sachs & Co.) 51,000 shares

**June 6 (Thursday)**

Columbia Gas System, Inc. ________ **Debentures**
(Bids noon EDT) $20,000,000

General Precision Equipment Corp. ____ **Preference**
(Offering to common stockholders) 194,200 shares

Georgia Power Co. ________________ **Bonds**
(Bids 11 a.m. EDT) $15,500,000

Northern Ontario Natural Gas Co. ____ **Debs. & Stk.**
(Bear, Stearns & Co. and Hemphill, Noyes & Co.) $8,000,000

Trane Co. ________________ **Common**
(Smith, Barney & Co.) 150,000 shares

**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

Reading & Bates Offshore Drilling Co. __ **Debs. & Stk.**
(Hulme, Applegate & Humphrey, Inc.; The Milwauke Co., The Ohio Co. and Stroud & Co., Inc.) $1,700,000 of debentures and 170,000 shares of common stock

**June 11 (Tuesday)**

Consolidated Natural Gas Co. ________ **Debentures**
(Bids 11:30 a.m. EDT) $25,000,000

Kaiser Industries Corp. ________________ **Common**
(The First Boston Corp.; Dean Witter & Co.; and Carl M. Loeb, Rhoades & Co.) 900,000 shares

New York Central RR. ________ **Equip. Trust Ctfs.**
(Bids noon EDT) $6,450,000

**June 12 (Wednesday)**

Michigan Wisconsin Pipe Line Co. ________ **Bonds**
(Bids 11 a.m. EDT) $30,000,000

Timken Roller Bearing Co. ________________ **Common**
(Offering to stockholders—to be underwritten by Hornblower & Weeks) 484,276 shares

**June 13 (Thursday)**

Norfolk & Western Ry. ________ **Equip. Trust Ctfs.**
(Bids to be invited) $6,450,000

**June 17 (Monday)**

Consolidated Water Co. ________________ **Preferred**
(The Milwaukee Co.) $250,000

Fairbanks, Morse & Co. ________________ **Debentures**
(A. C. Allyn & Co., Inc.) $15,000,000

Michigan Consolidated Gas Co. ________________ **Bonds**
(Bids 11 a.m. EST) $30,000,000

Montana-Dakota Utilities Co. ________ **Debentures**
(Bids to be invited) $10,000,000

**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

First National City Bank of New York ____ **Common**
(Offering to stockholders—may be underwritten by The First Boston Corp.) $120,000,000

**June 25 (Tuesday)**

Puget Sound Power & Light Co. ________ **Bonds**
(Bids noon EDT) $20,000,000

Stinnes (Hugo) Corp. ________________ **Common**
(Bids 3:45 p.m. EDT) 530,712 shares

**June 27 (Thursday)**

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)**

West Penn Power Co. ________________ **Bonds**
(Bids to be invited) about $20,000,000

**July 16 (Tuesday)**

Jersey Central Power & Light Co. ________ **Bonds**
(Bids 11 a.m. EDT) $15,000,000

**July 17 (Wednesday)**

Great Northern Ry. ________ **Equip. Trust Ctfs.**
(Bids to be invited) $4,965,000

Tampa Electric Co. ________________ **Bonds**
(Bids to be invited) $18,000,000

**July 25 (Thursday)**

Southern Pacific Co. ________ **Equip. Trust Ctfs.**
(Bids to be invited) about $9,000,000

**July 31 (Wednesday)**

Bell Telephone Co. of Pennsylvania ____ **Debentures**
(Bids to be invited) $50,000,000

**September 4 (Wednesday)**

Louisville Gas & Electric Co. ________________ **Bonds**
(Bids to be invited) $15,000,000

**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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**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.

★ **Eric Corp. of America, Philadelphia, Pa.**
May 14 filed $375,000 of 10-year 6% debentures due March 1, 1967; 3,750 shares of 7% cumulative preferred stock (par $100); and 7,500 shares of common stock (par $1) to be offered in units of $500 of debenture, five shares of preferred stock and 10 shares of common stock. **Price**—$1,010 per unit. **Proceeds**—Together with other funds, to purchase, directly or through subsidiaries, drive-in theatres; to acquire other properties, etc.; and for working capital. **Underwriter**—None.

**Famous Virginia Foods Corp., Lynchburg, Va.**
April 29 (letter of notification) 12,640 shares of common stock (par $5) and $100,000 of convertible 6% debentures due 1967 of which 7,000 shares of common stock and $70,000 debentures are to be offered in units of $500 of debentures and 50 shares of common stock; the remaining common stock and debentures are reserved for rescission offer, etc. **Price**—$1,000 per unit. **Proceeds**—To buy equipment and for general corporate purposes. **Office**—922 Jefferson St., Lynchburg, Va. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

**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 20 filed (by amendment) 400,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

**Florida Power Corp.**
April 19 filed 255,813 shares of common stock (par $7.50) being offered for subscription by common stockholders of record May 14, 1957 on the basis of one share for each 10 shares held (with an oversubscription privilege); rights to expire on June 3. **Price**—$51 per share. **Proceeds**—For construction program. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

**Florida Trust, Pompano Beach, Fla.**
March 4 filed 850 certificates of beneficial interest in the Trust. **Price**—$1,000 per certificate. **Proceeds**—To acquire by purchase, lease or otherwise, and to hold, own, subdivide, lease, mortgage, exchange, bargain, sell and convey lands and every character of real property. **Underwriter**—None.

★ **Gas Industries Fund, Inc., Boston, Mass.**
May 16 filed (by amendment) 2,000,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

**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 General 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 Credit, Inc., Washington, D. C.**
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers. Application is still pending with SEC.

★ **General Precision Equipment Corp. (6/6)**
May 17 filed 194,200 shares of cumulative convertible preference stock ($50 liquidating value) to be offered for subscription by common stockholders of record June 5, 1957 on a 1-for-6 basis and by holders of $1.60 cumulative preference stock on a 1-for-9 basis; rights to expire on June 24, 1957. **Price**—To be supplied by amendment. **Proceeds**—To increase working capital. **Underwriters**—The First Boston Corp. and Tucker, Anthony & R. L. Day, both of New York.

**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 up to 11 a.m. (EDT) on June 5.

● **General Telephone Corp., New York**
April 26 filed $44,520,600 of 4½% convertible debentures due 1977, being 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.

★ **Georgia Casualty & Surety Co.**
May 10 (letter of notification) 10,000 shares of common stock (par $5) to be offered first to stockholders and agents, then to the public. **Price**—$30 per share. **Proceeds** — To expand and finance the company's regular line of business. **Office**—70 Fairlie St., N. W., Atlanta, Ga. **Underwriter**—None. Dan D. Dominey is President.

**Georgia Power Co. (6/6)**
May 10 filed $15,500,000 first mortgage bonds due June 1, 1987. **Proceeds** — For construction program and for purchase of shares of capital stock of Southern Electric Generating Co. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Shields & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Harriman, Ripley & Co. Inc. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on June 6 at office of Southern Services, Inc., Room 1600, 250 Park Ave., New York 17, N. Y.

**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.

★ **Gulf States Utilities Co. (6/18)**
May 17 filed 200,000 shares of common stock (no par). **Proceeds**—To repay a portion of outstanding bank loans. **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.

**Hartford Special Machinery Co. (5/24)**
April 30 (letter of notification) 6,105 shares of common stock to be offered to stockholders of record May 24, 1957 on the basis of one new share for each eight shares held; rights to expire June 21, 1957. **Price**—At par ($20 per share). **Proceeds**—For construction and equipment and installation of an incentive wage plan. **Office**—287 Homestead Ave., Hartford, Conn. **Underwriter**—None.

★ **Heritage Petroleum Corp., Dallas, Tex. (6/4)**
May 16 filed $2,250,000 of 5% income debentures due 1972; 75,000 shares of 6% series A preferred stock (par $10); and 56,250 shares of common stock (par $1) to be offered in units of $750 of debentures, 25 preferred shares and 18.75 common shares. **Price** — $1,018.75 per unit. **Proceeds**—To acquire, own and operate interests in producing oil and gas properties. **Agent**—Kuhn, Loeb & Co., 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 on July 10. **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.

★ **Ignacio Oil & Gas Co., Denver, Colo.**
May 20 filed 650,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For drilling and completion of test wells; for acquisition and exploration of additional properties; and for working capital. **Underwriter**—None. W. Clay Merideth is President.

**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.**
May 1 filed 1,050,223 shares of capital stock (no par) being 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**—$220 per share. **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. Statement to be withdrawn.

**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.

**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. Statement withdrawn May. 10.

★ **Kaiser Industries Corp. (6/11)**
May 21 filed 900,000 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.

● **Lake Lauzon Mines Ltd., Toronto, Can. (5/29)**
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.

★ **Levingston Shipbuilding Co., Orange, Texas**
May 15 filed 100,000 shares of common stock (par $6), of which 66,666 shares are to be offered for account of company and 33,334 shares for account for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To construct a floating drydock and two oil barges and for working capital. **Underwriters** — Underwood, Neuhaus & Co., Inc., Houston, Tex.

★ **Macco Chemical Co.**
May 6 (letter of notification) 2,465 shares of common stock (no par). **Price** — $58 per share. **Proceeds** — For working capital. **Office** — 6600 Union Ave., Cleveland, Ohio. **Underwriter**—None.

**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. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.; B. Ray [illegible]ins Co., New York; and Berry & Co., Plainfield, N. J.

**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.

★ **Michigan Consolidated Gas Co. (6/17)**
May 22 filed $30,000,000 of 25-year first 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.; The First Boston Corp.; Blyth & Co., Inc.; White, Weld & Co. and Lehman Brothers (jointly). **Bids**—To be received up to 11 a.m. (EST) on June 17 at 415 Clifford St., Detroit 26, Mich.

★ **Michigan Wisconsin Pipe Line Co. (6/12)**
May 15 filed $30,000,000 of first mortgage pipe line bonds due 1977. **Proceeds**—Together with $3,000,000 from sale of $3,000,000 common stock to parent, American Natural Gas Co., to pay $25,000,000 of bank loans and for construction expenses. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. **Bids**—Expected to be received up to 11 a.m. (EDT) on June 12 at offices of American Natural Gas Co., 165 Broadway, New York, N. Y.

★ **Midland Cooperatives, Inc.**
May 6 (letter of notification) $250,000 of subordinate debenture notes (of which $75,000 will mature in six years, $75,000 will mature in nine years and $100,000 will mature in 10 years). **Price**—At face value (in denominations of $100 or multiples thereof). **Proceeds**—For working capital. **Office** — 739 Johnson St., N. E., Minneapolis, Minn. **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 983), Grand Junction, Colo. **Underwriter**—None.

**Mid-State Commercial Corp.**
March 29 (letter of notification) $190,000 of 7% registered debenture bonds due May 1, 1967. **Price**—At 100% and accrued interest. **Proceeds**—For expansion of service area and working capital. **Office**—2 King St., Middletown, N. Y. **Underwriter** — Frazee, Olifiers & Co., New York.

**Mississippi Valley Portland Cement Co.**
Dec. 26 filed 1,600,000 shares of capital stock (no par), of which 708,511 shares are subject to an offer of rescission. **Price**—$3 per share. **Proceeds**—For completion of plant, provide for general creditors and for working capital. **Office**—Jackson, Miss. **Underwriter**—None, offering to be made through company's own agents.

**Monticello Associates, Inc.**
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

**Moore Products Co., Philadelphia, Pa. (6/4)**
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.

★ **Mountain Lake Corp.**
May 13 (letter of notification) 400 shares of common stock (no par) to be offered to stockholders and a limited number of persons who own or plan to buy real property in the Mountain Lake area. **Price** — $600 per share. **Proceeds**—For retirement of an outstanding and unpaid mortgage and additional working capital. **Address**—Mountain Lake, Lake Wales, Fla. **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 Investors Corp. of New York**
May 17 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire real estate properties and mortgages. **Office**—550 Fifth Ave., New York 36, N. Y. **Underwriter** — Stuart Securities Corp., New York.

**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. **Office**—10 Nassau St., Princeton, N. J. **Investment Advisor** — Harland W. Hoisington, Inc., same address. **Offering**—Expected this week.

★ **National Beverages, Inc.**
May 6 (letter of notification) 400,000 shares of common stock (par 20 cents). **Price**—40 cents per share. **Proceeds**—For working capital and for expansion. **Office**—1030 So. 6th St., Salt Lake City, Utah. **Underwriter**—Harrison S. Brothers & Co., Salt Lake City, Utah.

**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**—To be received up to 11:30 a.m. (EDT) on May 28 at Room 2033, Two Rector St., New York, N. Y.

**National Lithium Corp., New York**
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York. **Offering**—Indefinite.

● **National Telefilm Associates, Inc.**
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. **Offering**—Temporarily withdrawn.

**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.

★ **Northern Ontario Natural Gas Co., Ltd. (6/6)**
May 14 filed $8,000,000 of 5¾% subordinated debentures due 1982 and 400,000 shares of common stock (no par) to be offered in units of $20 of debentures and one share of stock. Units aggregating $3,940,000 of debentures and 197,000 shares of stock will be offered in the United States; the remainder in Canada. **Price**—To be supplied by amendment. **Proceeds**—Together with funds from private sale of $12,000,000 of first mortgage bonds, for construction program. **Office**—Toronto, Canada. **Underwriters**—In United States: Bear, Stearns & Co. and Hemphill, Noyes & Co., both of New York. In Canada: McLeod, Young, Weir & Co. and Bankers Bond Co.

**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 up to 10 a.m. (CDT) 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, 1956, filed 60,000 shares of cum. 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.**
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. **Office**—Buckfield, Me. **Underwriter**—None.

★ **Pass Creek Mining Co.**
May 2 (letter of notification) 100,000 shares of 5% cumulative preferred stock. **Price**—At par ($1 per share) with one share of common stock without additional cost. **Proceeds**—For working capital. **Office** — c/o Charles Edmund Pew, Counsel, 314 Fuller Ave., Helena, Mont. **Underwriter**—None.

★ **Paxton (Frank) Lumber Co., Kansas City, Mo.**
May 10 (letter of notification) 6,480 shares of common stock (par $5) to be offered to employees. **Price**—$11.48 per share. **Proceeds**—To replace cash used to redeem shares of common stock. **Office**—6311 St. John, Kansas City, Mo. **Underwriter**—None.

★ **Pedalcopter Co.**
May 17 (letter of notification) 2,000 shares of common stock. **Price** — $10 per share. **Proceeds** — For working capital, etc. **Office**—547 Cedar Ave., Woodbridge, N. J. **Underwriter**—None.

**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.

**Philadelphia Electric Co. (6/5)**
May 14 filed 609,815 shares of common stock (no par) to be offered for subscription by common stockholders of record June 4, 1957 at the rate of one new share for each 20 shares held; rights to expire on June 25. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Drexel & Co., Philadelphia, Pa., and Morgan Stanley & Co., New York.

**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.

★ **Portland Gas & Coke Co. (6/10)**
May 22 filed 226,194 shares of common stock (par $9.50) to be offered for subscription by common stockholders of record June 10, 1957 on the basis of one new share for each five shares held; rights to expire about July 1. **Price** — To be supplied by amendment. **Proceeds** — for construction program. **Underwriter**—Lehman Brothers, New York.

***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 New Mexico**
April 25 filed 181,997 shares of common stock (par $5) of which 166,997 shares are being offered for subscription by common stockholders at the rate of one new share for each 10 shares held on May 20, 1957, with rights to expire on June 12. The remaining 15,000 shares are being offered to employees. **Price**—$13.50 per share. **Proceeds** — For construction program. **Underwriter**—Allen & Co., New York, for offer to stockholders.

★ **Puget Sound Power & Light Co. (6/25)**
May 17 filed $20,000,000 of first mortgage bonds due July 1, 1987. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster Securities Corp. **Bids**—To be received at 90 Broad St., New York, N. Y., up to noon (EDT) on June 25.

**Pyramid Productions, Inc., New York**
Sept. 27, 1956, filed 220,000 shares of com. 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. (5/27-29)**
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.**
April 25 filed 226,032 shares of class A common stock (par 25 cents), of which 186,032 shares are being offered to stockholders of record May 15, 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 27. The remaining 40,000 shares were

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offered publicly for account of selling stockholders. The subscription rights of certain principal stockholders were purchased and exercised by the underwriters, and the new stock created thereby (129,733 shares) offered to the public. **Price**—$12 per share to stockholders; $14 to public. **Proceeds**—For working capital and other corporate purposes. **Underwriters**—Kuhn, Loeb & Co., New York; and Johnson, Lane, Space & Co., Inc., Savannah, Ga.

**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.

★ **Reading & Bates Offshore Drilling Co., Tulsa, Okla. (6/10-12)**
May 21 filed $1,700,000 of 6% subordinated sinking fund debentures due June 1, 1967, 170,000 shares of common stock (par 20 cents) and stock purchase warrants covering 225,000 shares of common stock to be offered in units of $100 of debentures, 10 shares of stock and one warrant to purchase 15 common shares. **Price**—To be supplied by amendment. **Proceeds**—To be applied to the purchase of off-shore mobile platform and related equipment. **Underwriters**—Hulme, Applegate & Humphrey, Inc., The Milwaukee Co., The Ohio Co. and Stroud & Co., Inc.

**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.

★ **Ridge Citrus Concentrate, Inc., Davenport, Fla.**
May 13 (letter of notification) 2,000 shares of common stock (no par). **Price**—$125 per share. **Proceeds**—For working capital. **Underwriter**—None.

● **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. Statement effective March 22.

**St. Louis Insurance Corp., St. Louis, Mo.**
March 27 filed 1,250 shares of class C cumulative preferred stock (par $57). **Price**—$97 per share. **Proceeds**—To R. M. Realty Co., who is the selling stockholder. **Underwriter** — Yates, Heitner & Woods, St. Louis, Mo. **Offering**—Expected within the next few weeks.

**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 being offered for subscription by common stockholders on the basis of one new share for each share held; rights to expire on May 31. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office** — 1049 Front St., Festus, Mo. **Underwriter** — Scherck, Richter Co.

**Sire Plan, Inc., New York**
May 14 filed $1,000,000 of nine-month 8% fund notes. **Price**—At par (in denominations of $100 each). **Proceeds**—For working capital and other corporate purposes. **Underwriter**—Sire Plan Portfolios, Inc., New York.

● **Southern California Edison Co. (6/5)**
May 13 filed 1,200,000 shares of cumulative preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for construction program. **Underwriters**—The First Boston Corp., New York, and Dean Witter & Co., Los Angeles and San Francisco, Calif.

● **Spalding (A. G.) & Bros. Inc. (5/24)**
April 11 filed $2,017,300 of 5½% subordinated convertible debentures due June 15, 1962, to be offered for subscription by common stockholders of record May 23, 1957 on the basis of $100 of debentures for each 30 common shares held: rights to expire on June 17. **Price**—At par (flat). **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. Statement effective May 17.

**Steadman Investment Fund, Inc., East Orange, N. J.**
May 10 filed 100,000 shares of common stock (par $1) to be offered in connection with merger into this Fund of Fund of Fortune, Inc., Fortune II, Inc., Fortune III, Inc. and Fortune IV, Inc. **Underwriter** — William Allen Steadman & Co., East Orange, N. J.

**Stinnes (Hugo) Corp., New York (6/25)**
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). **Bids**—To be received up to 3:45 p.m. (EDT) on June 25 at Office of Alien Property, Washington 25, D. C.

★ **Summers Gyroscope Co., Santa Monica, Calif.**
May 20 filed 250,080 shares of common stock (par $1) to be offered for subscription by common stockholders of record May 31, 1957 on the basis of two new shares for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriter** — Daniel Reeves & Co., Beverly Hills, Calif.

**Sundstrand Machine Tool Co.**
April 22 filed 170,471 shares of common stock (par $5) being offered for subscription by common stockholders at the rate of one new share for each eight shares held on May 10; rights to expire on May 27. **Price**—$23.50 per share. **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.

**Tennessee Gas Transmission Co. (5/28)**
May 8 filed $50,000,000 of first mortgage pipe line bonds due July 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Stone & Webster Securities Corp., White, Weld & Co. and Halsey, Stuart & Co. Inc., all of New York.

★ **Tennessee Gas Transmission Co.**
May 21 filed $1,750,000 of contributions to be made by employees of the company to the Thrift Plan (including the company's guarantee of such plan).

★ **Timken Roller Bearing Co., Canton, O. (6/12)**
May 21 filed 484,276 shares of common stock (no par) to be offered for subscription by common stockholders of record on or about June 12 on the basis of one new share for each 10 shares held; rights to expire about July 1. **Price**—To be supplied by amendment. **Proceeds**—For capital improvements and working capital. **Underwriter**—Hornblower & Weeks, New York.

★ **Titanic Oil Co.**
May 6 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration of oil properties. **Office** — 704 First National Bank Bldg., Denver, Colo. **Underwriter**—Wayne Jewell Co., Denver, Colo.

★ **Trane Co., LaCrosse, Wis. (6/6)**
May 17 filed 150,000 shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Smith, Barney & Co., New York.

**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.

★ **Trusteed Funds, Inc., Boston, Mass.**
May 21 filed (by amendment) an additional 1,000 Commonwealth Fund Indenture of Trust Plan C.

★ **Trusteed Funds, Inc., Boston, Mass.**
May 16 filed (by amendment) additional Commonwealth Fund Indenture of Trust Periodic Payment Plans as follows: 2,100 Plan A with insurance; 500 Plan B without insurance; and 1,200,000 Theoretical Units.

● **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. Statement has been withdrawn.

**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 and will expire on July 1. **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.

**Vanadium-Alloys Steel Co., Latrobe, Pa. (6/5)**
May 13 filed 51,000 shares of capital stock (par $5) to be offered for subscription by stockholders at the rate of one new share for each 10 shares held as of record about June 4, 1957; with rights to expire about June 19. **Price** — To be supplied by amendment. **Proceeds** — For expansion program. **Underwriter**—Goldman, Sachs & Co., New York.

★ **Village Enterprises, Inc.**
May 9 (letter of notification) $250,000 of 6½% 25-year collateral trust bonds (each $1,000 bond having option attached to purchase 100 shares of common stock at $5 per share exercisable Jan. 1, 1959 through Dec. 31, 1963). **Price**—At face amount. **Proceeds**—To be loaned to company's affiliates. **Office**—1013 Southern Finance Bldg., August, Ga. **Underwriter**—Johnson, Lane, Space & Co., Augusta, Ga.

**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.

**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 Printing & Lithographing Co., Racine, Wis.**
May 15 filed $3,037,640 of 5% serial notes due Dec. 1, 1958 to 1967, inclusive to be offered, together with cash, in exchange for 151,882 shares of capital stock of Kable Printing Co. (Ill.) on the basis of $20 of notes and $6 in cash for each share held. This offer which is to expire July 12, is conditioned upon the acceptance by holders of at least 130,000 shares of Kable stock (about 85%). Holders of Kable stock who own less than 51 shares will receive cash at the rate of $26 per share. **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.

# 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 June

**Aerojet General Corp.**
May 10 it was reported that this company (a 95% owned subsidiary of General Tire & Rubber Co.) may raise between $5,000,000 and $10,000,000 by the sale of additional common stock, perhaps 25,000 shares or so, either privately or publicly. **Proceeds**—For working capital. **Underwriter**—Kidder, Peabody & Co., New York.

★ **Airborne Instruments Laboratory, Inc.**
May 16 it was announced company plans to issue and sell $2,000,000 of 15-year 5¼% unsecured subordinated convertible debentures. American Research & Development Corp., owner of 31,500 shares or 15.8% of Airborne's stock, propose to purchase $320,000 of the new debentures. **Proceeds**—Together with $4,000,000 to be borrowed from institutional investors, for a building and expansion program.

**Alabama Great Southern RR. (6/4)**
Bids will be received by the company up to noon (EDT) on June 4 for the purchase from it of $2,400,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Allied Paper Corp.**
May 13 it was reported company plans to issue and sell some convertible preferred stock. Stockholders on April 24 authorized an issue of 100,000 shares of $50 par value stock, issuable in series. **Proceeds**—To repay short-term debt and for expansion. **Underwriter**—Possibly Julien Collins & Co., Chicago, Ill.

**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). **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.

**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 Gas & Electric Co.**
May 6 it was reported company plans to issue and sell some first mortgage bonds before July 1, 1957. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc., and Alex. Brown & Sons (jointly).

**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.

**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.

**Byers (A. M.) Co.**
May 7 stockholders approved a proposal to authorize a new class of 100,000 shares of cumulative preference stock (par $100) and to increase 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 & Co., 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 14 it was announced company plans to sell around the middle of July $15,000,000 of 30-year 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). **Registration**—Expected early in June.

**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 4⅝% 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.

★ **Chicago, Rock Island & Pacific RR.**
Bids are expected to be received by the company in July for the purchase from it of about $3,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**Cleveland Electric Illuminating Co.**
Nov. 12 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds in the Summer of 1957. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Dillon, Read & Co. Inc.; Blair & Co. Inc., and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; White, Weld & Co.

**Coastal Transmission Corp.**
March 6 it was reported the company plans to offer publicly $7,800,000 of interim notes and 678,900 shares of $1 par stock in units. (Common stock not sold in units would be purchased by Delhi-Taylor Oil Corp., or its stockholders at an average price of $10 per share.) **Proceeds**—Together with funds from private sale of $40,000,000, for construction program. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

**Columbia Gas System, Inc.**
Feb. 18, company announced that it plans the issuance and sale of $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 Edison Co. of New York, Inc.**
May 20, H. R. Searing, Chairman, said the company will probably sell a new issue of first and refunding mortgage bonds later on this year. [On Oct. 24, 1956, $40,000,000 of these bonds, series M, due 1986, were offered and sold.] **Proceeds**—From this issue and from bank loans, to pay part of the cost of the company's 1957 construction program which is expected to total about $146,000,000. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

● **Consolidated Natural Gas Co.**
May 9 it was announced company plans to issue and sell $25,000,000 25-year debentures in October in addition to $25,000,000 to be sold on June 11. **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).

★ **Consolidated Water Co. (6/17)**
April 30 it was announced company plans to issue and sell 10,000 shares of $1.50 cumulative convertible preferred stock (no par). **Price**—$25 per share. **Proceeds**—To retire bank debt and for other corporate purposes. **Underwriter**—The Milwaukee Co., Milwaukee, Wis.

**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.

**Detroit Edison Co.**
May 6 it was announced company plans to sell in 1957 about $60,000,000 of mortgage bonds. **Proceeds** — For construction program (estimated to cost about $89,000,000 this year). **Underwriter**—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.

★ **Fairbanks, Morse & Co. (6/17-21)**
May 14 it was reported company plans to issue and sell $15,000,000 of convertible debentures. **Proceeds**—To purchase 300,000 shares of company's common stock from Penn-Texas Corp., leaving latter still holding 392,000 shares. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Illinois.

★ **First National Bank of Fort Worth (6/4)**
May 15 it was announced company plans to offer to its stockholders the privilege of subscribing for 100,000 additional shares of capital stock (par $10) on the basis of one new share for each 6½ shares held. Stockholders will vote June 4 on increasing stock to 750,000 shares. **Price** — $24 per share. **Proceeds** — To increase capital and surplus. **Underwriters** — Dallas Union Securities Corp. and First Southwest Corp., both of Dallas, Tex.

★ **First National City Bank of New York (6/24)**
May 17 it was reported Bank plans to offer its stockholders the right to subscribe for 2,000,000 additional shares of capital stock (par $20) on the basis of one new share for each five shares held on or about June 24, 1957; rights to expire on July 22, 1957. **Price**—$60 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—The First Boston Corp., New York.

**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.**
May 10 it was reported that this company is considering an issue of convertible subordinated debentures, probably around $15,000,000, which may first be offered for subscription by common stockholders. **Proceeds**—For working capital. **Underwriter**—Kidder, Peabody & Co., New York.

**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.

**Great Northern Ry. (7/17)**
Bids are expected by the company to be received on July 17 for the purchase from it of $4,965,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**Gulf Interstate Gas Co.**
May 3 it was announced company plans to issue some additional first mortgage bonds, the amount of which has not yet been determined. **Proceeds** — For construction program. **Underwriters**—Carl M. Loeb, Rhoades & Co. and Merrill Lynch, Pierce, Fenner & Beane.

★ **Gulf, Mobile & Ohio RR. (5/27)**
Bids are expected to be received by the company on May 27 for the purchase from it of $3,030,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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**Gulf States Utilities Co.**
March 4 it was reported company plans to issue and sell $16,000,000 first mortgage bonds in November. **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.**
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 June.

**Hilo Electric Light Co., Ltd. (Hawaii)**
March 9 it was announced company plans to issue and sell $2,000,000 of first mortgage bonds, series F, at an interest rate not to exceed 6%. Previous bond financing was done privately.

**Houston Lighting & Power Co.**
Feb. 13 it was reported company may offer late this Fall approximately $25,000,000 first mortgage bonds, but exact amount, timing, etc. has not yet been determined. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers, Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.

**Houston Texas Gas & Oil Corp.**
March 6 it was reported that company plans to offer publicly $22,405,556 of 5½% interim notes (convertible into preferred stock) and $18,241,944 of common stock in units. Part of common stock will be offered to present stockholders at $10 per share. **Proceeds**—For construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

**★ Idaho Power Co.**
May 16 it was reported company plans to issue and sell around 200,000 to 225,000 shares of common stock in the Fall in addition to between $10,000,000 to $15,000,000 first mortgage bonds after Nov. 1. **Underwriter**—To be determined by competitive bidding. probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co. Inc., Lazard Freres & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. (2) For stock—Kidder, Peabody & Co.; Blyth & Co., Inc., and Lazard Freres & Co. (jointly).

**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.

**● International Utilities Corp.**
April 17 stockholders approved 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. (7/16)**
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 to be received up to 11 a.m. (EDT) on July 16.

**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 Gas & Electric Co. (9/4)**
May 14 it was reported company plans to issue and sell $15,000,000 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.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Kidder, Peabody & Co. and Goldman, Sachs & Co. (jointly); Harriman Ripley & Co. Inc.; Lehman Brothers and Blyth & Co., Inc. (jointly); The First Boston Corp.; Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively scheduled to be received on Sept. 4.

**Louisville & Nashville RR.**
Bids are expected to be received by the company some time in the Fall for the purchase from it of $14,400,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**★ Middle South Utilities, Inc.**
May 8 it was announced company may consider an offering of new common stock within the next year or so. **Proceeds**—About $19,000,000, for investment in common stocks of the System operating companies during the three-year period 1957, 1958 and 1959. **Underwriter**—Previous stock offering was to stockholders, without underwriting, with oversubscription privileges.

**● Montana-Dakota Utilities Co. (6/17-21)**
May 20 it was reported company plans to issue and sell $10,000,000 of convertible debentures due 1977. **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. **Bids**—Scheduled for week of June 17.

**★ Mountain States Telephone & Telegraph Co. (7/1)**
May 21 the directors approved an offering to stockholders of record June 20, 1957 of 584,176 additional shares of capital stock on the basis of one new share for each five shares held; rights to expire on July 31. Subscription warrants are expected to be mailed about July 1. **Price**—At par ($100 per share). **Proceeds** — To repay short-term loans. **Underwriter**—None. A majority of the outstanding stock is owned by American Telephone & Telegraph Co.

**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 York Central RR. (6/11)**
Bids will be received by the company in New York, N. Y., up to noon (EDT) on June 11 for the purchase from it of $6,450,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**● New York Shipbuilding Corp. (5/28)**
May 7 it was announced that a secondary offering of 191,660 shares of common stock is planned. 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).

**Norfolk & Western Ry. (6/13)**
Bids are expected to be received by the company on June 13 for the purchase from it of $6,450,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**Northern Illinois Gas Co.**
May 9 it was announced stockholders will vote June 11 on approving a new issue of 300,000 shares of preferred stock (par $100). There are no present plans to sell any of these shares.

**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.

**★ Ohio Power Co.**
May 15 it was reported that this company now plans to issue and sell in September, 1957, $28,000,000 of first mortgage bonds and $7,000,000 of preferred stock. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly). (2) For preferred stock—Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Lehman Brothers. Registration statement filed Sept. 20, 1956, covering a proposed issue of 60,000 shares of preferred stock (par $100) for which bids were rejected on Oct. 30, last, is still alive.

**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.

**Pennsylvania Electric Co.**
Sept. 12 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.

**Philadelphia Electric Co.**
Feb. 14 it was announced the 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).

**Principal Retail Plazas of Canada, Ltd. (Canada)**
Feb. 28 it was reported that early registration is expected of an issue of $15,000,000 of subordinated debentures due 1982 and 1,500,000 shares common stock to be sold in units of $50 of debentures and five shares of stock. **Proceeds**—For expansion and working capital. **Business** — Operates shopping centers. **Underwriter** — Eastman Dillon, Union Securities & Co., New York, for about two-thirds of issue. Balance to be underwritten in Canada.

**Public Service Electric & Gas Co. (6/18)**
April 15 it was announced company plans to issue and sell 250,000 shares of cumulative preferred stock. **Proceeds** — About $25,000,000 for expansion program. **Underwriters**—May be Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. (jointly) or Merrill Lynch, Pierce, Fenner & Beane.

**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 Co. (5/23)**
Bids are expected to be received by this company up to noon (EDT) on May 23 for the purchase from it of $2,465,000 equipment trust certificates, due semi-annually, from Jan. 1, 1958, to Jan. 1, 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Rochester Gas & Electric Corp.**
May 15 it was announced company plans to issue and sell later this year $15,000,000 of first mortgage bonds and some additional common stock in 1958. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co.; The First Boston Corp.; Kidder, Peabody & Co.; White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly). For common stock, The First Boston Corp., New York.

★ **Sears Roebuck Acceptance Corp.**
May 15 it was reported company plans to issue and sell between $50,000,000 and $100,000,000 of debentures before the end of 1957, depending upon market conditions. **Underwriters**—Goldman, Sachs & Co., Halsey, Stuart & Co. Inc. and Lehman Brothers, all of New York.

**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 about $30,000,000 from the sale of 1,200,000 shares of $25 par preferred stock early in June (see preceding column). **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: The First Boston Corp. and Dean Witter & Co. (jointly).

● **Southern Californna Gas Co. (6/27)**
Jan. 21 it was announced company plans to issue and sell $35,000,000 of first mortgage bonds due 1983. **Proceeds**—To repay 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 27.

**Southern Pacific Co. (7/25)**
Bids are expected to be received by the company on July 25 for the purchase from it of approximately $9,000,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Southern Union Gas Co.**
May 16 it was reported company plans to issue and sell about $10,000,000 of debentures this summer. **Proceeds**—For construction program. **Underwriter**—May be Blair & Co. Incorporated, New York.

● **Tampa Electric Co. (7/17)**
May 8 it was announced company plans to issue and sell $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 17.

**Tampa Electric Co. (6/28)**
May 8 it was announced 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. **Price**—To be set by the directors on June 26. **Underwriter**—The offering may be underwritten. Goldman, Sachs & Co. acted as dealer-manager on last standby.

★ **Tracerlab, Inc.**
May 17 Samuel S. Auchincloss, President, announced negotiations were under way with an underwriting firm looking to a public offering of capital stock. **Proceeds**—For working capital. **Business**—Electronics. **Underwriter**—May be Lee Higginson Corp., New York and Boston, who handled previous stock financing.

**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.

★ **Transocean Corp. of California**
May 21 it was announced company plans a public offering of securities to provide about $6,700,000 of new working capital.

**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 will be received by the company up to noon (EDT) on May 28 for the purchase from it of $6,615,000 equipment trust certificates, series H, to be dated Jan. 15, 1957 and mature in 15 annual installments from Jan. 15, 1958 to 1972, inclusive. 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. (7/10)**
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 to be received up to 11 a.m. (EDT) on July 10.

**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.

## *Our Reporter's Report*

Perhaps with International Business Machines Corp.'s massive equity financing out of the way, things may pick up a little in the new issue market, notably in the fixed term security section.

**Underwriters and dealers found the situation little changed this week, with prospective buyers still inclined to hesitate in taking down fresh offerings. Ultimately, however, they appear to get around to absorbing current offerings.**

This appears indicated by the fact that this far, despite seeming sluggishness, sponsoring syndicates have been able to place new offerings in due course. At least there has not been any apparent necessity to terminate selling agreements and let a security seek its own level.

**The current offering of New York Telephone Co., as an example, got away to a slow start this week; but observers are confident the $70 million of 4½s, priced to yield 4.40%, will be taken up without any serious delay.**

Telephone bonds, it was pointed out, are by no means a "museum piece," and for that reason, in addition to the fact that buyers currently are a bit on the obstinate side, the sluggishness of the issue now on the market is not surprising.

### Special Inducements

One of the reasons for the lag in distribution of N. Y. Telephone's issue is probably the absence of any "sweetener," such as a five-year non-callable clause, to assure buyers of the initial return for at least that period.

**Some other borrowers have taken recourse to such inducements to attract buyers in the present rather turbulent money market.**

The recent New York State Electric & Gas issue, of $30 million, appeared to drag its feet for a time even though it carried a five-year non-refundable clause. But it picked up this week as Public Service Co. of Colorado's offering, also for $30 million, and fortified with a similar non-callable provision moved to buyers.

### IBM Soaks Up Funds

Even though the corporation's holders get first chance to subscribe, an offering such as International Business Machines Corp.'s 1,050,223 shares is bound to take considerable amounts of investor money out of the general market.

**IBM stock is held by many institutions such as trust funds and others who probably desire to exercise their prior rights . . . in the ratio of one new share for each 10 held.**

With a price of $220 a share for the new stock, it is indicated that IBM should rate well over $220 million of additional capital, which bespeaks a substantial drain on available investment funds.

### Slow Week Ahead

Distributors of new securities probably will welcome the slow-down which is indicated for next week even though there has been no outward complaint of "indigestion."

The major undertaking on the calendar for that period is Tennessee Gas Transmission's $50 million of bonds due out Tuesday by the negotiated route. On the same day National Fuel Gas Co. will market $15 million of debentures, Community Public Service will sell $3 million of bonds and Wabash Railway will open bids for $6.6 million of equipment trust certificates.

Remaining issues for the week are small and include a goodly smattering of equity offerings.

## Customers' Brokers Assn. To Hold Quarterly Meeting

The next quarterly meeting of the Association of Customers' Brokers will be held at Whyte's Restaurant on Thursday, June 13, 1957, at 4:15 p.m. Cocktails will be served at 5:15 p.m. followed by a "Dutch Treat" dinner at 6:00 p.m., at which time all will have the opportunity to report on "My Favorite Stock."

Also at this meeting members will elect the Nominating Committee.

## Reynolds Representatives

PHILADELPHIA, Pa. — Reynolds & Co., members of the New York Stock Exchange and other principal stock exchanges, announce that Donald J. P. Burke and Frank J. Campbell III are now associated with their Philadelphia office, 1526 Chestnut Street, as registered representatives.

Mr. Burke joined Reynolds & Co. six months ago.

Mr. Campbell became associated with Reynolds & Co. in October, 1956 after service in the U. S. Army.

## With W. H. Morton

W. H. Morton & Co. Incorporated, 20 Exchange Place, New York City, announced that Robert J. Daeschler is now associated with their firm.

## Named Director

William L. Saunders, Vice-President of A. G. Becker & Company, Chicago investment house, has been elected to the board of directors of Pacific Far East Line Inc., it was announced by Thomas E. Cuffe, President.

# 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 26 | §86.7 | *84.2 | 88.7 | 97.3 |
| Equivalent to— | | | | | |
| Steel ingots and castings (net tons) | May 26 | §2,220,000 | *2,155,000 | 2,269,000 | 2,396,000 |
| **AMERICAN PETROLEUM INSTITUTE:** | | | | | |
| Crude oil and condensate output—daily average (bbls. of 42 gallons each) | May 10 | 7,433,800 | 7,529,450 | 7,441,950 | 7,028,950 |
| Crude runs to stills—daily average (bbls.) | May 10 | ¶8,050,000 | 7,633,000 | 7,899,000 | 7,911,000 |
| Gasoline output (bbls.) | May 10 | 26,019,000 | 26,214,000 | 26,322,000 | 26,403,000 |
| Kerosene output (bbls.) | May 10 | 2,080,000 | 2,048,000 | 2,134,000 | 2,263,000 |
| Distillate fuel oil output (bbls.) | May 10 | 12,772,000 | 12,264,000 | 12,451,000 | 11,462,000 |
| Residual fuel oil output (bbls.) | May 10 | 8,370,000 | 7,952,000 | 7,828,000 | 8,244,000 |
| Stocks at refineries, bulk terminals, in transit, in pipe lines— | | | | | |
| Finished and unfinished gasoline (bbls.) at | May 10 | 197,402,000 | 198,332,000 | 202,904,000 | 187,708,000 |
| Kerosene (bbls.) at | May 10 | 21,907,000 | 21,165,000 | 19,823,000 | 19,332,000 |
| Distillate fuel oil (bbls.) at | May 10 | 82,260,000 | 79,119,000 | 74,156,000 | 64,945,000 |
| Residual fuel oil (bbls.) at | May 10 | 38,745,000 | 37,571,000 | 36,758,000 | 33,119,000 |
| **ASSOCIATION OF AMERICAN RAILROADS:** | | | | | |
| Revenue freight loaded (number of cars) | May 11 | 723,392 | 718,924 | 673,964 | 777,606 |
| Revenue freight received from connections (no. of cars) | May 11 | 616,468 | 610,677 | 612,180 | 660,686 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:** | | | | | |
| Total U. S. construction | May 16 | $357,673,000 | $385,205,000 | $394,532,000 | $300,211,000 |
| Private construction | May 16 | 123,455,000 | 211,609,000 | 227,801,000 | 137,096,000 |
| Public construction | May 16 | 234,218,000 | 173,596,000 | 166,731,000 | 163,115,000 |
| State and municipal | May 16 | 168,020,000 | 140,395,000 | 140,284,000 | 108,564,000 |
| Federal | May 16 | 66,198,000 | 33,201,000 | 26,447,000 | 54,551,000 |
| **COAL OUTPUT (U. S. BUREAU OF MINES):** | | | | | |
| Bituminous coal and lignite (tons) | May 11 | 9,655,000 | *9,570,000 | 9,900,000 | 9,850,000 |
| Pennsylvania anthracite (tons) | May 11 | 479,000 | 499,000 | 498,000 | 402,000 |
| **DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100** | May 11 | 133 | *132 | 122 | 129 |
| **EDISON ELECTRIC INSTITUTE:** | | | | | |
| Electric output (in 000 kwh.) | May 18 | 11,519,000 | 11,311,000 | 11,485,000 | 10,875,000 |
| **FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.** | May 16 | 264 | 267 | 302 | 279 |
| **IRON AGE COMPOSITE PRICES:** | | | | | |
| Finished steel (per lb.) | May 14 | 5.670c | 5.670c | 5.670c | 5.179c |
| Pig iron (per gross ton) | May 14 | $64.56 | $64.56 | $64.56 | $60.29 |
| Scrap steel (per gross ton) | May 14 | $45.83 | $44.17 | $42.17 | $50.33 |
| **METAL PRICES (E. & M. J. QUOTATIONS):** | | | | | |
| Electrolytic copper— | | | | | |
| Domestic refinery at | May 15 | 31.100c | 31.575c | 31.500c | 45.650c |
| Export refinery at | May 15 | 29.300c | 29.575c | 29.575c | 44.200c |
| Lead (New York) at | May 15 | 15.500c | 16.000c | 16.000c | 16.000c |
| Lead (St. Louis) at | May 15 | 15.300c | 15.800c | 15.800c | 15.800c |
| ‡Zinc (delivered) at | May 15 | 12.000c | 12.500c | 14.000c | 14.000c |
| Zinc (East St. Louis) at | May 15 | 11.500c | 12.000c | 13.500c | 13.500c |
| Aluminum (primary pig, 99%) at | May 15 | 25.000c | 25.000c | 25.000c | 24.000c |
| Straits tin (New York) at | May 15 | 98.500c | 98.375c | 99.625c | 97.125c |
| **MOODY'S BOND PRICES DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | May 21 | 89.55 | 89.48 | 89.94 | 94.73 |
| Average corporate | May 21 | 95.62 | 95.77 | 96.54 | 105.00 |
| Aaa | May 21 | 100.16 | 100.49 | 101.31 | 108.16 |
| Aa | May 21 | 98.57 | 98.88 | 99.36 | 106.74 |
| A | May 21 | 96.23 | 96.23 | 96.69 | 104.66 |
| Baa | May 21 | 88.27 | 88.40 | 89.64 | 100.49 |
| Railroad Group | May 21 | 93.97 | 93.97 | 95.16 | 103.64 |
| Public Utilities Group | May 21 | 96.23 | 96.54 | 98.85 | 105.17 |
| Industrials Group | May 21 | 96.85 | 97.16 | 97.78 | 106.04 |
| **MOODY'S BOND YIELD DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | May 21 | 3.38 | 3.39 | 3.34 | 2.90 |
| Average corporate | May 21 | 4.03 | 4.02 | 3.97 | 3.45 |
| Aaa | May 21 | 3.74 | 3.72 | 3.67 | 3.27 |
| Aa | May 21 | 3.84 | 3.82 | 3.79 | 3.35 |
| A | May 21 | 3.99 | 3.99 | 3.96 | 3.47 |
| Baa | May 21 | 4.54 | 4.53 | 4.44 | 3.72 |
| Railroad Group | May 21 | 4.14 | 4.14 | 4.06 | 3.53 |
| Public Utilities Group | May 21 | 3.99 | 3.97 | 3.95 | 3.44 |
| Industrials Group | May 21 | 3.95 | 3.93 | 3.89 | 3.39 |
| **MOODY'S COMMODITY INDEX** | May 21 | 412.5 | 406.3 | 407.5 | 417.3 |
| **NATIONAL PAPERBOARD ASSOCIATION:** | | | | | |
| Orders received (tons) | May 11 | 257,884 | 381,000 | 259,607 | 251,309 |
| Production (tons) | May 11 | 291,074 | 272,124 | 284,442 | 294,894 |
| Percentage of activity | May 11 | 95 | 93 | 94 | 99 |
| Unfilled orders (tons) at end of period | May 11 | 456,700 | 493,679 | 463,194 | 583,953 |
| **OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100** | May 17 | 110.44 | 110.44 | 110.97 | 109.08 |
| **ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:** | | | | | |
| Transactions of specialists in stocks in which registered— | | | | | |
| Total purchases | Apr. 27 | 1,694,880 | 1,081,760 | 1,119,610 | 1,600,890 |
| Short sales | Apr. 27 | 330,700 | 176,290 | 169,320 | 341,490 |
| Other sales | Apr. 27 | 1,400,690 | 963,230 | 928,980 | 1,341,180 |
| Total sales | Apr. 27 | 1,731,390 | 1,139,520 | 1,098,300 | 1,682,670 |
| Other transactions initiated on the floor— | | | | | |
| Total purchases | Apr. 27 | 392,220 | 264,870 | 199,310 | 322,810 |
| Short sales | Apr. 27 | 34,300 | 10,380 | 14,400 | 22,000 |
| Other sales | Apr. 27 | 427,860 | 258,890 | 223,350 | 300,650 |
| Total sales | Apr. 27 | 462,160 | 269,270 | 237,750 | 322,650 |
| Other transactions initiated off the floor— | | | | | |
| Total purchases | Apr. 27 | 594,739 | 425,430 | 383,380 | 541,445 |
| Short sales | Apr. 27 | 139,650 | 78,490 | 128,840 | 68,110 |
| Other sales | Apr. 27 | 886,548 | 520,319 | 501,480 | 706,535 |
| Total sales | Apr. 27 | 1,026,198 | 598,809 | 630,320 | 774,645 |
| Total round-lot transactions for account of members— | | | | | |
| Total purchases | Apr. 27 | 2,681,849 | 1,772,060 | 1,702,300 | 2,465,145 |
| Short sales | Apr. 27 | 504,650 | 265,160 | 312,560 | 431,600 |
| Other sales | Apr. 27 | 2,715,098 | 1,742,439 | 1,653,810 | 2,348,365 |
| Total sales | Apr. 27 | 3,219,748 | 2,007,599 | 1,966,370 | 2,779,965 |
| **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. 27 | 1,474,328 | 1,001,359 | 964,343 | 1,493,979 |
| Dollar value | Apr. 27 | $74,561,794 | $48,716,705 | $44,658,718 | $80,669,715 |
| Odd-lot purchases by dealers (customers' sales)— | | | | | |
| Number of orders—Customers' total sales | Apr. 27 | 1,303,949 | 855,325 | 855,302 | 1,149,154 |
| Customers' short sales | Apr. 27 | 14,109 | 7,562 | 9,809 | 6,222 |
| Customers' other sales | Apr. 27 | 1,289,840 | 847,763 | 845,493 | 1,142,932 |
| Dollar value | Apr. 27 | $66,219,250 | $41,380,676 | $38,786,084 | $57,937,557 |
| Round-lot sales by dealers— | | | | | |
| Number of shares—Total sales | Apr. 27 | 354,640 | 213,150 | 226,880 | 262,400 |
| Short sales | Apr. 27 | | | | |
| Other sales | Apr. 27 | 354,640 | 213,150 | 226,880 | 262,400 |
| Round-lot purchases by dealers— | | | | | |
| Number of shares | Apr. 27 | 518,200 | 369,720 | 343,330 | 609,670 |
| **TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):** | | | | | |
| Total round-lot sales— | | | | | |
| Short sales | Apr. 27 | 657,060 | 382,770 | 453,720 | 522,760 |
| Other sales | Apr. 27 | 13,275,630 | 8,664,580 | 8,408,770 | 13,297,780 |
| Total sales | Apr. 27 | 13,932,690 | 9,047,350 | 8,862,490 | 13,820,540 |
| **WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):** | | | | | |
| Commodity Group— | | | | | |
| All commodities | May 14 | 117.2 | 117.2 | 117.2 | 114.3 |
| Farm products | May 14 | 90.0 | *90.2 | 90.7 | 90.8 |
| Processed foods | May 14 | 105.1 | *104.4 | 104.6 | 101.8 |
| Meats | May 14 | 90.8 | 88.6 | 86.6 | 79.6 |
| All commodities other than farm and foods | May 14 | 125.3 | *125.4 | 125.3 | 121.8 |

*Revised figure. ¶Includes 875,000 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 |
|---|---|---|---|
| **CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE — Month of March (000's omitted)** | $1,670,700 | $335,400 | $1,607,100 |
| **COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of March:** | | | |
| Cotton Seed— | | | |
| Received at mills (tons) | 24,650 | 43,354 | 38,263 |
| Crushed (tons) | 399,699 | 491,576 | 496,535 |
| Stocks (tons) March 31 | 801,003 | 1,176,052 | 894,539 |
| Crude Oil— | | | |
| Stocks (pounds) March 31 | 142,267,000 | 168,091,000 | 155,007,000 |
| Produced (pounds) | 139,383,000 | 170,419,000 | 170,524,000 |
| Shipped (pounds) | 113,689,000 | 141,750,000 | 193,507,000 |
| Refined Oil— | | | |
| Stocks (pounds) March 31 | 285,071,000 | 288,422,000 | 396,811,000 |
| Produced (pounds) | 106,524,000 | 132,848,000 | 180,538,000 |
| Consumption (pounds) | 109,669,000 | 113,600,000 | 148,382,000 |
| Cake and Meal— | | | |
| Stocks (tons) March 31 | 263,956 | 228,210 | 250,690 |
| Produced (tons) | 192,415 | 238,857 | 229,954 |
| Shipped (tons) | 156,669 | 205,384 | 199,479 |
| Hulls— | | | |
| Stocks (tons) March 31 | 76,261 | 64,569 | 140,675 |
| Produced (tons) | 86,064 | 109,175 | 113,352 |
| Shipped (tons) | 74,372 | 101,977 | 111,642 |
| Linters (running bales)— | | | |
| Stocks March 31 | 220,461 | 224,957 | 208,617 |
| Produced | 123,833 | 152,075 | 149,181 |
| Shipped | 128,329 | 148,579 | 140,983 |
| Hull Fiber (1,000-lb. bales)— | | | |
| Stocks March 31 | 800 | 821 | 745 |
| Produced | 553 | 700 | 832 |
| Shipped | 574 | 456 | 673 |
| Motes, Grabbots, etc. (1,000 pounds)— | | | |
| Stocks March 31 | 2,886 | 3,133 | 5,115 |
| Produced | 1,089 | 1,310 | 1,263 |
| Shipped | 1,336 | 1,299 | 1,370 |
| **DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average=100—Month of March:** | | | |
| Sales (average monthly), unadjusted | 100 | 84 | 104 |
| Sales (average daily), unadjusted | 98 | 93 | 98 |
| Sales (average daily), seasonally adjusted | 115 | 115 | 107 |
| Stocks, unadjusted | 135 | *121 | *124 |
| Stocks, seasonally adjusted | 132 | *129 | *121 |
| **LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of February:** | | | |
| Death benefits | $207,400,000 | $236,900,000 | $192,500,000 |
| Matured endowments | 56,400,000 | 66,500,000 | 52,600,000 |
| Disability payments | 8,900,000 | 10,900,000 | 8,800,000 |
| Annuity payments | 41,900,000 | 61,500,000 | 40,700,000 |
| Surrender values | 94,400,000 | 98,000,000 | 76,800,000 |
| Policy dividends | 86,000,000 | 122,100,000 | 80,000,000 |
| Total | $495,000,000 | $595,900,000 | $451,400,000 |
| **LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of February (000,000's omitted):** | | | |
| Ordinary | $3,161 | $3,123 | $2,580 |
| Industrial | 495 | 464 | 510 |
| Group | 1,242 | 682 | 596 |
| Total | $4,898 | $4,269 | $3,686 |
| **MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of February (million of dollars):** | | | |
| Inventories— | | | |
| Durables | $30,129 | *$29,884 | $27,009 |
| Nondurables | 21,718 | *21,614 | 19,888 |
| Total | $51,847 | *$51,498 | $46,897 |
| Sales | 29,179 | *29,183 | 27,224 |
| **MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of April:** | | | |
| Industrials (125) | 3.96 | 4.16 | 3.69 |
| Railroads (25) | 6.31 | 6.47 | 4.97 |
| Utilities (not incl. Amer. Tel. & Tel.) (24) | 4.82 | 4.85 | 4.66 |
| Banks (15) | 4.61 | 4.58 | 4.35 |
| Insurance (10) | 2.92 | 2.99 | 2.89 |
| Average (199) | 4.16 | 4.35 | 3.87 |
| **NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of April** | £20,998,000 | £17,205,000 | £25,390,000 |
| **PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of March (in billions):** | | | |
| Total personal income | $337.6 | $336.6 | $318.6 |
| Wage and salary receipts, total | 234.2 | 233.7 | 220.3 |
| Commodity producing industries | 101.9 | 101.9 | 95.1 |
| Distributing industries | 61.8 | 61.5 | 58.4 |
| Service industries | 31.5 | 31.4 | 29.6 |
| Government | 39.0 | 38.9 | 37.2 |
| Less employees' contribution for social insurance | 6.7 | 6.7 | 5.7 |
| Other labor income | 7.5 | 7.5 | 7.2 |
| Proprietors and rental income | 51.5 | 51.5 | 49.5 |
| Personal interest income and dividends | 30.9 | 30.7 | 28.8 |
| Total transfer payments | 20.2 | 19.9 | 18.5 |
| Total nonagricultural income | 322.2 | 321.3 | 304.0 |
| **PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914=100—As of March 15:** | | | |
| All farm products | 237 | 234 | 228 |
| Crops | 236 | 233 | 236 |
| Commercial vegetables, fresh | 236 | 225 | 259 |
| Cotton | 252 | 255 | 267 |
| Feed, grains and hay | 181 | 181 | 174 |
| Food grains | 235 | 235 | 223 |
| Fruit | 237 | 221 | 211 |
| Oil-bearing crops | 265 | 260 | 245 |
| Potatoes | 148 | 153 | 196 |
| Tobacco | 459 | 458 | 453 |
| Livestock | 238 | 234 | 221 |
| Dairy products | 260 | 265 | 260 |
| Meat animals | 263 | 249 | 221 |
| Poultry and eggs | 150 | 157 | 187 |
| Wool | 274 | 267 | 224 |
| **REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Feb. (000's omitted):** | | | |
| Savings and loan associations | $644,050 | $659,837 | $699,830 |
| Insurance companies | 104,879 | 133,612 | 136,436 |
| Bank and trust companies | 308,346 | 352,771 | 421,330 |
| Mutual savings banks | 95,945 | 116,755 | 127,468 |
| Individuals | 271,203 | 303,865 | 269,539 |
| Miscellaneous lending institutions | 324,897 | 376,440 | 396,175 |
| Total | $1,749,320 | $1,942,280 | $2,049,780 |

### Two With Hornblower

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Robert E. Crumb and Robert E. Wick have joined the staff of Hornblower & Weeks, 134 South La Salle Street. Mr. Crumb was previously with Robert G. Lewis & Co. Mr. Wick was with Lamson Bros. & Co.

### Joins Griffin McCarthy

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Jack L. Terner has joined the staff of Griffin McCarthy, 8340 Northeast Second Avenue.



# Mutual Funds

By ROBERT R. RICH

## Long-Term Prosperity Seen by Schreder

"While the need for a short-term correction in the stock market remains, there is a rising tide of evidence that the 1955-57 lows for the prominent stock indices were established last February," according to Harold X. Schreder, leading investment economist and Executive Vice-President of Group Securities, Inc., $103,000,000 mutual fund. "Although the adjustment that has been going on for the past year and a half is not over yet," Mr. Schreder added, "any additional business and market changes during 1957 should be relatively moderate."

Harold X. Schreder

"Basically, this year should represent another section of the sturdy 1955-57 bridge to great economic prosperity," said Mr. Schreder in an address delivered to Security Dealers of Cleveland at the Mid Day Club. He told his audience that corrective movements in the securities market are already considerably more advanced than those of industry, and that excellent opportunities for investment presently exist in bonds, and particularly in common stocks for long-term growth.

Using a series of charts to illustrate his talk, Mr. Schreder drew a parallel between the recent "sidewise plateau movement" of securities prices and the record of the 1951-53 period. The speaker pointed out that such intervals are not uncommon in U. S. economic history. He characterized the present period of "rolling adjustment" as a "healthy function of a dynamic growing economy" and stated that, in his opinion, any further decline in business activity and market prices during 1957 would be slight.

Mr. Schreder is in Cleveland in connection with his appearance as a speaker at the Annual Convention of the National Federation of Financial Analysts which is being held at the Statler Hotel in Cleveland, May 20 to May 23.

Mr. Schreder pointed out that during the "sideways" movement of stock market averages since September 1955, many leading individual stocks had suffered "bear market" declines of 20% to 40%. "In short," he added, "there has already been a tremendous amount of correction in the stock market."

Mr. Schreder stated that the "spread" in stock prices reflected a "breaking up" of the old-fashioned business cycle, and afforded an opportunity for a change of position by investment managers to take advantage of the long range outlook for the economy.

"Personally," said Mr. Schreder, "I can't tell you where any particular stock average will go, but by continuously following the market values and action of more than one thousand individual stocks it seems to me that there are a lot of attractively-priced stocks available in today's market." To illustrate this point, he showed his audience price and value charts of a number of stocks, representing 14 major industries, which seem to be individually attractive now on a price and income basis. "Despite the fact that there are many leading issues selling at levels which offer yields below high grade bonds," said Mr. Schreder, "I think that there are a lot of low risk, good income stocks to own and buy, if one looks around carefully in such suitable industries as retail trades, utilities, tobacco and food: in such 'depressed' industries as building, farm equipment, rails and railroad equipment; and in such growth industries as aviation, oil, chemicals, drugs, electrical equipment and electronics."

"It is important to bear in mind that certain background material is beginning—and I emphasize beginning—to show directional improvement for stocks," said Mr. Schreder, "while I do not think that the 1955-57 business and market adjustment is over yet, I do believe that one should not expect a severe decline in business nor a collapse in stock prices."

In discussing the prosperous long-term outlook, Mr. Schreder said he sees a $600 billion level of national output of goods and services over the next decade, "with attendant high levels of employment, income, spending, savings, etc." Corporate earnings, as measured by the Dow-Jones Industrial Average, should increase from today's $36 per share level to the $55-$60 area, dividends to around $35 from today's $23 level. Thus, the normal value for the Average stock (Dow-Jones Industrial) should easily rise to 800 or more; and stock *prices* could well double over the next decade.

## Ira Haupt and Co. Gets Green Light On Municipal Fund

Early establishment of the first municipal bond fund by Ira Haupt & Co., New York City, was assured via a ruling received by the firm from the Treasury Department on May 20 that the income derived from the specific type of fund proposed to be created would not be subject to Federal taxation. The ruling is applicable to a fund based on the fixed trust principle which means, in this instance, that the portfolio will be largely static, with no new securities being added and occasional eliminations being made. Hence, the number of shares to be sold by the Haupt fund will be limited to 5,000 units at $1,000 per unit. Legislation now before the Congress would permit the creation of mutual funds of the general type to specialize in investments in state and municipal bonds, with income therefrom being payable to shareholders *sans* Federal taxation. Several funds of this nature have already been planned and will go into operation upon passage of the pending bills.

## Energy Fund Assets Reach New Record

Total net assets of Energy Fund reached a record high of $4,021,770 on May 15, 1957, up 55.9% form $2,579,156 on Sept. 30, 1956, the end of the fiscal year. In the same period the net asset value per share increased 24.4%, rising from $143.28 to $178.18, while the Standard & Poor 500 stock average increased 3.3% from 45.35 to 46.83. During the period demand for Energy Fund shares pushed the total of shares outstanding to a record 22,572 against 18,001 at the beginning of the period, a rise of 25.4%.

Energy Fund, an open-end investment company with shares selling at net asset value (without sales charges of any kind) is managed and distributed by Ralph E. Samuel & Co. of New York and specializes in investments in industries and companies whose activities are related to the field of energy and its sources.

Energy Fund shares were first made available to the public on Oct. 19, 1955 at which time total assets were $950,216 with asset value per share at $119.98 and shares outstanding at $7,920. In the 19 months ended May 15, 1957 total net assets climbed 323% and the per share price increased 52.4% (including capital gains distribution in the period off $4.7 per share), while Standard & Poor's 500 stock average moved up 11.3% from 42.07. The increase in shares outstanding amounted to 185% in the period.

### With Cosgrove, Whitehead

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Warren G. Steffen has become associated with Cosgrove, Whitehead & Gammack, Hanna Building. Mr Steffen was formerly with J. N Russell & Co., Inc.

## N. Y. Capital Fund Reports

Interim report of New York Capital Fund of Canada, Ltd., investment company, for the first quarter of 1957 shows an increase in per share asset value as of March 31 compared with that of Dec. 31, 1956 and March 31, 1956.

Net assets on March 31, 1957 totaled $27,950,827, equal to $32.90 a share on 849,602 outstanding shares. These compared with $27,879,299 or $32 a share on 871,312 shares on Dec. 31 and $28,485,704 or $30.68 a share on 928,360 shares on March 31, 1956. Net asset value on April 24, 1957 was equal to $34.36 a share, an increase of 7% over Dec. 31, 1956, and an increase of 47% over starting net worth of $23.35 per share in August 1954, Armand G. Erpf, President of the fund, and Henry C. Brunie, Chairman of New York Capital Management Company of Canada, Ltd., investment adviser to the fund, state in the report.

The fund's holdings on March 31, 1957 were distributed as follows: equities and equivalents, 86%; short-term liquid items, 9%; and other priorities, 5%. Non-Canadian securities, which include Canadian incorporated companies having their assets outside of Canada, amounted to 31% of holdings.

The report said that there were few changes in the fund's investments during the first quarter of the current year. Holdings of Dome Exploration (Western) Limited shares were increased and subordinated debentures with stock attached of Trans-Canada Pipe Lines Limited, a new com-

*Continued on page 54*

# Railroad Securities

By GERALD D. McKEEVER

## Western Maryland Railway

The two-stage rise in the price of Western Maryland common has been one of the phenomena of this year's stock market. The total gain of 28¾ points from this year's low of 49 for Western Maryland common as well as the net gain of some 26 points to date finds few rivals anywhere in the market and, of course, nowhere among the generally laggard rails as far as actual gain in price is concerned. Proportionally, on the other hand, the total gain of almost 60% for Western Maryland common to date has been approached only in the cases of Chicago & North Western common and International Railways of Central America common with total gains of 51% and 52%, respectively.

The upward move of Western Maryland has been in two fairly distinct stages and has been followed to a lesser degree by the road's 4% second preferred which is convertible share for share into the common. After hovering around the 50 area for the first two months of this year, Western Maryland common added something over 10 points by mid-April, and then hung in the 61-63 range until early this month when the second and more spectacular rise set in.

These two moves were sparked by successive jumps in earnings which have seemed to indicate that the 45% increase in net per common share reported in January was not a mere "flash in the pan." Earnings per common share reported thus far in the present year are as follows:

| | —Monthly— 1957 | 1956 | Gain % | —Cumulative— 1957 | 1956 | Gain % |
|---|---|---|---|---|---|---|
| January | $0.97 | $0.67 | 45 | $0.97 | $0.67 | 45 |
| February | 1.01 | 0.57 | 77 | 1.98 | 1.25 | 58 |
| March | 1.23 | 0.83 | 48 | 3.21 | 2.08 | 54 |

Although a brief statement of April earnings indicates some easing of the trend, this performance has been the background for the acceptance on the part of many of the projection of around a 50% increase in 1957 net per common share over the 1956 figure of $10.22. Similar "sharp pencil" figuring might also suggest that even with as little as a 40% "pay-out," the common dividend might be initiated at $6 per share, but possibly without too much consideration for the fact that almost $4 per share of such projected net is represented by the temporary factor of tax deferment arising from accelerated amortization, and which it has come to be the fashion to call an overstatement of earnings. If one, nevertheless, assumes the possibility of a $6 per share dividend rate for the common and appraises this stock on a 6½% yield basis, Western Maryland common could sell at 90 or more. Hence the enthusiasm, and the price response is accentuated by the relatively small floating supply of this stock. There are only 660,908 shares of Western Maryland common altogether and the Baltimore & Ohio owns approximately 35% of this amount.

No dividend has ever been paid on Western Maryland common. For years there was the accumulation of arrears on the 7% first preferred which were finally cleared up with the help of the $4.5 million bank loan arranged in the latter part of 1955, and which was reduced to $2.5 million as of the 1956 year-end. The terms of this loan agreement bar the payment of any dividend on the common stock as long as any part of the loan remains unpaid except with the consent of participants in the loan having an aggregate interest of two-thirds or more.

While it is entirely conceivable that the required consent might be obtained to make a modest payment on the common in view of the improved circumstances of the road in more ways than one, the $2½ million balance of the loan is due to mature at the end of the current year. It is equally conceivable that this obligation might be anticipated, but there is, nevertheless, no known basis for expecting dividend action on Western Maryland common before the close of the present year, or perhaps early in 1958. As a matter of fact, a statement from the road's office that current resources would not support dividend action at the present time caused a 2½-point break in the price of Western Maryland common on May 9 when it closed at 69½, but this reaction was short lived.

The gain in the earnings of Western Maryland this year is quite remarkable in that it has been achieved in spite of a decline in traffic which, although less than for the Class I total and much less than for the Alleghany district, has, nevertheless, been sizable. While loadings of the Western Maryland were down only 3.4% for the 17 weeks to April 27 as against the corresponding decline of 5.7% for Class I, the drop had widened to 5.5% for the four weeks ended April 27 and to 6.2% for the last week of this period. The corresponding declines from similar 1956 periods for the Class I totals were 8.6% and 11.5%, respectively.

Notwithstanding this decline in loadings, the Western Maryland has been able to show a healthy gain in revenues which amounted to a 13.9% increase for the month of March as compared to the March, 1956 figure and a 10.5% gain for the first quarter, as compared to revenues for the first quarter of last year. Part of this obviously reflects freight rate increases—it was stated in the road's 1956 report that about 40% of the 10.6% revenue gain of last year was from this source—but some up-grading in traffic is also believed to be partly responsible, notably in grain and in traffic from such sources as the new Cumberland plant of the Pittsburgh Plate Glass Co. and additions to existing industrial plants on the road's line.

In addition to the gain in revenues, an improvement in operating revenues is reflected in the increase in the road's net income. While it is true that a large part of the reduction in the total operating cost ratio is attributable to a rather sharply lower relative maintenance outlay, there has also been a notable reduction in the Transportation Ratio which was 30.2% for the first quarter of this year as against 32.5% for the corresponding 1956 period. This reflects a real gain in operating efficiency that has been made possible by improvements to the Port Covington terminal and other yard and terminal facilities and to further progress in CTC installation.

The increase in the per diem car rental rate from $2.40 to $2.75 effective with the beginning of this year is also adding to the income of the Western Maryland which, like coal roads generally, has a substantial credit figure in its car hire account. Another gain in net is seen in the tax saving involved in the replacement of the road's 7% first preferred on the basis of $100 of 5½% income debentures plus one share of $30 par value of first preferred for each 7% share. The Baltimore & Ohio, owner of 167,127 shares, or some 94% of the 177,420 7% preferred shares, made the exchange last January and the exchange offer has been reopened until May 31 for the 8,332 shares which had not been exchanged when the original offer expired on March 29. While this revamp does not reduce the total outlay for interest and dividend as against the requirement for the 7% preferred, it does provide the Federal tax saving referred to previously and, also of great importance, it disposes of the greater part if not all of a noncallable issue. The new 5½% income debentures and the new 5% ($30 par) first preferred are both callable—the debentures at 106 initially and the preferred at 35.

Whether or not one agrees with the optimistic projection of 1957 earnings and early dividend possibilities there is no question as to the basic improvement in the situation of the Western Maryland which is the source of attraction to the long-term investor. For others, Western Maryland common must be viewed as a speculation at the present advanced price on the premise that there will be no further material let-down in the cyclical industries served by the road, and also that dividends will be initiated at a higher rate than the $4 per share that has been generally looked for, at least until recently.

*Continued from page 53*

# Mutual Funds

mitment, were acquired. Reductions were made in holdings of shares of Philippine Long Distance Telephone Company, Asbestos Corporation Limited, General Mining and Finance Corporation Limited and Ventures Limited. Holdings of Distillers Corporation-Seagrams Limited were eliminated.

Major group investments were: oil and gas securities, $5,742,192 or 20.5% of net assets; metals and mining, $4,695,896 or 16.8%; utilities, $3,389,584 or 12.1%; food and merchandising, $2,584,617 or 9.2%; paper, $2,201,423 or 7.8%; pipe lines, $1,650,325 or 5.9%; and life insurance, $1,577,250 or 5.6%.

## Canada Fund Shares Rise By 81 Percent

Canadian Fund, Inc., the first mutual fund in the United States created for investment in Canada, is five years old this month. Shares were first offered publicly on April 30, 1952, and the fund became available on an "open end" basis as of May 15, 1952.

From the first public offering to April 30, 1957, shares outstanding have increased from 900,000 to 2,100,000, and total net assets have grown from $10,611,000 to $44,-648,000. The fund, which is managed by Calvin Bullock, Ltd., managers of a group of U. S. and Canadian investment companies whose total assets exceed $400,-000,000, now has more than 17,000 shareholders.

On a per share basis, the net asset value of Canadian Fund, Inc. has increased from $11.79 on April 30, 1952, to $20.19 on April 30, 1957, a rise of 81%, adding back $1.14 in net securities profits distributed over the period. In addition, the fund has paid dividends from net investment income of $1.80 per share.

As of April 30, 1957, Canadian Fund, Inc., held a diversified list of 47 Canadian common stocks. Its largest holdings were in the shares of oil and gas companies, which represented 18.90% of total assets, while the shares of metals and mining companies represented 17.95% and paper and pulp companies represented 14.60%.

## Scudder Funds Make Reports

Scudder, Stevens & Clark Fund, Inc. reports total net assets of $73,076,756 on May 17, 1957, equal to $36.61 per share on 1,996,194 shares outstanding on that date. This compares with total net assets of $57,305,539 a year ago, equal to $37.46 per share on 1,-529,700 shares then outstanding.

**Scudder, Stevens & Clark Common Stock Fund, Inc.** reports total net assets of $16,166,511 on May 17, 1957, compared with $12,658,-872 a year ago. Per share net asset value is $24.67 on 655,403 outstanding shares, compared with $24.13 per share on 524,708 shares outstanding a year ago.

### Petroleum Outlook Studied by Group

The new edition of "Petroleum Investor," issued by Distributors Group, 63 Wall Street, New York 5, on behalf of Petroleum Shares of Group Securities, Inc. covers the latest technological developments in the oil industry.

The publication discusses the enormous growth of the petrochemical industry, which has developed at a rate 27% greater than the burgeoning chemical industry as a whole. Oil and gas now supply a quarter of the raw material used by chemical manufacturers and it is predicted that this figure will increase to 50% by 1965. It is also suggested that the chemical uses for petroleum may eventually make it too valuable to be used as a fuel for energy and heating.

A quickening of developments in the commercial extraction of petroleum from shale is also discussed in "Petroleum Investor." The publication points out that as much as one trillion barrels of oil —five times the present known world reserves — are locked in solid form in the great shale deposits in Utah, Colorado, Wyoming and other western states.

Copies of "Petroleum Investor," are available from Distributors Group, 63 Wall St., New York 5.

## Engelman to Head N. Y. Bank Auditors

Morris A. Engelman, Auditor of Bankers Trust Company, has been named President of the New York City Conference of the National Association of Bank Auditors and Comptrollers. The group includes auditors, comptrollers and operational executives of New York's leading banks.

Charles L. Leist, Assistant Comptroller of the Chase Manhattan Bank was elected Vice-President and Charles H. Mount, Vice-President of the Bergen Trust Company of New Jersey was named Secretary-Treasurer.

## Seattle Bond Club to Hold Spring Party

SEATTLE, Wash.—The Seattle Bond Club will hold its annual spring party at the Seattle Golf and Racing Club on May 24.

A feature of the day will be a putting contest between the "Bulls" and "Bears." Bulls are: Easter, Van Duesen, Markey, Morford, Moore, Harris, Jones, Nathane, Lindsey and Cameron.

Bears are: Gottstein, Campbell, Daniel, Bramhall, MacLeod, Boyd, Sanders, Schlichting, Hinton and Schelke.

A special race is also scheduled, with entries by Sutherland, Meyer, Foster, Jordan, Phillips, Mott, Prosser, Dingle, Easter, Harmon, Blanchett, Harper, Patten, Bale and Duncan.

## National Secs. Formed

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — National Securities Corporation has been formed with offices at 232 North Lake Avenue to engage in a securities business. Officers are Theodore D. Rogers, President, and M. E. Rogers, Secretary-Treasurer.

## Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Roger J. Coleman has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

### DIVIDEND NOTICES

**E. I. DU PONT DE NEMOURS & COMPANY**

DU PONT

REG. U. S. PAT. OFF.

Wilmington, Del., May 20, 1957

The Board of Directors has declared this day regular quarterly dividends of $1.12½ a share on the Preferred Stock—$4.50 Series and 87½¢ a share on the Preferred Stock—$3.50 Series, both payable July 25, 1957, to stockholders of record at the close of business on July 10, 1957; also $1.50 a share on the Common Stock as the second quarterly interim dividend for 1957, payable June 14, 1957, to stockholders of record at the close of business on May 27, 1957.

P. S. DU PONT, 3RD, *Secretary*

**COSDEN petroleum corporation**

DIVIDEND NOTICE

The Board of Directors has declared a regular quarterly dividend of 25¢ per share on the common stock of this Company, payable June 15, 1957, to stockholders of record at the close of business May 31, 1957.

HIGHER COSDEN OCTANE

R. L. TOLLETT, *President*

Big Spring, Texas May 20, 1957

### DIVIDEND NOTICES

**HOMESTAKE MINING COMPANY**
**DIVIDEND NO. 904**

The Board of Directors has declared Dividend No. 904 of forty cents ($.40) per share of $12.50 par value Capital Stock, payable June 12, 1957 to stockholders of record June 3, 1957.

Checks will be mailed by Irving Trust Company. Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*

May 14, 1957

**DREWRYS**

A quarterly dividend of forty (40) cents per share for the second quarter of 1957 has been declared on the common stock, payable June 10, 1957 to stockholders of record at the close of business on May 24, 1957.

**Drewrys Limited U. S. A., Inc.**
South Bend, Indiana

T. E. JEANNERET, *Secretary and Treasurer*

**INTERNATIONAL HARVESTER COMPANY**

The Directors of International Harvester Company have declared quarterly dividend No. 169 of fifty cents (50¢) per share on the common stock payable July 15, 1957, to stockholders of record at the close of business on June 14, 1957.

GERARD J. EGER, Secretary

**Johns-Manville Corporation**

**DIVIDEND**

**The Board of Directors declared a quarterly dividend of 50c per share on the Common Stock payable June 7, 1957, to holders of record May 27, 1957.**

JOHNS-MANVILLE JM PRODUCTS

ROGER HACKNEY, *Treasurer*

### DIVIDEND NOTICES

The Board of Directors of

**CONSOL PITTSBURGH CONSOLIDATION COAL COMPANY**

at a meeting held today, declared a quarterly dividend of 30 cents per share on the Common Stock of the Company, payable on June 12, 1957, to shareholders of record at the close of business on May 31, 1957. Checks will be mailed.

JOHN CORCORAN, *Vice-President & Secretary*

*May 20, 1957.*

**IBM's 169TH CONSECUTIVE QUARTERLY DIVIDEND**

The Board of Directors of International Business Machines Corporation has today declared a quarterly cash dividend of $.60 per share, payable June 10, 1957, to stockholders of record at the close of business on May 21, 1957.

C. V. BOULTON, Treasurer

590 Madison Avenue
New York 22, N. Y.
April 30, 1957

**IBM** INTERNATIONAL BUSINESS MACHINES CORPORATION

**NATIONAL STEEL *Corporation***

NATIONAL STEEL

*110th Consecutive Dividend*

The Board of Directors at a meeting on May 16, 1957, declared a quarterly dividend of one dollar per share on the capital stock, which will be payable June 11, 1957, to stockholders of record May 27, 1957.

PAUL E. SHROADS, *Senior Vice President*

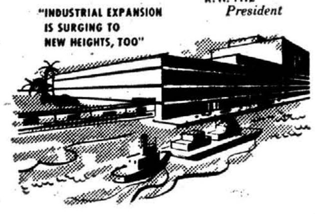

DIVIDEND NOTICE

**FLORIDA POWER & LIGHT COMPANY**
Miami, Florida

A quarterly dividend of 32c per share has been declared on the Common Stock of the Company, payable June 25, to stockholders of record at the close of business on May 31, 1957.

R. H. FITE, *President*

"INDUSTRIAL EXPANSION IS SURGING TO NEW HEIGHTS, TOO"



**INTERNATIONAL SALT COMPANY**

DIVIDEND NO. 172

A dividend of ONE DOLLAR a share has been declared on the capital stock of this Company, payable July 1, 1957, to stockholders of record at the close of business on June 14, 1957. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
*Exec. Vice Pres. & Sec'y.*

**Penn-Texas CORPORATION**

**DIVIDEND NOTICE**
Common Stock
Preferred Stock

The Board of Directors has declared a 2% Stock dividend on the Common Stock and the regular quarterly dividend of forty cents ($.40) per share on the $1.60 Cumulative Convertible Preferred Stock.

Both dividends are payable June 30, 1957 to stockholders of record June 7, 1957.

SEYMOUR M. HEILBRON, *Secretary*

*May 20, 1957*

**KENNECOTT COPPER CORPORATION**

161 East 42d Street, New York, N. Y.

May 17, 1957

At the meeting of the Board of Directors of Kennecott Copper Corporation held today, a cash distribution of $1.50 per share was declared, payable on June 24, 1957, to stockholders of record at the close of business on May 31, 1957.

PAUL B. JESSUP, *Secretary*

**Public Service Electric and Gas Company**

NEWARK, N. J.

**QUARTERLY DIVIDENDS**

The Board of Directors has declared the following dividends for the quarter ending June 30, 1957:

| Class of Stock | Dividend Per Share |
|---|---|
| 4.08% Cumulative Preferred . . . | $1.02 |
| 4.18% Cumulative Preferred . . . | 1.045 |
| 4.30% Cumulative Preferred . . . | 1.075 |
| $1.40 Dividend Preference . . . . | .35 |
| Common . . . . . . . . . . . | .45 |

All dividends are payable on or before June 29, 1957 to stockholders of record May 31, 1957.

F. MILTON LUDLOW, Secretary

NJ PUBLIC SERVICE
CROSSROADS OF THE EAST

### DIVIDEND NOTICES

**TEXAS UTILITIES COMPANY**

**DIVIDEND NOTICE**

The Board of Directors today declared a dividend of 36 cents per share on the Common Stock of the Company, payable July 1, 1957 to stockholders of record at the close of business June 3, 1957.

D. W. JACK, *Secretary*

May 17, 1957

**UNITED FRUIT COMPANY**

**232nd *Consecutive Quarterly Dividend***

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable July 15, 1957, to shareholders of record June 7, 1957.

EMERY N. LEONARD
*Secretary and Treasurer*

Boston, Mass., May 20, 1957

**UNITED GAS CORPORATION**

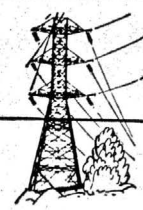
SHREVEPORT, LOUISIANA

***Dividend Notice***

The Board of Directors has this date declared a dividend of thirty-seven and one-half cents (37½¢) per share on the Common Stock of the Corporation, payable July 1, 1957, to stockholders of record at the close of business on June 10, 1957.

B. M. BYRD, *Secretary*

May 22, 1957



***Southern California Edison Company***

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

ORIGINAL PREFERRED STOCK
Dividend No. 192
60 cents per share;

CUMULATIVE PREFERRED STOCK, 4.32% SERIES
Dividend No. 41
27 cents per share.

The above dividends are payable June 30, 1957, to stockholders of record June 5. *Checks will be mailed from the Company's office in Los Angeles, June 29.*

P. C. HALE, *Treasurer*

May 17, 1957

Edison

**CYANAMID**

# AMERICAN CYANAMID COMPANY

**Preferred Dividend**

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of Eighty-Seven and One-Half Cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series D, payable July 1, 1957, to the holders of such stock of record at the close of business June 3, 1957.

**Common Dividends**

The Board of Directors of American Cyanamid Company today

1. declared a quarterly dividend of seventy-five cents (75¢) per share on the shares of the Common Stock of the Company, payable June 28, 1957, to the holders of such stock of record at the close of business June 3rd, 1957, such dividend to be paid only on the shares outstanding on June 3rd, and not on the additional shares to be distributed as a stock dividend as stated below;

*and*

2. authorized a distribution, in the nature of a stock dividend, of one share of Common Stock on each of the shares of the Common Stock of the Company outstanding at the close of business June 3, 1957, payable July 12, 1957, to the holders of such stock of record at the close of business June 3, 1957.

R. S. KYLE, *Secretary.*

New York, May 21, 1957

# Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Nineteen-sixty's national political campaign is off to a premature and vigorous start.

It is obvious to the political boys and girls who have been around, that Dwight Eisenhower's case of Second Term Egotitus is so far advanced that they can already see down the long lane of events to where the President will become a political dead duck.

(See p. 44 of the "Chronicle" of Feb. 14, 1957. "Second Term Egotitus" is a "disease" of the judgments of Presidents of the United States elected to second terms by huge electoral majorities. It is a "disease" in which the second term President thinks his large electoral majority and his own omniscience are one and the same thing. The malady destroys, if unchecked, their political influence and their egos).

**Eisenhower's insistence upon his big budget despite the evident national will for economy, plus his continued ignoring of even "modern Republicans" in Congress, has convinced practical politicians that Eisenhower is rapidly cutting himself off from public opinion and effective political leadership.**

One sign of the mounting pitch of the 1960 political campaign was the plunging of the whole farm question into the political pot. Like a youth who had taken only his first high school lesson in economics, Ezra T. Benson discovered that "flexible" price supports (not that he had seriously tried them) wouldn't work. If lower supports lessened prices and this led to cut production, then prices would rise and surpluses would come again. Master Benson had apparently meantime had his second lesson in economics.

### Sees Subsidy Jeopardized

What has happened is that Master Benson, who is smarter than he sounds, places a far more serious evaluation upon the undirected national will for economy than does his chief, President Eisenhower. What Mr. Benson said, in effect, was that boys, none of this nonsense is working, so let's try to figure something else out.

Promptly the House slapped back and killed off tentatively "soil bank" money for disbursement in 1958. This was due to a combination of the economy urge plus a disposition to kill the "soil bank" as a mad invention of the Republicans.

It may be that the Senate will restore the money for this current third class of Federal subsidy, the other two being soil conservation and price supports.

**Nevertheless, it is very likely that Benson has precipitated a long, grand, and unholy row to try to figure out a new farm program for 1958 election merchandising.**

What such a new program might possibly be, no one now possibly could guess. To those who have seen the many nostrums of the last 30 years that have been offered for sale or purchased by Congress, it is difficult to imagine such a thing as a new farm program.

### Tax Cut Sentiment Is Fading

There is ever so slight, but a nevertheless positive behind the scenes diminishing sentiment for the voting of tax cuts in the House this year, to become effective Jan. 1. Some of those who were original advocates among the Democrats for this strategy, are now backing off from it.

Also, it is now considered that postal rate increases have a considerably better than ever chance of passing both Houses this year and of thus being enacted into law.

An outstanding individual privately indicated only a couple of months ago that a postal rate boost could not pass the Senate so there was no use in bringing it up in the House. Now it is expected to come up in the House and pass.

**But in the Senate, an outstanding foe of the postal rate boost told this correspondent a few days ago that he could see no real hope of stopping it in the Senate if it passes the House.**

Thus, the national will toward economy is beginning to make some serious inroads into flim-flamming. Up to two weeks ago the amount of "new obligational authority" (permission to spend or lend in various ways plus appropriations) voted by the House **exceeded** by $1.5 billion the "cuts" in new obligational authority voted by the House—this compilation being strictly on a 1958 fiscal year basis.

### Eisenhower Bigger Than All the Rest

The Chamber of Commerce of the United States came up with this compilation of the comparative costs of taxes under Eisenhower and in previous periods:

**It says that all taxes collected by the Federal Government from the beginning of the nation through the Administrations of Franklin D. Roosevelt aggregated $224.1 billion.**

**Collections of taxes during 7¾ years of the Truman Administration were $342.2 billion.**

**Actual collections plus estimates show that the Eisenhower Administration will collect $373 billion in less than 5½ years.**

### Back to 300 Years Ago

President Eisenhower, in justifying his large budget, insists that one cannot do in the compass of an appropriation required in the year 1900, what is required by the modern times of 1957.

However, Mr. Eisenhower in order to modernize the machinery of government for 1957, proposes to borrow a gimmick prevalent some three centuries ago, before Parliament began to establish its supremacy over the Executive (i.e., the King) in the matter of being in control of the governmental purse.

The Small Business Administration, said Wendell B. Barnes, its Administrator, to the House Banking Committee, found that getting money from Congress before disbursing it was embarrassing to its lending activities.

"On several occasions it became necessary to suspend the approval of loans until Congress could provide additional funds," Mr. Barnes related.

### Outside Budget

Accordingly an Administration bill provides that "the Small Business Administration is authorized to borrow from the Treasury program (i.e., lending) funds necessary for its revolving fund in lieu of requesting direct appropriations."

In other words, the agency would not have to be bound by appropriations made in advance when lending government money.

Such a relief from the ancient control of Congress over the governmental purse was incorporated in a bill which "has received unanimous support from all the agencies of the Executive Branch" (of government), Mr. Barnes explained.

**Likewise, Mr. Barnes said that it was equally uncomfortable being limited by appropriations to pay government personnel to distribute the money when the workload increases. Accordingly, the Congress will be requested to give the Budget Bureau authority to authorize money for administrative costs and the Congress can later come along and approve the spending after it is done. Such a proposal was not however, actually incorporated in the Administration-approved draft of the SBA bill before the committee.**

### SBA Achievements

SBA was created to become the Republican successor to the Reconstruction Finance Corp., whose chief main remaining function was disbursing loans to "small business." A subsidiary remaining RFC function, the making of disaster loans, was also transferred to SBA.

From the time it was set up in September 1953 through April 22, 1957, SBA approved a grand total of 5,896 business loans in the aggregate of $278,534,000. There being more than four million small businesses in the United States, SBA assisted 9/100 of 1% of its clientele.

### Bank Achievements

**By contrast, the story of what the privately-owned commercial banks have done in lending to small business was related to the House Banking Committee by a small-town banker, Arthur F. Maxwell, President of the First National Bank of Biddeford, Me. He was a witness for the American Bankers Association.**

The Federal Reserve Board made a survey as of Oct. 5, 1955, of all commercial bank loans to small business.

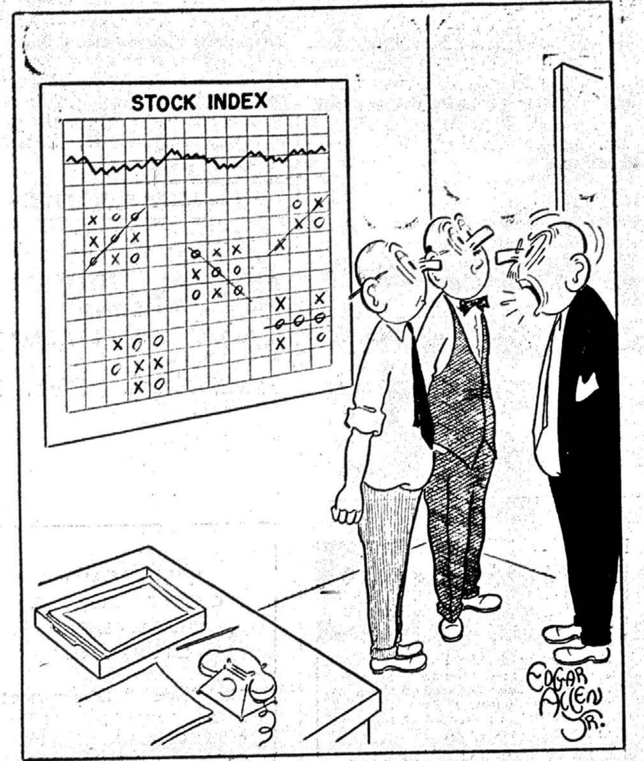
Altogether the nation's commercial banks had on their books at that time 608,000 business loans aggregating $1.7 billion to concerns with assets of less than $50,000 apiece.

Additional loans to small businesses of from $50,000 to $250,000 of assets totaled 469,000 in number in the total amount of $4.5 billion.

Mr. Maxwell also asserted that the processing of each loan application cost the government $784 per loan application.

*[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]*

## BUSINESS BUZZ




"I'm not going to speak to you two about this again!"

## Business Man's Bookshelf

**Air Transport Facts and Figures** — 18th edition — Air Transport Association of America, 1107 Sixteenth Street, N. W., Washington, D. C.—Paper.

**Anaconda: The Story of the Anaconda Company**—Isaac F. Marcosson—Dodd, Mead & Co., Inc., New York, N. Y.—Cloth.

**Are Mutual Funds a Good Investment?**—Analysis of mutual fund industry—Foresight Investment Advisory Service, 70 Wall St., New York 5, N. Y.—Paper—$1.

**Board of Trade of the City of Chicago** — 99th annual report (for year ended Dec. 31, 1956) — Board of Trade of the City of Chicago, Chicago, Ill.—Cloth.

**Commercial Credit and Collection Practice**—Watrous H. Irons and Douglas H. Bellemore — second edition — The Ronald Press Co., 15 East 26th Street, New York 10, N. Y.—Cloth—$6.75.

**Consumption — Key to Full Prosperity**—Conference on Economic Progress, 1001 Connecticut Avenue, N.W., Washington 6, D. C. — Paper — 50c (quantity prices on request.

**How to Welcome a New Bank Employee** — Guide to assist in improving training procedures — American Bankers Association, 12 East 36th Street, New York 16, N. Y.

**Inter-American Trade Report** (from 1,041 U. S. Cities)—Pan American Coffee Bureau, 120 Wall Street, New York 5, N. Y.

**Investment Companies** — 17th annual edition of study of 231 mutual funds and 52 closed-end companies — Arthur Wiesenberger & Co., 61 Broadway, New York 6, N. Y.—Cloth—$20.

**Japan Economic Yearbook 1957**—Devoted to study and analysis of Japan's economic, financial and industrial developments in the past year—in English—Oriental Economist, Nihonbashi, Tokyo, Japan—$2.50.

**Legal Immunities of Labor Unions** —Roscoe Pound—American Enterprise Association, Inc., 1012 Fourteenth Street, N.W., Washington 5, D. C.—Paper—$1 per copy (quantity prices on request).

**Motor Truck Facts: 1957 Edition**—Automobile Manufacturers Association, New Center Building, Detroit, Mich.—Paper.

**Tax Factors in Basing International Business Abroad** — William J. Gibbons—Harvard Law School, Harvard University, Cambridge, Mass.