ESTABLISHED 1839

2

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 185 Number 5644 New York 7, N. Y., Thursday, June 6, 1957 Price 40 Cents a Copy

EDITORIAL

As We See It

Certain difficulties that the Treasury has been having in financing its requirements, particularly for refunding purposes, have attracted a good deal of attention. Officials have taken the trouble to deny that there has been anything in the nature of a "collapse" of government credit or any "crisis" in the broader or deeper sense of the term. They are, of course, right, but the fact remains that they have been having, and are likely to continue to have, trouble managing the unwieldy debt that somehow has to be managed in this tight, or relatively tight, money market. They are finding it necessary in a degree that has not existed for a good while past to pay rates which will attract funds in competition with many other seekers after funds in a market where saving is not by a substantial margin balancing with the demand for funds.

There is no doubt, of course, that the Treasury can get all the money it needs even in this market provided it pays enough for it. That, we believe, is all to the good, but it must be recognized that there are other bidders in the market and that there are many borrowers with obligations in the hands of a large variety of investors and investing institutions. Assuming that the banks are not to enlarge the supply of available funds by fiat, as it were, the Treasury draws funds away from the market by means of higher rates only at the expense of the others—and in addition drastic changes in the rates paid by the Treasury could hardly fail to unsettle the gen-

Continued on page 30

The Five-Year U. S. Potential

By LIONEL D. EDIE*
Chairman of the Board
Lionel D. Edie & Company, Inc.

Discussing the future of American economic activity, Dr. Edie maintains population trends provide a "dynamic growth push," with an enormous stimulus to consumption without overcrowding the productive labor force. Cites benefits of constant increases of available power, and vast research and developmental programs for its efficient use and for mitigation of wage inflation. Expresses confidence in long-term outlook for producers' durable equipment and residential building; and in profit margins when realistically calculated.

I should like to give special attention to the word, "potential." I find that to most people it suggests something that is a possibility, but the chance of its being realized is somewhat vague. Some people hide behind a hedge clause because when they use the word "potential" they do not want to be understood as making a prediction.

Lionel D. Edie

Well, to me, that leaves the listener in a doubtful frame of mind. So, as I use the word "potential" today, I mean by it something that we not only have the capacity to do but something that we are likely to see accomplished in the next five years. I use the word "potential" in the sense of a probability of accomplishment. The discussion of this topic divides itself into three parts. The first part is laying the foundations for the analysis of the problem; the second part is the narrative of the operating procedure by which I attempt to get a statistical answer; and the third part might be placed under this heading: "The Dynamic Consequences for American Business Over the Next Five Years." Let us turn to part one, laying the foundations. This subject

Continued on page 34

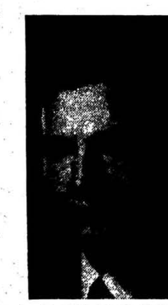
*A talk by Dr. Edie before the National Industrial Conference Board, New York City, May 17, 1957.

Our Stake in Middle East

By DAVID ROCKEFELLER*
Executive Vice-President
Chase Manhattan Bank of New York

Mr. Rockefeller points out importance of the Middle East, both politically and economically. Maintains oil provides the great opportunity for raising area from its present level of relative poverty. Suggests establishment of a Regional Development Authority to channel the funds of the large oil-earning nations into productive activities, with structure and operations patterned on those of World Bank. Warns of Russia's efforts to promote its interests.

Developments in the Middle East have occupied substantial space on the front pages of our newspapers in the past six months. We have seen the seizure of the Suez Canal, the attack on Egypt, the U. N. cease-fire and the clearing of the Canal, and more recently the crisis in Jordan. In one sense, these events may seem remote but in another they have a very important bearing on all of our lives.



David Rockefeller

The events we have mentioned have indeed been dramatic. Yet what I wish to emphasize today is not the news of the hour or even of recent months, but rather the emergence of certain basic long-term facts and trends which cause the Middle East to assume a role of new and lasting importance.

Why is it then that developments in the vast and far-away area of the Middle East should affect banks and bank customers in the center of our country? To my mind, an answer to this question involves two main considerations. First, the Middle East is one of the key strategic areas of the world. We have a series of military bases there that are an integral part of our defense structure. These bases, and the recently formulated

Continued on page 32

*An address by Mr. Rockefeller before the Annual Convention of the Arkansas Bankers Association, Hot Springs, Ark., May 22, 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 36.

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

R. C. Allen Business Machines, Inc.—Charles T. Greene, Manager of Research Dept., Amos Treat & Co., Inc., New York City. (Page 2)

Fibreboard Paper Products Corp.—Arthur J. Neumark, Partner, H. Hentz & Co., New York City. (Page 2)

CHARLES T. GREENE

Manager, Research Department
Amos Treat & Co., Inc.
New York City

R. C. Allen Business Machines, Inc.

The Management states that the Company is "the only company" offering a full line of Business Machines. "No other company," it is said, "serving the independent office machine dealer today offers so wide a range of products—full keyboard adding machines for business—ten key adding machines for all types of retail trade—cash registers to fit every purse and every purpose — the world's most advanced typewriters, both Manual and "Electrite" — a popular line of desk model bookkeeping and statement machines—and fire safes, burglar-proof money chests and insulated files for every plant and office need."

The Field of Aircraft and Guided Missile Instruments

In addition to the wide field of office equipment served, as outlined in the preceding paragraph, R. C. Allen now in production in a plant with additional capacity and with the advantage of air-conditioned, pressurized atmospheric control, is becoming a growing factor in the field of aircraft and guided missile instruments.

Backed by 13 years' experience in the design and manufacture of fine precision instruments, the company's newly developed damp rate gyro has already been well received by aircraft and missile manufacturers, and is being designated as a component to be used in their control systems.

Volume of production has shown a healthy and steady increase, **and pending contracts and orders for 1957 are large.** With five laboratory and production facilities, with new and promising products now being developed, the continued substantial growth and expansion of this division seems clear.

Record Volume in All Departments Last Year

Net earnings, after taxes, rose to $370,528 from $272,432 reported for the preceding year. The 1956 net balance is equivalent to $1.23 per share vs. 91 cents reported for 1955.

For the year 1956, net sales rose to a record of $9,062,162 from $8,969,549 reported a year earlier. Gross profit, however, owing to rising costs and wages, remained practically stationary at $2,670,840 vs. $2,668,434. Net income before taxes, on the other hand, rose to $720,528 from $522,432, and net after taxes to $370,528 from $272,432.

It will be noted that the operating ratio was substantially improved at 8.2% of net sales vs. 6.1% a year earlier.

The balance sheet, as of the end of 1956 disclosed a strong position, current assets having been 4½ times current liabilities. Of current assets, cash and receivables constituted nearly 50%.

The **net worth** at the end of the year stood at $13.84 vs. $13.23 at the beginning. During the year four quarterly dividends of 12½¢ per share were paid. A fifth, declared Dec. 7, 1956, was paid March 1, 1957, to holders of record Feb. 15. The latest quarterly dividend was paid June 1 to holders of record May 15.

During the past five years, net earnings have averaged $1.25 per share, and dividends a shade above 50 cents—87½ cents having been paid in 1953.

The stock is available at about $11.00 a share in the Over-the-Counter Market. I think the stock offers an excellent growth potential, with a current well-protected dividend return of close to 5%.

Dividends and Annual Price Range

Year	Div.	Price Range H.	Price Range L.
*1957	*0.25	10½	8¼
1956	0.50	10⅛	7¾
1955	0.50	16	8½
1954	0.50	9⅝	4¾
†1953	†0.87½	11	5½
1952	0.50	9¾	8¼

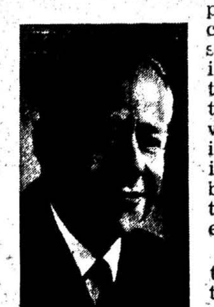
* Six months.
† Includes 37¼ cents extra.

ARTHUR J. NEUMARK

Partner, H. Hentz & Co.,
New York City

Fibreboard Paper Products Corporation

The corporate history of this company is unique. Formerly known as Pabco Products, Inc., the present parent company actually derived its name from the purchase of Crown Zellerbach's half interest in a joint investment they had in Fibreboard Products, Inc., a West Coast company. This purchase involved the full acquisition of a company considerably larger and more dynamic than the purchasing company. Whereas the predecessor company's business was entirely in bulding materials, the approximate division of the business at the present time is about 75% in paper packaging and paperboard and 25% in building materials.



Arthur J. Neumark

There have been few industries more dynamic than the paper packaging industry in the past 15 years and the business of Fibreboard has grown even more rapidly than the industry as a whole because of the rapid population growth in the western states it serves. There has been approximately an 80% population increase since 1940 in the 11 western states served by Fibreboard and an increase in per capita consumption of paperboard of approximately 75% for the country as a whole.

In recent months there has been some readjustment going on in the industry due to a reduction in backlog of orders and a decline in production. This readjustment, however, is generally believed to be of a temporary nature, with the long-term growth aspects of the industry very promising. There has recently been a good pickup in the production of paperboard.

Plants and Raw Materials

Plant facilities of the company are modern and well equipped. The two largest plants are located close to San Francisco, one of which is the only integrated wood pulp and paper mill in California. The other plant includes a mill with two large waste paper and converting plants for both carton and shipping containers. The folding carton plant in Stockton is regarded as the finest, west of the Mississippi, and is the equal of any such type of plant in the country.

Other major plants are located in the Los Angeles area and in Oregon and Washington. There is also a milk carton plant near Denver. The company is moving ahead with its modernization program. A new shipping container plant in the San Francisco area has just gone into operation and is expected to handle $8 to $9 million of additional business for the company initially.

The paperboard converting division is of prime importance and the company has 11 such plants in the far west and two in the east. The paperboard is fabricated into various end products and the company's products are used primarily in the food field. The company's customers include some of the leading organizations in the industry. Self-service in the distribution of goods at retail, moreover, has opened up a whole new area of outlets in other industries, such as drugs, clothing, hardware, etc. The paperboard container is woven inextricably into the fabric of modern civilization.

Inasmuch as approximately two-thirds of Fibreboard's raw materials consist of waste paper, one of the company's subsidiaries exclusively handles the collecting, sorting and baling of waste paper at points convenient to the mills. The use of waste paper in the manufacture of paperboard products is becoming of growing importance and the experience of Fibreboard in this field is a significant element of strength in the company's position on the west coast.

The company owns in fee 80,000 acres of timber lands in California and Nevada, containing about 1,250,000,000 board feet of lumber, but these are held in reserve for future use. At the present time, wood requirements of about 140,000,000 feet annually are largely satisfied through the purchase of wood chips, lowgrade logs and waste wood in the open market under long term contracts from mills in the area where plants are located. The company is interested in expanding its holdings of virgin timber lands and acquisitions are expected as favorable opportunities present themselves.

The management of Fibreboard is an energetic one and plans to fully keep pace with industry growth. A five-year $50 million expansion program has been undertaken. An important phase of this program is the contemplated erection of a large new pulp and paper mill, probably in conjunction with the important timber company on the Pacific Coast. This company would provide the raw material for the plant and Fibreboard would take the output, converting it into the various carton and container products which it manufactures.

Research and Development

Very active in research, the company has pioneered the development of many new paper

Continued on page 30

Seven Ways to Prolong Prosperity

By CARROL M. SHANKS*

President, The Prudential Insurance Company of America

Advocacy of governmental compensatory spending and a continuous fight against inflation are part of the seven specific steps recommended by Prudential head to strengthen the foundations of prolonged prosperity. Admitting there is no easy formula for preserving prosperity, Mr. Shanks asserts courageous, intelligent action is often taken haltingly and tardily, placing the economy in jeopardy, because necessary monetary and fiscal controls which demand government measures are subjected to political considerations taking precedence over economic facts. Believes real estate has reached the turning point and expects housing starts to increase to one million for full year of 1957; and concludes his firm's $13 billion asset figure is "50% an economic delusion—but the increase in costs of operation is real indeed" as a result of inflation.

The United States, Canada, and the Pan American states are becoming increasingly an economic, social and political entity; we are becoming more and more dependent upon one another. We all suffer when one of us makes a serious mistake, and we all benefit when any of us takes an important step forward.

Carrol M. Shanks

Real estate activities and values are extra-sensitive to economic changes. In healthy periods, real estate is likely to boom, sometimes beyond safe limits. When the tide turns—sometimes even before the general situation falls off noticeably—real estate values often begin to suffer, and real estate activities are likely to decelerate at a surprising rate. In the end, real estate values always come back—and that is one good reason why we at the Prudential allocate the largest part of our investable funds to mortgage purposes. But the extreme highs and deep lows play havoc with the industry, nevertheless.

For this reason, anyone concerned in an important way with real estate—anyone who depends upon it for his living—must keep a weather eye on economic trends. The capable real estate man has to be as much interested in and concerned with the general situation as he is with his own business.

What of the Future?

Some people — including some experts—are filled with foreboding about our present prosperity. They are expecting the stock market to drop substantially, industrial profits to suffer, consumers to hold off on buying, great new skyscrapers to stand empty on completion, and the entire economy to shift into reverse. They fear it because they feel sure that the economy can't just keep expanding, that prices can't hold, that we are all pushing our luck.

But others—and I am one of them—feel that there is no real necessity for a serious setback, that the economy can continue to expand indefinitely at a moderate rate if we manage our affairs intelligently, and if we have the good sense and courage to apply those economic controls—in government and in business—that we know will be effective.

In general, we have the same free enterprise system which we had during the great depression and for all the years before that. But there is one big difference: we understand the system better, we have some vital new controls, and we have learned to take the initiative. We come pretty close to running the system these days: it doesn't run us.

We have learned, among other things, that a serious downturn is not inevitable; that serious depressions can be avoided by maintaining a close watch over the forces that lead to depressions. A depression is not inevitable, but is still possible, because *knowing* what to do, and *taking the necessary measures*, are two different things. All of the important measures—such as monetary and fiscal controls, for example — demand government action and involve political considerations, and too often political considerations take precedence over economic facts.

There is no easy formula for preserving prosperity, but certain steps, if we have the good sense and courage to take them, will strengthen the foundations of prosperity. Here are a few of them.

Step No. 1

The government should be encouraged to use monetary and fiscal policies to influence the over-all economic situation. Government expenditures and policies obviously have an immense influence on the economic situation. During a period of adjustment, when industrial employment is falling off and capital investment by industry is being curtailed, substantial government expenditures can go a long way toward minimizing the economic adjustment. On the other hand, in a period of full employment, when capital expenditures by industry are high, the government can well

Continued on page 24

*An address by Mr. Shanks before the Silver Anniversary Conference of the American Institute of Real Estate Appraisers, and the 4th Pan American Appraisal Conference, Chicago, Ill., May 27, 1957.

INDEX

Articles and News

Regular Features

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President

Thursday, June 6, 1957

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

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

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

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $60.000 per year; in Dominion of Canada, $63.000 per year. Other Countries, $67.000 per year.

Other Publications

Bank and Quotation Record — Monthly, $40.000 per year. (Foreign postage extra.)

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

Our New Kind of Inflation

By ROBERT C. TYSON*

Chairman of Finance Committee
United States Steel Corporation

Expressing doubt that any good or lasting solution will soon be achieved to stop the inexorable march of what is described as our new kind of cost-push type of inflation, Mr. Tyson discounts direct control and monetary weapons and urges, instead, a broader and deeper study of the problem in the hope that individuals will form their own convictions. A member of the Class of 1927, the Princeton economics major states it is futile for economists to use the usual investigatory tools to study inflation since they ignore union's growth and power, and public's preference for wage inflation as against prolonged strike and production shut-down. Points out, unlike profits, that wages gain 7 to 8% annually as against 2 to 3% average annual productivity increase, accompanied, curiously enough, by wholesale price rise equivalent to 5.2% per annum compounded

A brand new kind of inflation has come to us in America. It did not come yesterday or the day before—it came quite a while ago. But realization that it was here and understanding of its pervasiveness, its persistence, and its power has been long delayed. This delay is quite understandable because the new type of inflation masqueraded for a while in the raiment of an old and familiar type. Thus during the World War II period considerable wage and price inflation was understandable as the old-fashioned, textbook type of inflation which has regularly attended the prosecution of great wars. In wartime, governments do not collect enough taxes. So they resort to printing - press money or its modern equivalent of issuing debt to be, in effect, monetized through the commercial bank system.

R. C. Tyson

*An address by Mr. Tyson before the National Industrial Conference Board's 41st Annual Dinner, New York City, May 16, 1957.

In the five years ending December, 1945, the money supply—that is, demand deposits plus currency—was in this fashion multiplied almost two and one-half times. In the meantime vast portions of the goods produced were diverted from sale in the market to prosecuting the war. We therefore had the old phenomenon of money increasing far faster than did the marketable production on which to spend it. The natural result was an upward inflationary pull on wages and prices despite the wartime controls.

This could be understood as inflation originating in monetary and fiscal policy deemed necessary in wartime. It is in the years since the war that evidence has accumulated of the new kind of inflation we have on our hands. **Our new kind of inflation** appears to be cost inflation pushing prices up, rather than price inflation pulling up costs through competitive bidding for materials and manpower. We might think of it as a new "cost-push" type as distinguished from the conventional "demand-pull" type of inflation. Let me examine briefly with you some of the evidence and some of the possible explanations.

Evidence from Prices

The most familiar evidence that something drastically new has come to America is found in price index records. Wartime inflation is characteristic of American history. Continuous peacetime inflation is not. Following previous great wars wholesale prices receded from the inflated level of the last war year. For example, in 1929, wholesale prices were 27% below the 1918 average.

The record since the close of World War II has been startlingly different. Instead of downward adjustment there has been further marked inflation, for between 1945 and 1951 the wholesale price level increased by two-thirds. For the next several years farm and food prices declined so that the over-all index appeared stabilized. But that has ended. Prices and living costs for some months past have resumed their upward march.

Evidence from Costs

So much for the price evidence of this unique inflation. The evidence of wage-cost inflation is even more disturbing and impressive although few people are really familiar with it. Both World Wars gave impetus to wage inflation. In World War I that impetus carried on for two years after the close of the war so that by 1920 hourly wages in manufacturing were about double their 1916 level. But the wage inflation then ended; stability reappeared. A decade later, in 1929, the average wage was within 1% or 2% of the 1920 level.

Compare this with World War II experience. From the last prewar year to the second postwar year, hourly earnings in manufacturing increased 87%—a little less than was experienced in the World War I period. But from then on the experience has been vastly different. Each year since 1947 the wage inflation has continued so that hourly earnings are now two-thirds greater than 10 years ago. Something new has been added.

Certain Unique Aspects

There are several features of this unique wage inflation worth attention. Note first its frightening speed. In this respect the Bureau of Labor Statistics' wage data are inadequate. They do not cover the rapid growth of many fringe benefits. In the case of U. S. Steel's wage earners, for example, the fringe benefits not tabulated by the Bureau of Labor were less than 10 cents an hour in 1940. Today their average cost is more than 50 cents an hour. U. S. Steel's employment costs per employee hour, including fringe costs, have marched steadily upward for two decades at an average rate of about 8% per annum compounded. Last year the increase in them was 10%. They have more than quadrupled in two decades. Employment cost inflation is compounding at speeds not generally recognized.

Note secondly that wage inflation is surprisingly universal and uniform. It is no minor phenomenon confined to just a few segments of the economic fabric. Whatever is causing it is effective generally throughout the whole structure. There is simple statistical proof. All of 22 different hourly wage series compiled by the Bureau of Labor rose markedly from 1940 to 1956 — about 200% on the average. There were, of course, differences in the rate of change but such differences wer not too material. This rise in all these wage series explains why costs other than employment costs tend to parallel the inflation in employment costs. The goods and services purchased from others—the capital equipment purchased—the taxes paid—all have embodied in them the paralleling wage inflations. Wage costs in consolidated industry represent three-quarters or more of all costs.

A third and most disturbing feature of the wage inflation is

Continued on page 17

The State of Trade and Industry

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

Total industrial production for the country at large in the period ended on Wednesday of last week reflected a modest increase in steel, electric power and bituminous coal output and freight carloadings, while automotive and crude oil production turned downward, with the former, expected to reach the lowest level in nearly eight months, due to the Memorial Day holiday, which provided the majority of the nation's auto workers a four-day "weekend."

With respect to the nation's working force, latest figures for new claims for unemployment compensation payments totaled 212,500 in the week ended May 25, a drop of 6,100 from the week before, the United States Department of Labor reported. Initial claims in the like week of 1956 reached the sum of 203,800.

The number of jobless workers on compensation rolls in the week ended May 18 was reported as 1,364,200, down 9,000 from the week before, but well above the 1,275,700 total a year earlier.

Lower unemployment in the apparel, construction, food processing and tobacco industries resulted in a 6% decline in initial claims in the week ended on May 18. However, they exceeded those of a year ago by about 5%. The most noticeable declines occurred in California, Ohio, Missouri and Virginia.

Turning to construction contracts we find that total dollar volume in April was 9% below a year ago. Much of the decline was attributed to a slackening of awards for non-residential construction, especially for factory and public buildings. In contrast, contracts for heavy engineering projects showed noticeable year-to-year increases, with considerable advances in the construction of highways, streets, and public and private utilities. According to the F. W. Dodge Corp., the total dollar value of contracts awards in the first four months of 1957 equalled that of the similar period last year.

Steel output in July may dip to the lowest point in nearly three years with the exception of periods when the industry was crippled by strikes. Steel men have already written off July as the year's low point and August may not be much better. September, however, is expected to reverse the trend, states "The Iron Age," national metalworking weekly, this week.

The mills are being realistic about July and base their appraisal on the rate of incoming orders for that month. They are also aware that many steel-using companies will be shut down by vacations. The mills themselves plan to use the period for their own maintenance and repair work.

It looks as though July steel output will drop below 80% of capacity. This would be the first time this has happened since December of 1954, barring last year's July-August strike shutdown, declares this trade magazine.

The expected pickup in September is based largely on the probable comeback in automotive ordering. By that time the mills figure Detroit will start ordering for new model production. Meanwhile, automotive steel inventories are being held to a minimum.

The automotive industry is not the entire basis for mill optimism for September and the fourth quarter. They are expecting new business also from home building, road construction, warehouses, farm machinery and appliances. Part of this forward movement will be seasonal and part will stem from the end of inventory cutting and reliance on the mills for current requirements, "The Iron Age" continues.

Until demand for some steel products improves, the mills are running into more and more customers who are buying on the basis of quick delivery. This is forcing producers to build inventories of some products in order to compete. It is an indication that many users have cut their inventories to the bone and are relying on the mills to pull them through.

For many mills, export business is becoming more attractive. Automotive plants in Europe are interested in cold-rolled sheet and are placing some orders with Midwestern mills. But the orders thus far have been modest, this trade weekly concludes.

Manufacturers' sales and unfilled orders declined in April, the United States Department of Commerce reported, while new orders and inventories increased.

The department's seasonally-adjusted index revealed that manufacturers sold $28,500,000,000 worth of goods in April. This was a drop of $300,000,000 from the previous month's level with all of the decline coming in the durable goods sector — mainly transportation equipment.

Seasonally-adjusted new orders for manufacturers rose to $27,800,000,000 in April from $27,600,000,000 in March, the report stated. An increase in incoming business for nondurable-goods producers more than offset a reduction in orders received by durable goods manufacturers.

In the automotive industry last week, the Memorial Day holiday provided the majority of the nation's auto workers a four-day "week-end" and also sent car production to its lowest level in nearly eight months.

"Ward's Automotive Reports" estimated output the past week at 81,625 cars, smallest weekly total since the Oct. 8-12 period, when 70,175 automobiles were built. The week before production was 127,428 cars, while the Memorial Day week in 1956 saw 77,433 units assembled.

Truck production last week approximated 17,626 units compared to 23,407 in the preceding week and 17,466 units for the corresponding week last year.

"Ward's" said all car assembly operations except the following ceased activity for the Thursday to Monday period: the Atlanta, Ga., plants of Ford, Chevrolet and Buick-Oldsmobile-Pontiac that were turning out cars on Friday; 11 of 15 Ford Divi-

Continued on page 35

Observations . . .

By A. WILFRED MAY

THE NEW FUND EXPERIMENT

The approaching time of the public offering of the first investment company of the mutual fund type with a portfolio of tax exempt bonds brings to a head public consideration of the broad aspects of this new device.

A. Wilfred May

The implications are important in their potentialities in overcoming the present difficulties of public authorities in financing schools and other desirable improvements; in the possibilities of a major broadening of the small individual's consumption of tax exempts; in a further major extension of fund distribution; in the comparative functioning of the fixed and management type of funds; and in revenue implications vis-a-vis the Treasury.

The formation of the Municipal Investment Trust Fund under the sponsorship of the New York Stock Exchange firm of Ira Haupt & Co. follows a recent ruling by the Treasury Department confirming the past position that no additional legislation is required for an investment company to pass on tax exemption to its owners provided that the portfolio is held in a fixed trust in which no further acquisitions, but only disposals, are permitted. It is known that several management-type funds also will be launched as soon as new legislation required therefore, and now in the Congressional hopper, is enacted. Having the benefit of President Eisenhower's affirmative expression of approval, and without concrete objection, it is assumed that the advent of such broadened distribution is only a matter of time.

Conceived in Bear Bond Market Of 1953

The proponents of the new Haupt fund were struck with the idea and started working on the project in late 1953 when, despite the prevalent unfavorable bond market, new buyers were found in the person of the local merchants and other uninitiated citizens for their own town's school bonds.

From its inception the pending fund has followed the lines of the old fixed-trust type of closed-end investment company. It will have a portfolio of issues selected in advance of the sale of the fund's participating certificates, after which any changes would be confined to disposals with fresh acquisitions barred. The trust certificates will be cashable by the holder at any time at its proportionate market value. There will be no continuing sale of new certificates via the open-end technique. The sole continuing cost will be a trustee's fee of one-fifth of one per cent (equal to 20 basis points). There will be no management fee of any kind. There will be a buying commission ("load") of 4% based on the offering price.

It is possible that an independent statistical agency will be utilized to pass on the portfolio, which will forestall any worries that may arise over the possibility of issue "dumping."

Fixed Versus Management Type

The fixed-type arrangement would seem to embrace some definite advantages, as well as disadvantages, in comparison with the management funds' technique.

There is the fixed trusts' lesser continuing cost. Their charge of one-fifth of one per cent, above cited, will compare with the management funds' charge of one-quarter of one per cent for managing, to which could be added trustees' fees plus other possible expenses. It is expected that the "load" will be the same, at 4%, for both types of fund.

The fixed arrangement with barring of additions eliminates the possibility of "dumping" bonds into the fund via stale positions from dealers' shelves. A buyer sees exactly what he is buying into.

The fixed trust fits the need of trust officers and avoids their possible objection to managed funds based on the ground that they involve delegation of their investment authority, and of causing their trust to pay another fee for management when the trust is already paying the bank such a fee.

In the case of a fixed-in-advance arrangement, this includes the yield which will remain practically constant over the life of the investment (excepting as altered by call or other liquidation). This is in contrast to the open-end managed fund where the original yield would be affected by subsequent additions. The fixed type of arrangement is thus advantageous in the event of a subsequent fall in money rates, and disadvantageous in case of an interest rate rise.

Drawbacks

This constant yield feature correspondingly can work out to disadvantage in the event of a *decrease* in available yields during a subsequent interval.

Again, the one-way management function, for disposals, reduces the previously-cited advantage of no delegation of investing authority for trustees. The absence of the management function limits the fund's benefit to diversification, with the portfolio selection involved being beneficial only to the uninitiated investor.

It may be held that the inclusion of issues below the top quality necessitates management supervision, for replacement as well as liquidation, and hence would tend to limit the fixed trusts to the highest grades, with diversification again the main benefit.

Some question exists as to the actual liquidity afforded by the redemption privilege. Certainly there is not present here the breadth of the market, and an assuring continuing visible board and ticker technique with a ready liquidating figure, such as is available to the open-end holder of stocks.

In any event, it is expected that limits on size and immediacy will be placed on the redemption privilege by the management funds, while the fixed trust will deal with the contingency by restricting maximum purchases of any one series.

Popularity and Distribution Possibilities

How far the fund device will go in solving the municipalities' financing problems (as hoped for by New York State's Comptroller Levitt, for example) only time and actual operation will tell. The market would seem to lie with the smaller institutions to some extent, but principally with the high-income low capital investor, who has not had the means or ability to absorb tax exempt issues in sizable quantities. It is contended that the nation's 824,000 individuals with annual incomes from $15,000 to $100,000, comprise this market group.

Whether the tax exemption feature is sufficiently attractive to the mass of moderate income individual, seems questionable. It is true that the $16,000 taxable income individual gets the equivalent of 4.54% in lieu of 3% readily available in a savings bank, and, the $20,000 man through a tax-exempt fund will get the equivalent of 4.85%. But perhaps these equivalent yield differentials will not prompt vast transfers from liquid and mobile savings bank deposits, or from Savings Bonds or Savings and Loan shares.

Also acting as a possible deterrent to the fund buyer's becoming satisfied with fixed-interest issues is the overhanging factor of inflation, so firmly planted in the public's consciousness and so importantly responsible for the popularity of the funds holding equities.

Irrespective of the various "pros" and "cons," the experiment will prove most important in its financing possibilities as well as the future of the fund movement.

From the Treasury's Viewpoint

From the Government's viewpoint, the President's endorsement of the principle of facilitating tax exemption is highly interesting. Whereas the abolition of the tax exemption feature even on outstanding bonds was so vigorously advocated by former Treasury Secretary Morgenthau, the present Administration wants to broaden the privilege. No doubt the democratic aspects of its extension to the little fellow is held to outweigh the drawbacks of loss of tax revenue and the cost of Federal subsidy.

Walter J. Laird

Walter Jones Laird passed away June 3 at the age of 63. Mr. Laird was formerly Chairman of the trust committee of the Wilmington Trust Company, Wilmington, Del., and prior thereto he had been with Laird, Bissell & Meeds.

Joins J. K. Matheson

(Special to THE FINANCIAL CHRONICLE)

HICKORY, N. C. — George W. Vickroy has become affiliated with Joe K. Matheson, 256 Third Avenue, Northwest.

Hall & Hall Adds

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Joel J. Summerhays has been added to the staff of Hall & Hall, Bank of America Building.

Business, Congress, Education— Where Are We Going?

By HARLAN HATCHER*
President, The University of Michigan, Ann Arbor, Mich.

Michigan University head urges positive and immediate action by business, Congress and education to avert Federal financial, educational support. "The best aid the Federal Government can now give to the states and the schools," President Hatcher states, "is to surrender back to them some of the sources of taxation to be used directly for the support of education." In addition, business and industry is asked to pursue a less contradictory course by providing more concrete and effective recognition to higher education's vital role so long as they plan research centers and modern industrial plants to make goods for future populations.

This is a period of continuing, high level prosperity. Human and property losses during World War II were vast and almost incalculable. Peoples were displaced. Currencies were upset. On the analogy of World War I, we should have endured economic disaster and paralyzing inflation. We did not. No more dramatic contrast could be cited than that of Germany in the 1920's-'30's and West Germany since World War II. Her recovery has been remarkable. We ourselves have not fared too adversely — up to now.


Harlan Hatcher

Though the lengthened shadow of the Great Depression of the 1930's still falls ominously across our path and influences our thought and planning, it gives no authoritative sign of striking us another immediate blow.

The reasons for this encouraging state of affairs are no doubt many and complicated. We know more about the world we live in, and we are, on the whole, wiser about what we do know than we were in the 1920's. And we have learned how to learn. The two World Wars stimulated research. Research has given us new knowledge, new products, new processes. It has speeded up the cycle from idea, to product, to obsolescence. A heavy percentage of today's businesses are based on products that were unknown only a few years ago. Witness our present day chemical, electronic and aeronautical industries.

In 1910 on Belle Isle bridge, Byron T. Carter tried to crank a stalled car for a woman. The engine kicked back and the flying crank broke Carter's jaw.[1] He died of ensuing complications. Cadillac's Henry Leland asked Charles F. Kettering to do something. Ket went to his makeshift laboratory in the old Deeds' barn in Dayton, sorted out his hardware, and revolutionized the automobile, and emancipated women, by inventing the electric self-starter.

Forty-five years later he helped dedicate the multi-million dollar General Motors Technical Center. The road from Deeds' Barn to the Technical Center is an outward and visible symbol of the dramatic march of science, and its resulting technology as applied to one industry. The inventive genius of the solitary mind is still vital, but to develop its ideas into useful products and involve them in our industry and culture require education, hundreds of related skills, and a thousand supporting processes, as well as considerable capital and business management. We are committed to this activity.

The mechanical aspect of our world is concrete and easy to isolate. Our mastery of the processes of research and understanding in economics and social procedures is less assured, but it is demonstrable and it is increasing. It is harder to dramatize what the economists are doing. They work in a complicated and illusive field. They have come a long way since the illiterate days of the early 1920's. As Kenneth Boulding, Michigan economist, quoting Schumpter, says, "How nice economics was before anybody knew anything."

Our more exact knowledge and skill in this field are, at least in part, responsible for the relative stability of the economic order of the past dozen years. That is, they are responsible for a more accurate reading of the forces and the phenomena which, in turn, has helped us understand them and adapt them to our needs. We know enough to be confident that we do not have to suffer the capricious blows of economic disasters as in the past, any more than we have to suffer epidemics of smallpox or typhoid. We do have some maneuverability to order and control the direction and results of these forces under a concept of harmony with natural law.

This new concept of stability and orderly development is just as important to us as our nuclear weapons and our ultra-specialized industrial structure. In the longer perspective of history it may dwarf them into insignificance.

I have isolated only two samples of the forward thrust of our creative power. They are typical and illustrative, and must suffice for our purpose here.

People as a Major Resource

America is exhibit A of modern industrial civilization. Our culture and the prosperity which supports it are based solidly upon business, industry and scientific agriculture. These in turn are based upon, or more accurately, rooted deeply in, the nurturing soil of education for all our people, and a growing mastery over science, technology, and professional skills. No other nation has invested so heavily, as a matter of fundamental faith and national policy, in education.

Our forefathers bought into education for the Nation as a growth stock. They expected no immediate dividends for themselves. They did expect it for their children, and their children's children. Their investment has paid off handsomely. The stock has been split 10 to one, the yield has risen, and the inventory is in reasonable balance.

The differential which accounts for our present greatness in a distraught and poverty ridden world is the direct fruit of this policy. We have had no more raw resources than other peoples. We invested in education in its broadest and most specialized reaches. Other nations have not.

Our triumphant successes have been in science, technology, and agriculture. They speak for themselves. They have given us confidence and optimism along with some illusions.

We have not done so well in those subtler areas of necessary human knowledge that deal with man's emotions: a primitive force "more dangerous and more devastating than nuclear fission."

We have given little thought to the force of different religions, their values and taboos; to nationalistic aspirations in the Near and Far East, nourished in part by some of the ideas on freedom we have left lying around since 1776; to the explosive fact of the rise in the world birth rate; to the skills of diplomacy that must take into account these over-riding human factors.

These factors and these regions have had a minimum of attention in our American culture and our college curricula. Yet they are deeply affecting both our national and our private lives.

We are now reaching some crises of our own.

The first is psychological, and, therefore, somewhat frustrating. We are stunned to discover that, despite our high motives and the unprecedented deluge of American dollars, other peoples do not love us. They receive the gifts and stone our Embassies. We thought the banner of the American concept of freedom needed only to be raised and all good men would, with valor, repair thereto.

They do not, and have not, and we are surprised and hurt. They do not understand the decades of education and hard work that lie behind America's present position in the world. They would like to arrive there on some magic carpet without enduring the heavy burdens of the long journey.

We have been too ignorant and inexperienced to show great wisdom in our policies, or skill in carrying them out. And great wisdom is required to guide and restrain the impulsive generosity of the warm American heart.

Federal Expenditures

We have, unnecessarily, found ourselves too alone in the world, waging a devastating, unstable, and too costly kind of peace. It now appears that we are also reaching a financial crisis that is a part of this total psychological state.

Under various successive pressures, we have been somewhat recklessly making all kinds of uncorrelated commitments on the Federal level. We have committed for veterans ($6 billion), for welfare ($14 plus billion), for foreign aid ($6-8 billion, military and economic), for farmers ($5 billion), for interest ($5.5 billion), for armed services ($38 billion), for Atomic Energy Commission ($2.3 billion), for highways (X billions) —to name a few big items.

It took the shock of a cash peacetime budget of almost $72 billion, submitted by an economy-minded administration, plus another $11 billion in highway and social security programs, to startle an installment buying nation into a realization of the magnitude of its Federal commitments, and the enormous bureaucratic structure which we have thrown together to handle them.

We have followed the same uncoordinated policy on the state level. The affairs of state in Michigan last year required approximately $1 billion. Well over 50% of this sum was restricted or dedicated in advance. The state was a collecting agency. The gasoline tax and the sales tax are already committed to state and local units, and are out of reach of the legislature. Only one-third, approximately, of the total tax collections in Michigan are at the disposal of the state legislature. A significant portion of that sum is for higher education. When a sudden wave of economy hits us, we do not reconsider the total picture; we strike wherever there is vulnerability.

Higher education is a ready victim.

It is odd, and ironic, that the most vital and productive part of our spending should be the most vulnerable and unstable, and so handicapped for effective operation and long-range planning.

The present outcry, however, is not surprising. It is the cold, logical outcome of failure to exercise priorities and choices in our spending program, both state and national. And the equally unwise response of outraged rebellion and reckless slashing is also a normal human reaction to frustration.

We are all fed up with Federal taxes, so we lash out at any vulnerable spot on the local scene. Father has had a rough day at the office, he comes home and spanks the children.

Shifting Responsibility to Federal Government

The most serious danger here is a further shift of responsibility from state to national government. Local and state responsibility and rights seem now to have been doomed when the Federal Government discovered how to usurp the tax function through the Collector of Internal Revenue. This process was first introduced as a trickle, it became a subsidence, and now is an avalanche.

The psychology of the shift is insidious, deadly, and, I fear, it may be both irresistible and incurable. Like the digger wasp Pepsis stinging the tarantula spider, it leaves the victim alive but paralyzed in its nest as food for its young. While the State of Michigan agonizes to find money to meet its minimum local needs, the Federal Government nonchalantly reaches in and removes some $5 thousand million from the state through income tax alone—five times our own state's budget.

The resulting general protest of numbed unhappiness has no place to focus—only the great awesome sweep of the wilderness of a $72 billion budget and a responsibility lost somewhere among the senators and representatives of 48 states, among thousands of offices and bureaus, among other thousands of items, big and little, among subsidies to farmers and shippers, peasants and potentates, global aid and local pork barrels. "They" recommend, "they" tax and appropriate, "they" spend.

And "they" collect by quarterly installments, in advance, under heavy penalties, or through payroll deductions. The *source*, after periodic outcries, grows passive, accepts the new concept of "take-home pay," and surrenders to the vague, absentee power. He even deludes himself into believing that the Federal Government has great independent resources, which it can send to his rescue or relief, and he exults if he gets a few of his dollars back as "Federal Aid" from Washington.

And here is precisely the point

Continued on page 28

*An address by Mr. Hatcher before the 11th Annual Congressional Association Executives of Michigan, Washington, D. C.

1 T. A. Boyd: *Professional Amateur*, 1957.

Importance of Financial Planning To a Growing Corporation

By ROBERT C. PORTER*

Partner, F. Eberstadt & Co., Inc., New York City

The need to tailor financial planning for growing corporations on an individual basis is emphasized by New York investment banker in providing several examples to illustrate the amount, propitiousness, and type of financing required in each case. Drawing upon recent financing experiences in Pfizer, Warner-Lambert, United Artists, Smith-Douglass, and Braniff Airways, Mr. Porter discusses such matters as: covering forward commitments well in advance, backing up research expenditures with adequate working capital, relationship of equity to debt capital, and continuity of management.

It is appropriate to start my discussion of financial planning by quoting from an institutional advertisement which my firm ran last Fall on the occasion of its 25th Anniversary. "The best time to finance is when earnings and prospects are good, while market conditions are favorable, and well before necessity forces the issue—in short, when you can."

Robert C. Porter

Corporate financial problems are more complicated than those of an individual and the embarrassments and frustrations caused by failure to provide adequately in advance for a corporation's financial needs can be expensive as well as embarrassing. Indeed, there are few corporate predicaments so painful and expensive as running out of money on the brink of success; there are few experiences more bitter than to have one's work completed by others, or completed with the help of others you had to take in on a bargain-basement basis. It is cold comfort to advertising men to know that their company has a good new product to promote unless it also has adequate financing or credit to cover the advertising bill.

Determining a Firm's Financing

Every financial plan has to be tailored to meet the needs of the particular company—the stage of its growth—the type of business that it is in (including profit margins) — the amounts being spent on research—and its expansion and diversification objectives.

In spite of prevailing high taxes, a few companies can finance most of their needs through retained earnings. This is particularly true of companies with high profit margins or companies with large volume and diversity of products which assure continuity of income.

Many companies are growing too rapidly to finance their growth from retained earnings. Some hit the research jackpot and need large amounts of money, not only to advertise and promote their new products but also to expand production facilities. Others may have a well-established low profit line but wish to grow by expanding research which will require financing the fruits thereof. Others may wish to grow by merger or acquisition which can be facilitated by establishing a broad public market for their securities in advance.

One way of determining whether a company will need financing is to look at its research expenditures. Some figures assembled several years ago by John Bohmfalk in a book entitled "Chemical Investments" indicated that each dollar of development expenditure should create, on the average, $5 per annum of additional sales volume. There is also a rule of thumb that each dollar of increased sales for a new product which cannot be produced in existing facilities will require between $1 and $2 for additional plant. Many pharmaceutical companies set aside 3% to 5% of their sales dollar for research and development. Applying the 5-to-1 ratio, this should result in an increase in sales equal to 15% to 25% of the amount spent on research. This in turn requires additional working capital for initial promotional expenses, for additional inventory and increased accounts receivable. All of these factors not only require adequate financing but indicate the high rate of return necessary to recoup one's investment.

In addition to how much and when — financial planning includes determination of the type of financing—that is, should it be (1) short-term bank borrowing, (2) long-term debt, (3) preferred stock or debentures possibly convertible into common stock, or (4) common stock. The provisions of each class of security also require careful study and depend largely on the prevailing conditions and tastes of the money market. Generally speaking, long-term debt should not exceed 50% of the total capitalization of a company, including earned surplus although experts differ as to the amount of debt which a company should have. You may have seen the recent article on this subject in "Fortune Magazine," where Mr. Eberstadt was quoted as saying "the question depends on whether you want to eat well or sleep well."

Illustrates Planning's Importance

I can probably best illustrate the importance of financial planning to a growing corporation by citing a few examples of financial planning that clicked. I have picked these examples, not because of the names or amounts involved, but because of the various financing techniques which they illustrate.

The first illustration is that of Pfizer which has done its financing when earnings and prospects were good, while market conditions were favorable and before necessity forced the issue.

Until 1942 Pfizer had been a privately owned company. At that time the management determined that it would be advisable for the long range future of the company to establish a public market for its stock which would also permit its employees at all levels to become stockholders. With an established public market, Pfizer found it easier to anticipate and provide for its needs for additional funds. As its antibiotic business expanded rapidly after World War II, investment bankers were able in 1948 to place privately for it with a group of insurance companies $5,000,000 of 3½% Preferred Stock. These funds helped to provide the plant expansion required by increased sales of penicillin, streptomycin and the early stages of terramycin.

By the spring of 1951, it was apparent that additional sums would be needed to meet the expansion made necessary by the direct marketing by terramycin and as reserve cash to meet future needs. This time Pfizer raised $30,000,000 by means of the public offering of $15,000,000 of Common Stock through subscription rights to stockholders and $15,000,000 of 4% Convertible Preferred Stock. These securities were sold at a favorable time from the standpoint of market conditions and thus enabled the company to anticipate some of its financial needs at a time when the financing could be done at attractive prices. The proceeds of this financing enabled Pfizer to continue to promote and expand its sale of terramycin without the cash worries usually attendant on the promotion of a rapidly growing product. It also helped provide funds for Pfizer's foreign trade expansion which has since paid off many times over, and for the acquisition of J. B. Roerig & Co. which gave Pfizer an entry into the packaged vitamin business.

A second illustration within the pharmaceutical field is War-

Continued on page 45

*An address by Mr. Porter before the Pharmaceutical Advertising Club, New York City, May 9, 1957.

Dealer-Broker Investment Recommendations & Literature

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

Aircraft Industry—Discussion in current issue of "Monthly Investment Letter"—Hayden, Stone & Co., 25 Broad Street, New York 5, N. Y. Also in the same issue are discussions of **I. B. M., Douglas Aircraft, Florida Steel,** and the **Oils.**

Atomic Letter (No. 27)—Comments on high energy fuels, Euratom requirements for atomic power, **United Western Minerals Company, Vaal Reefs Exploration & Mining Co., Ltd., El Paso Natural Gas Co.,** and **Daystrom, Inc.**—Atomic Development Mutual Fund, Inc., Dept. C, 1033 30th Street, N. W., Washington 7, D. C.

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

In the 30's—List of selected stocks in a popular price range—In current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Indian Stock Market—Survey of working of India's economy from stock market angle during first year of the new plan—Harkisondass Lukhmidass, 5 Hamam Street, Bombay, India. Also in the same brochure are discussions of Indian industrial securities considered by the industries.

Japanese Economy—Survey—Nomura Securities Co., Ltd, 61 Broadway, New York 6, N. Y.

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

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

Philadelphia Bank Stocks—Comparison of 12 largest Philadelphia banks—Stroud & Company Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Pocket Guide—Discusses 20 stocks most favored by institutional investors—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Public Utility Common Stocks—Comparative figures—G. A. Saxton & Co., Inc., 52 Wall Street, New York 5, N. Y.

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

Stock Market—Survey—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Tax Exempt Mutual Funds—Bulletin—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

* * *

American & Foreign Power Company Inc.—1956 annual report—Secretary, American & Foreign Power Company Inc., 2 Rector Street, New York 6, N. Y.

American Optical Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

American Seating—Survey—Abraham & Co., 120 Broadway, New York 5, N. Y. Also available are surveys of **Standard Brands** and **Sterling Drug.**

Bank of New York—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Beneficial Standard Life—Booklet—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Black Sivalls & Bryson, Inc.—Memorandum—Saunders, Stiver & Co., Terminal Tower, Cleveland 13, Ohio. Also available is a memorandum on **Jessop Steel Co.**

Colorado Interstate Gas Co.—Bulletin—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill. Also in the same bulletin are discussions of **Colorado Oil & Gas Corp.** and **Cog Minerals Corp.**

Dante Exploration Co.—Bulletin—Cleek-Tindell Co., Inc., Paulsen Building, Spokane 1, Wash. Also available is a bulletin on **Mining Stocks.**

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

Dunham-Bush Inc.—Analysis—General Investing Corp., 80 Wall Street, New York 5, N. Y.

Higgins, Inc.—Memorandum—Dempsey-Tegeler & Co., 209 South La Salle Street, Chicago 4, Ill.

Kusan Incorporated—Analysis—Clark, Landstreet & Kirkpatrick Inc., Life & Casualty Tower, Nashville 3, Tenn.

Marmon Herrington—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **Vwndo Co.**

Marshall & Ilsley Bank—Memorandum—Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available are memoranda on **Maryland Shipbuilding & Drydock Co.** and **Reading & Bates Offshore Drilling Co.**

McNeil Machine & Engineering—Circular—Straus, Blosser & McDowell, 40 Exchange Place, New York 5, N. Y. Also available are circulars on **British Industries** and **Seismograph Service.**

Mercury & Chemicals Corporation—Analysis—Peerless-New York, Incorporated, 37 Wall Street, New York 5, N. Y.

National Cylinder Gas Co.—Analysis—Sprayregen & Co., 26 Broadway, New York 4, N. Y.

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

Northeastern Turnpike—Program report—DeLeuw, Cather & Company, Farm Bureau Building, Oklahoma City 5, Okla.

Northern States Power Company—1956 annual report—Northern States Power Company, Minneapolis 2, Minn.

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

Northwest Production Corp.—Memorandum—Harrison & Co., 123 South Broad Street, Philadelphia 9, Pa.

Owens Corning Fiberglas Corporation—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Permachem Corporation—Report—Arthur Gardener Associates, 11 Commerce Street, Newark, N. J.

Pittston Co.—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Union Oil of California.**

Raymond Concrete Pipe—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Robinson Aviation, Inc.—Analysis—Coburn & Middlebrook Incorporated, 165 Broadway, New York 6, N. Y.

Rohr Aircraft Corp.—Memorandum—Emanuel Deetjen & Co., 120 Broadway, New York 5, N. Y.

Scott & Williams, Inc.—Memorandum—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

United States Life Insurance Co.—Memorandum—Illinois Co., 231 South La Salle Street, Chicago 4, Ill.

Warner & Swasey Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

White Motors—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also available is data on **Chesapeake & Ohio.**

Woodley Petroleum Co.—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also available are data on **Merrill Petroleum Ltd.**

With Mountain States

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Theodore C. Dixon and Howard H. Groelz have been added to the staff of Mountain States Securities Corporation, Denver Club Building.

Joins Brew-Jenkins

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — John A. Brunhart has become affiliated with Brew-Jenkins Company, Inc., First Wisconsin National Bank Building.

NSTA Notes

BOSTON SECURITIES TRADERS ASSOCIATION

The Boston Securities Traders Association will hold their 38th annual summer outing June 6 at the Blue Hill Country Club, Canton, Mass. Tariff is $7 with a green fee of $3. In addition to golf, swimming and softball will be features.

Edward J. Opper

Members of the outing committee are: Edward J. Opper, Chairman, J. B. Maguire & Co., Inc.; Raymond M. Murray, Tucker Anthony & R. L. Day; William C. Bradley, New York Hanseatic Corp.; Robert L. Polleys, Josephthal & Co.; Robert B. Blair, Harris Upham & Co.; Francis J. Mullin, White, Weld & Co.; Herbert C. Smith, Blyth & Co., Inc.; Gerald D. Martens, F. L. Putnam & Co., Inc.; Irving D. Connelly, W. E. Hutton & Co.; Rodney M. Darling, Du Pont, Homsey & Co.; Charles D. Driscoll, Paine, Webber, Jackson & Curtis.

COMING EVENTS

In Investment Field

June 6, 1957 (Boston, Mass.)
Boston Securities Traders Association summer outing at Blue Hill Country 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 (Canada)
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 18, 1957 (Detroit, Mich.)
Securities Dealers Association of Detroit & Michigan summer outing at Western Golf & 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.

Fluid Century

By IRA U. COBLEIGH

Enterprise Economist

A centennial salute to an essential, successful, and durable utility enterprise—Bridgeport Hydraulic Company.

In respect to water supply Bridgeport, Conn., has been better off by several dam-sites than many other metropolises in the United States troubled, in arid seasons, by weak flows or dry spigots. For a century now, Bridgeport Hydraulic Company has not only been amply providing water to this highly industrialized city and a steadily widening surrounding area; but, by the exercise of vision, it has taken major steps to insure an adequate water supply for its service area for the indefinite future.

Ira U. Cobleigh

The affinity of fire and water is well illustrated by the history of this enterprise. In 1845 there was a fire on Water Street, Bridgeport, which destroyed 49 buildings and pointed up the necessity of an adequate and reliable water supply.

Eight years later one Nathaniel Greene and associates formed the Bridgeport Water Company (capitalized at $160,000), built a distributing reservoir and laid water pipes through the main streets. In the depression of 1857 the company ran out of money, the bondholders took over and Bridgeport Hydraulic Company was born. Twenty years later another fire broke out in town, and while there was enough water there wasn't enough pressure. Two new reservoirs were required. They were undertaken under the personal direction of the renowned P. T. Barnum, dean of showmen, sometime Mayor of Bridgeport, and President of Bridgeport Hydraulic from 1877-1886. (Possibly as a step to assure water supply for washing his elephants?)

By the turn of the century, more dams and reservoirs had been built and a whole series of small water companies, serving the surrounding areas, were merged into Bridgeport Hydraulic. In 1905 an earthen dam containing Bunnell's Reservoir washed out during a cloudburst, and ensuing lawsuits for flood damages might well have washed out the company as well, had it not been for a court decision that declared the dam's failure "An Act of God." (The reservoir was later given to the city as a park.)

In 1901 Samuel P. Senior was hired as Superintendent. He recognized the necessity for long range planning for the water supply for the company's rapidly growing service area, and combed and surveyed the surrounding terrain for miles, in search of suitable reservoir sites. In due course, he rose through company officerships to his present post, Chairman of the Board. And in great part due to his vision, Bridgeport Hydraulic Company today has four major reservoirs with a combined storage capacity of over 24 billion gallons, draining 60,000 acres of watershed. Important, too, in a consideration of this well managed company, is its free ownership of 20,000 of these acres. Of these 20,000, 2,000 acres are planted with evergreens (a money crop in itself) as a part of a well thought out watershed conservation program.

Reservoirs alone, however, are not enough. Wells are needed as a supplement. These run between 60 and 200 feet in depth, and batteries of them are located in three modern well fields which, combined, can deliver over 18 million gallons a day. All this water for home and industry is sluiced through 800 miles of pipe to provide an astounding average of 45 millions of gallons a day to the seven communities served—59,000 homes and industries comprising a population of 275,000.

All of this makes Bridgeport Hydraulic Company not only an unusual one to write about but the 10th largest private water company in America. (The reason there are not more big water companies is that most water service systems are municipally owned.) The fact is, of course, that water service is our most essential public utility, and that privately owned companies, while not evidencing the splashy growth curves of certain chemical or electronic companies, have been, nevertheless, amazingly steady and dependable earners for decades on end. You can hardly think of a more depression proof industry.

Another thing frequently brought forward in favor of water companies is the small labor force required. Dozens of small water companies have less than a dozen employees and even a $30 million property such as Bridgeport Hydraulic, grossing over $4½ million a year, serves its customers splendidly with only 235 employees. For those who like to invest in companies where the labor cost, as a percentage of gross, is at a minimum, water companies should definitely be investigated.

Water companies, like electric utilities, have peak loads and must prepare for same. On July 2, 1956, Bridgeport Hydraulic was called upon to deliver, on peak demand, at an hourly rate equivalent to 103½ million gallons a day. The company did this without any serious pressure shortage although this is more than twice average demand. It proves the reserve capacity of the company even during a sizzling dry spell when lawns, gardens and people are all thirsty at the same time—when hoses are running and people are not!

Financially, a water company property has a simple and quite standardized capitalization. There is usually an issue, or series, of 1st mortgage bonds to finance permanent plant construction, improvement and addition, followed by common stock equity. In the case of Bridgeport Hydraulic there are four series of 1st mortgage bonds, totaling $10,300,000, ranging in maturity from 1980 to 1987. The highest coupon rate is 3.85%. At the 1956 year-end there was also on the balance sheet an item of $1,200,000 of notes payable, incurred to provide funds in part for $2,475,392 capital expenditures in 1956. This item will presumably be replaced in due course by another issue of first mortgage bonds, awaiting, no doubt, a more propitious time in the bond market for the underwriting.

The building of the Connecticut Turnpike has caused considerable inconvenience by pipe changes and abandonments. These costs are expected to total around $700,000, with an appropriate reimbursement to be made by the State. Further, certain company property, including land and buildings housing the Construction and Service forces was condemned by the State and purchased for $453,000. A new and modern building to house these facilities was constructed last year on land the company had long owned.

Stockholders in Bridgeport Hydraulic Company over the years have had many reasons to be content with their investment. The company has paid cash dividends without interruption for 57 years in a row. There are now outstanding 495,000 shares of common which in 1956 earned at the rate of $2.10 per share with a cash dividend of $1.60. At the current market price of 30½ (over-the-counter) this common on the present dividend yields 5.25%.

Directors include, not only senior company officers, but prominent citizens of the Bridgeport area, most of whom have been identified with company affairs for many years.

Here then is an interesting and unusual enterprise which in point of quality service to its community, vision and competence in management, and sustained profitability, makes a logical appeal to conservative investors for income. Artists in Westport, artisans in Bridgeport, and ex-suburbanites in Easton may all be grateful for the artesians and reservoirs, the pipes and pumps, the dams and dense woods that have faithfully insured their water supply for the past century—and those to come.

Stephan Partner in Vilas & Hickey; Wilson in Mun. Dept.

Vilas & Hickey, 26 Broadway, New York City, members of the New York Stock Exchange, announced that Roy G. Vilas has retired as a general partner and that Francis J. Stephan has been admitted to general partnership in the firm.

At the same time, it was announced that Raymond R. Wilson has joined Vilas & Hickey and will be in charge of their Municipal Bond Brokerage Department.

No New Business—Why?

"The lonesomest man in the world— The small security dealer"

By ELMER E. MYERS

Unwillingness of larger firms to start public relations program designed to attract and improve dealer relations with small dealers throughout the country discussed, together with lack of aggressiveness on part of investment firms in educating own producers in branch offices.

The large securities firms, particularly those with wire systems, who are earnestly, but obviously not too aggressively endeavoring to solve the problem of increasing their over-all production in every conceivable manner are, in the writer's opinion, neglecting not only a potential, but a very probable source of additional income by not adopting a definite public relations program designed to appeal to and attract the many thousands of small investment dealers who are scattered throughout every town and hamlet in our country. The small securities dealer, more often just a one man shop, is in the category of a lost soul, a neglected phase in one of the most important segments of our business today; namely the direct placement of securities into investment channels. There he sits in his tiny office, usually in his home, alone and disregarded except perhaps when some "sticky" issue behooves dealers to leave no stone unturned. This man is just as much the backbone of the investment securities business as the registered representative who sits in a plush office in a large city with every facility at his fingertips.

Elmer E. Myers

According to reliable sources of information, four out of five professional men, including executives do not own common stocks. Three-quarters of families having an income of $7,500 and over per annum do not own common stocks. Statistics reveal that there are ten millions of such families.

The point I wish to emphasize is that a great many of these millions of potential investors, and many millions more, are located in more or less rural areas not serviced by any brokerage office with automatic quotation boards, but by individual local brokers, former salesmen who have gone into business for themselves. Most of these small dealers who operate from their own homes have received their indoctrination in the securities business by virtue of representing at one time one of the large investment houses.

It is common knowledge that these important cogs in our financial fraternity are literally starving for attention from the larger firms who are in a position to offer them a well rounded service in providing statistical information, suggestions for investment and speculation alike, recommendations for switches and counsel that is at present available only to their own organization and clients.

Competition rather than co-operation with the local dealers in cities or towns where larger firms have established offices—is another "mistake" as I see it. The local man, in many cases, has the "inside track" with the institutional officers, industrial firms and many individuals in his territory. By attempting to attract the business direct (and eliminating the small dealer) the wire house or large firm antagonizes the local man and as a result loses an opportunity to gain many accounts through this lack of co-operation.

Following are some of the reasons advanced by representative firms in an effort to justify or substantiate their inability to formulate such a program:

(1) The branch office manager resents outside advice or help from a "field" man, such as education of producers. **Note:** As it was explained to the writer, many of these managers and older employees have been with the firm for many years and are content to bask in the sunshine of their own "set" methods.

(2) The firm will not make the effort to setup such a program—too much trouble.

(3) Many partners of firms are not sufficiently familiar with such a program—only the younger partners of the organization who have had dealer experience and realize its importance are aggressive enough to sponsor it and their influence is not strong enough to put it over.

(4) Inability to get the "right man" to contact and develop small dealer interest.

"The time has come the walrus said" to arrive at a decision on the part of investment firms, who possess the necessary facilities whereby every possible avenue of new production possibilities is thoroughly explored and then if found feasible exploited to the fullest extent.

The ideas expressed are the writer's own based on many years of experience in the securities business. The negligent (although possibly unintentional) attitude of the larger firms toward the "little man" in our field is deplorable and, to add the understatement of the century "most unfortunate."

Let us visualize the unlimited potentials involved in an all out attempt to conscientiously develop small dealer business.

Obviously it would not be physically possible for one man to successfully cover and develop more than say a 100 dealers at a time. However, it is well to consider that if 50 of those dealers were cultivated to the point that they would be interested in taking anywhere from 100 to 1,000 shares of any new offering, secondary, or distribution of any kind — the annual volume could assume interesting proportions. Substantial listed or commodity business could likewise develop as a result of a well run dealer educational program.

John J. O'Brien III With Paine, Webber

John J. O'Brien, III

CHICAGO, Ill.—John J. O'Brien III has become associated with Paine, Webber, Jackson & Curtis, 209 South La Salle Street. Mr. O'Brien was a partner of John J. O'Brien & Co. which has been dissolved.

Robt. Strauss on Trip to West Coast

CHICAGO, Ill.—Robert Strauss, Manager of the trading department for Daniel F. Rice and Company, is making an extended trip to the West Coast to call on his correspondents and other dealers. He will be in Palm Springs June 10 and 11; in Los Angeles June 13 to 15 where he will visit Fairman & Co., his correspondent firm, and other dealers; in Phoenix, Ariz., June 16 to 18; and in Albuquerque, New Mexico, June 19.

Robert Strauss

Norman Bentley With R. S. Dickson & Co.

Norman B. Bentley has become associated with R. S. Dickson & Co., Inc., 30 Broad Street, New York City. Mr. Bentley was formerly with Drexel & Co. and prior thereto with Harris, Hall & Co.

Olmsted & Mulhall Adds

(Special to THE FINANCIAL CHRONICLE)

KALAMAZOO, Mich. — Francis A. Ell is now connected with Olmsted & Mulhall, Inc., 123 West Michigan Avenue.

From Washington Ahead of the News

By CARLISLE BARGERON

The banking and insurance communities heaved a sigh of relief when the House several weeks ago voted down a resolution by Representative Wright Patman of Texas for an investigation of the monetary situation. Patman is a loose money man and the financial community generally had reason to fear him.

Carlisle Bargeron

But what the banking and insurance gentry failed to do was to follow this up with pressure to get the sort of study which President Eisenhower had proposed, one by a civilian committee. The President had undoubtedly made this proposal to head off the agitation in Congress against high interest rates and tight money. This agitation, he or his advisers knew, was going to get somewhere and if there had to be scrutiny of the general monetary situation, they wanted it done by a responsible, non-political group.

After Patman's defeat, the banking and insurance communities rested on their oars, only to be mildly excited when an attempt was made in the Senate for an investigation similar to the one proposed by Patman. This, too, was defeated rather easily. Whereupon, Senator Byrd, Chairman of the Senate Finance Committee, announced that his committee already had authority to make the investigation and would do so. The banking and insurance communities thought this was just fine. It suited them to a tee. Not once, so far as this observer could see, did they give the Administration's proposal the slightest support, presumably in the hope the whole thing would die down.

But, finally, getting an investigation in the hands of Byrd, they reasoned they were in safe hands. Byrd is a stalwart American, a conservative and no demagogue. He could be relied upon to handle this delicate study in the way it should be handled, with no politics.

I am satisfied that our banking and insurance fraternity is in for a surprise, for a painful surprise. Byrd is everything he is reputed to be but it so happens he is opposed to the high interest rates, and the beautiful friendship which he enjoyed with Secretary of the Treasury Humphrey, is reported to have perceptibly cooled off because of this. More important is the fact that the most vociferous members of the committee investigation which is to get underway shortly, will be Senators Kerr of Oklahoma, Douglas of Illinois, and Gore of Tennessee. These three men are politicians of the first order and they are darlings of the "liberals." They have been pressing Byrd for weeks to get the investigation under way and they are loaded for bear.

Kerr is an oil millionaire, but he takes a delight in kneedling the conservative business interests; Douglas has a sanctimonious approach, the background of an economist and is touted by the "liberal" propagandists as above the pale of ordinary mortals in his thinking. Gore is a relative youngster, anxious to make a national reputation.

You have only to realize how these men, together with Estes Kefauver and others styling themselves as "liberals," made an ugly word in the homes of the country out of the Dixon-Yates deal and what they are now doing about the Hells Canyon Dam to appreciate just what they are capable of doing to something so far removed from the rank and file, so lacking in mass popularity, so susceptible to mass prejudice, as the banking and insurance communities. I am of the impression that they are in for something like the early New Deal persecutions.

Take the Hells Canyon Dam project. The Government has awarded it to the Idaho Power Company and it has been upheld by the courts. But then the power company comes in and gets one of those fast tax write-offs and this "liberal" crowd is off again, yelling bloody murder. The ineffable Senator Morse has compared the granting of this tax write-off with Dave Beck's alleged theft of union funds. No difference between Beck and Eisenhower, he has said. Beck reached into the pockets of the union members, Eisenhower reached into the pockets of the taxpayers.

Now it so happens that since the fast write-off law was enacted under Truman, more than 2,000 write-offs have been granted, more than 900 of them to utility companies. The "liberals" have so twisted around the facts in the Idaho Power case that the Government is charged with giving them the money with which to build the project. Even George Humphrey has agreed with them that it costs the Government money because it has to borrow the money which the power company would ordinarily pay without the fast write-off, and a subordinate Government official testified before a committee the other day that, figured at 4% compound interest over a 20-year period, the normal write-off period, it amounted to a gift to the power company of several millions of dollars.

I am not discussing the merits of the write-off provision by which companies are permitted to take depreciation for a new plant in five years instead of spreading it out over 20. The fact is, of course, that once the depreciation is taken, the company has to pay more taxes for the rest of the 15 years. But right or wrong, the law is on the books, passed by a Democrat Administration.

Now wait until the "liberals" saturate the country with the picture of the Government holding down spending by the people and enriching the coffers of the banks and insurance companies. The economists generally say this is the thing to do, but wait until the "liberals" begin telling about it.

Granbery, Marache Co. Adds J. Satterthwaite

Granbery, Marache & Co., 67 Wall Street, New York City, members of the New York Stock Exchange, have announced that J. Sheafe Satterthwaite, Jr., is now associated with their municipal department.

A. C. Allyn Appoints

GARY, Ind. — A. C. Allyn & Company, Inc. have opened a new sales headquarters at 9 West Sixth Avenue under the supervision of Charles D. Hubbell, registered representative.

Is There Any Danger in Nuclear Power Plants

By HAROLD S. VANCE*

Member, U. S. Atomic Energy Commission

Unlike other developments introduced with uninformed and unjustified optimism about safety, as in the case of automobiles and in the early exploitation of other energy sources, Mr. Vance declares nuclear power field is the first industry where a careful and objective evaluation of risk has been made before commercial usage. As a result, Mr. Vance relates, the nuclear power industry is convinced that reactor dangers can be eliminated by controls and requirements based on thorough study of possibilities—avoiding a background of early mishaps. Refers to perfect record of safety or regularly operating—non-experimental—reactors since 1942, and asserts an accident of a ruptured reactor vessel and its vapor container would have to result from a whole series of improbable events happening together.

After crime, politics, and international crises, which unfortunately are always with us, the subject commanding the most attention in the press today is nuclear energy. This is understandable because nuclear energy contains more potential good and more potential evil than anything else of a material nature which man has had to deal with since the beginning of time. I am going to dispose of the evil possibilities of nuclear energy first because I want to discuss much more extensively about problems connected with the many good things which it can do.

H. S. Vance

The modern nuclear bomb, a thousand times more powerful than the one which destroyed Hiroshima, is an awful thing to contemplate. En masse it can destroy nations, not just cities. Compared with it, all other instruments of destruction are puny things. Yet I think that it has kept the peace for us in recent years and will continue to do so simply because of its fearsome power of destruction. And beyond keeping the peace, I firmly believe that in time it will compel international agreements to disarm, to settle disputes by means other than war —agreements which otherwise it would be impossible to obtain. If, in fact, war is abolished because of our fear of what the modern nuclear bomb can do, then shall be closed the first chapter of history which over thousands of years has dealt principally with wars, and a new chapter shall be opened which will deal with peace, and under peace with human progress far beyond anything we can imagine today.

The good possibilities of nuclear energy take on many forms such as the generation of heat and power; the propulsion of vessels —and perhaps later of large land vehicles and, also, later of aircraft; the use of radioactive isotopes in biology and medicine, which even now are used extensively in both diagnosis and therapy; their use in industry where they measure and control the thickness of material, control the flow of liquids in pipelines, detect flaws in castings and forgings. These are but a few of the many industrial uses of radioactive isotopes. Then there is the field of agriculture where radiation speeds up the production of mutations, or sports, and helps us to select superior plant strains—those which are more prolific, more fruitful, more resistant to disease. The nuclear process will help to remove the threat of starvation which still hangs over many parts of the world.

You will appreciate that there are many facets to this subject of peaceful uses of nuclear energy. We cannot cover them all so I have selected one which seems to be most appropriate. It is hazards and their counterpart, safety measures. In particular I will deal with the danger of personal injury and property damage to the public from nuclear power installations.

Danger Involved

That nuclear energy is inherently dangerous admits of no argument; but so is every other powerful source of energy, electricity, gas, steam, falling water, etc. All can wreak destruction if not properly controlled.

We have tamed these other familiar sources of power to the point where we are complacent about them although they literally surround our daily lives. I am sure that I need not dwell on the efficacy of safety measures.

There is just as much difference between controlled nuclear reactions and a nuclear explosion as there is between the generation of electricity in a dynamo and a bolt of lighting, or between the power of a water wheel and the rushing waters of a flood. Let me explain to you why this is true.

The atom of uranium, like all other atoms and despite the fact that it is a universe within itself, is infinitesimally small. When it fissions and loses mass, the amount of energy thereby released is great in relation to the size of the individual atom, but by any other standard is small. It is only when the fission of one atom induces fission in millions of other atoms in a chain reaction so quick as to be almost simultaneous that an atomic or nuclear explosion is produced.

In 1942, in Chicago, Enrico Fermi and his associates first demonstrated that there was a way to regulate the rate of the chain reaction so that the fission process would proceed slowly and would produce heat but not so rapidly as to produce an explosion. Furthermore, he demonstrated that the process could be started, speeded up, slowed down, and stopped within the time necessary to keep it under complete control. The device, or machine, first made by Fermi 15 years ago is called a reactor. Its principal components are a core, or fuel element, which contains the fissionable material, usually uranium-235; a moderator, which slows down the neutrons to a speed where they are more efficient in sustaining the chain reaction; and control elements, which are usually rods of some material, such as cadmium or boron, which have the property of absorbing large numbers of free neutrons so that there will be fewer of them available to keep the chain reaction going. Of course, there are other parts to a reactor such as shielding to protect the operators, a coolant to carry off the heat, automatic controls, etc.

Reactor Control

In a typical reactor, when the control rods are fully inserted in the fuel core, no reaction takes place because too large a fraction of the free neutrons are absorbed by the control rods. As the control rods are gradually withdrawn, more free neutrons are available to induce fission in succeeding atoms, so that by changing the control rod position, the rate of fission can be started, speeded up, slowed down, or stopped. This is something of an oversimplification of how a reactor is controlled.

Electronic and mechanical devices have been incorporated in the reactor complex so that controls are automatic and are almost entirely free of dependence on the human factor. In some types of reactors, for example that which has been so successful in the submarine Nautilus, there is a natural control called the negative temperature coefficient of reactivity. As the rate of fission increases, temperature in the reactor rises; and the rise in temperature acts as an automatic brake on fission. While the Nautilus reactor is equipped with control rods, they have seldom been used excepting in starting and stopping because of the inherent ability of the reactor to otherwise control itself.

I think I may safely say that the possibility of a bomb-like nuclear explosion occurring in a reactor is so remote as to be essentially non-existent. The chance of any accident serious enough to affect the public in areas around the reactor site is so slight as to be incalculable. Attempts to estimate it have resulted in numbers ranging from one chance in 100,000 to one in a billion per year for each large reactor. The reason the chances of such accident are so low is the careful and thorough attention given to reactor design and operation in the Commission's safeguards program. Possible consequences of a serious reactor accident are so great that we must take maximum precautions against its occurrence.

Recently the Commission sponsored, in response to a request from the Joint Committee on Atomic Energy, a study of the theoretical possibilities and consequences of accidents in large nuclear plants. The study was carried out at Brookhaven National Laboratory by a group of scientists and engineers assembled for the purpose. A review of the picture which this group has developed on the nature of conceivable accidents and the way that they can possibly produce effects beyond the immediate installation will help us to understand the type of precautions which must be carried out in reactor design and operation to reduce the possibility of a public catastrophe to the lowest limit of credibility.

Describes Process

For our purposes, a power reactor can be physically visualized as a nuclear core in contact with a coolant held in a reactor vessel. The vessel is surrounded by a massive shield for nuclear radiations and the whole is contained in a large steel shell or vapor container. The fuel in the core, where the fission reaction takes place and where the heat is generated, is in most reactors a solid metal or oxide in the form of many separate elements, each clad in a protective sheath of a metal chosen for strength and corrosion resistance as well as for good nuclear properties.

The coolant which passes through the core is either water or sodium for the reactors under most serious present consideration. The coolant usually passes from the core to a heat exchanger where the heat is used to produce steam for the turbines, though in the case of the boiling water reactor the coolant water is vaporized to steam directly in the reactor core. For water or heavy water reactors, the coolant moderates the neutron energy to energies equivalent to ordinary temperatures; in such reactors the reactor vessel must contain the water under a pressure adequate for the operating temperature. An operating pressure of 2,000 pounds per square inch is projected as normal practice for such pressurized water reactors as the Shippingport and Yankee power stations. If the reactor is cooled by sodium, the reactor vessel need not be constructed for such high pressure operation.

An important exception to the general description is the aqueous homogeneous reactor where the fuel is dissolved in solution in the reactor vessel to make a liquid core and is pumped around to the heat exchangers for heat removal. Reactors fueled by liquid metal are conceptually similar to the aqueous homogeneous reactor, though the reactor vessel need not be constructed for the high pressure needed with an aqueous system.

In all of these reactors the vessel is surrounded by a massive shield, usually of concrete, whose purpose is to protect the operating crew from the nuclear radiation produced during normal operation. Finally, the entire system is enclosed in the very large steel shell or vapor containment vessel which is the characteristic feature in the outside appearance of a nuclear power station. The purpose of this shell is to contain the products of any possible accident and to prevent their dispersal. We shall discuss its function in more detail later.

As we start the consideration of what could go wrong with the operation of a reactor system, we should dispose of the supposition that a gross malfunctioning in a power reactor could possibly lead to a devastating explosion similar to those produced by nuclear weapons. There is no conceivable way in which this could happen. Though a reactor contains the same nuclear materials as a bomb, they are in dispersed form, mixed with other materials, and they are not provided with the carefully devised means for bringing them together with great speed.

Continued on page 26

*An address by Mr. Vance at the 91st Annual Meeting of the National Board of Fire Underwriters, New York City, May 23, 1957.

Commercial Banks Face Impact of Transitional Economic Changes

By DR. MARCUS NADLER*
Professor of Banking and Finance, New York University
Consulting Economist to The Hanover Bank

Well-known banking economist analyzes seven changes affecting commercial banking and offers several suggestions to strengthen commercial banks' ability to meet increased future demands. Looking ahead, Professor Nadler expects economy to ease off within a few months and finds it possible that another upsurge will not take place until 1959 or 1960. Doubts likelihood of major depression, and suggests that banks adopt policy of first liquidating long-term government securities instead of short-term obligations when loan-demands increase. Offers an investment policy geared to permitting increased interest on commercial bank savings deposits.

The economic and social changes in the United States since the end of the war have been numerous and far-reaching, and they have had a profound effect on the commercial banks of the country. Briefly, these changes are:

Marcus Nadler

(1) A rapid growth in population has been accompanied by an especially large increase in the middle class.

(2) The decentralization of population and industry has led to the growth of suburbs and the establishment of many new communities.

(3) The concentration of industry, trade and banking has continued.

(4) The United States has materially increased its commitments in international affairs, and this in turn has had a major impact on Federal expenditures and on taxes.

(5) The swings of the business cycle have been materially reduced. Economic adjustments now tend to be "rolling" in character rather than embracing all segments at once.

(6) During the past few years a strong inflation bias has become evident, and the cost of doing business is steadily mounting.

(7) Finally, for the first time in many years monetary controls are again being used effectively, with a marked effect on interest rates and bond prices.

The period of transition is not yet over. The American economy remains highly dynamic, based as it is on a rapid population growth and on continued research which creates new values and destroys old ones. The changes will continue and new patterns will appear. A new economic system is being evolved which may be aptly termed "People's Capitalism." An analysis of these great changes will make clear that each of them has had an impact on the commercial banks.

Population and Middle Class Growth

The Population Movement and the Growth of the Middle Class: The increase and decentralization of population, the growth of new communities and the rise in the standard of living have had the following effects on the commercial banks:

(1) They have created a strong desire on the part of the banks to follow their customers to the suburbs and to participate in the growth of new communities. This in turn has led to opening of many new branches and contributed materially to the bank merger movement, which has been pronounced in all States where branch banking is permitted.

(2) They have created a new supply of mortgages and opened up new lending outlets for commercial banks, particularly those operating with large savings deposits. With home ownership also comes the ownership of all kinds of durable consumer goods, and particularly automobiles. This has stimulated the growth of consumer loans, which will play an increasingly important role in bank lending.

(3) With the rise in the standard of living and the expansion of disposable personal income has come an increase in deposits and in the number of people in need of banking facilities. As a result, the earning assets of the banks have undergone considerable change. The volume of investments, notably government securities, has decreased considerably, while the volume of loans has risen substantially. With intermittent swings, the demand for bank loans will continue upward. This in turn will raise important questions for the banks: namely, what should be a proper ratio of loans to deposits and how can the banks' capital resources be increased in order to sustain a larger volume of risk assets?

The Concentration Movement in Industry and Trade will increase the pressure among banks to merge. It is likely that efforts will be made to change the laws of the States where branch banking is permitted to extend the limits within which a bank may operate branches. Similarly, efforts will probably be made to permit holding companies to operate on a State-wide basis. While considerable opposition may arise to such moves, it is clear that commercial banks must be permitted to adjust themselves to the economic needs of the country.

The Changed International Position of the United States has had the following effects: With world leadership has come an increase in responsibility and in government costs enhanced by the cold war and the aggressive attitude of the Soviet Union. Military expenditures are enormous and, despite all the efforts to economize, in all likelihood will increase. Foreign aid is substantial, and a material decline in this item in the foreseeable future is not likely. As a consequence of these developments, the tax burden is very heavy. The corporate income tax has remained at 52% and it has become extremely difficult for many industrial corporations to meet their increased capital requirements from internal sources or sale of securities. They are therefore forced to rely more on the commercial banks for their working capital needs. The banks are also adversely affected by the high corporate taxes, and they too are endeavoring to increase their own capital resources to meet the expanding requirements of their customers.

Price and Cost Inflation

The Inflation Bias: There is a strong inflation bias in the United States, generated primarily by a wage-price spiral. An increase in wages greater than the rise in productivity leads to an increase in the cost of production which, at least in part, is shifted to the ultimate consumer in the form of higher prices. Moreover, while it is possible to increase considerably the productivity of workers in manufacturing, mining and agriculture, it is not possible to increase the efficiency of employees in the service industries to the same extent. In the cost-of-living index services play an important role, and in many instances an increase in the consumer index leads to an automatic increase in wages. So long as wage rates continue to rise, prices are bound to inch upward and the purchasing power of the dollar is bound to decline. The situation is aggravated by the strong inflation bias in government. Expenditures by government — Federal, State and local — are steadily rising. The farm-price support policy of the government stockpiling, and the lack of fiscal discipline contribute materially to the inflationary forces.

The constant increase in prices and in the cost of doing business has had a marked impact on the commercial banks. Since the volume of business is bound to expand with the growth of the economy and since costs will continue to rise, it follows that the banks will be confronted with a constant increase in the demand for loans. At the same time, these forces will raise the banks' operating costs. The banks will have to rely more and more on mechanization, and this too will tend to foster the merger trend.

No Major Cyclical Swings

The New Pattern of Business: Barring unforeseen developments, major depressions of the type that occurred in the past are not likely to recur. There are many built-in stabilizers in the American economy, such as social security, farm support, amortized mortgages, the growth in economic security and savings, and many others that could be mentioned. Moreover, the Employment Act of 1946 has imposed on the Federal Government the obligation to prevent large-scale unemployment. Since, however, the American economy is a free one, it is bound to have its ups and downs.

The business swings have assumed the character of a rolling readjustment in which some sectors of the economy are strong, while others are weak. When the strong sectors outweigh the weak ones, the economy moves ahead. For example, in 1956, in spite of the considerable decline in home starts and automobile output, the economy was at a higher level than in 1955. The rolling readjustment has a different impact not only on individual industries but also on various regions and on the credit position of individual buyers. Thus, although 1956 was the most prosperous year that the United States has enjoyed, the number of business failures was large.

The pattern of rolling readjustment has also had a strong influence on the credit policies of the Reserve authorities, and through them on the activities of the commercial banks. Federal Reserve credit policy has become highly flexible. In periods when business activity is low and unemployment is rising, the Federal Reserve eases the money market through lowering reserve requirements and increasing its open market purchases. On the other hand, in periods when business activity is at or near capacity and inflationary pressures are strong, the Reserve authorities do not hesitate to adopt stringent credit policies which naturally have an impact on money rates and bond prices, particularly of high-grade bonds.

Different Bond Portfolio Policy

These trends, in turn, are bound to affect the investment policies of the commercial banks. In the past, whenever banks had excess reserve balances, they increased their holdings of government securities. Usually, depending on the position of the individual bank, these securities were spaced from short-term bills to long-term government obligations. Such a policy of spacing maturities is sound and will continue to be sound. However, whereas in the past, whenever the demand for loans increased, banks first liquidated their short-term obligations and held the long-term; in the future it will probably be advisable to reverse the process. When the demand for loans begins to increase it will be advisable first to sell the long-term securities and to retain the short-term, in order to have adequate liquidity when money becomes tight, interest rates rise, and bond prices decline materially. If the banks were to adopt such a policy it would strengthen their own position but at the same time it would weaken the effectiveness of the credit policies of the Reserve authorities unless, of course, the Treasury, through refunding operations, can reduce the amount of short-term obligations outstanding and convert them into longer-term notes and bonds.

The Economic Picture

From present indications, it woud appear that the economy will ease off within a few months. It is also possible that another strong upsurge will not take place until about 1959 or 1960. Once this occurs, however, the upsurge is likely to be more pronounced than that witnessed in 1955-1956. Banks which have followed a policy of coordinating their investment policy with their loan policy, i.e., which increase their holding of medium- and long-term obligations when the volume of loans decreases and reduce them when the volume of loans rises, will be prepared for this great upsurge in business activity. They will be able to meet the requirements of their customers without having to sell bonds at a loss.

Investment Policy and Interest on Savings Deposits: In most banks savings deposits play ar important part. The growth o many institutions often depends on their ability to increase thes deposits. Savings deposits hav undergone important changes and to a considerable extent have assumed the character of investments. Hence, the rate of interes paid on savings deposits plays a much more important role today than ever before. When a commercial bank wants to maintai its growth in savings deposits, i has to compete with mutual savings banks and savings and loa associations, which traditionally pay a higher rate of interes Commercial banks have therefor had to increase the rate of interes paid on such deposits.

Suggests Investment Policy

To do this effectively, howeve the banks will have to chang their own investment policies. A a rule of thumb, the following i suggested: About 60% of saving deposits should be invested i home mortgages, preferably FH and VA, particularly for those in stitutions which have a low rati of capital to deposits and a hig ratio of capital to risk asset FHA's and VA's may be consid ered as non-risk assets. About 2 or 25% should be invested i medium- and long-term obliga tions, either government, corpo rate or tax-exempt. Aside fro

*An address by Dr. Nadler before the New Jersey Bankers Association, Atlantic City, May 24, 1957.

the 5% that has to be maintained as reserves with the Federal Reserve Banks, the remainder should be held in obligations of 1-5 years.

Conclusions

The changes that have taken place in banking during the past decade reflect the great economic and social changes that have taken place in the economy of the country. These changes have strengthened the role of the commercial banks and will continue to do so. The greatest impact on the banks will be the increased demand for loans. This, in turn, will require larger capital funds for the banks and a larger staff of highly trained loan officers to handle the expanded volume of loans.

While the long-range outlook for the economy is favorable, a free economy like ours is bound to have its ups and downs. Many business concerns which cannot adjust themselves to the changed economic conditions, and particularly to the growth of competition, will fall by the wayside. A dynamic economy like ours needs a strong banking system, capably managed and staffed. Fortunately for the country, the banks are ready for the great opportunities that lie ahead.

Dr. Harold Stonier Former ABA Officer

Dr. Harold Stonier, for 17 years Chief Staff Officer of the American Bankers Association, passed away June 3. At the time of his death, Dr. Stonier was Dean of The Graduate School of Banking, which under his leadership the A.B.A. organized in 1935 in cooperation with Rutgers—The State University. Until his retirement three years ago, he had served successively as Executive Manager and Executive Vice-President of the A.B.A.


Dr. Harold Stonier

Dr. Stonier was a leading figure in the banking business since the 1920's. He was one of the outstanding proponents of education of bankers as a means of building a more useful and far-sighted banking structure.

Hartshorne Joins Marine Trust Co.

R. K. Hartshorne has joined The Marine Trust Company of Western New York and will be associated with the municipal securities department of its New York office, 120 Broadway, it has been announced. He was formerly with G. C. Haas & Co.

Decline in Government Loans And Disinflationary Measures

By PAUL EINZIG

The depressed market for British fixed interest-bearing securities and the marked trend from government loans to equities serve to prompt Dr. Einzig to conclude, now that inflation has, after all, caught up with Treasury financing, that instead of reverting to Dr. Dalton's expedient of bolstering up the gilt-edged market, it would be best for the government "to face the unpopularity of a really effective disinflationary policy." The noted economic writer believes a really sharp slump in government bonds will mobilize the public against wage-inflation.

The sharp decline in the prices of British Government securities towards the middle of May was followed by a partial recovery before the end of the month. Even so, with the yield of irredeemable stocks around 5%, the level of Stock Exchange quotations remained remarkably low. And the recent unexpected fall provided a sharp reminder of the truth that in the long run it is not possible to inflate with impunity.


Paul Einzig

For there can be no doubt that the underlying cause of the weakness of Government loans is the growing realization of the prospects of continued creeping inflation. Admittedly, other influences have contributed towards depressing the market of fixed interest-bearing securities. Disappointment over the absence of a further lowering of the bank rate figured prominently among them. The continued decline of the Conservative vote at by-elections and local elections had a depressing effect on Government securities. On the other hand, the prospects of an improvement of the international political situation, the recent tax concessions and the prospects of further tax reductions and the resumption of the use of the Suez Canal, should have been sufficient to offset these influences, had it not been for the all-important influence of inflation fears.

No End to Inflation Seen

The relative ease with which one large trade union after another succeeds in securing wages increases that are entirely unwarranted in the absence of any corresponding increase in the output has given rise to fears that, so far from stopping, inflation tends to become accelerated. The realization of the fact that inflation has come to stay has induced a large and increasing number of investors to change from Government loans to equities. Such investors include insurance companies, charitable trusts and various other trust funds, Lloyds underwriters, and even Church funds. In face of such a trend it will become increasingly difficult to keep down the yield of Government loans even at its present abnormally high level, unless the Government should revert to Dr. Dalton's expedient of bolstering up the gilt-edged market by means of inflation. And such a device would only postpone the day of reckoning, for, as the experience of the Socialist Government in the 'forties has shown, it cannot be continued indefinitely.

There is a growing feeling in many quarters that the depreciation of Government loans might prove to be a blessing in disguise, if it should lead to the realization of the fact that there is no such thing as inflation without tears. It was one of the miracles of World War II that, in spite of the inflation it had entailed, the Treasury was able to finance it on the basis of borrowing at low interest rates. While this was due in part to the adoption of the Keynesian system of short-term borrowing, to a large degree it was due to the assumption that inflation would come to an end after the war, as it did after the end of World War I. Instead, inflation has been going on unabated ever since the end of the war, apart from a few brief intervals. Until comparatively recently this did not appear to have affected the level of Government securities to any noteworthy extent. As a result, it has come to be widely assumed that even if inflation were to continue for the rest of the twentieth century, the Treasury would encounter no difficulties in financing its borrowing and its conversion operations at reasonable rates.

Taking Unpopular Action

Such optimistic assumption has been largely responsible for the inadequacy of the Government's efforts to check inflation. There has been relatively little inducement to incur unpopularity by adopting sufficiently drastic disinflationary measures. It is true, inflation endangered from time to time the gold reserve, but this effect could be reduced through securing dollar loans, through selling out overseas investments, or through accumulating short-term indebtedness in relation to colonies and other overseas countries. Should the Government come to realize that there is a real danger of being unable to finance its loan operations except at ruinous costs, it might be more inclined to face the unpopularity of a really effective disinflationary policy. But in order that there should be adequate pressure to that effect on the part of public opinion, it would be necessary that the weakness of Government loans should become much more dramatic than it has hitherto been. A really sharp slump in the gilt-edged market might go a long way towards bringing home the need for resisting inflation.

Mobilizing Public Opinion

Some such shock might produce a salutary effect in the long run, even though its immediate effects would be highly damaging. Unless the Government comes to realize that it simply must take steps to check the wages spiral, that spiral will continue to rise on an increasing scale. A further fall in Government loans might make the Government and the country aware of the cost of inflation in the form of an increased burden of the public debt and a deterioration of the Government's credit. Once this has come to be realized the Government is no longer likely to maintain its present supreme impartiality in face of unwarranted wages demands. And it would become easier to mobilize public opinion against the greed and selfishness of the trade unions, each one of which is only concerned with securing the maximum of immediate benefit for its members, without the slightest regard for the overriding public interest.

W. L. Lyons Co. Celebrates 104 Years

LOUISVILLE, Ky. — W. L. Lyons & Co., 235 South Fifth Street, members of the New York Stock Exchange, and other leading exchanges, is this week entering upon its 104th year of business.

Eugene DeStaebler With Winslow, Cohu

Winslow, Cohu & Stetson, 26 Broadway, New York City, members of the New York Stock Exchange, announced that Eugene L. DeStaebler is now associated with the firm as manager of the Municipal Bond Department. Mr. DeStaebler was formerly an officer of Fairman, Harris & Co.

Chicago Analysts to Hear

CHICAGO, Ill—Edgar M. Queeny, Chairman of the Board and Charles A. Thomas, President of Monsanto Chemical Co. will address the luncheon meeting of the Investment Analysts Society of Chicago being held today in the Ballroom of the Midland Hotel.

Our Economy: Where We've Been, Where We Are, Where We're Going

By OSBORN ELLIOTT*
Senior Business Editor, "Newsweek" Magazine

"Newsweek" business editor optimistically describes the development of our future economy; points out that first quarter 1957 GNP of $427 billion will witness $435 billion GNP for the year; and announces that business capital outlay study, in cooperation with National Industrial Conference Board, for latest quarterly survey shows an encouraging trend instead of a continuing decline. Despite further slackening in the growth rate, Mr. Elliott forecasts, on the whole, a high level economy for the next few years, followed by "The Golden Sixties." Claims desire is replacing need as the determinant of demand, and that this presents a remarkable challenge to industry.

While the economic growth during the past 50 years has been fantastic, the first of my fearless predictions is that it has been nothing compared to what is in store for the future. Now, I know that some have thought at times that for all the bounty of this amazing country, there have been areas that have been passed by. Have no fear: In the years that are coming, there will be plenty for **all** of you.

Osborn Elliott

What has happened to date? Just to position us, let me give you a few quite recent figures—statistics of the last 25 years alone. In 1933 at the bottom of the Depression, the total output of goods and services in the U. S. was $56 billion; in 1944, at the peak of World War II, it stood at $211.4 billion. What is it now? In the first quarter of this year, it was up to $427 billion! There's a catch, you say? Do I hear mumbles about what has happened to the value of the dollar in those years? My answer is simple: The figures I quote are in terms of **constant** 1956 dollars.

And here's an equally remarkable statistic: This incredible growth has taken place while the work week was shrinking from about 47 hours to 40 and less. Currently, there is a lot of talk and worry about something called automation, and something called the four-day week. What's new about automation? I happen to consider it a **nothing** word, that attempts to describe in a new way something that has been going on for generations. And what's new about a shorter work week? **Of course** the work week will shorten as man makes more and better machines to help carry the load. These things don't happen overnight, and as one who works on a news publication, I am realistic enough to realize that the four-day week will probably never come to me! But there is no question in my mind that the work week will grow shorter. The trick, of course, it to keep productivity rising even faster. If it doesn't, then all bets are off; but I think it will.

What will a shorter week mean to the nation? Disaster? People have been saying so for year. Here's what **I** think it will mean: The new-found spare time will give rise to the greatest cultural boom this country has ever seen —and this will come on top of the nation's greatest material boom.

Our U. S. economy is already so vast and complex that I think it's sometimes hard to grasp just what is going on at a given moment, and where we stand now. The textile industry complains of slow sales; housebuilders talk of a depression in their business; auto sales are not up to expectations— and yet the economy rolls along at an all-time high. What, you might ask, goes on here, anyway?

Maybe this little rundown will help us find our bearings before climbing aboard the time machine again and racing toward the 21st century.

Three Spending Streams

This huge economy of ours is made up largely of three main streams of spending — namely spending by the government, spending by consumers and spending by private industry. Two years ago, when everyone and his brother seemed to be determined to go out and borrow and buy a car, it was consumer spending that pushed us to new records. Last year the consumer took a little rest, at least in the fields of automobiles and housing. This time, it was industry's spending—up an amazing 25%—that came through and did the trick—and no one is more aware of this phenomenon than those of you who come from the South. It was a remarkable thing, and a sign of the economy's health, that business in 1956 actually set new highs at a time when autos and housing — two bellwether industries — were in something of a slump.

Well, what of this year? Here's the situation: Consumers are still spending at record rates, but the rate of increase is slower. And they're spending for different things, such as services — that means everything from dog beauty parlors to the diaper service—and soft goods—and that means everything from shoes to a bottle of good Kentucky bourbon or a bottle of Miltown.

Capital Outlay Upturn

As for industry, its rate of spending right now is also at record levels — but here again the rate of rise is slower. Incidentally, some I'm sure have seen the quarterly survey that we at "Newsweek" launched last year in cooperation with the National Industrial Conference Board. This is a survey of the 1,000 largest manufacturing companies in the U. S., to determine the exact state of their capital appropriations in any given quarter. I'm proud to say that last fall we were the first to detect the impending levelling off in industry's spending. And here's a little advance tip: All the returns aren't yet tallied in our latest quarterly survey, but the ones we have to date show an encouraging trend, that instead of continuing to decline, appropriations have once more taken a turn for the better.

So there you have the trend of two of the three mainstreams of spending by consumers and by industry. Both continue high.

What about the third stream, the spending by government? Do I hear some chuckles? I guess it's no secret that government spending is showing few signs of decreasing. Incidentally, most of the hullabaloo has been about the Federal budget, but actually the big rise recently has been taking place at the state and local level, as schools, hospitals and roads are being built.

So there you have the three main streams, all at extremely high levels of spending, and showing no signs of going down. A few months ago, in "Newsweek's" business forecast, we predicted that the gross national product would hit $435 billion this year vs. $412 billion at the end of 1956. I'll stick my neck out and say that we'll stand by that estimate, which was more optimistic than most others at the time. It's interesting to note that more and more businessmen now think the second half of 1957 will be better than the first.

"The Golden Sixties"

What about the future? Come back aboard the time machine, where my neck is perhaps a little more secure. Barring war or some other unforeseen calamity, I feel that the next few years will continue at a high level, although there may be some further slackening in the rate of growth. But then, hold onto your hats! I'll let you in on another little secret right now, that one of the articles we have scheduled on our future list at "Newsweek" bears the simple title, "The Golden Sixties."

This isn't sheer pie-in-the-sky optimism; it's a matter of logic. Just think of what will happen to this economy within a brief five years, as World War II's babies grow up, begin to get married, buy houses, cars and TV sets; and read magazines, too!

Desire Supplanting Need

Something very basic has happened in the U. S. economy over the past 10 or 15 years, so basic that it's easy to forget, easy to take for granted. What I refer to is the simple fact that more and more, **desire** is replacing **need** as a reason for buying things. It used to be that a person needed something to cook on, so he bought a stove. He needed something to sit on, so off he went to the furniture store to buy a chair. But how it has changed! Let me give you an example from personal experience.

Now, we innocents around New York have stoves in our houses. I have one, and it works just fine. The gas jets burn with a hard, gem-like flame. You can cook a steak in my stove as well as any other. You can fry an egg on it. You can even boil water on this stove; which is about the limit of my culinary talent. But come around to my house some day and listen to the refrain: THIS STOVE MUST GO. Why? Because my wife says it's old-fashioned. The stove will, of course, go.

This is what I mean when I say desire is replacing need as a criterion of buying. And it's happening for many reasons: high prosperity, the expanded use of credit, and so forth. It has also happened because of the ingeniousness of American business itself. Isn't it amazing that, with 98% of the nation's electrically wired homes already owning radios, last year was the biggest radio selling year in history! How did it happen? Automobile radios were part of the explanation, of course. But new and improved radios were another part; radios that start the coffee pot in the morning, tiny transistor radios that slip in your pocket.

To take another example, the refrigerator makers have done about the same thing. The refrigerator market is currently more than 90% saturated, at least, theoretically. But by adding colors, built-in juicers and ice-crackers, and building refrigerators that hang on the wall, the industry has managed to keep its sales rising. Another example of desire replacing need.

Is this bad? There are still people who pull long faces and say that it is. This is part of the familiar world-is-going-to-hell philosophy. And I want no part of it. It seems to me that anyone who takes this view is saying that living standards should rise no more; things are just fine the way they are. But rise they should, and if they don't, you all might as well hand in your promotion literature, and I my typewriter. For in that case, there would be nothing for development agencies to develop, and the lot of a business editor would be an unhappy one, indeed, if such a profession existed at all.

Challenge to Industry

But you can see that within this remarkable change, industry is confronted with an equally remarkable challenge. It must constantly devise new and improved products to keep the flames of desire alive. And it has every intention of doing so. Soon our automobiles will be powered by gas turbines; our color television receivers will hang like pictures on the wall; and the walls of our houses themselves will glow, bright or dim, and in whatever color that suits our mood at the moment. In this electronic house, you will have a control room, with our private electronic brain. You'll give it instructions the night before, putting a whole day's program on tape: what time you want to be awakened, when breakfast, lunch and dinner should be started, when the lawn should be sprinkled—or even cut—when the heat or air conditioning should go on or off; even, perhaps, when the juleps should be iced, or when the bet should be placed on the great-great-great grandson of last week's Derby winner.

Distances have already been almost obliterated in the short half-century since the first cars chugged down the streets, and the even shorter time since one man kept a flivver of the skies flying for 33 incredible hours, to a bumpy landing in Paris. That event took place just 30 years ago this month.

A few weeks ago, I got a first-hand glimpse of how distances will be further demolished within just the next two years. I was lucky enough to be aboard America's first jet transport, the Boeing 707, when it flew from coast to coast in record time. At one point, we hit a ground speed of 692 miles an hour, and as you know, it took us exactly three hours and 48 minutes from Seattle to Baltimore. In a couple of years, such jets will be girdling the globe—and here's another example of how desire can replace need. Even if the jet flights may cost a little more at first, I'll be aboard every time I get a chance.

Advance in Communications

Few fields have made more advances in this century than my own field of communications. Just think: Only a hundred years ago, big news was spread through New York and other cities by the tolling of church bells! Today, when the church bell rings only three blocks from where I live, I cannot even hear it. Yet I can turn on my radio or television set and get the news almost instantly. Imagine the advances that will take place in the next 50 years. You will see the person you talk to over the telephone—in technicolor (that is, if she chooses to flick a switch at **her** end!). . . .

Along with man's advance with machines, all these things will save time—and how will the time be used? Previously, I predicted a gigantic cultural boom. And I don't think this takes a great deal of prevision; it is already happening today. Never before have museums had so many visitors, and never before has fine art been in such demand. Almost everywhere you look, new symphony orchestras have been springing up through the land. But what of that monster, television, do I hear you say? We deplore it daily, and with reason. But even here there is hope, where one company will spend hundreds of thousands for a single production of a Sadler's Wells ballet, or a Richard III, or even a Peter Pan.

I've been getting a little far afield, perhaps, but how can you talk about this colossus without getting far afield? For in the future, leisure time and all that goes with it—hi fi, boating (already a billion-dollar industry), travel — all these will be among the most powerful economic forces at work.

Nuclear Energy

Now, I have left for the last the biggest—and the thing that no doubt will have the most effect on those working in the state planning and development agencies. I refer, of course, to energy. I won't pose as an expert in this field. But painting with a broad stroke, as they say in Madison Avenue, the advent of nuclear energy will mean one thing above all: No longer will industry be directed to its new locations solely on the basis of available natural power resources. This is what I meant, when I stated that the bounty will be there for all to share.

An Economy of Trillions

At the beginning, I cited a few figures to show how far we've come. Now here, are a few to show how far we'll go in the next 50 years. Right now, about one-third of our families, in a population of 170 million, have incomes between $5,000 and $10,000 a year. Fifty years from now, with a population of 250 million or so, such an income in constant, present-day dollars will represent poverty; the economy will be measured in trillions, not billions.

Now, all that sounds pretty rosy, and it should be—an immensely bigger pie for every state, city, town and village to cut. It sounds a little like a prediction made by Benjamin Franklin 177 years ago. "The rapid progress true science now makes," Franklin said, "occasions my regretting that I was born too soon. It is impossible to imagine the height to which may be carried in a thousand years the power of men over matter. . . . Agriculture may diminish its labor and double its produce; all diseases may be by sure means prevented or cured, not excepting even that of age, and our lives lengthened at pleasure. . . ."

Then Franklin added this: "O, that a moral science were in a fair way of improvement that men would cease to be wolves to one another, and that human beings would at length learn what they now improperly call humanity."

If that should happen, the year of our Lord 2007 would indeed see the best of all possible worlds come true.

*An address by Mr. Elliott before the 12th Annual Convention of the Association of State Planning and Development Agencies, Louisville, Ky., May 8, 1957.

Joins J. Earle May

(Special to The Financial Chronicle)

PALO ALTO, Calif. — John H. Lowe is now with J. Earle May & Co., 601 Bryant Street.

With Leo MacLaughlin

(Special to The Financial Chronicle)

PASADENA, Calif. — John J. Whittle is now connected with Leo G. MacLaughlin Securities Company, 65 South Euclid Avenue.

Keeping Stockholders Informed To Stop Raids and Rebellion

By A. A. IMBERMAN*
Imberman and De Forest, Chicago, Illinois

Management is advised on how to conduct stockholder-relations, and how to protect itself from stockholder's rebellion and outsiders' attempts to gain control, by distinguished mid-west public relations consultant in the course of revealing the ammunition often provided "for the revolutionaries." Writing to stockholders means writing at their level and keeping them fully informed, Mr. Imberman points out before going on to explain what can be done to keep firms growing—such as the taking on of risk, research, and new blood and ideas.

The many publicized and unpublicized attempts to unseat present management and seize control of companies, have caused a new stirring around director's tables. Other managements have been shaken out of their lethargy and are considering preparing themselves for such sinister contingencies. If they do prepare, what should they do?

A. A. Imberman

In the classic Montgomery-Ward case, the Illinois Supreme Court held that the staggered voting statute conflicted with the cumulative voting provision in the state constitution. Hence the court struck down a protective device which has stood for about 85 years, and is used today by such managements as Armour & Co., Chicago Gt. Western Ry., Deere & Co., Diamond T. Motor Car Co., W. F. Hall Printing Co., Sunbeam Corp., Swift & Co., U. S. Gypsum Co., etc.[1]

There is no point in belaboring the obvious fact that this device has tended to ward off outsiders' attempts to gain control. Until the Montgomery-Ward case, no management protected by this device was ousted—although others have.

In 1952, rebellious stockholders staged proxy contests in 11 companies. In 1953, the number rose to 22; in 1954, there were 27 companies so involved, in 1955 there were 28, and in 1956 there were 30. This year the number may be larger.

Why Outsiders Attack

Under what circumstances do such attacks arise? The author has been intimately connected with four such affairs—either as public relations consultant to the raiding party or the defending force. Certain familiar facts reveal themselves in these situations. Three of these characteristic facts deal with financial matters, and one with company organization.

(1) The defending management has a poor earnings record. This is not poor per se, but poor in relation to some other companies in the industry.

As far as 1956 is concerned, corporate profits after taxes topped 1955, and so did dividend payments. Dividend payments in 1956 charted a pattern of steadily declining gains over the preceding year. The 1956 pattern from the first to the last quarter was: +18%, +13.3%, +8.1%, —3%. However, since profits after taxes for 1956 topped 1955—$21.5 billion against $21.1 billion—dividend payments likewise topped 1955 by a small sum—$10.5 billion against $10.4 billion in 1955.

One would think that this "payout"—almost 50% of earnings—would certainly sweeten all stockholders. True, a 50% payout is far below the 66% or more that used to be considered normal before the war. Still, it is better than the average of 42% for the first six postwar years, and not far below the 53% payout in 1952 and the 51% in 1953. Why the unrest?

The reason for the stewing of stockholders lies in the fact that the oil, mining and utility industries between them accounted for about 90% of the net gain in cash dividends. The oil industry alone accounted for nearly half the net gain. Utilities also had an unusually high payout ratio. Many manufacturing lines did pay more cash dividends — but only modestly more. Many, particularly those squeezed by tighter bank credit, paid out less—e.g., durable goods, industrial machinery and metal products, railroads, furniture and textiles. Merchandising paid out less. All this provides ammunition for the revolutionaries.

(2) Individual stockholders are almost always uninformed as to the reasons for a poor earnings showing, or modest dividends.

(a) The company has been fighting the competition of new developments, new products, new technological methods, or new promotion devices used by competitors. In time, the company will catch up and is sweating towards that end. At the moment, however, the situation is not too convincing to the typical stockholder because the management does not know how to explain — without losing face. In the meantime, specialists in indignation can have a field day.

(b) The company has a modest dividend record because of certain fiscal policies which emphasize growth of book value as against current cash dividends. Cash undoubtedly **is** attractive—else why should it influence any of us? Bear in mind that 53.8% of stockholders in publicly-owned corporations are 50 years of age and older. Half of these are over 60. They prefer cash dividends, even though prudence might dictate larger reserves or less debt. There may be cogent arguments for the more conservative policy, but nobody understands them because the company has made only feeble attempts to present them.

(3) In terms of assets, book value, etc., the defending company is usually very sound.

Ordinary business risks are kept below a conservative minimum—e.g., investment in new fixed assets or new major personnel in order to produce cheaper, better, more efficiently, or to attract new business, is often turned down because of the risk.

Consider so prosaic an item as research. Millions of dollars invested over long periods of experimentation are necessary for the development of important new products. Du Pont spent $43 million over a period of 18 years in developing the dyestuffs industry in the United States before the profits offset the accumulating losses. Nylon required an expenditure of $27 million in a 12-year period before the sale of the first pound which was made in a commercial unit.

In the case of the "Disposall" for disposing of kitchen waste, the **General Electric Company** required 19 years after the commencement of its research on the project before an over-all profit was shown. Some research departments experiment almost **ad libitum**. That these technological projects involve great risks is indicated by the fact that only one out of 20 research undertakings strikes any pay dirt.

Research need not be as heroic as the aforegoing. Many smaller companies carry on some sort of informal search for new products in order (a) to hedge against a decline in one line, (b) to level off some of the seasonal peaks, or (c) to hedge against cyclical fluctuations. This takes cash — and risk. A company which takes no risk is in time, not a going concern, but of no concern. In the process, the company's balance sheet may be beautiful, but that is an anomaly only if the rest of the situation is not understood.

(4) The defending management is almost always a tight organization, with a highly developed sense of hierarchy.

Promotion in such companies goes virtually by seniority alone, and hardly ever is anyone brought in from the outside. The organization has a fear of imaginativeness—"**This** can be done because we have always done things **this** way; **This** can't be done because it would be new for us." Decentralization is not characteristic of this kind of company—either of operations or policymaking.

This sort of situation was fairly harmless up until about 1951. But times have changed. Operating costs have been rising since war's end. Until recently, it wasn't hard for top management to cope with the sales problem—volume was expanding, demand was strong, and it was easy to pass costs along to the buyers so as to restore profit margins. Rising raw material prices sometimes helped out, generating "inventory profits" to swell yearly earnings. No great genius was required in many organizations to show rising profits. Under those circumstances, a rose could be grown from turnip seed.

All this is changed now: no more sellers' market, no more "inventory profits." The new setting is keen competition, with price cutting in the news. Under these circumstances, an atom of company progress represents some man's bitter toil. Imagination, daring and resourcefulness are the cardinal factors today, but such items are not characteristic of authoritarian companies.

* * *

Some Seek Diversification

I have encountered no company which possesses all of these characteristics, despite the fact that the reader might think of some companies which exactly fit the complete pattern. Many companies exhibit a good number of such characteristics, and hence have good reason for worry.

The raiding parties need not be pirates, "financial manipulators," or virtuosi of sharp practices. Nor need they be highwaymen taking their toll of American commerce —although they may be all of that. Quite often the raider is one of the multitudinous disguises of another company — seeking diversification, and finding that such a raid is the only way it can get what it wants. Sometimes the raider is a key attorney with industrial connections which can make good use of other companies. Other times the raider may be a normal, educated, well-disposed and enlightened executive who sees an opportunity to expand his own company and augment his own power.

What can present managements do about protecting themselves?

Nothing Is Beyond Remedy

(1) A poor earnings record can be explained, and can be corrected. I am not referring to corn-cures and shin-plasters, or hortatory bulletins to the staff. Corrective action means a spell of self-searching, action, perhaps serious overhaul of the manufacturing or distributive process, a new advertising agency, a new research department head, a new program of supervisor training, a new line of products. Nothing is beyond remedy, not even the way of a man with a maid.

Alert comapnies try everything to jog their markets. Manufacturers have been experimenting with color to move products. Autos during the last three years are some of the results of such tinkering. In 1941, black cars made up 26% of the total sales of one typical manufacturer. Today, black has skidded to 7%; blue, gray and green make up better than 80%—and more cars are being sold by the forward looking companies. Incidentally, more pigments are being sold, too.

In kitchen housewares, the 1942 favorites were white, black, red and green. Zealous sales managers, hunting for new sales angles, promoted new colors. This year, the sales of one fairly high-quality line showed nearly 65% of volume in pastel yellow, pastel blue, pastel green and pastel pink. This producer is rapidly increasing his share of the market.

Alert companies which have new products but no known brand names, hitch on to well-known names. This is nothing new. Fruit of the Loom, 100-year-old textile converter, has been licensing manufacturers to make products carrying the Fruit of the Loom name and guarantee since 1923. **Walt Disney Productions** has done it since 1923 with spectacular results. How many items have Hopalong Cassidy, Roy Rogers, Gene Autry helped sell? A management aware of what it needs in the way of merchandising aid, can usually find the necessary elements, provided there is an honest effort to grapple with the realities of the situation.

The overall producers, once in trouble, developed a whole new market in western apparel and jeans, complete with the proper rivits for adolescents. None of this was accidental.

Two aggressive companies shamed fatties into using low-calorie dietetic foods, and set the stage for new products. Packing fruit in water—without sugar—for people on low-calorie diets, has now become a big business for some food-packers. One soft drink manufacturer brooded over that trend—and then developed sweetened, sugarless ginger ale which

Continued on page 33

*An address by Mr. Imberman before the Foundation for Management Research's annual trustees' meeting, Chicago.

1 When Louis E. Wolfson maintained in his court suit that voting procedures for staggered election of directors were illegal, Sewell Avery cited 142 companies listed on the New York Stock Exchange which do likewise. The subsequent decision by Circuit Judge Harry Fisher of Chicago and later by the Illinois Supreme Court, has now not only cast doubt on the boards of directors of a good number of Illinois corporations, but also set legal precedent for similar action against important companies in Pennsylvania, Nebraska, Missouri, West Virginia, South Dakota, North Dakota, Montana, Mississippi, Kentucky, South Carolina, Arizona, and Idaho. These latter states followed Illinois in enacting laws permitting staggered terms for directors, while they have a cumulative voting provision in their basic law.

THE MARKET . . . AND YOU

By WALLACE STREETE

The formidable overhead resistance kept the stock market generally stalled this week with the inevitable handful of wide movers furnishing the features in otherwise drab sessions.

The Du Pont Ruling

Du Pont was a bit erratic when the Supreme Court labeled its 23% interest in General Motors an anti-trust violation. Although a good bit of du Pont's attraction at times has been the prospect of a spinoff of this 63,000,000-share bundle, the stock reacted after the initial strength and was among the more determined casualties occasionally.

* * *

Some of the early elation was traced to a belief that a court-ordered divestment would avoid any capital gains tax on the 100-fold increase in value since it was acquired in World War I days, for around $25 millions. Tax authorities were quick to point out that this was an erroneous interpretation. The GM bunble is about equal to 1.4 shares for each of the du Pont shares outstanding.

* * *

Motors gave ground slowly but rather steadily, including General Motors, but the retreat was general and not noticeably connected with the du Pont ruling. The fact that there has been no spring upturn in new car demand, officially admitted by the auto makers, and that sales were even slowing down earlier in the model year than usual, was the depressing factor.

General Motors Chief Victim

Most of this year's decline in auto sales has been at the expense of General Motors. That an extensive revision of the GM styling is in the works, and the fact that 1958 will be the 50th anniversary of the colossus with a good showing more or less mandatory, made GM a preferred issue for next year's results. There wasn't much rush to load up yet, however, because the dour figures of this year are still to arrive and there is also a bit of speculation around that redesigning the lines drastically might entail some additional financing.

* * *

While oils generally were the favorites more times than not, new financing is not greeted very enthusiastically by the market and Kerr McGee Oil was notably easy when it moved into registration with $20 million in debentures and 225,000 shares of additional common stock.

IBM Drops Below $300

International Business Machines both showed the effects of its large financing and the trim recently when the stock went ex-rights with a rather large price tag of above $8 for the rights. It brought the price below the $300 level which is novel territory for IBM. This issue, well larded through the years with stock payments, hasn't been available below the triple-par line since 1954. The rights are about to run out so the weight of the financing ought to be lifted shortly.

Aircrafts Well Deflated

Aircrafts have been well deflated recently, finding occasional support for a change this week, and to many are approaching, if not actually at, a bargain table level. Disarmament talk, economy waves in Washington and the new stress on the rocket lads have all combined to chill enthusiasm for the plane makers. The issues in the group were prominent not only in posting new lows but doing so repeatedly.

* * *

But the big outfits in the airframe business have not overlooked the rocket and missile fields and Martin Co., for one, is an important factor in missile work. Northrop Aircraft, which found profits slashed more than in half when one major contract ran out, made a rather distinct turn in stepping up its work on its long-range missile which is operational to where the Air Force is organizing a squadron based on this single missile, the Snark.

* * *

Boeing, also among the easier items despite official assurances that conventional planes are not to be scrapped in wholesale lots for the foreseeable future, has developed its own missile, the Bomarc. In addition, its civilian business runs close to a fourth of total backlog and should be a big contributor to profits in the next few years. Douglas also is deep in missile work with several models in its arsenal. Even last year the missile business contributed around an eighth of total sales and undoubtedly will increase this year.

Rails Set to Move?

Rails had their followers, largely because of the generous yields available, but they were a tight-knit group and so far the expected upsurge by the carrier shares, to bolster the industrial assault on a new record peak, is among the missing facets. Rock Island with a 7½% yield, Illinois Central with a better-than-7% yield and a dividend covered at least twice over by earnings for the past half dozen years, are examples of quality issues with far above average yields. An early freight rate increase and favorable comparisons this summer with last year when loadings were hurt by the steel strike could be the sparks to set off the group.

* * *

Union Oil of California was among the more popular items in the favored oil group. Despite its new high postings, it has yet to attain the 70 level where the large bundle of debentures held by Gulf Oil starts to become convertible. The company is a leading factor in efforts to unlock the fabulous reserves of oil held in shale fields and production from shale is expected to be started this year by a new plant in Colorado.

National Distillers "Chemical" Attraction

Chemicals have had their occasional troubles, except National Distillers which has been an item more of neglect than anything else. The company was recently renamed National Distillers & Chemical to stress the changing nature of this second largest company in the liquor business. Company estimates are that by next year some 60% of profit should come from its "chemical" and metal lines, including a zirconium plant about to be completed and a titanium plant also underway. Last year the chemical and metal end finally reached the level where it provided a third of net and definitely made the company a chemical factor. The stock, however, has yet to carve out a range of as much as five points although it is well above the lows of the last five years but still struggling to reach last year's peak.

Eastern Corp. High on Yield Ladder

Papers have been well deflated from the lofty levels of recent years, including Eastern Corp. which has been available at around 10 points under last year's peak which is a considerable slash in an issue in the $20-$30 bracket. Earnings have been rising steadily and the financial position is strong. In fact, equity per share is well above $40. Earnings projections indicate that the dividend will be well covered this year and the company habit of conserving funds and larding the cash payment with a stock dividend will probably be followed again this year. It looms high on the yield ladder.

[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.]

Railroad Securities

By GERALD D. McKEEVER

A Survey of First Quarter Railroad Results

In the light of the generally depressed level at which railroad equities are selling it is interesting to note that a substantial proportion of the roads have not been doing badly at all this year. This is indicated by the following tabulation of selected data covering operations of 43 Class I roads for the first quarter of the current year in comparison with the first 1956 quarter. Of this group, 20 roads achieved an improvement in earnings as shown in the extreme right-hand column headed "Earned per Common Share" for the two respective periods. The other 23 roads covered in this survey did not do as well. The series of operating ratios detailed in each of the first four columns shed considerable light on the reasons for improvement in earnings or otherwise. In the latter case the reason is so general as to be epidemic, and is summed up in the inability of these roads to hold traffic and revenues at a level sufficient to absorb higher costs.

This situation is made clear in the first three columns which, from left to right, express (1) Pre-Tax Operating Margins; (2) Total Operating Expenses; and (3) Transportation Ratios in terms of percentages of gross revenues in each case. The Pre-Tax Operating Margin reflects the proportion of gross revenues that is carried through after deduction of all expenses except Federal income taxes and is thus an accurate measure since it is not subject to the wide vagaries in net income that result from tax credits for one reason or another. The Operating Expense Ratio in the second column is to a large extent the inverse of the Pre-Tax Margin in that it relates direct operating expenses to gross revenues. It does not completely complement the Pre-Tax Margin in that the two do not add up to 100% because the latter reflects the deduction of local taxes, net equipment hire cost and other items not included in direct operating expenses.

The Transportation Ratio is always to be considered in an examination of this kind since it can not be manipulated as a temporary expedient to alleviate a narrowing of the profit margin and it is thus a true reflection of cost conditions at any time. The Maintenance Ratio, on the other hand, can be so dealt with but it is interesting to note that there is little evidence in the present study that this expedient has been resorted to. In the case of the "Coast Line" the rise in the Transportation Ratio is approximately matched by a decline in the Maintenance Ratio but, because of the relatively high level at which maintenance has been charged by this road for a long time, some easing could conceivably be in order. In the case of the North Western the reduction in the maintenance ratio was accompanied by a much sharper drop in the Transportation Ratio and both are believed to be due to more efficient operation. A simultaneous decline in both ratios was also shown by the New Haven. Some question may be raised, on the other hand, in the case of the Lackawanna.

Our conclusion consequently is that, for the most part, the decline in net incomes, where such has been the case in the first quarter of this year, has not been cushioned to any extent at the expense of maintenance and that, conversely, there has been no undue padding of gains in net income where gains have been achieved.

OPERATING STATISTICS AND PER SHARE EARNINGS
FIRST QUARTERS 1957 AND 1956

	Pre-tax Margins*		Oper. Exp. Ratios*		Transport Ratios*		Mainten. Ratios*		Earned per com. share	
	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956
Atchison	14.4	16.6	77.9	76.1	34.7	34.2	35.0	34.5	$0.47	$0.52
Atlantic C. L.	11.6	12.6	79.2	78.6	38.0	35.8	33.1	35.6	1.21	1.51
Baltimore & Ohio	10.4	6.8	80.6	84.0	42.2	42.0	30.6	34.3	1.88	1.37
Bangor & Aroostook	21.0	28.7	70.7	64.9	27.4	24.9	36.6	35.0	2.38	3.50
Boston & Maine	5.4	2.0	80.4	82.6	46.5	47.3	26.0	27.7	§0.54	§1.64
Chesapeake & Ohio	23.7	26.6	71.4	68.8	34.4	34.1	29.9	28.2	1.75	1.88
Chi. & East. Ill.	10.7	12.8	76.3	76.3	38.2	39.5	27.5	26.0	1.04	1.16
Chicago Great West	18.6	20.6	67.7	67.9	31.3	30.7	29.5	30.6	1.66	1.61
Chi., Milw., St. P. & Pac.	4.1	1.6	85.7	87.9	41.4	42.7	35.5	36.6	§0.24	§1.06
Chic. & Northwest	1.6	§12.4	86.2	99.0	46.6	52.0	31.4	38.7	§2.24	§11.20
Chic. Rock Is. & Pac.	8.8	10.6	78.7	77.8	40.0	38.9	29.5	29.8	0.89	1.07
Delaware & Hudson	26.0	26.8	68.7	67.4	33.5	34.3	27.3	25.7	1.20	1.25
Del., Lack. & West.	4.0	6.2	84.3	82.4	51.3	49.6	24.9	25.3	0.18	0.68
Denver & R. G. West.	27.5	29.6	62.8	63.4	30.2	30.5	25.0	24.8	1.49	1.19
Erie RR.	7.7	9.7	79.1	77.6	45.1	44.9	25.6	24.7	0.51	0.67
Great Northern	5.7	3.3	83.8	85.9	38.3	38.9	37.7	39.6	0.57	0.34
Gulf, Mobile & Ohio	7.0	12.4	79.7	74.8	33.9	32.2	26.0	33.0	0.44	0.93
Illinois Cent.	9.9	13.5	78.6	75.9	37.3	26.8	24.1	32.2	1.28	1.68
Kansas City Southern †	31.1	29.3	55.0	57.0	29.1	29.8	20.1	21.1	1.45	1.38
Lehigh Valley	0.4	6.5	87.3	83.2	48.1	46.6	32.1	29.6	§0.42	0.33
Lousville & Nashv.	16.4	20.5	83.1	78.0	37.7	37.2	38.8	34.4	2.18	2.79
Minneapolis & St. L.	13.2	10.8	77.9	81.8	35.5	36.1	29.5	31.3	0.54	0.47
Minn. St. P. & SSm.	4.7	6.6	85.0	84.4	39.6	40.2	36.3	37.3	0.34	0.55
Missouri-Kans.-Tex.	1.3	8.0	83.7	78.4	39.6	40.1	34.7	28.2	§1.89	§0.66
Missouri-Pac.	13.1	14.3	77.0	76.1	37.1	37.2	33.0	32.4	‡2.09	‡2.00
New York Central	5.8	7.3	82.7	80.3	47.9	46.7	27.2	26.3	0.88	1.32
N. Y., Chicago, & St. L.	19.6	22.0	70.1	68.5	37.2	36.2	26.9	26.7	0.93	1.03
N. Y., N. H. & H.	1.6	§6.2	81.3	89.1	45.9	48.3	27.1	31.2	§0.67	§3.89
Norfolk Southern	12.2	9.9	79.2	79.3	31.7	31.6	35.0	35.5	0.44	0.34
Norfolk & Western	26.4	25.3	71.4	72.2	30.3	31.0	35.4	35.7	1.57	1.44
Northern Pacific	8.2	5.8	83.8	84.9	42.3	42.3	32.1	33.6	0.73	0.54
Pennsylvania RR.	5.0	6.0	84.3	83.3	45.6	45.7	31.6	30.7	0.41	0.52
Pittsburgh & W. Va.	25.4	20.9	71.6	75.2	25.0	27.6	31.0	31.5	1.04	0.72
Reading Co.	13.5	15.2	77.0	75.7	40.6	39.8	30.8	30.1	1.61	1.38
St. Louis-San Francisco	9.5	13.0	80.6	78.2	39.6	37.4	30.5	31.1	0.27	0.67
Seaboard Air Line	18.8	20.2	72.7	71.3	33.5	32.3	31.9	32.2	1.09	1.20
Southern Pacific	9.3	9.2	80.0	80.0	39.0	39.1	33.5	33.3	¶1.40	¶1.50
Southern Ry.	22.7	25.0	68.8	66.8	31.0	30.4	30.5	30.0	1.18	1.32
Union Pacific	13.2	13.4	76.4	77.6	34.7	35.6	33.3	33.8	0.74	0.67
Virginian Ry.	55.0	51.0	43.0	47.0	17.9	20.0	22.3	23.5	3.30	2.29
Western Md.	31.1	25.4	68.3	72.6	30.2	32.5	29.4	31.9	3.21	2.08
Western Pac.	15.5	12.2	76.6	79.8	34.5	35.1	30.2	33.2	1.38	1.16
Wisconsin Cent.	6.7	8.7	80.1	77.4	42.6	41.2	29.5	29.4	0.68	1.23
Class I Aggreg.	11.9	12.1	78.5	78.1	39.3	39.2	31.6	31.5	---	---

*Per cent of gross. †Kansas City So. only. ‡On class A stock. ¶Not consolidated. §Deficit.

Hill Richards Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Walter C. Ciejka has been added to the staff of Hill Richards & Co., 621 South Spring Street, members of the Pacific Coast Stock Exchange.

Joins Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Alton V. Maxwell has become connected with Samuel B. Franklin & Company, 215 West Seventh Street. Mr. Maxwell was previously with Kostman, Inc.

Continued from page 4

Our New Kind of Inflation

what appears to be its almost complete insensitivity to economic forces as we learned about them in school. In war or peace, in boom or recession, under tightening money or easing money, whether unemployment be 3% as recently or 17% as in 1939—the wage inflation inexorably marches onward and upward. No economic event has halted it. If, for example, one looks at a chart showing, since the late 1930's, U. S. Steel's hourly employment costs rising ever upward in compound interest fashion, he would be hard put to tell from it when we entered World War II, when that war ended, when we fought in Korea, when we stopped fighting, when business was good, when it was not so good, when the money supply was expanding or when it was not, when population growth slowed down or when it speeded up.

Change in the Economic Framework

All this seems to indicate that we are dealing with no ordinary economic phenomenon to be explained in conventional economic concepts. We have something here that has its origin outside those usual bounds. We have indeed to consider the changes that have taken place in the very framework itself of morals, law and social philosophy within which we in this land conduct our economic activity.

There have been such framework changes and to their brief consideration I now turn. From time to time throughout the history of our Republic the basic attitudes of our people have changed. In due course those changes have been crystallized into Constitutional amendments, new judicial interpretations or basic laws fundamentally altering the economic environment within which people deal with each other and earn their livings. For example, the creation of the Federal Reserve System was the most recent of numerous great experiments in search of a satisfactory monetary system.

In the 1930's our nation fell upon evil days. And as one year of economic hardship followed another, a search for a way out was galvanized. Modification of long cherished ideas came to be acceptable to most people and these modifications were embodied in social, welfare and other legislation aimed at altering the relative positions of the many economic and occupational groups in our society.

One of the specific modifications resulted from the adoption of the Wagner Labor Act which authorized and protected labor monopolies which since have become industry-wide and perhaps, eventually, will become nationwide.

I wish to make it clear that I use the word monopoly only because it is the most objectively descriptive word in the English language of the phrase "exclusive bargaining agent" which is contained in the Act. For once 51% of the voting employes have elected a union as collective bargaining agent, that agent bargains exclusively for every employe in the unit, whether or not he is a member of the union, with respect to his wages, benefits, hours or working conditions. Furthermore, many employers, if confronted by an industry-wide union, have little choice except to go along with an agreement frequently negotiated by others.

Another feature of modern labor relations is important to an understanding of the continuing wage inflation we have experienced. It is that the right to strike enables unions, as an aid to reaching agreement, to impose economic hardship on employers and also on innocent bystanders. And as for the innocent bystanders, every one knows that with our closely interlocked chains of production, the stoppage of production in any one of many key spots can eventually bring virtually all industrial production to a grinding halt.

I have thus briefly refreshed our memories on fundamental changes in the socio-political framework within which we conduct economic endeavor, because as a nation we must either accept our new kind of inflation as a satisfactory way of life or else accept it as a problem to be solved. I know of no problem that can be satisfactorily solved until it is clearly understood and stated, and there is a saying that once a problem is stated, it is half solved.

So I have a suggestion to make. It is one that I even dare, although with some diffidence, to make to those economists delving into the nature and functioning of our unique inflation. It is this: It will almost surely prove futile to try to explain wage inflation exclusively in terms of the usual concepts in the economist's tool chest, such as hard or soft money, supra- or subnormal employment, balanced or unbalanced budgets. They are insufficient tools of investigation because that with which we are primarily dealing in the wage inflation is the nature, the growth and the administration of power—power granted by law, and enjoying public acceptance and support.

Growth of Unions

I have indicated the framework, origin and nature of this power. The statistical record portrays its growth. Labor union membership was less than 3 million in 1933. Since then it has expanded to include about 18 million people who are now covered by collective bargaining agreements. This is more than double the gainfully employed in farm occupations and about one-third of those in all nonfarm occupations.

How this rising power of the exclusive bargaining agents is administered is a simple story of human nature. If you or I had chosen union leadership as a career, I think we would have acted exactly as most honest union leaders actually have. We would find ourselves in a situation where success was to be measured almost solely by the extent to which we were able to obtain ever greater wages and benefits for the employes we represented. We would find ourselves confronted with rival leadership and would feel that if the gains secured for our unions were not as great or greater than those secured by other unions, then we were not doing a good job. Each new gain made by others would automatically have to become the starting point of the gains we next sought. Unless we were successful in obtaining satisfactory gains, we would fear displacement by more aggressive rivals. In this framework it is most difficult for any one union leader to refrain from engaging in this game of leapfrog up the ladder of wage inflation.

It is likewise difficult for individual managements to resist wage demands successfully since long strikes can lead to business suicide. The record is clear, moreover, that industry resistance, long continued, always brings government intervention and an unvarying public verdict that it is better for wage cost to go up than for production to stay down.

Intangible Restraints

While there do not seem to be any tangible limits on this power to compel cost-price inflation, there may be some intangible ones. The power is a great one and the labor leaders who wield it must, therefore, have a care to preserve their possession of it—which is again only human nature. They are aware that the public, of which union membership itself is a large part, does not like price inflation. They may feel that strikes that are too numerous and too long or wage increases that cause too big price increases may provoke public indignation and challenge to their power.

Intangible restraints of this sort may be at work. There is no way to prove it. The only evidence I can proffer is the intense public relation efforts of union officials seeking to exempt wage inflation as a contributor to price inflation, blaming profits instead. I personally find this a bit curious, because aggregate corporate dollar profits in the latest full calendar year of 1956, the largest physical volume year in our history, were no greater than they were in 1950. By contrast, the annual compensation of employes has increased by over $80 billion, or more than 50%, in this same period. Thus the record shows there has been a shrinkage rather than an expansion of corporate profit margins.

Although we cannot measure the effects of any intangible restraints, we can point to the fact that employment cost inflation has averaged out at something like 7 to 8% per annum, and this is what the public appears willing to take without being stirred up too much. With an increase in national productivity averaging somewhere between 2 and 3% per annum, a cost-covering price level increase of some 5% per annum is the inevitable result, although the "slip and give" elasticity of our economy may temporarily obscure or defer that result. As a matter of fact the rise in wholesale prices since 1940 has actually averaged out as the equivalent of 5.2% per annum compounded.

Prospects

Continuous high-speed cost inflation presents many problems to financial managers of enterprises. Some of them, like time bombs, have delayed action results. That only makes them the more serious. Time prevents a full discussion of them here but we did deal with a number of them in the Annual Report of United States Steel Corp. On this occasion, moreover, I am more concerned that adequate analysis of the persistent inflation problem should be stimulated than with how to live happily with the problem.

I do not have any handy solution to the problem. Nor do I think it likely that any good or lasting solution will soon be achieved. We are dealing—as I have noted—with evolution in the framework within which economic activity is conducted. Except under stress of emergency and social urgency, changes in that framework evolve slowly. What else should one expect—or even want—with respect to the composite basic attitudes of 170 million people in their evolving of a viable American Civilization?

And so in our approach to the solution of the problem I would caution against hasty or superficial action. For example, the notion that inflation could be neatly checked by instituting Government wage and price controls overlooks the fact that we have already tried that; and by looking at the curve of wage inflation alone you cannot even tell when control was in effect and when it was absent. On the record, it just does not work. Similarly the notion that this is an old-fashioned inflation where the basic wage cost is spirally bid up by employers "pirating" each other's labor forces overlooks the fact that employers have been vigorously resisting the continuing push on wages, even at the cost of long strikes. Perhaps another insufficient idea, favored by some, is that our new kind of inflation could be stopped by a sufficiently restrictive monetary policy. Such a policy would, of course, have a restrictive influence upon business activity. Well, in that case let's remember that from 1936 to 1940 business was far below peak operations; unemployment averaged 16%—equal to 11 million people nowadays; yet over those same years wage costs inflated 19%. There is no doubt that monetary restraint can check the "demand-pull" type of inflation, and must be relied upon for that purpose. But there is no certainty that "cost-push" inflation can be feasibly restrained by monetary policy alone.

No, I cannot, nor do I even wish to propose at this time, a solution to our grave wage-price inflation problem in America. It has rather been my hope in these remarks to help—if I could—to broaden and deepen a bit our own inquiries into this matter and thereby achieve moral and social convictions with respect to it. For, after all, it is only such self-achieved convictions which are really meaningful in attitudes and actions. I am deeply convinced that it is important for such self-developed convictions and attitudes to be achieved by all thoughtful citizens. They are also the only attitudes to which I am not only willing but glad to entrust national decision in these grave matters.

Now With Daniel Rice

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Donald S. White is now with Daniel F. Rice and Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges. He was formerly with Bache & Co.

Plain Speaking About the Threat of Inflation to Housing

By ALBERT M. COLE*
U. S. Housing Administrator

In defending tight money, government's housing chief tells builders "if present trends should get out of hand and lead us to runaway inflation, we may be living in tents because we won't be able to afford houses." Mr. Cole is sure of housing upturn—though not certain when; opposes direct government homebuilding loans and, in particular, favoring cities as against the many in the expenditure of Urban Renewal subsidies; and repeats offer to private enterprise to propose a private urban renewal program.

This is a time for plain speaking. The views of homebuilders have been brilliantly put forward by George Goodyear.[1] They have had wide circulation. Judging by the press clippings that come to my desk several million people must have read George's statement that in a few years we are going to be living in tents because there won't be enough houses.


Albert M. Cole

I envy that idea of tents because it has a biblical simplicity. The picture conjured up is one we can all understand and appreciate. It brings a problem home to us. Something we cannot ignore.

If housing starts continue to go down, down, down and disappear almost to nothing, I can see where George's gloomy prediction could be right.

Warning Prediction

On the other hand, I have a prediction to make which is equally as gloomy as his, but which presents a different aspect of the picture.

Putting it in one sentence: If present trends should get out of hand and lead up to runaway inflation, we may be living in tents because we won't be able to afford houses.

So far they haven't got out of hand. It is my personal opinion that when the merits of this Administration come to be weighed in the scales of history, this containment of runaway inflation will rank as one of its greatest achievements.

Don't mistake me on this point. I am not claiming that prices are not rising as a result of enormous inflationary pressures. They are. We know they are. In a clipping dated May 25, the headline reads: "U. S. Living Costs Increase Again." Mainly the increase is small percentage-wise, and on examination is due to a rise in some food prices.

Explains Facts of Economic Life

Of course, in an expanding economy, with productivity increasing, some degree of rising prices is inevitable. But that is only a fraction of the story. **The truth is that at the moment we are waging a full-scale defensive war without actually being in a war—and we are doing this and still maintaining our free enterprise system.**

Where else has this been done on such a scale? Or could be done? Open your newspapers and turn to the advertising sections. What you will see are advertisements of a quarter, a half, or sometimes a full page appealing for engineers and technicians for missiles, rockets, atom plants, bomber plants — and there you have the situation, vividly illustrated.

A vast segment of our economy is readying against the threat of war, and almost each day scientific breakthroughs make such preparations more and more costly. A job that cost a half-billion dollars may be out of date next year. And still—despite all this—we retain our freedom.

We retain the right to choose, to run our own businesses.

We retain the right to speak out loud, just as you homebuilders have been doing.

We retain the right to vote.

Although this is a critical period in history none of our rights have been impaired. You can underline that—none.

This is the situation in black and white. Keep in mind there are no constitutional safeguards against the loss of our economic freedom. It can disappear overnight simply by a process of attrition, almost without our knowing it. The Government—or the Congress, or both, can decide to use the taxpayers' money to compete with you directly or indirectly; or to create subsidies or increase them. Nothing in our basic law says that the Government can't get into business. Once you invite or accelerate that trend, we are driving a nail into our own coffins.

Specifically, in my opinion, if we have the Government making direct loans for homebuilding under any guise, we are striking a blow at our economic structure.

Opposes More Housing Subsidies

On the same grounds I am opposed to the provision in the housing bill reported out by the Senate Committee on Banking and currency—along with about a dozen other provisions.

This provision would increase the amount of the Federal grant money contributed toward the ultimate cost of Urban Renewal projects from two-thirds to three-quarters.

We have done some figuring on this, and this is what we have come up with. The proposed increase from two-thirds to three-quarters will apply to presently active projects and in dollars and cents it means that cities that are already assured of their two-thirds will get $108,000,000 **extra.**

But where is this extra coming from? It is coming out of total funds, and so far as we can see now the Congress is going to vote us $250,000,000. Therefore deduct $108,000,000 from $250,000,000 and that is what is going to be available to cities that haven't reached the active project stage. And not only that, but consider what is going to happen in the future. The increase to three-quarters will reduce the **number** of cities benefited. Fewer cities will get more to the disadvantage of the many.

I see no reason to raise the Federal capital grant proportion from two-thirds to three-quarters. It is a step in the wrong direction —in the direction of that attrition all of us must fear.

The urban renewal program is growing by leaps and bounds as it is. We are swamped by applications from all parts of the country, and there is not the slightest indication that the two-thirds contributions has had a retarding effect.

That is one side of the coin. There is another.

On March 26 I urgently appealed to the Congress to raise the VA interest to 5%. Here was a clear case where an economic **imbalance** was severely hurting the home-building industry. I said, and I quote:

"The effect of failure to act promptly on this question will be to knock out a prop from under the housing market at a critical time in the homebuilding season. The effect on home builders will be serious. They will be unable to make firm plans for the rest of the year, and as each day passes, the situation will become more difficult."

I want to repeat the record on that particular appeal because sometimes I run into people who don't recall it. It was made; it was repeated; it was ignored in the Congress. Nothing happened.

Repeats Proposal

A few days ago in Buffalo I said that I would gladly consider — in fact **welcome** — any serious proposal that might lead to more active participation by private enterprise in the renewal of our cities.

I should like to go further.

We have available a demonstration grant fund which is known as 314. The idea back of this fund is that it should be used for down-to-earth, brick and mortar demonstrations.

Down in Fort Worth we have been discussing with builders a 314 remodeling project, a demonstration house that will inspire other property owners.

Of course, there are strings attached to 314, as there ought to be. We have to operate through local government agencies and so on. Yet this fund has great possibilities for government-builder cooperation, and let me say that any ideas you can present for its imaginative use will be studied carefully.

Conclusion

Now let me conclude by stating that I am aware of the pressures that are on **builders.** And I think they understand the pressures that are on **me.** It is not easy to take the long view. Yet when we do take it, this is what we see:

We see a temporary interruption in the most successful, sustained span of years the homebuilding industry has ever experienced.

We see the industry attaining a stature it has never previously held in history.

We see a latent demand of unexampled proportions.

As a result of a multi-billion-dollar Federal road problem, which soon will be underway, we see imminent an expansion of homebuilding that will break all records.

None of us can tell **exactly** when the swing will begin from low into high gear. It could come about next month, this summer, this fall. The potentials are there.

The only thing we can say for certain is that it will come.

It is my intention to battle for housing in the future as I have done in the past. The concept of better housing for the people of our country is not only my first love. With me it is an obsession. Let me say that as long as I am Housing Administrator, builders are free at any time to say and speak frankly: my office is open house at any time. We all have the same ideal in mind—the welfare of the American people.

*An address by Mr. Cole before the Board of Directors of the National Association of Home Builders, Washington, D. C., May 27, 1957.

1 "Commercial and Financial Chronicle," May 16, 1957.

"The Future of Housing"

By KENNETH S. KEYES*
President, National Association of Real Estate Boards

Contrasting the actual rate against our alleged housing requirements, national realtors' head concludes this nation suffers from a housing deficit in most areas—a serious home shortage —and that we were not in danger of over-building. Terming this a matter of serious concern, particularly because it generates many problems, and denying that home building to meet demand is inflationary, Mr. Keyes indicts money managers for making a mistake in curtailing mortgage credit. Cites evidence showing we are at the beginning of an easing in the home credit situation and foresees housing expansion in the near future.

With almost 32 years of rather successful real estate experience under my belt, I do not offer the predictions of the future trend in real estate with the same degree of confidence that I so exuberantly displayed in my early years.


Kenneth S. Keyes

In that great segment of our commerce which produces, finances, and markets the homes, stores, offices, and factories of our nation, I do feel that there are certain trends that seem to give us a reasonably reliable guide as to what we may expect in our business in the years just ahead.

Home Demands Will Expand

First of all, the future should bring strong and expanding demand for the principal commodity with which our business is involved—homes. Evidence of the present strength of this market is to be found in the low—and declining—rate of residential vacancies, coupled with the highest rate of personal income in our history with employment at a record level. We feel that there is every indication that this present demand will expand vigorously in the years to come. New households have been coming into being at the rate of about 900,000 a year since 1950. Projections by the Census Bureau indicate that this rate of household formation will substantially continue until 1960, and then enter into a decade of still higher rates.

Expansion in the general economy should bring a commensurate growth in the market for homes and real estate of all kinds. Gross national product, now at a peak of $427 billion, is expected to reach a volume of $550 billion or more by 1966. Man-hour productivity is calculated by the Federal Reserve Board to have increased at an annual average rate of 3½% over the past decade, compared to the 2½% rate of increase of the past quarter-century. An increase in disposable personal income of as much as $100 billion by 1965 is being predicted by some economists, by which time our labor force is expected to be 80 million, compared to its present level of about 70 million.

The savings habits of the American people appear favorable to a broadened market for homes. Annual personal savings for this year, based on figures for the first quarter, are running at a seasonally adjusted annual rate of $20.5 billion, which is 6.9% of disposable annual income after taxes. Personal savings, both in volume and in percentage of net disposable income, are greater than they were in the two greatest home producing years in our history, 1950 and 1955, although we do not now have the abnormal accumulation of savings that piled up while we were at war.

In taking the view that as our national economy advances in the future the home market will move with it, I am perfectly aware that in the present era of economic expansion this has not been the case, due to the managed curtailment of home-buying credit. We can regard this circumstance only as a serious temporary distortion that need not and should not continue. With 900,000 new families being formed each year, with the housing inventory being reduced by some 300,000 dwellings annually through demolitions, condemnations, disasters, structural conversion of buildings, and other means, we have a basic new demand for about 1,200,000 dwellings a year. With vacancies steadily declining, with rising incomes and high levels of employment creating a strong demand for new and better homes, we feel that it is a matter of serious concern that home production has been permitted to fall from its 1.3 million unit rate in 1955 to the seasonally adjusted annual rate of only 880,000 units that prevailed in March.

Since Jan. 1st, I have personally visited key cities in more than 20 states and have discovered only 2 or 3 cities where they appear to have built more homes than the market can presently absorb, and even in these cities the over-production is limited only to homes in certain price brackets. I believe we can safely say that we were not in danger of over-building—that the curtailment of mortgage credit which some of our money planners must have felt was necessary to prevent a surplus of homes, was indeed a mistake and that it has actually produced in most areas a housing deficit—a serious home shortage.

Apathy Can Invite Socialism

We learned the hard way in the early postwar years that shortage is the scourge of our housing economy. It generates many problems, but solves none of them. Pressures resulting from new shortages may take the form of specialized proposals for housing those of middle income, the aged, minorities, married college students, and so on. If Realtors, builders, and mortgage men are complacent about the present inadequate production of the commodity that is our chief stock in trade, they will simply provide a beachhead for socialistic opportunists in the housing field.

The near future, I believe, will see a reaction from the trends of recent months that will permit our private housing economy to move ahead in step with the general economic trend. In fact, such a necessary change is already taking place. It is becoming more widely recognized that home production to supply a definite demand is not inflationary, but is in fact just the opposite. Home buying is a form of thrift, a plan of savings. A high volume of home buying is a civic benefit—a factor of strength in the basic well-being of our people and in the undergirding of our American way of life.

It was a mistake to assume that the basic production of homes served a secondary sort of de-

*An address by Mr. Keyes before the Southeastern Clinic of the Mortgage Bankers Association of America, Miami Beach, Florida, May 16, 1957.

mand—something that could be readily postponed or considered as a "counter-cyclical" device by economic controllers.

It is also becoming much clearer that any danger of over-production of housing in the decade ahead is remote—the rate of new household formations, the rate of current depletion of the housing inventory through demolitions, and the fact that we still have hundreds of thousands of occupied dwellings in this country that are not fit to live in, all combine to indicate an increasingly strong demand for homes in the year ahead.

Eased Home Credit Situation

With these factors becoming more apparent, we see the beginning of an easing in the home credit situation. There has already been some lessening of discounts on FHA 5% mortgages. The modification of the Federal Home Loan Bank regulations to permit member banks to purchase loans originated by other Associations has helped in certain areas. The compromise bill passed by the House a week ago provides for a very substantial reduction in FHA down payment requirements and authorizes Fanny Mae to increase its capacity for the purchase of mortgages by an additional $1\frac{1}{4}$ billion. Therefore the near future seems to offer the removal of many of the controls that have kept housing from keeping step with other key industries in our expanding economy.

In looking to the future of our housing economy, it is clear that we need to increase the volume of low and moderately priced rental housing. I am convinced that we can do this through a sound use of the urban renewal program carried out with a major emphasis on conservation. Complete clearance and redevelopment as a means of eliminating our worst slum areas will of necessity be limited in its application because of its tremendous cost. However successful complete demolition and rebuilding may be in bringing about structural changes, it is not likely to produce a significant volume of low-priced rental housing because of the steadily mounting cost of new construction.

The true destiny of the urban renewal program, as we see it, is to convert obsolete residential areas to modern attractiveness and livability through a process that will depend primarily on modernization and rehabilitation of existing structures in areas where this can be coupled with a moderate amount of demolition, eliminating only those structures that are unfit for rehabilitation or that obstruct the urban renewal program. We recommend that this be combined with some municipal improvements to bring the neighborhood environment up to today's standard.

* * *

Wants Increased Money Supply

Another important development to be expected in the near future of our industry, I believe, will be the facing of the fundamental problem of money and credit that concerns us so greatly today. Our Association has heartily applauded President Eisenhower's proposal for a National Monetary Commission to make a thorough-going analysis of the adequacy of our monetary and credit structure. Whether such a study comes about through this proposal or through some alternative to it, it must and will come. And with it will come a facing up to the problem that confronts us when we have greater demand for credit than can be met under present circumstances. It would be unthinkable for us to continue to permit our economic development to be limited to the scale of our present credit facilities. We must make certain that our mortgage credit facilities of the future match the magnitude of our robust and expanding economy.

Less than a month ago at the convention of the Independent Bankers Association here in Miami Beach, Mr. J. L. Robertson of the Board of Governors of the Federal Reserve System declared: "To provide for the expanding volume of transactions that will accompany growth in total output and employment, the nation's money supply will have to grow."

In the meantime — until these studies can be made, and sound and effective programs can be developed, you and I—be we realtor, builder, or mortgage banker, or all three—will, as I see it—simply have to adjust our operations to the changing situations that confront us. We survived the depression of the thirties when a modest 3-bedroom, 2-bath home could be built for $6,500, and FHA loans cost 6%. We prospered following the end of the Second World War when money was plentiful at 4 and 4%. Now with the backlog of savings that our people were forced to accumulate during the war days exhausted, we are again faced with higher interest rates, and if we keep our heads up and use the ability that God has given us, we will eventually solve the problems that plague us at the money level and be the stronger for having solved them.

Merrill Lynch Group Offers Virginia El. & Power Common Stock

Merrill Lynch, Pierce, Fenner & Beane and associates yesterday (June 5) offered 1,000,000 shares of Virginia Electric & Power Co. common stock at $25 per share. The group won award of the shares at competitive sale June 4 on a bid of $24.21 a share.

Net proceeds from the sale of these shares will be used to provide for construction expenditures or to reimburse the treasury therefor. During the period from Jan. 1, 1952, to March 31, 1957, the company made gross additions to utility plant of $268,800,000 and retirements of $24,200,000, resulting in net additions of $244,600,000. Construction expenditures for 1957 are estimated at $70,000,000 of which $15,000,000 had been expended through March 31.

Virginia Electric & Power Co. is an electric utility operating in most of Virginia and in parts of North Carolina and West Virginia. It also distributes natural gas in Norfolk and Newport News, obtained under a contract with an independent transmission company extending to 1970. Population of the territory served is estimated at 2,600,000; roughly two-thirds of whom reside in communities of 1,000 or more. The principal industries produce tobacco products, ships, textiles, rayon, cellophane, nylon, food products, chemicals, paper, pulp, wood products, metal products, machinery, stone and clay products, trunks and bags.

With First Florida

(Special to THE FINANCIAL CHRONICLE)

WINTER HAVEN, Fla.—Murray E. Goold is now connected with First Florida Investors, Inc., 122 West Central Avenue.

Two Join Ireland

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla.—Harry S. Keck and Vincent G. Newell, Jr. are now with Ireland & Co., Knowel Building.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Ronald D. Green has been added to the staff of Bache & Co., 135 South La Salle Street.

June Graduates Are Advised About Changes Wrought by Automation

By ROGER W. BABSON

Noted New England financial adviser spells-out the consequences of developments in automation for the benefit of June graduates. Envisages as our great problem in the years ahead not that of production but rather consumption.

Skyrocketing labor costs have forced employers to resort to unprecedented technological research. This research is teaching employers that they can get on without many routine workers. Even with the present high employment level, this should sound a warning note to high school and college graduates.

Roger W. Babson

Out of electronics has come the basis for vast new developments in automation. A simple example of what I mean is the "electric eye" which opens doors at the proper moment without being actually touched by anybody. Another illustration is the record-changer and turntable on our phonographs, including the automatic stopping device. Of a more complicated nature are guided missiles that can chase and overtake an airplane without any human guidance.

This same principle of electronics is being applied today to operation of a manufacturing plant by a dozen employees, in contrast to the several hundred formerly needed. And remember that these can be women as well as men since their chief duty will be merely to press push buttons. Labor in general is not aware of the vast extent of the changes ahead. Employers, it is true, will always need human help, but not for a great many present-day jobs. Their requirements will turn more and more toward the intelligence and judgment of graduates with a high I. Q.

New Approach to Warfare

Russia has always thought in terms of massed armies to overrun Europe when the time seemed ripe for an attack. However, with the Free Nations of Europe learning to use nuclear weapons, wars are swiftly moving onto a push-button basis. The great masses of Russia, China, and the Moslem nations will be only a nuisance to clutter up a battlefield under such conditions. Premier Nehru recognizes this, and that is why he is so eager to remain neutral. Electronics and the atom will cause tremendous changes not only in warfare—but in education!

I envy our young people who are to graduate this month. They will have far more opportunities than we oldsters had. I wish the schools and colleges would wake up to these changes. Better pension off the professors who can teach only the orthodox old-fashioned courses, instead of forcing these courses on our young people so that they can get a degree.

Character Will Tell

I predict that the above changes will mean that young graduates will need good character more than ever before. Better training in homes, churches, and schools will be absolutely essential in this new electronic push-button age. Wise are the young people who take evening courses now to prepare them for the better jobs ahead.

The typical salesgirl is in the process of becoming obsolete. Before long she will be replaced 60% by self-service counters, 15% by push-button vending machines, and 25% by highly paid, intelligent salesmen whose job will be to secure new customers. New qualifications are a must for the June graduates who hope to get good jobs. The field of advertising and selling is still in its infancy, and marvelous opportunities exist for those willing to train properly for it.

What the Changes Mean

(1) Manual and routine labor will gradually become obsolete.

(2) Those who cannot readily learn new skills will be kept on at reduced hours, but with the same take-home pay. This will boost the Do-it-yourself industries!

(3) Only the serious and intelligent employees will get raises. There will be no limit on salaries for those with the necessary character, brains, initiative, and loyalty.

(4) Our great problem will not be to raise crops, build homes, or manufacture goods — but to get people to buy. Hence, instead of subsidizing farmers, we may eventually subsidize merchants and salesmen.

(5) I advise young men to become expert machinists instead of lawyers, trained outside salesmen instead of inside pencil-pushers, and after graduation to attend night school to prepare for the NEW AGE.

Kelly-Yearick & Co. Forming in Sunbury

SUNBURY, Pa.—Kelly-Yearick & Co., is being formed with offices at 701 Market Street to engage in a securities business. Lee H. Yearick, a principal of the firm, has been associated with Theron D. Conrad & Co., Inc., as sales manager.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

James F. Oates Jr., has been elected a member of the Board of Directors of **The Chase Manhattan Bank, New York**, it was announced over the week-end by John J McCloy, Chairman of the Board.

* * *

James F. Fox has been appointed Assistant Director of public relations and advertising of **The Chase Manhattan Bank, New York**, George Champion, President of the Bank, announced on June 5.

Mr. Fox will be associated with Crawford Wheeler, Vice-President and Director of the Bank's public relations and advertising department.

* * *

The Chase Manhattan Bank, New York on June 3 opened a new branch in the Bronx at 121 East 170th Street.

The new branch gives Chase Manhattan a total of 94 banking offices in New York City: 36 in Manhattan, 35 in Queens, 15 in the Bronx and eight in Brooklyn.

Philip Burns is Manager of the new branch and Stephen Dinga is Assistant Manager.

* * *

The opening on June 3 of the New Fifth Avenue Bank Office of **The Bank of New York** at Fifth Avenue and 44th Street, recalls the famous old brownstone on the same corner which housed the first bank ever to actively seek women's accounts and which later served as the locale for J. P. Marquand's "Point of No Return."

Before the turn of the century, when woman's place was in the home and it was considered almost unladylike to know anything about business or money, the **Fifth Avenue Bank** (which became part of The Bank of New York in 1948) shocked conservative New Yorkers by deliberately seeking the patronage of women.

It did so, according to Bank Spokesmen, with a thoroughness and continuity unmatched in the city.

The man largely responsible for this attention to the fair sex was A. S. Frissell, President of the Bank from 1885 to 1916.

* * *

William F. Oliver, President of the American Sugar Refining Company, was appointed a Director of **City Bank Farmers Trust Company** at the Board meeting on June 4.

* * *

Francis R. St. John has been elected a Trustee of the **Flatbush Savings Bank, Brooklyn, N. Y.**

* * *

A plan to merge **The Freeport Bank of Freeport, N. Y.,** into the **Long Island Trust Co.,** has been announced to John J. Randall and George L. Hubbell, Chairmen of the Boards of the two banks. Subject to approval of the stockholders of both the banks and of state and Federal authorities the merger will result in a banking institution with total resources of over $65,000,000 and deposits totaling more than $58,000,000.

The terms of the merger agreement approved by both boards provide for the issuance of 1.6 shares of Long Island Trust Co. stock for each share of Freeport Bank Stock.

Ralph W. Taylor, President of the Freeport Bank, will be Vice-President of the Long Island Trust Co. and will continue as Chief Executive Officer of the Freeport office.

* * *

Irving Reynolds a Vice-President and Secretary of the Board of Directors of the **Chase National Bank, New York** from 1942 to 1947 died in Mount Vernon, N. Y. on May 30. Mr. Reynolds was 59 years of age.

* * *

Buffalo Industrial Bank, Buffalo, N. Y., was given approval to increase its Capital Stock from $781,250 consisting of 78,125 shares of the par value of $10 per share, to $937,500 consisting of 93,750 shares of the same par value by the New York State Banking Department.

* * *

The **Colonial Trust Company of Waterbury, Conn.,** plans to acquire the **Naugatuck National Bank of Naugatuck** under a merger proposed by directors, subject to approval of stockholders and supervisors.

* * *

Montgomery Norristown Bank and Trust Company, Norristown, Pa., and **The Penn Valley National Bank of Hatfield, Pa.,** merged under charter of Montgomery Norristown Bank and Trust Company and new title **Montgomery County Bank and Trust Company,** effective May 20.

* * *

The National Bank of Smyrna, Smyrna, Del., with common stock of $100,000 was merged with and into **Equitable Security Trust Company, Wilmington, Del.,** under the charter and title of "Equitable Security Trust Company," effective May 6.

* * *

First National Bank of Delray Beach, Fla. increased its common capital stock from $150,000 to $200,000 by a stock dividend and from $200,000 to $300,000 by the sale of new stock, effective May 22 (30,000 shares, par value $10).

* * *

Robert A. Vineyard was elected President and director of the **United States National Bank of Galveston, Tex.** effective July 1, succeeding R. Lee Kempner, who was named Chairman of the Executive Committee. Don P. Doyle and J. E. Meyers were also elected senior Vice-Presidents and directors.

* * *

The Bank of Douglas, Phoenix, Ariz., is offering to holders of its Common Stock of record at the close of business May 28, rights to subscribe at $14 per share to 160,000 shares of Common Stock at the rate of one new share for each two and one-half shares held.

Rights to subscribe, evidenced by transferable Subscription Warrants, expire on June 14.

On March 31, the Bank's capitalization consisted of $2,000,000 of Common Stock divided into 400,000 shares of the par value of $5 per share. Upon issuance of the additional 160,000 shares of Common Stock offered, the Bank's Common Stock will be increased to $2,800,000 divided into 560,000 shares of the par value of $5 per share.

The entire amount of the $2,240,000 anticipated to be received by the Bank from the sale of the 160,000 additional shares of the Common Stock will be added to the capital funds of the Bank, $800,000 to Capital Stock and the remainder to Capital Surplus, except that portion of the purchase price of the assets of the Farmers and Stockmens Bank not properly allocable to the purchase of specific items.

* * *

The appointment of Gerald A. Mokma, as customer relations representative of **The First National Trust and Savings Bank of San Diego, Calif.** has been announced by the bank's President, Anderson Borthwick.

* * *

The Pajaro Valley National Bank of Watsonville, Watsonville, Calif., with common stock of $250,000, was merged with and into **Pajaro Valley Savings Bank, Watsonville, Calif.,** under the charter of the latter and under the title **Pajaro Valley Bank,** effective April 26.

* * *

The Canadian Bank of Commerce, Toronto, Canada, announced on June 5 that Peter Hunkin, formerly Chief Inspector of the Bank, has been named Assistant General Manager - Personnel, and is succeeded as Chief Inspector by R. D. Isaac, who has been an Inspector at the Bank's British Columbia Regional Office at Vancouver.

Mr. Hunkin, 30 years with the Bank, has served in a number of Ontario branches and for three years was Assistant Manager of the Bank's main Ottawa branch. Appointed as Inspector at Head Office in 1953, he became Assistant Manager of the Personnel Department in 1955, until his appointment as Chief Inspector.

Mr. Isaac joined the bank in 1921 and served in various Saskatchewan branches. He was in the Superintendents' department at Regina, Winnipeg and Montreal before being assigned to Vancouver.

G. A. Mark, who has been an Inspector at the Bank's Head Office, has been transferred to the British Columbia Regional Office at Vancouver as Assistant Superintendent. Mr. Mark joined the Bank in Ontario 20 years ago, was assigned to the Head Office Credit Department in 1950 and for the past two years has been an Inspector, attached to the International Region Staff.

* * *

The Virgin Islands National Bank, Charlotte Amalie, St. Thomas, Virgin Islands, has become a member of the Federal Reserve System, effective May 31. The capital of the bank is $200,000 and its surplus $200,000.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates on June 4 offered $2,550,000 of Central of Georgia Ry. 5% equipment trust certificates, series D, maturing semi-annually Dec. 1, 1957 to June 1, 1972, inclusive.

The certificates are scaled to yield from 4% to 5% according to maturity. Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The issue is to be secured by 250 covered hopper cars and 5 Diesel - electric road switching locomotives, estimated to cost $3,210,698.

Associates in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Freeman & Co.; and McMaster Hutchinson & Co.

New Orleans Bond Club Elects

NEW ORLEANS, La. — The Bond Club of New Orleans on May 30 elected the following new officers: William C. Hildebrand, White, Hattier & Sanford, President; William Abroms, Kohlmeyer & Co., Vice-President; and Parks D. Pedrick, Jr., Howard, Weil, Labouisse, Friedrichs & Co., Secretary-Treasurer.

Mexico's Prosperity Cited by U. S. Banker

American Trust Co. executive reviews Mexico's economic conditions and prospects, and praises government's financial wisdom. Mr. Dickhuth finds stability of Mexican politics and economic management attracts foreign investors.

Sound fiscal policies of the present administration beginning in 1955 attracted record foreign investments and created general prosperity in Mexico, it was reported May 27 by H. Eugene Dickhuth, Vice-President of the American Trust Co., who just returned from an information tour of Mexico and other Central American countries where he interviewed government and banking officials.

H. Eugene Dickhuth

Writing in the first issue of the bank's new monthly publication, "Viewpoint," after attending the 23rd convention of the Mexican Bankers Association in Veracruz, Mr. Dickhuth revealed foreign investments in Mexico now exceed $1 billion (U. S.) with last year's increase at $89 million, or 15% more than 1955.

"The bulk of the investment funds came from the United States." Mr. Dickhuth pointed out.

Trade missions and exhibits from France, Italy, Canada and the United Kingdom have been vying for the attention of Mexican businessmen there recently, he said.

Foreign investors were attracted by continuing evidence of stability in Mexican politics and economic management. "Last year saw an increase of $60 million in foreign exchange reserves," Mr. Dickhuth reports.

Gold and dollar reserves of the Banco de Mexico stood at $604 million on Dec. 31 and were $441 million on April 28, following a normal seasonal decline. The government closed the year with a budgetary surplus of 296 million pesos, or $23.7 million.

Government's Financial Wisdom

Although credit is generally tight industrial production continues at a high rate. Official Mexican estimates, quoted by Mr. Dickhuth, place the gross national product at 96 billion pesos in 1956, compared to 85 billion pesos in 1955.

An indication of the general expansionary trends of Mexican industry is found in the rise of bank credit of about 12% over a year ago. Particularly agricultural loans are in heavy demand, he noted.

"There was little actual change in the over-all reserve position of the Mexican banks," he wrote. "This position was maintained despite a large increase in imports which left an unfavorable balance of trade of $220.7 billion for 1956. This was easily covered by net receipts of $283.6 million from tourism and border trade."

He concluded that these figures leave no doubt as to the financial wisdom of the central government despite complaints that money has been kept too tight, Mr. Dickhuth commented.

Manufactured goods output rose 11.4% last year, according to official estimates. In the consumer goods category alone, the "Viewpoint" editor stated, the gain was reported at 7.5%.

Included among individual industries which showed increases of 25% and more over 1955 were electrical equipment, railroad cars, glass, paper and cellulose, radio and TV and aluminum products, according to Mr. Dickhuth.

Preliminary surveys of business activity for the first quarter of 1957 show that in the first three months of this year appreciable gains will be recorded over the first 1956 quarter and in the output of nearly all types of producer and consumer goods, even in heavy industries.

J. William Kumm With Hill, Darlington & Co.

J. William Kumm has become associated with Hill, Darlington & Co., 40 Wall Street, New York City, members New York Stock Exchange and associate members American Stock Exchange, as manager of their trading department.

J. Wm. Kumm

Mr. Kumm has been in the securities business for more than 25 years and was formerly associated with Coggeshall & Hicks as manager of their unlisted securities department.

He had specialized in sugar securities and more recently has broadened his activities to include all types of securities.

Mr. Kumm is a member of the Security Traders Association of New York.

Hill Darlington & Co. has recently moved its New York office to the new address at 40 Wall Street. B. J. Van Ingen & Co. Inc., their corporate affiliate, underwriters, distributors and dealers in municipal bonds, is expected to make its headquarters at the 40 Wall Street address in the near future. The Van Ingen organization has been located at 57 William Street for more than 30 years.

Elaborate Sports Program at Field Day

Wall Street's golf and tennis champions for 1957 will be determined in tournament play at the annual Field Day of the Bond Club of New York to be held at the Sleepy Hollow Country Club at Scarborough, N. Y. on June 7.

Several hundred of the financial district's top golfers will compete for three Bond Club trophies —the Ex-Presidents' cup for low gross, the Candee Cup for low net, and the Christie Cup for match play vs. par. William H. Todd, II, of Kuhn, Loeb & Co., as Chairman of the Golf Committee, will be in charge of the tournament.

A smaller but equally enthusiastic group will engage in a round-robin tournament for the Bond Club doubles tennis championship. This contest will be directed by Dudley F. Cates of Kidder, Peabody & Co.

A golf clinic introduced last year as part of the sports program proved so popular with Bond Club members that it will be repeated this year with prominent professionals demonstrating the fine points of the game.

Other athletic diversions, including horseshoe pitching and trap shooting, will be open to all bond men attending the outing.

Elmer K. Mason

Elmer K. Mason, member of the New York Stock Exchange, passed away May 22 at the age of 55.

LETTER TO THE EDITOR:

Checkbook vs. Cash Money

Long experience in the investment field and support of Pres. Cleveland's financial policies prompts writer to present his views of the current monetary controversy. Writing from Lexington, Ky., former head of Southern Newspaper Publisher's Association pinpoints the crux of the money-credit problem in the relationship between credit volume and actual cash volume. Mr. Stewart contends we should make ample provision for real cash as the medium of exchange, for we are depending too much on the checkbook without realizing that credit is sound only when there is reasonable prospect that it may be liquidated in cash. Provides analysis of gold devaluation and price level, and of the prospect for new era of expansion.

Editor, Commercial and Financial Chronicle:

When is a dollar worth 100 cents or 47 cents?

One of the country's large financial institutions managing a total of funds approximating in value a billion dollars, in a recent annual report prints a table which highly illuminates a variety of answers that might be made to this question.

Charles I. Stewart

This table, below, shows the dollar worth 100 cents in 1933 and worth 47 cents in 1956. A large group of economists may tell you that this difference in the 1933 and 1956 dollar is inflation and that inflation is a very bad thing and that we should get rid of it.

Actually, the ingenuity of man has not yet devised any means by which the actual value of the dollar at any specific time as compared with another time may be measured.

Money and prices at any particular time are parts of the current economy. A fair comparison of money and prices in 1933 and money and prices in 1956 must also compare the whole economy of these different periods.

The 1933 dollar represented gold at approximately $20 an ounce. The 1956 dollar represented gold at $35 an ounce.

The change in the statistical value of the dollar from 1933 to 1956 was gradual and the movement was not in the same direction at all times.

Dollar Change by Legislative Fiat

There has been no general recognition of the fact that the actual value of the dollar was changed by legislation and executive action rather than by economic movements in the period 1933 to 1938. If all factors that enter into the determination of prices had been in normal balance when the gold content of the dollar was changed, making the new gold dollar worth 75% more in gold than its predecessor, there would have been a corresponding change in the general price level. These factors were not in balance and their gross imbalance makes the 1933 dollar so illogical as a basis for comparison as to be almost fantastic.

The decline in this statistical value of the dollar from 100 cents in 1933 to 91 cents in 1937 represented some progress toward the readjustment of normal factors in price determination and by no means reflected the actual monetary change that had been made. The 1937 scare of the monetary authorities checked these prices of readjustment and raised the statistical value of the dollar back to 93 cents in 1939, where it remained for two years.

By 1940 economic recovery had gained a new impetus and from that time on the dollar constantly has declined in statistical value. During this time we also have had a constantly expanding economy.

If we look at some other columns of the table under consideration, we find that the gross national production of $56 billion in 1933 had grown to $90.8 billion by 1937, but dropped to $85.2 billion in 1938.

In the period 1939 to 1956, when the statistical value of the dollar declined from 93 cents to 47 cents, the gross national production increased from $91.1 billion to $411 billion. In this same period corporate earnings increased from $5.0 billion to $22 billion, and disposable personal income increased from $70.4 billion to $287 billion.

Price Adjustments

The statistical dollar movement from 1933 to 1956 entirely ignores the actual change in the gold content of the monetary unit. When this is considered, much of what we call inflation in prices evaporates. Other normal price factors have not caused a radical upward movement of prices. Prices always rise in periods of prosperity. Everyone with anything to sell is inclined to make the price all that the traffic will bear.

Perhaps the old normal law of demand has been, to some extent, expanding in its effect. Certainly the demand of today is abnormal as compared with the demand of 1928-29, but the supply has increased in relative proportion to the demand. The only limit on demand is the power to buy, and the power to buy depends upon the equitable distribution of the gross national product. It is possible to check this demand to a dangerous extent in an economy in which credit is out of balance with cash.

When Mr. Hoover was preparing his last budget for fiscal 1933-34, his source of income was the government's take from an economy with a gross national product of $56 billion. Mr. Eisenhower is asking for a budget for fiscal 1957-58 nearly 25% greater, as measured in dollars, than the gross national product of 1933. Certainly if the 1956 47-cent dollar is inflation, no man in his right mind would think of even intimating that we return to the economic conditions that gave us the 100-cent dollar of 1933.

Defining the Money Supply

Charts that indicate changes in the volume of money supply show sharp advances in all elements of this supply except actual cash. All alleged money experts are not agreed as to what constitutes the money supply. Of course, there can be no question as to the items "coin and currency." The copper, nickel, and silver coin are real money. The Treasury and Federal Reserve notes are also real money. We have a relatively small amount of the old greenbacks still outstanding against which the Treasury holds an ample reserve in gold, though there is now no obligation to redeem a dollar of this currency in gold.

Some of the money experts add to these items of "coin and currency," bank demand deposits. An overwhelming proportion of our daily commercial transactions is made by check. The check is generally accepted as cash until it "bounces." It is always assumed to be redeemable in cash.

Some of the money experts add time deposits to the money supply and make up their table of money supply to consist of coin and currency, bank demand deposits, and bank time deposits. All of these items now approximate $190-200 billion. In other words, if we include bank time deposits, our total money supply approximates $190-$200 billion.

We have in actual money—coin and currency—slightly more than $30 billion. As the economy expands, the load that must be carried by the medium of exchange continually increases. We may increase our actual base money by additional purchases of gold at $35 an ounce.

Gold production has declined in recent years and our Treasury gold supply has had but slight variation in volume during the last 20 years. Actual money, that is, cash as compared to bank deposit credit, can be created by the issue of Federal Reserve notes which may be authorized by the Federal Reserve Board.

Our banking system places control of the volume of both money and credit in the hands of the Federal Reserve authorities. The Federal Reserve Board can make money easy or tight. We have had experiments with this power under both Democratic and Republican Administrations.

The surge of prosperity that followed the election of 1936 frightened our monetary powers of that period, just as these powers were frightened by what they considered the combined effect of the election of Mr. Eisenhower in 1952 and the early suspension of the war in Korea that followed. Business was going so fast in 1937 that frightened monetary authorities applied the brakes sharply and produced the reaction we had in 1938.

Treasury Long-Term Issues

In 1953 there was again fear that prosperity had become dangerous unless some way could be found to check it. The Treasury sold a 30-year billion-dollar bond issue at 3¼%. Many men well informed as to the money market at that time have no doubt that if this issue had been offered at 2¾%, it would have been oversubscribed.

With specie payment obviously at an end indefinitely, tight money assumed the old role of hard money as the only sound money.

In 1953 the effect was similar, though not so drastic as the effect in 1937-38. In 1937 our economy was only beginning to recover from the depression of the early 'thirties. By 1953 we had accomplished a reconstruction that had great powers of resistance. There was much fear of deflation and much talk of a repetition, not merely of 1938 but also of 1929.

When in late 1955 and early 1956 the economy had been adjusted to a higher interest rate, our monetary leaders began to fear that money rates were not yet high enough and that money was too easy. Consequences have been so obvious as to make superfluous any detailed discussion of what has happened.

Stage Set for Growth Again

Obviously the stage is being set for a new era of expansion adjusted to another advance in the cost of money. Our economy is so vigorous, our powers of production so great, and our demand for an increasingly rising standard of living so insistent that great industrial and commercial activity is practicable within the frame of the current money market. This does not mean, however, that money rates can go on up and up and up without serious economic consequences.

The country is much less frightened than it was three months ago. The pressure for a thorough study of our monetary system has eased materially from the point of view of those who really want an intensive investigation of all factors. The pressure to prevent an adequate study obviously has increased. The vote in the House of Representatives on the resolution authorizing what would have been a thorough study revealed the larger banking interests in effective alignment with the Administration forces to prevent more than superficial study.

Credit is today a much more powerful factor in current economic activities than is cash. Credit must necessarily be an important element. We have found it so easy to do so much business on credit that there may be danger of overlooking the essential relations of cash and credit.

We have developed an extraordinarily efficient credit system, but there is danger in assuming that the demands of the economy for a medium of exchange can be safely met only by extending credit. There is great danger in overlooking the need for the extension of the cash volume.

If credit alone is sufficient, why have actual cash? If actual cash is essential to safety, why not have provision for an ample cash supply?

The crux of this whole monetary and credit problem appears to lie in the relationship between credit volume and actual cash volume. We have a banking and currency system which involves the possibility of almost unlimited credit expansion. We appear to be ignoring the importance of the fact that credit is sound only when there is the reasonable prospect that it may be liquidated in cash. We are failing to make ample provision for real cash as the medium of exchange and depending entirely too much on the checkbook.

CHARLES I. STEWART
Manager
Berwyn T. Moore & Co.
206-207 Central Bank Bldg.
Lexington, Kentucky
May 16, 1957.

ECONOMIC ENVIRONMENT
During the Life Span of Fundamental Investors, Inc.

	Value of 1933 Dollar (Annual Average)	Billions of Dollars		
		Gross National Product	Corporate Earnings After Taxes	Disposable Personal Income
1933	$1.00	$56.0	—$0.3	$45.7
1934	0.97	65.0	1.0	52.0
1935	0.94	72.5	2.2	58.3
1936	0.93	82.7	4.3	66.2
1937	0.91	90.8	4.7	71.0
1938	0.92	85.2	2.3	65.7
1939	0.93	91.1	5.0	70.4
1940	0.93	100.6	6.5	76.1
1941	0.88	125.8	9.4	93.0
1942	0.79	159.1	9.5	117.5
1943	0.75	192.5	10.5	133.5
1944	0.74	211.4	10.4	146.8
1945	0.72	213.6	8.3	150.4
1946	0.66	209.2	13.4	159.2
1947	0.58	232.2	18.2	169.0
1948	0.54	257.3	20.3	187.6
1949	0.54	257.3	15.8	188.2
1950	0.54	285.1	22.1	206.1
1951	0.50	328.2	18.7	226.1
1952	0.49	345.4	16.1	237.4
1953	0.48	363.2	16.7	250.2
1954	0.48	360.7	16.4	254.4
1955	0.48	390.9	21.1	270.6
1956(e)	0.47(e)	411.0(e)	22.0(e)	287.0(e)

(e) Estimated. SOURCE: U. S. Dept. of Commerce.

Northern States Power Co. (Wis.) Bds. Offered

An underwriting group headed by Halsey, Stuart & Co. Inc. yesterday (June 5) offered $10,000,000 of Northern States Power Co. (Wisconsin) 4⅝% first mortgage bonds, due June 1, 1987, at 100% and accrued interest. The bonds were awarded to the group June 4 on its bid of 99.10%.

The proceeds from the sale of the bonds will be used in the company's construction program.

The bonds will be redeemable at the option of the company at prices ranging from 104⅝% to 100%; for sinking fund purposes they may be redeemed after June 1, 1959, at 100%.

Northern States Power is an operating public utility furnishing electricity to an estimated population of 290,000 and gas to an estimated 150,000 population in west central Wisconsin and in southeastern Minnesota. Among the cities furnished with one or more services are Eau Claire and La Crosse, Wis., and Red Wing and Winona, Minn.

Joins Blair & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Jerome S. Sloan has become connected with Blair & Co. Incorporated, 105 South La Salle Street.

With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Konstantin S. Zotos is now with E. F. Hutton & Company, Board of Trade Bldg.

With Lee Higginson

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Elmer L. Carsello has become connected with Lee Higginson Corporation, 231 South La Salle Street.

Joins Lehman Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Alexander E. Kleine has joined the staff of Lehman Brothers, 231 South La Salle Street.

Joins Clayton Secs.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William J. Anderson, Jr. is now affiliated with Clayton Securities Corporation, 79 Milk Street.

With Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard A. Krawczyk is now with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Two With Smith, La Hue

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Harley A. Degen and Harold S. Wippman have become affiliated with Smith, La Hue & Co., Pioneer Building.

Percy O. Dorr

Percy O. Dorr passed away May 20 at the age of 78 after a short illness. Mr. Dorr was formerly head of Percy O. Dorr & Company of Springfield, Mass.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Besides fire-casualty insurance company income from investments, the industry reports in its annual material its gains or (losses) from investments other than the income. Essentially, this consists of realized gains or losses on assets sold during the period reported, plus the mark-up of owned investments, usually to the market or to conventional values. After the 1955 bull market in equities had enabled the companies to pile up very large increases in their equity valuations, 1956 made a showing that fell far short of being commendatory.

Casualty companies, especially, showed up quite poorly in most cases. The reason for this is that the nature of their business requires that they carry a much bigger proportion of their assets in bonds than is the case with the fire units. Or, put in a different way, the casualties deal in risks applicable to the human body, whereas the fires deal in risks relating to property. It is relatively easy for a fire company adjuster to arrive at a loss figure in a claim for fire or extended coverage losses; far less so for, let us say, a compensation case to be adjusted.

An excellent example of the difference between a casualty and a fire company result in this connection comes to us in a comparison of Hartford Fire and its wholly owned affiliate, Hartford Accident & Indemnity. These two enjoy the same outstanding management; but the Accident & Indemnity company has a greater proportion of its portfolio in bonds than does the Fire unit. In 1955 and 1956, Hartford Fire's investment gains were, respectively, $52,797,000 and $2,627,000. The affiliate's for the two years were $9,536,000 and, in 1956, a loss of $949,000. The bond market, in other words, gave the casualty companies a rather hard time in 1956, and the unsettling of the high grade bond list thus far in 1957 continues.

Among the more actively traded insurance stocks, few fire units scored a loss in investment result in 1956; a fairly large proportion of casualty affiliates in fleet setups did show minus signs. But whether fire or casualty, the 1956 results were quite poor when set alongside those for 1955 or, indeed, 1954. Those two years were, for most companies, record years, and it is improbable that they will be duplicated, short of a much stronger inflationary trend in values than is now being experienced.

The accompanying tabulation gives "other" investment gains or losses for 1956, with 1955 for comparison. The data are for parent companies only where a fleet is involved, excepting only Glens Falls; its material is on a consolidated basis.

INVESTMENT GAINS
(000 omitted)

	1955	1956
Aetna Casualty	$17,111	$5,676
Aetna Insurance	8,490	1,253
Continental Insurance	47,546	22,876
Fidelity & Deposit	3,066	325
Fidelity Phenix	46,165	26,085
Fire Association	4,845	—2,278
Great American Ins.	19,400	4,620
National Union Fire	3,142	201
Northern Insurance	3,125	427
Phoenix Insurance	13,112	2,932
Springfield Fir. & Mar.	5,883	1,831
American Equitable	2,035	615
American Insurance	8,447	3,269
Continental Casualty	11,367	12,530
Fireman's Fund Ins.	12,260	228
General Reinsurance	3,530	1,370
Glens Falls Ins.	4,474	1,309
Merchants Fire Assur.	6,022	3,240
National Fire	4,082	1,745
New Amsterdam Cas.	1,989	468
Security Ins., New Haven	369	—330
Standard Accident	1,974	709
American Reinsurance	2,286	629
American Surety	1,068	67
Bankers & Shippers	922	150
Boston Insurance	5,375	664
Federal Insurance	7,908	1,518
Firemen's Insurance	13,328	—6,598
Hanover Insurance	2,733	1,005
Hartford Fire	52,797	2,627
Home Insurance	31,507	5,060
Insurance Co. of N. Am.	64,819	19,259
Maryland Casualty	5,619	130
Massachusetts Bonding	1,168	—561
New Hampshire Fire	3,150	926
North River	3,194	977
Pacific Fire	1,406	243
Providence Washington	665	—1,072
United States Fid. & Gty.	8,118	175
United States Fire	5,784	1,749
Westchester Fire	2,796	702

Walston & Co., Inc. Opens in Honolulu

HONOLULU, Hawaii — Walston & Co., Inc., members of the New York Stock Exchange, has opened a Honolulu office at 119 Merchant Street.

Daniel J. Cullen, Executive Vice-President of Walston & Co., Inc., announces that Richard M. Botts, formerly Secretary of Bishop Securities Co., Ltd. (subsidiary of Bishop Trust Co.) will be resident manager. Mr. Botts has spent 12 years in the securities business (starting with a New York Stock Exchange Member in Honolulu immediately after the war), also was an Investment Counselor with Moody's Investment Service in Wall Street, and until recently, was Secretary of Bishop Securities, Ltd., a subsidiary of Bishop Trust Co.

Walston's Honolulu office is the 51st office in a chain that now stretches from Europe to Hawaii. It is the only New York Stock Exchange member firm to be both in Europe, the continental United States, and Hawaii.

Walston's Honolulu office, connected to the mainland by Radioteletype, will offer their Hawaiian clients fast execution of orders, the vast services of a well equipped Research Organization, daily Market Letters, plus weekly Market Summaries and analysis on individual securities.

Now McMicking & Co.

SAN FRANCISCO, Calif.—The firm name of Mallen, McMicking & Long, 100 Bush Street, has been changed to McMicking & Co.

Continued from page 3

Seven Ways to Prolong Prosperity

husband its resources and reduce expenditures — particularly for highways, dams, and other projects which compete with the civilian economy for labor and materials, and which may not be immediately essential.

This, however, is not always what happens. Today, with the civilian economy operating at nearly full capacity, with full employment and under a handicap of shortages, we find the government actually compounding our problems by stepping up expenditures. Federal expenditures during the coming fiscal year will approach the peace-time record established in 1953, and state and local government expenditures will similarly rise—and all this while the private economy is straining for labor and materials.

Postponing Federal Spending Now

Certainly the nation needs highways, and schools, and hospitals and civic improvements of all sorts; it may even need some of the dams and some of the river and harbor improvements for which such lavish appropriations were secured; but the question is: do we need them **now?** Is it essential that all these expenditures be made at the very time when neither manpower nor materials are readily available, and when the struggle to get them serves only to bid up prices and increase inflationary pressures?

Certainly one can wonder at the wisdom involved. In a recent New York hearing concerning a projected limited access highway, a representative of the state highway department explained to local objectors that whether they liked it or not the highway had to be built **because the Federal money had been appropriated for it.** There have been repeated instances in which states have hastened to seek out logical highways to spend money on, in order to get their share of the government appropriation, rather than ascertain to what extent highway improvement in the state is essential. The same type of thinking traditionally occurs in connection with the annual rivers and harbors appropriations, and to some extent with farm relief bills.

Only active interest and watchfulness on the part of all citizens can lead the Federal Government to appropriate money wisely and at strategic times. And public alertness and pressure can help keep appropriated funds from being misused or used needlessly simply because they are available.

Step No. 2

When the government establishes monetary and fiscal policies or regulations, we should comply even if they create temporary difficulties in our own businesses.

The Federal Reserve's tight money policy, which is causing certain hardships all along the line, is a case in point. It has retarded the growth of many institutions, including my own. It has caused deferment of some important capital expenditures. The real estate industry, especially where it is concerned with private residential construction, has suffered at least as much as anyone. Yet there is no question in my mind but that this has been a sound policy and the Federal Reserve was right in adopting it. It has prevented a surge of inflation which could have had serious long-range effects. Inflation is still our Number One Enemy. It is not licked yet, and any measure that helps control it is probably a good measure.

If it is any comfort to your industry, I think the worst has passed as far as the effect of tight money in the real estate business is concerned.

As you know, the rate of housing starts in the United States has been declining more or less steadily for two full years. At the end of 1954, houses were being started at a seasonally adjusted annual rate of almost 1,500,000. By the end of 1955, this rate had fallen to 1,200,000 and by the end of 1956 it had dropped to 1,000,000. In March, 1957, the rate reached an eight-year low of 880,000 starts.

Sees Increased Housing Starts

So steady and persistent a decline would suggest that housing might decline still further; but I believe we will approach one million housing starts for the full year 1957. Based upon extensive studies which we have made at Prudential over a number of years designed to estimate the probable future demand for new homes, we believe the nation has about reached the end of the long decline and that later this year there may be a mild recovery in residential construction.

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

Step No. 3

We must encourage saving to relieve the shortage of investment capital.

The need for capital in the decade to come will dwarf anything of the sort that we have ever experienced before. This is partially due to a growing shortage of manpower. The shortage of engineers is well publicized; it is less well-known that there are now more white collar workers than factory workers, and white collar workers are already at a premium. Before long, factory workers also will be difficult to find when and where they are needed. The main solution to this problem is new and more efficient plant and equipment, whether automatic or otherwise, for factories and offices everywhere to step up productivity. The expense involved in the installation of such equipment far exceeds anything ever experienced by American industry, but it is the price we have to pay to maintain the necessary acceleration in production. If it weren't for the new and improved plant and equipment installed in industry since World War II, we would already be 15 million men short, and costs would be approximately five times higher than they are. The projected capital expenditures by industry in 1957 will shatter all records—but this is only the beginning. As sales mount and profits decrease, the need for better productivity will become critical—and this means vast investments. There is no alternative.

Exporting Labor and Materials

The money expended for government projects also influences our investment capital picture: government appropriations deplete our supply of capital as surely as private expenditures. The money that goes abroad in loans or grants comes out of our short supply of domestic capital — and for this reason any contemplated loan or grant should be considered not only in the light of what good it may do abroad, but also in the light of its true cost in terms of domestic capital depletion. We can't overlook the fact that what we are doing is exporting real labor and materials as well as capital at a time when we are short on all three. Fortunately for Pan American people, we have been more than usually hardheaded about loans in this hemisphere, and as a result, our experience here has been excellent. Our expenditures in Pan American countries are generally sound and productive for everyone concerned. It makes our domestic shortage still shorter, but it is usually worth it.

The money we need can come only from personal savings. It is true that over the years we must have an expansion in the money supply to keep pace with the growing economy, but if too much money is added, it simply becomes a powerful factor in inflation and we are worse off than before. At the heart of the present tight money market is the policy of the Federal Reserve to hold back the creation of money, which checks this important inflationary force. As long as capital requirements remain high, money should get looser only as savings increase.

Unless savings are stepped up all along the line, however, it is not at all certain that we can get the funds necessary to do all the jobs that should be done here and abroad. To the extent that we are short of funds, we will encourage bidding for the available capital. This will not only increase interest rates but will create almost irresistible pressure for the creation of new money and will complicate the tasks of everyone.

Step No. 4

We should campaign for reduced taxes.

One source from which additional available savings could come is through tax reduction, but taxes cannot be reduced unless sufficient economies are made in the government to eliminate any possibility of deficit financing. Moreover, the tax reduction would prove fruitless unless people put this money into savings rather than into added expenditures. It will be difficult to cut taxes, and difficult to make sure tax savings are fed into the capital supply instead of being used to contribute further to inflation. But even if a substantial part of the tax saving is spent, some of it will surely be saved, and the saved proportion is likely to increase. And we are not without ammunition to help direct the use of this money. If a projected tax reduction by the Federal Government should be announced with special emphasis on the need for saving, not spending, the money involved, I think we could expect to influence the situation.

Previous to any tax reduction, I would hope that the Advertising Council or some similar organization would set up an effective campaign to educate people to the influence that additional savings can have on long-range prosperity. A tax reduction would benefit all of us, and using the savings to remedy our depleted capital would multiply the benefit.

Step No. 5

We should make sure that the consumer shares in the benefits of increased productivity.

There is a growing tendency to translate savings in productivity into increased wages and added dividends to stockholders. In the end, both the wage-earners and the stockholders would be better off if increases in productivity were used more often to lower prices. Increased productivity and lower prices have been the secret of the success of the free enterprise system. We have built our remarkably high standard of living, we have made more and more things available to more and more people for less and less money, by working constantly towards lower prices. In recent years, however, this has become increasingly difficult to do. Organized labor has demanded a larger share of the fruits of productivity as take-home wages and fringe benefits. Organized blocks of stockholders have overthrown managements by declaring that the managements might have declared higher dividends, and proposing that a more dividend-minded management be installed. The only element in the economic picture that has not been effectively organized is the consumer, and as a result, the consumer has benefited the least.

Increased attention should be devoted toward ensuring that the consumer will share, along with labor and the owners of business, in the fruits of our advancing productivity.

Step No. 6

Don't let the boom top out.

One reason prosperity in the past often has led to a depression period is because people have assumed that the best thing to do is to exploit prosperity while it's here, because sooner or later it will be gone. As a result, often little effort is made to control or level off the forces of prosperity. If anything, the action of the exploiters encourages the boom to top out—to use itself up.

Certainly one reason our present prosperous period has gone on so long, is because steps have been taken frequently to taper off the pressures as fast as they mounted to the danger point. In recent times, when the credit balloon swelled to frightening proportions, steps were taken to discourage over-extension of credit. When the bidding for building materials forced prices sky-high, steps were taken to relieve the excessive strain by making it harder to get money for construction. On the other hand, there have been times when we have not utilized the effective controls at our disposal, and have suffered as a consequence.

For instance, the overly easy money policy of 1954 led directly to the over-extension of automobile sales in 1955. The 1955 selling race flooded the nation with more cars and more time-payment debt than it could comfortably absorb. The companies ran headlong into a tremendous inventory problem, and surfeited the car-buying market so badly that it has seriously crippled sales ever since. A less aggressively easy money policy in 1954 and an earlier tightening in 1955 could have provided a stable and accelerating car market; instead of that, the automotive industry suffered a setback, and created distribution problems which eventually wound up with Congress intervening with regulations between the manufacturers and their own agents. The automotive industry topped out its private boom, and reaped instability, government intervention, strained relationships within its distributing system, and a future sales potential that is most difficult to predict. This could happen to our national boom if all of the interested parties should throw caution to the winds; or if the government should make no further effort, with monetary and fiscal policies, to deflect the forces leading to a bust.

It seems to me that we know how to taper off a boom and keep it from exploding in our faces but—as I said earlier—every necessary measure is certain to cause inconvenience and difficulty somewhere along the line. Pressure groups will be organized to protest "unfair" treatment; and Senators and Congressmen are sure to hear about it, launch investigations, and prepare legislation to force the Administration to reverse its field. It is up to us to encourage the government—and the politicians—to take a sound stand and face the criticism.

Step No. 7

The final, and possibly the most important of all factors involved in prolonging prosperity is the need of continuously, intelligently, and aggressively fighting inflation.

A tendency toward inflation is inherent in our system. Several of our fairly recent economic practices, such as cost-of-living wage contracts, the penchant for widespread government projects, and the almost universal willingness of consumers to buy anything and everything on the installment plan—a tendency which recent reports indicate is not in any sense limited to lower income groups — are built-in inflation promoters. All of them have contributed to the rise in living cost which has come month after month during the past seven consecutive months.

Inflation hits hardest the people who can afford it least. It cripples the people who are dependent upon fixed incomes — whose dependable allotment of dollars becomes less useful month after month. It cuts into personal savings and thereby reduces personal security. It discourages thrift because a dollar saved may well buy far less than a dollar's worth when it comes time to use it.

Inflation throws our entire system out of gear; it disturbs our sense of balance and proportion. The Prudential, for instance, has doubled its assets in 10 years, which would seem to be remarkable progress; but in terms of purchasing power, we have advanced very little indeed. Our nearly $13 billion asset figure is about 50% an economic delusion—but the increase in costs of operation is real indeed.

Conclusion

If the steps I have indicated here had been taken when the need arose — taken in time and without reservation—we would be much further along our way toward winning the inflation battle. But such steps often are taken haltingly and late. In the future, we have an opportunity and an obligation to do better. Remember this: until we do win the inflation battle, our prosperity—our entire economy—is in jeopardy.

Let's be as alert as possible while the pressure continues. Not only domestic prosperity, but unity in the hemisphere and world peace itself depend upon us. The West cannot afford to be weakened at this time by any kind of economic reverse.

With Reynolds & Co.

BROOKLYN, N. Y. — Orin R. Dudley Jr. is now associated with Reynolds & Co., 166 Montague Street, as an account executive.

LETTER TO THE EDITOR:

Gold Standard to Provide Full Convertibility Seen Vital

Mr. Bauer, World Trade Expert, pointing to inadequate conception of convertibility as discussed at Italy meeting of International Chamber of Commerce, holds its application in fullest sense is needed to encourage long-range commerce and investments among nations under private enterprise.

Editor, Commercial and Financial Chronicle:

Convertibility through restoration of the international gold standard is preferable to other palliatives discussed at meeting of International Chamber of Commerce at Naples, and of which mention was made in your publication on May 23.

George F. Bauer

Convertibility through the international gold standard is vital in conduct of world commerce under principles of private enterprise.

Artificial manipulation of foreign exchange rates through the International Monetary Fund rather than help private trade and investments actually discourages individual efforts and makes for perpetual financing of trade and investments by governments.

Even now the Indian rupee in the open market is valued at 20 cents, yet the International Fund insists it is worth 21 cents. A lower valuation for a money unit for private purposes on the open market and a higher one for governmentally approved applications surely is prejudicial to individual enterprises.

Properly appraised foreign money units need to be converted into U. S. money at the open market value; to translate them at artificially higher rates imposed by the International Monetary Fund is highly misleading in calculating foreign assets.

World trade is based on short and long ranged credits. A private investor wishes to know what the foreign money units will represent in purchasing power at time an investment is made and at period it comes due. A definite commitment by a government that it will make good on its money unit through convertibility into a definite quantity of gold would give much needed incentive to investments under private initiative in countries where such a policy is put into practice.

Convertibility without fixity of money units in definite quantities of gold to inspire confidence in their values over short and long range period is to amputate an important member of its body. Definitions are all too frequently limited to certain features of a subject as in this case of convertibility which involves not exchanges of money units for a short period only but also assurance of satisfactory conversions years after an investment is made in another country. A commitment by a government to make good on demand on its money unit by allowing its conversion into a fixed quantity of gold provides an important quality of convertibility in its broader and truer sense.

Delay is not needed to put an international gold standard into practice. The United States could make the start just as England alone did in the early part of 1800. If our government were to make the dollar redeemable at 1/35 of an ounce of gold or 889 milligrams, a first vital step would be taken. Germany with a DM exchangeable for 211 milligrams and Switzerland with S franc for 203 milligrams could be expected to follow suit. England, which in its prime was a gold standard country, might then find it possible to make the pound sterling truly convertible at 2,488 milligrams of gold. Other countries would be encouraged to follow these good examples and real, not fictitious convertibility could again help in sound conduct of world commerce.

GEORGE F. BAUER,
International Trade Consultant

Drewville and Brimstone Roads, Carmel, New York
May 27, 1957.

Continued from page 11

Is There Any Danger in Nuclear Power Plants

into the closely packed assemblage required for a bomb-type explosion.

However, we shall see that an uncontrolled nuclear reaction can cause accidents in a nuclear power plant. Although such accidents could not be comparable to a bomb, as stated above, they could do damage within the installation. The maximum uncontrolled nuclear energy release in a reactor accident is comparable to the energy available from chemical reactions which might also be involved, and the combined effects would not cause significant direct public damage by blast beyond the boundaries of the plant exclusion area.

Dangerous Radioactive Dispersal

With no danger from direct explosive damage, we can recognize that the potential public hazard from nuclear power accidents is centered upon another characteristic of nuclear reactions, which is that the fission process produces large amounts of radioactive materials dangerous to human life and health. A reactor which has been operating for some time on a single charge of fuel inevitably has produced from the process of fission itself a large amount of such poisonous material, and the public danger is entirely related to the security of the material against dispersal sufficient to cause radiation effects upon outsiders.

It should be emphasized that though carefully designed and operated reactors have been and will be among the safest of industrial operations, a variety of accidents are conceivable that can cause serious damage to the plant or to the people working in it though wthout hazard to the public. There is a public danger only if the fission products escape. The precautions against accidents thus include a very careful combination of design and operating procedure to minimize the possibility of any conceivable accident and additional measures to assure that even if an accident should occur, no matter how remote is that possibility, there would not be dispersal of the fission products.

Nuclear reactors are complicated machines and are thus subject to types of failure that can lead to shut-down, loss of production for a time, or actual damage to the reactor. Of these possible malfunctionings, only a few could conceivably lead to release of fission products to the atmosphere. Among these, a runaway nuclear reaction and a sufficient loss of coolant from the core to cause meltdown are most prominent. Let us consider these processes in turn and examine their possible results.

A nuclear runaway would occur if the neutron-absorbing processes in the reactor should suddenly become deficient in relation to the neutron-producing capability; or, in other words, if reactivity should suddenly increase. This could happen, for example, through rapid addition of excess fuel or through sudden removal of control rods. Such changes could bring about an uncontrolled power increase, providing that several successive stages of safety instrumentation and emergency shut-down equipment should simultaneously fail to function.

In such a runaway the reactor power and temperature would increase until the incident would be terminated either by the inherent self-stabilizing influence of the reactor or by actual mutilation of the reactor core. Even with the multiple failure postulated, the effects of a power excursion would be minimized by the inherent stability of the reactor. This results from changes in the reactor configuration itself which serve to reduce the reactivity with rising temperature or power thorugh processes such as physical expansion or loss of moderator. We believe that this inherent stability can be designed into most of the reactors now under study.

Despite the stability inherent in the reactor configuration, it is still possible, by sudden large introduction of reactivity, to cause a runaway should the safety equipment all fail. Such large, rapid additions of reactivity are not easily achieved and in a normally operating reactor could only occur if a series of unlikely mis-operations or failures were to take place. No feature in the design of a reactor receives more attention than those which are incorporated to prevent such inadvertent reactivity additions.

Two Possible Types of Accidents

A possible consequence of an unchecked runaway could be the melt-down or vaporization of fuel elements and the release of fission products within the reactor vessel. Another possible consequence could be the initiation of self-sustaining chemical reactions between certain metals and liquids in the system. Such reactions would assist in the release and dispersal of fission products. However, it is highly improbable that the nuclear and the chemical energy release could cause much mechanical violence beyond the reactor. It is, therefore, feasible to build a gas-tight container around the reactor and its shielding which will virtually eliminate any chance of a fission product release to the atmosphere if rupture of the reactor itself should occur.

The possibility of a serious nuclear runaway cannot be completely ruled out, but its occurrence can be made extremely unlikely by careful operating procedure, by adequate design, by a multiplicity of control devices; and the consequences of such an event can be minimized by the design for inherent stability and by tne provision of adequate containment.

A second major type of accident is the loss of coolant. Such an accident could result from a break in the primary coolant circulating system or from a rupture of the reactor vessel itself. Loss of coolant would permit the heat from decay of radioactive fission products to melt the uncooled fuel, even though the nuclear reaction has stopped. Volatile fission products could thereby be released. There is the additional possibility that the overheated fuel would react chemically with air entering the reactor, or, in the case of water-moderated reactors, with such water as remains.

Even in the event of a major cooling system break, it is possible to prevent a fuel meltdown by providing for emergency cooling of the core during a period adequate for decay of the short-lived fission products — a matter of a few hours. This is accomplished by maintaining a large tank of coolant.

The consequences of a loss of coolant could be serious, but the event requires the occurrence of an unlikely material failure in the primary loop, coupled with the unlikely failure of emergency cooling schemes, or else the unlikely failure of the reactor vessel itself. As with a nuclear runaway, the loss of coolant should not produce effects which would prevent containment of fission products by a gas-tight container around the reactor.

It has already been mentioned that excessive heating of the reactor through either nuclear runaway or loss of coolant could result in potentially violent chemical reactions. Three principal reactions of this type are: sodium reacting with air, fuel metal reacting with air, and water reacting with fuel metal.

Most of the possible chemical reactions would be assuredly nonviolent and the vapor container would hold the products from dispersal. The water-metal reaction, peculiar to heterogeneous water-moderated reactors, is the only potentially violent one. It would be expected to proceed as a vigorous but incomplete oxidation of the metal at elevated temperatures. A violent and more or less complete reaction of the metal would require that it be finely dispersed. Such a dispersal is likely only as a result of fuel vaporization, which was previously pointed out as being a highly unlikely event.

Ruptured Shield

Although the vapor container is designed to keep the fission products from the atmosphere even in the event of the serious internal troubles described above, it is important to ask what would be the expected release of fission products in the highly unlikely event of a reactor accident leading to rupture of both the reactor vessel and its vapor container. Various possible accident situations could lead to vastly different amounts of fission product release.

Accidents resulting in nonviolent rupture of fuel elements such as meltdown not in the presence of water and without combusion, or meltdown with non-violent reaction between metal and water, can lead to the release of varying amounts of gaseous products with only a small proportion of the more dangerous solid materials. On the other hand, combustion of metal exposed to air, or violent chemical reaction, can lead to substantial dispersal of the fuel, with inclusion of up to half of the entire radioactivity in the form of a fume or dust. It is the possibility, though remote, that such a process could occur and that the products could be dispersed through a ruptured shield which gives rise to the concern for public safety.

Could Be Most Serious

We have examined the nature of the reactor system and considered the processes that could conceivably in combination lead to the one serious public danger—an uncontrolled atmospheric release of fission products. If all our precautions and all the natural and automatic checks built into the system should not avail and there were to be such a release, would could the effect be on the public? It could be most serious, and a consideration of the conceivable magnitude of the disaster will serve to convince us that our attention must be turned back to the reactor system in the conviction that a release cannot be allowed to happen.

If the fission products should be released to the atmosphere, their dispersal would depend on their physical state—on the particle size, whether the material is a dust or a fume, and on the temperature of the gas released with them, whether it is a hot mass that will rise rapidly as a cloud, or is dispersed cold and at ground level. The dispersal further depends on the weather—on the wind direction and velocity, on the occurrence of rain, and on the existence of a normal temperature lapse with altitude or of the temperature inversion characteristic of night-time conditions. Combinations of these circumstances may lead to widely divergent results. A hot release of very finely divided material on a rainless day without much wind could lead to a rapidly rising cloud which does relatively little local damage and results chiefly in a small fractional addition to the radioactive material already in the atmosphere. At the other end of the range of possibilities are circumstances leading to widespread contamination at activity levels high enough to require evacuation of settlements and withdrawal of farm land from use, with consequent enormous financial loss. Circumstances leading to less widespread but more concentrated deposition could produce activity levels high enough to cause deaths in substantial numbers from exposure received before evacuation would be possible.

The nuclear power field is the first industry where a careful and objective evaluation of public risk has been made before the business has achieved commercial status. New and revolutionary technological developments have characteristically been introduced with uninformed and unjustiifed optimism about safety on the part of the promoters and the users. Safety measures to protect the public have first been imposed from outside the industries themselves on the basis of pressure from the public and from underwriter groups. In many cases effective measures have come only after a series of shocking disasters, in some instances with cumulative loss of life, if not property damage, approaching that possible with nuclear power. For some activities characteristic of our civilization, such as the use of automobiles with the attendant approximate 40,000 yearly death toll, our extensive safety measures cannot be said even now to have brought the situation under control.

The causes of early disasters in other industries, and the measures that have finally been taken to control them, have been in large degree matters that could have been anticipated by a really thorough and scientific examination of the machines that were in use and of their operating procedures. It is the firm conviction of those responsible for the regulation of nuclear power that the dangers characteristic of early exploitation of other energy sources, and clearly inherent in the use of reactors, can be eliminated by a careful system of controls and requirements set up on the basis of a thorough examination of the possibilities. It is our conviction that this can be done without a background of early mishaps.

To bring about effective examination, a procedure has been set up which requires a reactor builder to analyze the design and operation of his reactor in the minutest detail with respect to the consequences of potential malfunctioning. The results of such analysis are presented to Commission experts and additional work is done on questions that they raise until the matter has been explored to the greatest extent possible. Experimental work is done where necessary to resolve technical questions. Attention is devoted to the nuclear design, to the mechanisms by which excess reactivity could be introduced, and to the natural characteristics restraining an uncontrolled increase in power. The mechanical and constructional features are surveyed in detail and each conceivable failure is examined for its consequences.

The Probability of An Accident

The control system is examined for its mode of operation and manner of potential failure. Possible malfunctions are set against compensating actions in other parts of the system, or safety devices are installed so that an accident would have to result from a whole series of improbable events happening together. An example of the lengths to which safety instrumentation is carried is a device which responds to the slight earth wave preceding an earthquake and shuts down the reactor in the second of time before the major damaging tremor hits. This device is installed on large power reactors despite the improbability of earthquake in most locations and despite the small likelihood that a structure as strong as a reactor would be damaged in any case.

In initial operation a thorough and cautious start-up procedure is used. The actual performance of the reactor under a variety of operating conditions can be established by ingeniously contrived experimental measurements made at low power. A program of such measurements is gone through during this initial phase to check the theoretical and design predictions. This can be done with maximum safety because of the low power and the absence of previously built up fission products in the core.

A program of inspection to assure compliance with Commission standards is being set up and will be carefully carried out to assure continuing high standards of equipment and operating procedure. Changes in procedure or equipment desired by the operator must be subjected to the same thorough-going evaluation as the original system.

Experience to Date

The care for safety evident in the nuclear program from the start has given the Commission a fortunate freedom from reactor accident experience in the past. Nuclear reactors have been operated since Dec. 2, 1942, with a safety record far better than that of even the safest industry. More than 100 reactor years of regular operating experience have been accumulated, including experience with reactors of high power and large inventories of fission products, without a single personal injury and with no significant deposition of radioactivity outside the plant area. There have been a few accidents with experimental reactor installations, as contrasted with the perfect record of safety of the regularly operating reactors, but even these accidents did not affect the public.

The Atomic Energy Act specifically charges the Commission with responsibility for maintaining safety and protecting health in connection with nuclear activities. The Commission regards this statutory responsibility as one of its most important ones because of the direct effect on the public. In this connection we should also recognize the fact that all the states have set up regulatory bodies to protect the public against hazard from other forms of power which are potentially dangerous. The Commission is working closely with such regulatory bodies. There have been many meetings with state officials. A recommended uniform model law has been formulated and submitted to state legislative bodies for their consideration. It is expected that in due course the enforcement of safety measures in the field of nuclear power will go hand in hand with other similar regulation, both by the Federal Government and by state authorities.

As I stated at the beginning of these remarks, we have found out how to obtain the benefit of other forms of power with safety. I am confident that we shall be able to do the same with nuclear power and thereby bring its advantages to the people of this country and of the world.

Joins Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — William W. Romaine is now connected with Hornblower & Weeks, Penobscot Building. Mr. Romaine formerly conducted his own investment business in Springfield, Ohio.

Wool Associates Elect Officers

W. Gordon McCabe, Jr. of J. P. Stevens & Co., Inc., Greenville, S. C., was elected President of the Wool Associates of the New York Cotton Exchange, Inc. Elected First Vice-President is W. Brewster Southworth, of Nichols & Co., Boston, Mass. Re-elected Second Vice-President is Elliot W. Brown of the National Wool Marketing Corp., Boston, Mass. Re-elected Treasurer is Bruce S. Lachlan, Jr., New York City.

Those elected to the Board of Governors are: Harry B. Anderson of Merrill Lynch, Pierce, Fenner & Beane, New York City; James J. Caires, Boston; B. Harrison Cohan of Cohan & Co., Boston; Georges A. Florin of Prouvost Lefebvre of Rhode Island, Inc., Boston; E. Bradford Keith of The Top Co., Inc., Boston; William Reid of Bache & Co., New York City; Charles R. Rudd of Pacific Mills, New York City; Irving Weis of Irving Weis & Co., New York City; William G. Wigton of Orvis Brothers, New York City; John M. Williams of Royce & Co., New York City; and Gilbert F. Wright of Wright Bros., Inc., Boston.

With the exception of Messrs. Florin, Rudd and Weis, all of the others were members of the retiring Board who were re-elected.

These new officials of the Exchange took office Wednesday, June 5, for a one-year term of office.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is still very much on the defensive, with prices of the longer-term bonds now at new lows for the year. With the tendency getting stronger to trade out of Treasury bonds in order to make purchases of non-government bonds, which give much better yields, it is believed in some quarters that further low quotations for long-term government bonds will be registered.

With the inflationary forces showing no signs yet of abating, it is not surprising that the monetary authorities are keeping the money market under pressure. No immediate change is looked for in this policy and, as long as it continues, the short-term and capital markets are going to offer attractive yields to those who have funds to invest. Because of the June 15 income tax payments and some borrowings to take care of this need, the short-term market should be showing no easing tendencies.

Tight Money Continues to Prevail

The tight money market is having the expected effect on money rates. The trend is still upward and this is true for the short-term sector as well as the capital market. The demand for the most liquid government issues, principally Treasury bills and tax anticipation bills, is very large and there is no evidence yet that there will be an immediate lessening in this need for such obligations. Some money which had been previously invested in Treasury bills has been taken out of these issues and has been reinvested in higher yielding corporate bonds. Also, a portion of these funds have been reinvested in common stocks, mainly new issues, and in preferred stocks to a lesser extent. Private pension funds have been the main switchers from short-term governments into bonds, preferred and common stock.

No Change in Discount Rate Expected

The belief that the government will be in the market next month for a sizable amount of new money, and that this will be raised mainly in the near-term market, has tended to keep a fair amount of pressure on this area of the list. And this has pushed up the yields that are available in these issues. The uptrend in the bill rate to a level quite a bit above the discount rate, raises the question again as to whether or not there will be an increase in the Central Bank borrowing rate. It seems to be the prevailing opinion that there will not be any upping of the discount rate from 3% as long as discounts and advances at the Federal Reserve Banks do not show any important upward trend.

Government Bonds Remain Under Pressure

The capital market is very active and competition for the available supply of savings is as keen as ever, with corporates, tax free, preferred and common stock all striving for as large a share of this money as it is possible to get. There appears to be a larger amount of long-term government bonds around for sale because of this competition. Nonetheless, specific maturities of tax-exempt bonds are also being used in a similar fashion even though this operation is much more limited in size and scope.

Corporate Yields at 30-Year High

The yields for long-term corporate bonds is still on the way up, with some of the recent new issues giving returns that have not been available in nearly 30 years. The income which is obtainable in both corporates and tax-exempt bonds makes the switch from long-term, low coupon government bonds more attractive as long as the call feature protection is there, especially in corporate bonds. This switching pressure on long governments in order to get funds to buy corporates will tend to increase the yield on Treasury issues and this will help in some measure to bring it towards the level which will make governments more competitive with non-government bonds.

Investors Wary of Callable Bonds

The fact that those who are sellers of long-term government bonds, so that they can buy better yielding corporate bonds, are demanding a high call price for a period of years, or a non-refundable feature for a number of years, seems to indicate they fear a return to lower interest rates in not too long a period of time. Under such conditions, this would make possible the refunding of the presently high coupon issues at a much lower rate of interest. This happened not too many years ago, and memory is still long enough, so that the present buyers of corporate bonds do not want it to happen to them. With most near-term and long range forecasts of business activity very favorable, is there likely to be low enough interest rates in the future to refund the new bond issues which are being floated now?

FHLB Notes on Market

An offering to the public of $183,000,000 Federal Home Loan Banks 4⅛% non-callable consolidated notes dated June 17, 1957 and due March 17, 1958 was made on June 4 through Everett Smith, fiscal agent of the banks, and a group of securities dealers. The notes are priced at 100%.

Proceeds from the offering will be used to redeem $123,000,000 of 3¾% notes which mature June 17, 1957 and to provide funds to the banks to make additional credit available for their member institutions.

With the redemption of the notes due June 17, a total of $738,000,000 consolidated notes will be outstanding.

With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Lucille E. Brown has joined the staff of Sutro & Co., 275 North Canon Drive. Miss Brown was formerly with E. F. Hutton & Company.

With Evans, McCormack

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ronald D. MacGregor has become affiliated with Evans, McCormack & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange.

Continued from page 6

Business, Congress, Education— Where Are We Going?

where Business, Congress, and Education meet at the Summit.

We are moving straight and headlong into a crisis in higher education. Our population increased another 19,000,000 in the last seven years—19 million people who have never heard of your product — more than the entire United States when President Polk took office. We are now over 170 million. The census clock has been ticking off one birth every eight seconds. On March 28 it had to be reset for a new child every 7½ seconds.

This is an overwhelming fact. You consider it in your future business plans. We live with the figures in planning for higher education.

I make certain assumptions. You must have known what you were doing when you decided to expand the size of your families, and that the resulting taxes you would increase might be your own. You did not suppose that five or seven could live as cheaply as two or three. You did not intend to bring them into this modern, shrunken, teeming, technological, unequal world without providing them with the knowledge and the skills required to cope with it successfully and even to advance it further.

You certainly did not intend, did you, or expect, that the standards would go down in proportion to the rise in population? What a folly that would be!

The contrary is possible.

I am pretty confident it will come to pass.

I have said that higher education is the one differential that America has to support her present greatness. It must continue, it must involve more of our able and willing youth, and it must reach higher levels and higher standards.

You fathers and mothers, the citizens of this nation will require that this be accomplished. We have no alternative.

How is it to be done? We have a good basic pattern, but it is in danger of breaking down.

We are clearly drifting fast toward an answer, but not the best or sound answer, through the Federal Government.

The new enlarged generation of American youth are now beginning to converge on the high schools, and the college population will double in the next dozen years. We have plans, but we do not have places or teachers now in sight for them. We are making oxcart progress in a jet age.

Plight of Private Colleges

Private colleges are important to American education. With more adequate support they can expand. But under optimum conditions they cannot enlarge enough to serve their traditional share of students. In our present society and economy, revolutionized by the graduated income tax, private sources of finance have been moved from individuals to corporate bodies. And corporate bodies, though their gifts increase, have not yet come to grips with the problem or its opportunities.

The state has had to move in. One of the wonders, and I would add the glories of our time is the rise of public support for higher education. We have not changed our philosophy or direction to accomplish this; we have only extended the opportunities.

Now the state universities confront the mounting problem of support. There is an alarming tendency this year to stand still or cut back, to Balkanize the Republic by building walls between the states to shut out "nonresident" students. Because of the economic and psychological facts already cited, state legislatures are reluctant or unable to face up to the urgency of the problem and the necessity for taking one forward step each year. Present proposals made to the Michigan legislature by the Senate Finance Committee would even call an abrupt halt to all building, including planning for urgent facilities in engineering, physics, dentistry, and medicine. If this policy should prevail, it would make higher education a disaster area.

Basically, the Federal Government has so heavily pre-empted the sources of revenue that the state does not know how to meet its needs with what is left.

With private and corporate support unavailable, and with the state feeling poor and crowded out of a tax supply, the task of outfitting the colleges and the universities will inevitably shift to our great white Magician Father of More and More—the Federal Government.

The task will get done. The need and the shortage will mount over the next five years. By that time the youth will be ready for college, but the college will not be ready for him. There will be a stampede, a scramble for available places, there will be more shocked realization of our present neglect. There will be knocking on the door and no room at the inn.

At that point the Federal Government will be moving in under popular demand. The state barriers will have to give way and it will require Federal authority to achieve it. If we go on into the next decade without altering present tendencies, we may expect a system of Federal universities to be set up to meet te absolute needs for expensive higher education available to selected youth from all the states. The costs of the new Air Force Academy indicate some of the dangers we may encounter.

Scholarships will be needed, and the Federal Government will finance them. It is already beginning to do so. Laboratories and classrooms will have to be erected, and dormitories built; and Federal appropriations or aid or loans will provide them. And a vast new Parkinsonian bureaucracy will rise up to allocate and to administer.

This Is Not Land Donation

Back in the 1860's when the state colleges and many of the state universities were founded under national encouragement and support, the Federal Government had something to give. It owned public lands ceded to it by the several states when the Union was formed. What better use for this national land than to give some of it to the states to help them establish a new kind of college in a time of critical need?

They did, and it paid off.

In this day, the Federal Government has nothing to give except what it has first exacted from the pockets of those to whom it pretends to give back. And then, it gives back only a portion of what it takes, for its brokerage fee is high. Moreover, in the light of its present budget, it would have to increase taxes to get the money in the first place.

I view this further intrusion of the Federal Government with dismay. I think Business, Congress, and Education should prevent it —not by blinding our eyes to the need, as we are now doing, but by positive and immediate action.

The best aid the Federal Government can now give to the states and the schools is to surrender back to them some of the sources of taxation to be used directly for the support of education. This, at least, would keep the schools in their rightful and traditional place in their local communities.

The state and local authorities should then abandon the present system of dedicated taxes for specific purposes, or place higher education in a more assured position along with other items in the budget. The present method effectively prohibits intelligent priorities and choice in the use of our disposable income.

Job for Business and Industry, Too

Business and industry can support these reforms. They can give more concrete and effective recognition to the vital role of higher education in our society and of their dependence upon it. They can help establish a less capricious base of support for all higher education. They can give both moral and financial support by aiding universities in building new facilities, and in making new approaches to education.

There is no one way or single answer to solve our problem. We know enough to embark on various lines of attack. The Dearborn Center, of the University of Michigan, handsomely aided by Ford Motor Co. and the Ford Motor Co. Fund, is a good example. The gift to the University provides the campus site and the capital for building. The State will finance the operation. It will link the educational process with business and industry through a cooperative plan, centering around science and the arts, business administration, engineering, and graduate training. It is a most heartening alternative to Federal sponsorship.

This plan puts the problem and its solution right where it belongs. It certainly makes no business sense whatever to have businessmen recommend $4.4 billion a year, indefinitely, for foreign aid; to plan so carefully great research centers and modern industrial plants to make goods for future populations: to face the already critical shortages in every profession and skill they, and America, require; and at the same time sit idly by on the present topsy-turvy tax wall and witness a possible down-grading of higher education at the moment of our most critical need.

The President's Committee on Education Beyond the High School is good as far as it goes. I would propose, however, that we need a more compact and action-minded group involving Business, Congress, and Education to make a pointblank ways-and-means attack on this problem.

It is easier and more fun to solve this one than to lear Russian. And, as General Motors' Dr. Hafstad is alleged to have said, "we will have to do one or the other."

Halsey, Stuart Group Offers Alabama Great Southern Certificates

Halsey, Stuart & Co. Inc. on June 5 headed an underwriting group which yesterday (June 5) offered $2,400,000 of Alabama Great Southern RR. 4⅜% series K equipment trust certificates, maturing semi-annually, Dec. 15, 1957 to June 15, 1967, inclusive.

The certificates are scaled to yield from 3.90% to 4.45%, according to maturity. Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The issue will be secured by 300 steel box cars estimated to cost $3,000,000.

Participating in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Freeman & Co.; McMaster Hutchison & Co., and Shearson, Hammill & Co.

Better Business Prospects Detected

Better business prospects, halt in upward surge of commodity prices and little brighter picture are found by purchasing agents of N.A.P.A. Survey Committee to be accompanied by emphasis upon inventory reduction and shortened commitments

The majority of purchasing executives comprising the Business Survey Committee of the National Association of Purchasing Agents predict in their May 29 "Bulletin" that business, during the balance of 1957, will be better than it has been so far this year. Statistically, 52% said business would be better, 34% the same, and only 14 worse. In predicting conditions for the balance of 1957, as compared to the like period in 1956, not all industries view the future with the same degree of optimism or pessimism. As a result, on an over-all basis, 40% of our members think their business in this period will be better, 23% the same, and 37% worse.

In examining the present position of business, the purchasing executives, whose Chairman is Chester F. Odgen, Manager of Purchases, The Detroit Edison Company, Detroit, Mich., report that it is continuing the sideways movement which has been so evident since the first of the year. Production remains substantially unchanged from last month. New orders are not quite meeting expectations, and 32% of our members say their new order position has worsened in the last 30 days. Only 25% were in this position a month ago.

The upward surge of commodity prices has been halted—not because costs have stopped climbing—but just because, in most cases, competition won't allow further increases.

The employment picture is a little brighter than last month but the improvement is slight.

With money costs high, materials readily available, and some production schedules uncertain, the "heat" remains on to effect inventory reductions wherever possible.

This ready availability of materials is also reflected in buying policy, where the general theme is to make commitments for as short a time as possible into the future.

Commodity Prices

There are many evidences that competition has really returned. Most materials are readily available and manufacturers are faced with the problem of meeting this competition and, at the same time, facing the fact that their costs, particularly labor, have moved upward. The result has been little over-all movement in commodity prices and almost 75% of our members report them to be unchanged from last month.

Inventories

Again, in May, reports from purchasing executives reflect their goal of effecting still further reductions in unfinished materials inventories. As finished goods inventories climb—as many report they are—additional concern is expressed about this tie-up of capital. To keep total inventory investment in balance, many managements are withholding expenditures for raw materials. Thirty-four percent say that their inventories are lower this month, with 49% reporting no change.

Employment

There is some evidence that necessary reductions in personnel have been made. Some slight improvement is indicated by the fact that, in April, 31% of our members said employment in their companies was down. This month, the figure is reduced to 25%, with 63% saying it is unchanged, and 12% better.

Buying Policy

The marked trend toward a reduction in ordering lead time, first reported in the early Summer of 1956, is clearly evident again this month. New highs are reached in the number reporting a shortening of their commitment time. For production materials, four out of five of our members are buying in the 60-day and under range. This percentage is substantially unchanged from last month. On MRO supplies, the number limiting their coverage to 60 days or less climbed, from April's 91%, to 94% in May.

Purchases of capital goods items and for plant expansion or extensive modernization are also in the shortest ranges since the post-Korean War period.

With better "off-the-shelf" availability of materials and definite indications of price breaks in many items, buying on a short-term basis will continue to be the order of the day for some time to come.

Specific Commodity Changes

The price squeeze is on, with very little to report in the way of higher prices.

On the up side are: Some isolated steel items, a few paper products, and some electrical equitment items.

On the down side are: Copper, lead, scrap iron, zinc, nonferrous products, lumber, petroleum, burlap.

In short supply are: Nickel, steel plates, structurals and shapes, and some electrical equipment items.

With Cruttenden, Podesta

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Kay L. Bredensteiner is now associated with Cruttenden, Podesta & Co., 204 South Seventeenth Street. He was previously with H. O. Peet & Co.

Roy G. Vilas Joins Cyrus J. Lawrence

Roy G. Vilas has become associated with Cyrus J. Lawrence & Sons, 115 Broadway, New York City, members of the New York Stock Exchange. Mr. Vilas was formerly partner of Vilas & Hickey.

Municipal Bond Women To Hold Outing

The Municipal Bond Women's Club of New York will hold its seventh annual outing on Friday, June 28 at the Morris County Golf Club in Convent Station, N. J.

Continued from first page

As We See It

eral bond market further, with the various consequences certain to be entailed by such a development.

An Uncomfortable Position

Crisis or not, the Treasury, at any rate, is certainly in an uncomfortable position in the money market, and the fault is its own. There are those who would find in the Federal Reserve the villain of the piece, but, of course, any policy on the part of the central banking mechanism which would have averted this situation or which would eliminate it now could hardly do more at most than postpone an evil day—and meanwhile hardly do less than greatly enlarge the risk of real inflation. The fact is that the Treasury, no more than any of the other borrowers, can safely be permitted to be or become immune to a situation in which saving is substantially less than the demand for funds. Only the market mechanism itself can be trusted to correct such an imbalance, and the market can function effectively only if left free from artificial or arbitrary influences.

The national debt is too large and too extensively in the form of short-term or relatively short-term obligations which are constantly falling due. This debt, moreover, is not currently being retired nearly rapidly enough. A recognized authority in this field, Aubrey G. Lanston & Co. Inc., recently set forth the true inwardness of the situation succinctly in these words:

"The critical situation seems to lie in the area of the Federal budget. The Treasury should experience a cash surplus, exclusive of debt operations, for the first half of 1957 of around seven and three-quarter billion, but this has been far from sufficient in view of what might be termed a mild runaway from Treasury securities that has occurred. The Treasury has issued $8.7 billion of tax anticipation obligations, a sum that seems likely to be $1 billion greater than the amount it will have to repay such advances. In addition, retirements and redemptions of savings bonds, the redemption of Treasury securities held by the International Monetary Fund, attrition on maturing debt and Treasury purchases of its securities in the market will have required outpayments of $5 billion. The total drain on the Treasury on account of debt operations, therefore, will have been almost $6 billion greater than its cash surplus."

* * *

"The crisis in the budget may not be on the expenditure side but, if not, it must be held to exist on the receipt side, because the Treasury surplus (particularly on a cash basis) is too small to meet the requirements of concurrent economic conditions."

It is quite true that the Treasury surplus is a good deal smaller than current conditions call for. It is too small for several reasons. One is that the debt is too large, and hence the need for cash to service it is too large. It appears almost incredible that the gross debt (that is the total amount of formal obligations outstanding but not including enormous liabilities in the form of "insurance," pensions, guarantees and the like, the real extent of which no one knows) of the United States is now very little smaller than it was at the close of World War II. At that time the Treasury was carrying enormous cash balances as a protection against emergency. They were applied to outstanding debt soon after the war, but such reductions in the outstanding obligations as were thus effected have all but been swallowed up by postwar extravagance and profligacy.

Almost Incredible

This record is the more incredible in view of the fact that by far the larger part of the period that has elapsed since the war has been one of great prosperity. There has been no serious depression within that span of years. In most of them the general economic situation was such as to call for debt reduction by any and all commonly accepted canons of prudent financial management. Not only that, but tax collections have year after year been quite large enough to make real headway in getting Treasury debt into manageable proportions had expenditures been kept anywhere within reason. While it is technically correct to say, as so many are constantly saying, that much the larger part of current debt is war debt, the fact that it is still as large as when the war came to an end can be charged against nothing but peace years—except for the Korean war years which, curiously enough, brought no spectacular increase in the debt.

This enormous debt is, moreover, in the form certain to plague its managers in times like these. Roughly speaking, of the $160 billion marketable debt, some $26.8 billion is in the form of bills; some $40.3 billion will mature within less than one year; $43.3 billion more will have to be paid or refunded within five years. Thus it is inevitable that during the next few years, including the remainder of this one, the Treasury must perforce come into the money market for funds again and again and again. It would have to come into that market frequently enough if a real start were now made in getting its debt into more manageable form, since such a process would inevitably take a very considerable period of time. Should it content itself to do as it has been doing—merely drifting with the tide—the crisis, or whatever one may wish to call it, may continue for a good long time to come with nothing more than intermittent relief in one degree or another. The Eisenhower Administration had a good deal to say in its early days about better debt management, but apparently it has given up the fight.

Continued from page 2

The Security I Like Best

packaging products and techniques. Separate departments, often working in close cooperation with customers, are responsible for package development and graphic design. Research activities have been expanded greatly in the last six or seven years, and further expansion is now planned. Over $1 million will probably be spent on research and development for the paper division in 1957, including work done at the mill level. The company has a long list of original packages and designs to its credit. Fibreboard was the leader in developing a corrugated container with sufficient moisture resistance for the shipment of lettuce, helping to set off the big shift of lettuce into corrugated containers in the last few years. A very recent achievement is a new method of high-quality printing of corrugated containers. On the papermaking level, new production processes now in development for the wastepaper machines give promise of resulting in major gains for board output and quality, with very modest additional investment.

Building Materials

Last year, the volume of this division approximated $32 million vs. $94 million for the paper division. Earnings from building materials were practically nil last year because of a decline in residential building, the continued loss at the Metuchen, N. J. plant and the expense of bringing two new gypsum plants into operation. The main products of this division are asphalt roofing, gypsum wall board and lath, asbestos cement products, industrial insulation and paints. Another division is the hard surface floor covering. While the outlook for gypsum lath and gypsum board is regarded as promising, less optimism is held for the floor covering business, and the management intends to dispose of the unprofitable plant at Metuchen, N. J. This sale will result in substantial tax benefits, as well as removing the drag of an unprofitable operation. The tax benefits, and the liquidation of inventories and receivables, should liberate roughly $8 million in cash, which would be available to accelerate the company's expansion in paper and packaging.

Sales and Earnings

Since World War II, the growth of the paperboard industry has been remarkable. The company's sales, including building materials, amounted to $126 million last year compared with $62.2 million 10 years ago. Net earnings last year amounted to $5.8 million, or $3.65 a share. The actual cash flow earnings in 1956 amounted to $10.8 million, or over $7 a share. Long range prospects for the paperboard and packaging industry, and Fibreboard in particular, appear most promising. Substantial sums already allocated and to be spent on new facilities should now begin to bear fruit. Allowing for the current readjustments going on in the industry, it is conservatively estimated that Fibreboard may not have quite as good a year as they did in 1956. This estimate is predicated on the paperboard business showing no important improvement from current levels, and also assuming that there is no improvement in the building material division of the business. A conservative estimate of net earnings after taxes this year would be $3.50 per share. However, new acquisitions, improved operating conditions and tax benefits that would accrue from the sale of the Metuchen plant, might very possibly bring about higher earnings than last year.

As I view it, however, it is the earning potential over the years of this real growth situation that gives the common stock of this company its real appeal. Management believes that by 1960, the cash flow of earnings and the net after taxes will be at least 50% higher than at present.

Fibreboard's first quarter results this year were considerably better than most of its competitors. Net sales of $30,172,675 were up 7% from the comparable period of last year, but due to higher costs, net earnings dropped slightly from $1,058,408 to $975,160 in the first quarter of 1957. After adjusting for the 4% stock dividend, net per share was 60 cents vs. 66 cents in the first quarter of 1956.

Management

A prime factor in the analysis of any company is, of course, management. Fibreboard is fortunate to have William L. Keady as its President. He spent 25 years with U. S. Gypsum and became its President in 1936. This association terminated in 1949 as a result of differences with Sewell Avery. Mr. Keady then became President of Marathon Corporation, a leading manufacturer of paper food packages, specializing in frozen foods. He has therefore had ample experience, fully qualifying him to take over the direction of Fibreboard. He became President of the old Pabco Company in 1952 and it was through his direction that the company has arrived at its present leading status as a paper company on the West Coast. With a young and energetic management team, Fibreboard has become a growth company in the fullest sense of the word.

Finances and Capital Structure

The company's financial position is strong. As of Dec. 31, 1956, of the total current assets of approximately $49 million, over $9 million was in cash and government securities. Total current liabilities amounted to $9.1 million. Thus, cash about equals total current liabilities, and the working capital ratio is better than 9 to 1.

The company has a sizable long-term debt of $65 million of 4½% notes, repayable in annual installments of $3 million from 1962 to 1980 and $8 million in 1981. Note provisions require maintenance of not less than $20 million of working capital. This indebtedness was incurred when the company acquired Crown Zellerbach's interest in Fibreboard Products Company. The notes are held by two insurance companies which, at the time, received stock purchase warrants for a 10-year period to purchase 100,000 shares of the common stock of the company at $45 a share and 100,000 shares at $50 a share. As adjusted for the 4% stock dividend paid earlier this year, the warrants are for 104,000 shares at $43.27 a share and 104,000 shares at $48.08 per share. Options covering 87,000 shares have been granted to key employees under the company's restricted stock option plan of Jan. 1, 1956. During 1956, options on 11,300 additional shares of common stock were granted at prices of $32 and $38½ per share. At the year end, after adjustments for the stock dividend, there were options outstanding covering 97,032 common shares, the prices ranging between $14½ and $30¾ per share.

There are now outstanding 1,582,277 shares of common, ahead of which are the notes previously mentioned and a small issue of 21,240 shares of 4% cumulative convertible preferred.

At the current price of $28 a share, Fibreboard common is selling close to its low of the last year and a half as contrasted with a high of $43 a share last year. At this price, the stock is selling at approximately eight times indicated net earnings and a little better than four times cash flow earnings. The company is paying dividends at the rate of $1.20 a share per annum and yields approximately 4.2%. I regard the common stock of this well-managed company as a sound businessman's investment for its very attractive long-term capital gains potentials.

Wish "Hank" Serlen Happy Birthday

Lewis "Hank" Serlen of Josephthal & Co., 120 Broadway, New York City, is celebrating his 49th birthday on June 17th, and his 24th year with the firm. His No. 1 hobby is golf with bowling running a close second. He is an active member of STANY and at the present time is finishing his second year as a member of the board of directors.

Lewis H. Serlen

John J. Conroy

John J. Conroy passed away May 24 at the age of 68 following a long illness. Mr. Conroy was a partner in Gilligan, Will & Co.

Counterbalancing Soft and Strong Spots Keeps Economy Steady, N. Y. Bank States

Diagnosing economic activity as "one of continuing, but not deepening, adjustment . . . with no convincing indications of a major change of direction . . . — either up or down — in the near future," the First National City Bank is not alarmed by steady per capita consumption. Finds consumer shift from deficit to balanced budget remarkable since it occurred without any decreased consumption.

"The tone of business reports has improved somewhat during May, although adjustment of inventories and production is still under way," according to the First National City Bank's June "Monthly Letter" on business and economic conditions. "Steel mills note a slight quickening of new orders, while textile markets have had their biggest flurry of forward buying since last October. Stock markets have been strong and commodity markets steady to firm. Business men find encouraging reading in many corporate earnings reports, particularly when the squeeze on profits proves not as bad as many had feared. Corporations are maintaining their high rate of capital expenditures, and increases in investment programs far outnumber decreases. Retail sales and employment are holding steady at high levels.

"Reports like these," the *Letter* states, "effectively counterbalance the well-known soft spots and the slight sag in industrial output, which primarily reflects inventory adjustment. In some cases inventories are being reduced and almost everywhere the rate of accumulation has lessened. In April, the Federal Reserve Board's production index (seasonally adjusted, 1947-49=100) edged downward to 145 from the plateau of 146-147 which had been maintained since last October.

"If the sag in the index continued in May, it did not go far. The end of the Suez crisis removed a major stimulus to crude petroleum and coal production, but by May output had steadied at a reduced level. Steel mill operations continued their downward drift during April and reached a low of 84.2% of capacity in mid-May; subsequently they recovered slightly and were scheduled at 87.8% in the week ending June 2. Automobile production appears to have leveled off at about 150,000 cars and trucks per week in mid-April and is scheduled at the same pace through midyear, in contrast to the sharp cutbacks during the second quarter of last year. In general, output of nondurable goods rose to a new record in April.

"From all signs, the situation is one of continuing, but not deepening, adjustment. Nowhere are there convincing indications of a major change of direction in economic activity—either up or down—in the near future.

Eighteen Months of Level Output

"During the past year and a half, output of manufactured goods has fluctuated within a fairly narrow range. At 145 in April, the index of industrial production was 2 points below the record set in December, 1956, and 2 points above the level first reached in October, 1955. During this period manpower needs for manufacturing production have actually declined. The number of factory production workers has dropped somewhat more than 1% since the second half of 1955 and average hours worked per week have been reduced about 3%. The moderate increase in aggregate output has been made possible by a gradual rise in productivity attributable chiefly to heavy investments in new factories and better machinery.

"In employment, as in production, smooth offsetting adjustments have taken place. From the viewpoint of the economy as a whole, job openings in trade, finance, government, and other growing service industries have more than offset the lessened opportunities in direct production lines. Within manufacturing itself, nonproduction jobs—office, sales, research, engineering, etc.—have been increasing at the same time that assembly-line jobs have been declining.

Declining Weekly Wages

"The latest round of adjustments has introduced a new element into the picture. For the first time since 1952, factory wages have leveled off and weekly earnings have declined for four months in a row. From December, 1956, through April, 1957, (the latest month available), average hourly earnings of factory workers remained unchanged at $2.05 per hour. Some wage increases have been negotiated and many employes have received pay boosts under earlier contracts with cost-of-living escalator clauses or provisions for automatic annual raises. These increases have been offset, however, by the declining volume of premium rate overtime pay. The reduction in hours worked brought a factory worker's average weekly pay down to $81.80 in April from $84.05 in December. Earnings in April were still $2.81 higher than a year earlier, but when the worker went to spend them he found that they purchased somewhat less than a year ago because of rising consumer prices.

"For a long while, workers in strongly unionized industries were able to stay one jump ahead of spiraling prices through constant pressure on the wage structure. But inflation has at long last caught up with the factory worker. The consumer price index crept higher in April to its eighth consecutive new record and was nearly 4% above a year ago. Labor Department officials anticipate another rise in the index in May and possibly further increases in June and July.

Price Inflation Continues

Some of the rise, particularly in retail food prices, is seasonal in nature, but in large part the advances in prices of consumer goods and charges for services represent delayed adjustments to earlier cost increases. The continuing cost of living climb, month after month, bears out the report to Congress by the Joint Economic Committee in late May that there has been no lessening in inflationary pressures and that if anything the pressures may have increased.

"Wage rate trends continue upward. In June and July a couple of million factory workers, mainly in the automobile and steel industries, will receive both cost-of-living escalator adjustments and "annual improvement" increases. Most auto workers, for instance, get an 8-cent wage boost in June —2 cents an hour as a quarterly living cost adjustment and 6 cents as a contractual annual raise. Escalator clauses in labor contracts have become so widespread that a half-point rise in the consumer price index is estimated to add $30 million to annual payrolls. The higher labor costs resulting from these adjustments are expected to foster price increases, particularly in the steel industry, and so on around the circle.

Stability of Consumer Demand

"The inroads of inflation upon purchasing power are demonstrated also by figures on consumer expenditures. Data of the Department of Commerce and the Council of Economic Advisers reveal that one widely used measure of living standards—"real" consumer expenditures per capita—was little if any higher in the first quarter of 1957 than it was in the third quarter of 1955, which to be sure was the peak of the automobile and home-building boom.

"Aggregate consumer expenditures (seasonally adjusted annual rate) increased $17.2 billion, or 7%, during the past year and a half. Fully half of this was an illusory expansion caused by rising prices. The remaining percentage increase was roughly equivalent to the rise in population. Just to hold per capita consumption steady in this era of high birth rates and declining mortality requires additional purchases of about $5 billion a year—more than total annual consumer outlays on all types of household appliances.

	% Chge., 3rd Qtr. 1955 to 1st Quarter 1957	
Seasonally Adjusted Annual Rates	Disposable Income	Consumer Expend.
Total, in current prices	+8	+7
Total, in constant 1956 prices	+4	+3
Per capita, in constant 1956 prices	+1	*

*Change of less than 0.5%.

"As the table shows, the increase in expenditures over this 18-month period has not fully kept pace with the rise in incomes. Probably the explanation is that consumers now are incurring debt more slowly and repaying more rapidly than in the summer of 1955. If ever there was a time when the consumers of this country were living beyond their current incomes it was 1955. Lured by 'easy' credit and 'easy' terms, consumers supplemented their incomes in that year with $5.5 billion of instalment debt and $12.4 billion of mortgage debt. Today, mortgage and consumer debts are still increasing, but at a much slower pace.

"Thus, the failure of per capita consumption to increase need not be a cause for alarm; aided by rising incomes, consumers in general have shifted from deficit financing to more nearly balanced budgets. Indeed, it is remarkable that consumers were able to make this adjustment without retreating from the record consumption rates at the height of the credit expansion.

Dynamic Factors

"From these figures the inference is that any increase in the gross national product, over and above what was needed to keep pace with population and the price level, has been absorbed by the business and government sectors. Since the climax of the auto and housing boom in late 1955, consumer spending has not been the dynamic factor in the economy; it has furnished vital support for the process of adjustment and gradual growth, but no major stimulus. Business and government expenditures have provided the spark.

"The Securities and Exchange Commission reports that corporate security offerings in the first quarter set a new record of $3.6 billion, up 60% from the same period last year. A heavy schedule of corporate and municipal flotations continues in the second quarter. Part of these offerings constitutes refunding of bank loans. Some may be anticipatory borrowing beyond immediate needs. In any case, the bulk of the financing represents an eventual demand for goods and services by business and government which will be the major factor sustaining economic activity during the balance of 1957."

Now With Goodbody

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Thomas J. McAuliffe is now with Goodbody & Co., 140 Federal Street. He was previously with Elmer H. Bright & Co.

Securities Salesman's Corner

By JOHN DUTTON

E.S.P.

You can laugh this column off, or you can take it with a grain of salt, or if you wish to be a bit gullible, you may even consider some of it seriously. If you have been selling securities for quite a few years, you may even agree with these rather far-fetched ideas I am going to lay before you.

You have heard of "E. S. P." That's an abbreviation for a rather fancy set of words. To the elite of the world of the mind and such, E.S.P. is known as Extra Sensory Perception. If you have E.S.P., you have a faculty of understanding other people's whims, emotions, and subconscious motivations and you then do and say the things that automatically keep them in tune with you and YOU WITH THEM. In the olden days they called it an understanding of human nature. But I believe we can even go farther today—it is possible to not only understand other people's moods but if you have E.S.P., you know when to tune in and when not to do so.

How Do You Acquire E.S.P.?

Some people are more sensitive to the moods of others, but for those who would wish to solve the riddle of learning how to "rub the other fellow the right way" I believe that there is only one way that you can learn this very valuable art. That is through trial and error. Many years ago when I first began to earn my living selling securities I thought I would never be able to understand human nature. All beginners, and especially young people, go through this stage of development. But if you will learn to sublimate your own ego, and try to understand the motivating desires of others, you will take your first step toward an ability to not only get along with others but to be welcomed by them. I am going to give you a few suggestions that may be helpful to you in developing E.S.P. If you have it, and you have a good "statistician behind you," you can build an investment clientele that will stay with you and grow through the years. Know people and their hopes and fears, and sell them a good investment program, both are vital.

Some Do's and Don'ts

Remember, every person is concerned with his or her own problems. Don't intrude on another's moods. If you **wait** to pick up the emotion of happiness, concern, indifference, or preoccupation and adjust your attitude and remarks accordingly, you will gradually learn to tune in with another individual at a time when you will not create emotional static. Have an interview with a client or prospect at a time when they can be relaxed or don't do it at all.

Telephone selling requires an ability to create a mood on the part of the buyer and the seller that is relaxed and yet charged with the importance of making a decision NOW. Never try to sell a client unless you can feel that he is following your ideas and that you have his attention and his confidence. Never "push" for an appointment, for an order, or for an agreement on anything, either when using the telephone, or in personal contact with a prospect or customer. Your client's capital is much too important to him (and to you) for him to trust his decision making to anyone who tries to rush him into action BEFORE HE COMPLETELY BUYS ANY PROPOSAL.

Forget our own personal advantage, your commissions, your benefits, and think of the other person's problems. Get over behind his desk and try to see things from his viewpoint. Let him talk and ask him questions ABOUT THE THINGS IN WHICH HE SHOWS CONCERN. Then build a relationship based upon an interest in your prospect and client's problems and help him achieve his goals to the best of your ability.

Each one of us is an individual broadcasting station and every one of us is a receiving set. Give the other fellow a chance to send you a message before you try to tune in with him. If you are observant and patient, you will find that there are very few times when you can't get on his wave length and, unless you can do so, be pleasant about it, sign off, and try another day.

Penn. Bankers Ass'n Directors' Seminar

A two-day Directors' Seminar will be held in conjunction with the 1957 Pennsylvania Bankers Association Summer School at Bucknell University, Lewisburg, this summer. The Directors' Seminar will be held Aug. 21-22. The dates for the Summer School are Aug. 18-23.

On Wednesday evening, Aug. 21, the registrants will attend the first of five lectures. This lecture will be "Responsibilities and Opportunities of Bank Directors" by Howard D. Crosse, Assistant Vice-President, Federal Reserve Bank of New York.

The remaining lectures will be presented Thursday morning, Aug. 22. They are: "Attracting and Developing Bank Personnel" by George D. Bushnell, Vice-President, American National Bank & Trust Co., Chicago, Ill.; "An Insurance Program for Banking" by Thomas F. Glavey, Vice-President, The Chase Manhattan Bank, New York City, and Chairman, Insurance and Protective Committee, American Bankers Association; and "Bank Supervisors' Viewpoint for Directors" by William B. Baker, Chief National Bank Examiner, Third Federal Reserve District.

On Thursday afternoon, Aug. 22, all directors present, will attend the two-hour program presented by a team of economists of the Federal Reserve Bank of Philadelphia. This program will be held in conjunction with the PBA Summer School.

Registration for the Directors' Seminar will be Wednesday afternoon, Aug. 21, in the Robert U. Hunt Hall, Bucknell University, the directors' dormitory.

The Seminar program has been developed by the PBA Summer School Advisory Committee and the PBA Management & Personnel Committee, under Summer School Director T. Allen Glenn, Jr., President, The Peoples National Bank of Norristown, and Associate Director Edwin H. Keep, President, First National Bank of Meadville.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Galen M. Cundiff is now with Merrill Lynch, Pierce, Fenner & Beane, Congress & Shelby Streets.

S. Clifton Mabon

S. Clifton Mabon passed away May 24 at the age of 86. Mr. Mabon had been a partner in Mabon & Co. for 57 years.

Continued from first page

Our Stake in Middle East

Eisenhower Doctrine, reflect the importance which our government assigns to the area from the point of view of our strategic defense against Russian aggression. Because it is at the crossroads of Asia, Europe and Africa and contains one of the two major canals of the world, the Middle East is of crucial importance to the economies of all the nations of the Free World, both in peacetime and in war. And it is vitally important to us to secure the allegiance of the people of this area in our attempts to work out a secure and lasting peace.

There is, however, a second reason for our concern about the Middle East. It is an area which contains 70% of the world's proven oil reserves but which now uses only 1% of the world's annual production. In contrast, the U. S. has only 15% of world petroleum reserves and uses more than half of all the petroleum and petroleum products the world now produces each year. Europe, the second most important market, has very little oil of its own. Moreover, the economic importance of Middle East oil to the Free World is growing very rapidly.

However, it could be that this very disparity between the distribution of petroleum reserves and petroleum consumption will prove to be the basis for the development of sound and lasting economic relationships between the industrialized nations of the West and the underdeveloped nations of the Middle East. Both the U. S. and Western Europe need the oil the Middle East can supply. By meeting this need, the Middle East can earn the funds and the foreign exchange necessary to support its general economic development.

World's Energy Supply

To see why the nations of the Western World and those of the Middle East have a compelling mutual interest in development of the latter's vast petroleum resources, it is necessary to turn first to the basic trends in the world's supply of energy. An adequate supply of energy at reasonable cost—from coal, oil, natural gas, or other sources — is obviously a necessary condition for economic progress. Our rising productivity depends on our ability to supplement human effort with energy applied through machines. Only through the harnessing of an ever-expanding amount of energy have we been able to increase our production at a rate that has exceeded the growth in our population. Only in this way has it been possible to keep pushing up our living standards.

Until recently, both the U. S. and Western Europe were able to provide the increasing supplies of energy needed to support industrial growth largely from domestic resources. During the past few decades, in our own country we have had a truly phenomenal increase in oil and natural gas production. Since 1920 our use of oil has multiplied seven times and our use of natural gas 10 times. Despite this growth, however, we became a net importer of petroleum and petroleum products about a decade ago. We now import about a tenth of the oil we use.

It has been through developing our petroleum and natural gas resources that we have been able to meet our expanding needs for energy at costs the nation can afford to pay. Our use of energy has shown a long-term growth averaging 3.3% per year, or somewhat more than the average annual growth of our production of goods and services. However, the over-all cost of supplying the energy the U. S. uses has increased from 4½% of our gross national product in 1900 to almost 7% today, a 55% increase. Energy is still relatively low-priced in our country, but it is important to our future growth that we keep it that way. A 50% increase in the relative cost of energy in the next 50 years might well slow down the rate at which we could afford to use more energy. Therefore, we must seek ways that promise to keep the cost of the energy the nation uses as close to the present ratio of 7% of total output as possible.

Coal for Western Europe

In Western Europe, on the other hand, the problem is somewhat different. There, the primary source of energy has been coal—in fact, coal still provides 70% of all energy on that continent (as against about 20% in the U. S.). As recently as 1948, Western Europe met almost 90% of its energy needs from domestic production of coal and other fuels. But since that time, the industrial economy of Western Europe has experienced a considerable growth, while domestic production of coal and other energy sources is bumping against a ceiling. Thus, Western Europe is now importing about a fifth of its energy requirements (or twice the proportion we import). As is the case in the U. S., the rising cost of energy is a source of concern in Europe.

This brief review of recent trends in the U. S. and Western Europe shows that we have already gone through a fundamental shift in the world distribution of energy sources. The industrialized nations of the West must now import an important part of the energy they use. However, the real significance of these trends emerges when you take a look at the future. A number of competent studies of probable future trends in the energy field have been made by governmental, international and private institutions. In my opinion, which I hope is unbiased, one of the most authoritative of these is the recent report prepared by the Petroleum Department of the Chase Manhattan Bank.

All of these studies show that the continued prosperity and expansion of the economies of our nation and that of Western Europe depend on the accelerated expansion of petroleum production throughout the Free World, for they anticipate an increase in petroleum consumption in the Free World of more than 80% between 1956 and 1966. The increase for the U. S. itself is projected at 63% whereas it is forecast that use in the rest of the Free World will more than double.

Where will we find the large petroleum supplies to meet this growing demand? Our Petroleum Department believes that U. S. domestic production may well rise almost 40% by 1966. However, it is unlikely to increase any more than this. It is not that the United States is running out of oil—far from it. But to continue to increase production 5% each year would involve a massive effort and a massive investment. Even to sustain the 40% growth projected for 1966 means that we must find 1½ barrels of oil for each barrel produced if we are to have adequate reserves. In the past five years, we have fallen short of this requirement.

The reason we have fallen short is that the cost of increasing our oil reserves has been rising steadily. I am told that the barrels added to reserves for each exploratory well drilled have declined from 450 ten years ago to less than 200 last year. And the cost of exploration has moved steadily higher, a hard fact with which I know all of you here are all too familiar.

To avoid a sharp advance in the cost of meeting our needs for petroleum we must interest ourselves more actively in foreign sources of oil. I would like to emphasize that we should do this not to replace the present flow from domestic sources but to supplement it. In looking abroad for additional petroleum supplies, it is natural that we should consider first the areas closest to us. Various surveys that have been made show that production in Canada, Venezuela and other nations in the Americas could be increased rapidly enough, and economically enough, to supply the bulk of the Western Hemisphere's requirements.

Europe's Shortages

The situation in Europe, however, is radically different. Careful studies show that even with a large-scale investment program, the present prospect is that Western Europe's output of coal, oil, natural gas and nuclear power could be increased by no more than a third in the next 20 years. That would meet little more than one-third the area's requirements for increased flow of energy to support continued economic advance. In the short-term future, the only source Western Europe can turn to for additional energy supplies at reasonable cost is the Middle East.

In point of fact, unless vast new deposits are discovered, it seems clear that the Western Hemisphere alone could meet only about half the requirements of the Free World as a whole for increased oil supplies during the next 10 years. And this is why the Middle East is so important. There is not the slightest doubt that the Middle East has the physical capacity to produce as much oil as is needed to balance world demand in the foreseeable future. Moreover, the basic costs of production in that area (assuming reasonable arrangements for tax payments to local governments) are likely to be lower than in other parts of the world.

Consequently, the Free World is becoming more and more dependent on the Middle East. This fact emerges most clearly when you consider that the future growth of the Western European economy is almost wholly dependent on an increased flow of Middle East oil. This is true despite the fact that the recent crisis arising out of the closing of the Suez Canal was handled on an emergency short-run basis in admirable fashion with the help of the U. S. The oil industry rose to the challenge and did a remarkable job in rearranging the flow of world oil to meet Western Europe's needs with a minimum of disruption. However, the very fact that Europe's use of oil is growing at a rate of 13% per year shows that it will be more and more difficult to deal with a similar crisis should it occur a few years hence.

The Suez crisis emphasized how vulnerable future growth prospects in both Europe and the U. S. are to the shifting political tides in the Middle East. In Europe this realization has acted as a powerful spur to the development of a common market encompassing six of the nations of Western Europe. A free trade area (or the common market as it has come to be called) could strengthen the economies of the Western European nations making them less vulnerable to external developments. In addition, the Suez crisis has provided a great impetus to the search for oil in the Sahara Desert and in Latin America; to the building of huge tankers; and to plans for the construction of additional pipelines to move Middle East oil to Mediterranean ports where it can be shipped to Europe.

The impact of Suez on our own economy has been less dramatic since we were able to surmount the recent crisis without resorting to rationing or other measures of the sort that evoke a widespread public response. Yet the long-run implications may well be as significant for the U. S. as for Western Europe. In the first place, we have a vital interest in the continued well-being of Western Europe. The NATO alliance is perhaps the keystone in our attempt to build a secure peace. But NATO would quickly be placed in jeopardy if an adequate flow of oil to Europe were interrupted. This fact was brought home most vividly in the recent Suez crisis.

A second important reason why we should be concerned about Western Europe's energy problems is that even with the resources of the Americas, the Western Hemisphere does not appear to have a petroleum supply adequate to meet the requirements of the entire Free World in the next few decades. An attempt to do without Middle East oil would complicate our problems enormously both from a supply and a cost point of view.

Defeatist Attitude Decried

For all these reasons, it seems clear that the Western World has a most vital interest in the Middle East. In view of the perplexing political problems surrounding that area, this is far from a reassuring conclusion. What I should like to suggest today is, however, that we should not approach these difficult problems with a defeatist attitude. They offer us, in my opinion, a challenging opportunity to demonstrate what can be accomplished through private foreign investment supplemented by a realistic program of government technical assistance and developmental aid.

Consider for a moment the bare economic facts of the Middle East as we find it today. The area includes 19 political entities with a population of 80 million people. Most of the inhabitants now exist at a minimum subsistence level, so low a level in fact that the average income per person is probably no more than \$100 a year. The over-all economy of the area produces no more than \$8-10 billion dollars of goods and services annually.

In this situation, earnings from oil if wisely used could make a tremendous contribution to the area's economic development. Estimates are that the Middle East's share in last year's petroleum production amounted to approximately \$1 billion. That was four times the amount the area received in 1950, only six years earlier. The \$1 billion earned from oil amounted to about 10% of the total production of the Middle East and to a third of its foreign exchange earnings.

Projections of the world petroleum demand for 1966 show that the Middle East could readily increase its annual production 2½ times by that year. Thus, earnings from oil could likewise increase to \$2½ billion annually by 1966. Over the 10-year period, the area could look forward to receipts of about \$18 billion from oil development.

If these earnings could be channeled into productive investment, they could generate a significant rise in living standards throughout the Middle East. Experience around the world shows that the nations which manage to invest as much as 15-20% of their annual production in roads, industrial equipment, farm development and the like achieve a substantial rate of economic progress. Earnings from oil are sufficient to lift the rate of investment in the Middle East into this 15-20% range and thus help generate an upward movement in living standards throughout the area.

What is wanted is a program to "sow the oil" on the general pattern that has proven so successful in Venezuela. Venezuela has used oil earnings to finance general economic development. As a result, real income per person has increased 50% in the past 15 years. Similar results are achievable in the Middle East.

However, the problem of channeling oil earnings into growth-promoting activities is more complex in the Middle East than in Venezuela because we are dealing with 19 political units of widely differing characteristics and problems. Moreover, direct receipts from oil production accrue to only six of these 19 nations. But other nations, as for example Egypt, Syria and Jordan, could benefit from oil production and earn substantial sums by furnishing efficient facilities to transport oil to market. Egypt has been capitalizing on this through her control of the Suez Canal.

It is important to recognize, however, that in the long run no nation (not even Egypt) has a true monopoly of the means of transport for oil, or even of oil production. The huge tankers now being built are, in fact, too big to pass through the Suez. And the economics of tanker operations point to even bigger units.

Given time and sufficient capital investment in huge tankers, pipelines, and the search for new oil reserves, the Western World could by-pass any artificial barriers such as Egypt is using in Suez, that may be imposed under the influence of short-sighted political pressures. In any event, oil remains the major opportunity, the great resource which, if intelligently used, can lift the Middle East from its present level of relative poverty.

Progress Already Made

Some Middle Eastern nations have already made good progress in putting oil earnings to work to support general economic development. Iraq has completed major flood control projects on the Tigris and Euphrates Rivers and is now working on a six-year \$1½ billion development program. In oil rich little Kuwait, where oil revenues amount to the fantastic figure of \$1,100 per person each year, a program is underway to build roads, develop a port and build a pipeline to bring water from Iraq.

However, the fact that oil earnings, the Middle East's major sources of foreign exchange, are not evenly distributed throughout the region has led to uneven development. Some of the major oil producing nations have greater annual revenues than they can use effectively in their present state of development, whereas other nations are hard-pressed for funds to finance development. From a financial standpoint, therefore, there is need for a regional approach to the area's problems.

In fact, an impressive number of the Middle East's general problems can be solved efficiently only if handled on a regional basis. In broad terms, the two major problems are to develop a transportation system and to bring water to parched lands. Three concrete examples can be advanced to support the case for a regional, as opposed to a national, effort:

(1) The waters of the Nile could be used to develop agriculture not only in Egypt but also in Ethiopa and the Sudan;

(2) The Jordan River could be developed to provide power and irrigation in a manner that would benefit the countries surrounding it.

(3) The Suez Canal could be widened and deepened to accommodate the huge tankers now being built, thus increasing the flow

of trade through one of the major arteries of the world.

These are only a few of the many examples of what might be done if a method could be found to use the region's massive earnings from oil effectively.

Suggestion for An Authority

One way of accomplishing this might be to establish a regional Development Authority which would channel the surplus funds of the nations with large oil earnings into productive activities throughout the area. While I am always reluctant to suggest the creation of a new agency in a world that is already generously endowed in this respect, I do not believe that any existing organization can fill the need. Moreover, in view of the nature of the problems it would seem desirable to have a new agency that the Middle East countries would consider their own.

In setting up such a Regional Development Authority, I would urge that its structure and operations be patterned on those of the World Bank which, through its progressive ideals coupled with able and conservative management, has been by all odds the most effective of all our postwar international economic organizations. Such a Regional Development Authority I believe should make only sound loans and investments. It should follow the World Bank practice of making sure that the projects it finances fit into an economically sound development program for the borrowing country. Its management should be competent and nonpolitical. In fact, it might be desirable to work out an arrangement by which the World Bank would provide technical assistance to the Regional Development Authority in finding personnel and developing its pattern of operations.

If a balanced and constructive Regional Development Authority could be established, it might be desirable to use it as the mechanism for handling a part of the $200 million of U. S. Government aid funds allocated to the Middle East under the Eisenhower Doctrine. In addition, if such an instrumentality were to exist, the oil companies themselves might see fit to take part in some of its activities.

There is, of course, no guarantee that such an Authority would solve all the perplexing political, social and economic problems of the Middle East. Yet I am sure it would be an important step in the right direction for without it it is hard to see how the varied and conflicting forces in the Middle East can be brought together to solve the complex economic problems which confront them. Such an Authority would serve our interest in helping to promoted the economic development of an area that is of crucial importance to our future security and prosperity. While economic growth is no panacea, it may well be a prerequisite to progress on the social and political fronts along lines that promise to contribute to world peace and stability.

I have talked today about developments in a part of the world that seems far away from us here in Hot Springs. Yet, as I have tried to show, what happens in the Middle East in the years ahead can have an important, perhaps even a decisive effect on our own nation's security and prosperity. Middle East oil development can be expected to continue, and, in fact, some projections show that in 10 years production there will be four-fifths as large as in the United States. Over a longer period, Middle East production of oil may exceed our own. This is bound to have a strong effect on our industry. As Middle East oil production expands, the area could become one of the fastest growing markets for U. S. machinery, equipment and other goods. Our total trade with this region, both exports and imports, exceeded a billion dollars last year. If we keep our share of the market, our exports to the Middle East could go up almost 10% per year in the next decade. It seems to me more and more clear that American businessmen and bankers need to keep up to date and well informed on Middle East developments.

In stressing the importance of the Middle East and the opportunities that can be opened up by the effective use of its huge oil resources, I do not wish to minimize the very real difficulties we can expect to encounter on the political front. As all of you know, it is a region of historic racial, religious and political tensions, both domestic and international. It is also at present one of the primary targets of Soviet penetration. We can be sure that every possible device will be used by Russia in an attempt to promote its interests in that area.

Yet, as I have tried to point out, the difficulty of the task should not blind us to the fact that the Middle East is vitally important to us, nor should it deter us from pursuing a positive and vigorous program. Fortunately, there is an interdependence between the Middle East and ourselves, for their only hope of using their oil effectively to support general economic progress lies in cooperating with the West.

Our task is first one of understanding. We cannot act intelligently until we know the history, the ambitions and the mentality of the people who for centuries have lived in the Middle East. Next we must formulate a program which takes into account both our own objectives and theirs. Finally we must proceed on our course with conviction, strength and statesmanship. Our stake in the Middle East is huge. Let us not lose it by inaction or an ill-considered move.

Continued from page 15

Keeping Stockholders Informed To Stop Raids and Rebellion

did so well, that root beer, black cherry, cream soda and cola, soon followed on the market. Profitably, I might add. The **Borden Company** sensed the trend, too, and got into the parade. Promotion of its nonfat dry milk brought sales to 75-million pounds in 1954. Only 5-million pounds were sold in 1949. Low-starch breads are now popping up in the stores, and **Armour & Company** has introduced the first salt-free meat for over-weight persons.

Perhaps a new advertising medium is the answer. When **General Electric's** vacuum cleaner didn't sell well, the company bought a TV show with Garry Moore as demonstrator. In a little over a year, the new G.E. vacuum cleaner doubled its industry position.

Companies Must Grow

Diversification of all sorts is possible to managements which refuse to lay back on the oars and drift. The classic example is that of the coal dealer who buys an ice company to counteract seasonal trends. Some companies go further. **General Mills,** for instance, a few years ago decided that the flour business was declining, not growing, despite population growth. Hence it moved into many other lines and is still doing so profitably (although in one case it backed out — appliances).

Food Machinery & Chemical Corp. in California, is another example. From a single hand sprayer it has now encompassed the entire agricultural field—up to packaging for farm products. Some, like **Republic Steel Corp.,** have moved from industrial to consumer items. Republic has a steel kitchen line and a line of modular walls. Both **Monsanto Chemical Company** and **Dow Chemical**—firms in a business you would think had enough potential to keep a boatload of managements and capital busy—have made strides outside industrial chemicals. Monsanto has a soil conditioner Krilium among other products; Dow has Saran-Wrap. **Clary Multiplier Corp.,** office machines, has added a ball point pen to its products. **Packard-Bell Company,** one of the oldest TV-radio makers west of Chicago, moved into air conditioning. Glass companies are girding themselves against the inroads of cans and other container materials. Oil, one of the lushest of industries, is spreading into petrochemicals. And the coal industry is diversifying in all directions. In the past three years, Pennsylvania Coal & Coke Corp. (now **Penn-Texas Corp.**) has gone into oil production, shipping, the manufacture of wire and cable and of industrial equipment, and uranium mining.

Sometimes a company president wonders where he can find the caliber of executives to help him re-examine and re-direct his company. A management development program is always a possibility. The American Management Association last year reported that from one-third to one-half of the companies surveyed had installed development programs in cooperation with universities and schools of business administration. Eight years ago, the AMA found that only 5% had such programs. So there are evidently many managements peering ahead, developing their personnel, striving to push forward. Nothing impresses stockholders more — and pays better dividends.

Keeping Stockholders Informed

(2) All this can't be done overnight, particularly if the difficulty is deep-rooted. In the meantime, and during the whole process, stockholders ought to be kept informed. This is a complex, delicate and difficult business, because presidents' messages are not usually written for stockholders—even though the president believes he is directing his message to stockholders. Presidents' messages are often written in style, figures of speech, line of thinking, which only other major executives can understand and approve. They are usually sombre and portentious documents, and are obviously couched by men of sense and self-respect. But many of them do not persuade stockholders, because the typical stockholder is more apt to be Mrs. Susie Jones in Kokomo, than Mr. John Bigwheel on Park Avenue.[2] In short, reassurance of stockholders, to some extent at least, must be translated into commoner modes of expression.

The typical stockholder is not sophisticated, nor has he great powers of ratiocination. The Brookings Institution in 1952 found that there were some 6.5 million stockholders of publicly held corporations. About 80% (4.9 million) had annual incomes of less than $10,000, and about 16% (slightly more than 1 million) had incomes of less than $4,000. About 33% (2.1 million) of the stockholders were housewives. A high-falutin' company message is too high flying for many of these people.

In inviting the continued confidence of stockholders, one must not confuse the kind of presentation one makes to security analysts or institutional funds, with the presentation one should make to the typical stockholder. Many of these latter presentations have no more of the juices of life than so many tables of logarithms. They are as bare of human appeal as a herring is of fur. Unfortunately, there is no immutable or magical formula which one can display here, and then be used by inserting a local company's name. It requires some investigation of how a company's stock is distributed, what these people's motives are in holding this particular stock, and then determining what sort of treatment can best present the company problems to these people. Above all, one must remember that the truth has a mysterious medicinal power which works wonders.[3] Evasion of issues is only a temporary expedient—if that.

Everything can be dealt with in this fashion. Whether the stories are newspaper releases, annual reports, stockholder letters, presidents' messages, bulletins to employees, company policy statements — as much care must be given to their production as to the items manufactured by the company. And this must be done before the raiding party is at the outer gate.

Risk-Taking and New Blood

(3) Conservative company policy on risk-taking, should be re-evaluated. Quite often, a president, stirred by an announcement of a competitor's new item, will activate himself and begin an avid search for offsetting items. But once the crisis has passed, the company slows down again.

Maybe a new vice president is needed to keep activating a ferment of fresh ideas. Perhaps a university professor ought to be retained as consultant to feed management with a digest of new scientific developments. These could lead to improvement of company items or production of new products. A constant examination of new patents — done easily by patent research services —may turn up items which can fit into a company's present industrial character and permit leveling of some of the seasonal peaks, or diversification. Research and development need not be tremendously costly projects.

(4) The fact that a company is often a tight organization with too much hierarchy, too much promotion according to seniority, and with little outside blood, is hard for anyone on the inside to see. It sometimes takes an outsider's glance to detect this failing — which is why raiders sometimes serve a useful purpose.

This sort of organization rarely has flair; the sap rises slowly in it; bounce and gusto are often missing, and the flash of new and persuasive ideas noticeable by their absence. Nobody makes many major mistakes in such an organization, because nobody gets much of a chance to make any. By the same token, new concepts are rarely pushed by anyone on the executive team.

Few men in such companies are invited to give utterance to new ideas, or to think of company growth, because that is a function kept for the top echelon, when it gets around to it. The philosophy of such managements is unconsciously grounded on the thesis that the existing company practice must stand forever free from attack, and not only from attack, but also from more criticism.[4]

This sort of organization needs new blood of some vigor and temperament. It needs men of saucy, and even impertinent, curiosities. And this new personnel requires some room for trial and error, some authority and some leeway. Imagination and courage are prized qualities today and if they are not in an organization, they should be imported temporarily or permanently—or even hired away from competitors.

2 I have dealt elsewhere with the problem of language, consumer appeals, and how to write for the different levels of the public.

3 The president of Anheuser-Busch, Inc., told stockholders that the 15% decline in the brewery's beer volume in 1954 was due to the fact that it—along with other big brewers—hiked prices on premium beer. The local and regional brewers didn't. Said Busch: "In my humble opinion, that was the worst mistake your president has made." Mr. Busch's admission did not hurt him with his stockholders.

4 "I think the most serious threat to business progress arises from . . . an instinctive seeking for security. I am speaking about the efforts we make to keep ourselves safe in our jobs . . . to see to it that we don't make any mistakes. This is sometimes called keeping your neck in, and it has many manifestations—all (creating) a bad climate for new ideas.

"Sometimes, when we adopt . . . 'safe' attitudes, we rationalize and give it a fancy name like 'loyalty.' We tell ourselves that we don't disagree with the boss because we are 'loyal' to him or 'loyal' to the organization we are working for.

"Far be it from me to belittle the value of loyalty, but it is no substitute for originality. That 'Light Brigade Loyalty'—'Their's not to reason why, their's but to do and die'—excuse me please, I would rather have a little disagreement or skepticism or whatever you wish to call it. Before the whole shebang rides over a cliff or tumbles into the hands of the enemy, I'd rather someone gave me an argument. Let's not confuse atrophy with loyalty. Let us remember that when two men in an organization think exactly alike, we can get along without one of them." George H. Coppers, president, National Biscuit Co., in his address before the National-American Wholesale Grocers' Association; quoted in "Newsweek," March 28, 1955, p. 79.

Funston to Receive Honorary Degree

COLLEGE PARK, Md. — Three honorary degrees will be conferred here by University of Maryland President Wilson H. Elkins at commencement exercises on June 8.

G. Keith Funston

A doctor of laws degree will be conferred upon Dr. George Keith Funston, President of the New York Stock Exchange and commencement guest speaker. Dr. Arthur O. Lovejoy, Johns Hopkins professor emeritus of philosophy and former member of the University of Maryland Board of Regents, will receive the degree of doctor of literature; and Dr. Albert E. Goldstein, prominent Baltimore urological surgeon, will receive the degree of doctor of science.

Dr. Funston was graduated from Trinity College in 1932 with a bachelor of arts degree, with honors. He was graduated cum laude from Harvard Graduate School of Business Administration in 1934 with a master of business administration degree.

He has been an assistant to the Vice-President in charge of sales of the American Radiator and Standard Sanitary Corp. and sales planning director and later director of purchases for Sylvania Electric Products, Inc.

During 1941 he served as special assistant to the chairman of the War Productions Board.

Dr. Funston was named President of Trinity College in 1944 at the age of 33. From 1944 to 1945, while on leave of absence from Trinity he served as lieutenant commander in the U. S. Navy.

He accepted the presidency of the New York Stock Exchange in 1951.

Continued from first page

The Five-Year U. S. Potential

again divides itself into three sub-parts. The titles of these sub-parts. are: *"People," "Power,"* and *"Research."* People means population trends. And briefly I should like to point out population trends which provide a dynamic growth push during the next five years. The first part is on the consumer side. Since the end of the war, more than 40 million children have been born in this country. During the next five years, roughly 20 to 22 million more children will be born. In the entire period from the end of the war, more than 62 million will have been born. Two million have died. As a net figure, more than 60 million people will have been added by new births in this 16-year period. And not one of them will have reached normal working age by the end of the next five years. They will still be at the school age. They will not be entering into the labor supply of the country. They will be consumers but not producers during the next five years.

Who then does provide the production? The newcomers in the labor force are primarily the children who were born in the decade of the '30s, the decade which saw a sharp slump in the birth rate. The survivors of that age group are today those who are coming for the first time into the labor supply of this country. The number of such new entrants in the labor supply is running far below normal, far below that historic balance between people of working age and people too old or too young to be of working age.

The deficiency of people entering the working age group has been 11 million in the last eight years and it will be approximately an additional 4 million in the next five years, so that we have a deficiency, 1949-62, in the supply of people of working age of about 15 million.

And with this deficiency in the number of people of working age, we must provide an American standard of living to the 60 million people born between roughly 1946 and 1962.

The shortage on the labor side has to be met by trying to find a substitute for labor. That substitute is machinery and the power to run the machinery. With a shortage on the labor side, and this tremendous expansion on the part of the consumer side, the utmost pressure is placed on American industry to carry forward capital expenditures, particularly that form of capital expenditures which provides a substitute for labor, which provides a greater output per man-hour for the labor that is available and which helps to cut the unit cost of production for the benefit of everybody.

More Power Available

That is the first dynamic pressure. The second pressure is in the field of power. People are not working harder. They are not going to be working harder, but they are going to have more power at their disposal, and generating capacity of the electric light and power industry during the next five years will increase at an average of about 8% a year. That is a fairly high rate of increase. Probably few, if any, leaders in the utilities business would be inclined to quarrel with it as a reliable figure, but some skeptics might say, "Well, maybe so, but how do you know? What basis have you got?"

Well, in this instance, I think I have the basis in that my associates and I have made a very comprehensive survey of the capital expenditures plans of the electric light and power companies over the next five years. We have had a very broad response from companies representing about 90% of the total industry. We have the estimated capital expenditures for each year for the next five years.

We have carefully studied these results and after doing so I feel that my estimate of about an 8% per annum increase in generating capacity is going to be wrong because it is going to be too low. But in any case, I will settle for the 8% proposition.

When the power is installed, it is not installed in a vacuum. It is there to be used to run machinery to facilitate production. It is to be used in the home as well as in the factory for the utilization of labor-saving facilities.

In order to get from power to an efficient use of power, it is necessary in the American business system to do a certain amount of scientific research and developmental work. So my third point in trying to lay the foundations for this analysis is research and development.

Research and Development

This year the research and development expenditure of American industry is estimated to run in the neighborhood of $7 billion. In 1962, I would expect it to run well over $10 billion. I arrive at this increase in research and development by economic and statistical analysis. Again, the skeptic might say, "But how do you know? What is your real basis?"

Well, I expect roughly an 8 to 10% per annum increase in research and development for the reason that a survey of the plans and intentions has been made. I did not make this survey personally, but it has been made by people who are thoroughly competent. And after studying their results I have full confidence in the job they have done and their survey of the actual plans of American business over the next five years confirms my estimate of an 8 to 10% per annum increase in research and development expenditures.

The research and development is for two main purposes, to find new products and to find new processes in American production.

As a result of this research the new products coming into the market from American industry will increase steadily. The other benefits from the research will be in processes of production and distribution which help to cut unit costs and provide today's greatest resource in the battle to retard wage inflation.

Research, power and people are the three great dynamic pressures, and they are the three reasons why I speak of the potential of American industry as a probability rather than merely as a vague theoretical possibility.

Operational Procedure

Now, the second major part of this talk has to do with operational procedure. Results can be stated more clearly by trying to explain in very simple terms how one goes about getting the results. Sometimes people figure that an economist is someone you never can track down and never nail down; that he is mysterious and he is elusive and finally pulls a figure out of the sky and that is it. Well, that is not the right way of trying to deal with these problems, so I shall talk in terms of operational procedure.

There are two primary ways of trying to translate these dynamic pressures into the volume of business, and for this purpose I shall use gross national product as the volume of business.

The first approach is on the consumer side. I have already indicated to you that because of the high birth rate, we have 60 million new consumers to contend with, consumers who do not themselves produce.

Total population is a measure of the total consumers. The population of the next five years will increase 1.7% a year, and that population will be given an increase in the standard of living per capita of between 1½ and 2½% a year, a development that is not at all surprising but is in compliance with the tradition of the American way of life.

And in the same five years the price index will advance some, probably in the neighborhood of 1½% a year. So you have here in physical terms an increase of roughly 4% a year and in terms of current dollars, an increase of roughly 5½% a year. That is looking at it from the consumer side.

Now let us look at it from the investment and producer side. From the investment side we have two very broad groups to consider. First is the government, through the purchase of goods and services; second is private investment in the form of construction, capital expenditures, residential building, and so forth.

If we can arrive at a satisfactory estimate of government and private investments, we can fairly easily move from that to an estimate of the gross national product.

The government investment is first, state and local where schools, road building and the general community improvements necessary to take care of a suburban population call for a continued rate of expansion over the next five years. The rate of expansion in physical terms, allowing nothing for price increase, would be at the average annual rate of about 4%.

Steady Government Spending Rate

However, in terms of the Federal Government, you find some difficulty because we are now in the midst of a great hassle over the budget. And I think it best to assume that the spending on national defense and the other spending by the Federal Government will average over the next five years about the same as it has this year. I see no progressive continuing increase in the rate of expenditure by the Federal Government.

When you turn to private investment your first consideration has to do with capital expenditures. The main item in capital expenditures is producers' durable equipment. Producers' durables are about two-thirds of capital expenditures. It has been said that we have been having such a boom in capital expenditures in producers' durable equipment that the boom must be about over and we must be due for a considerable setback. I do not subscribe to that view because I think the size of the boom has been greatly exaggerated.

If I use the official figures reported by the Government, I find that the increase — the total increase in producers' durable equipment since 1947-49 — has been about 24%—24% in physical terms. That is an official Government figure. Certainly that is no boom because the Federal Reserve Production Index has gone up 46% as against 24. That is no boom.

For technical reasons I think that the Government figure in this case has something wrong with it. I do not know just what it is, and I am not criticizing the Government, but I make up my own index of the physical volume of producers' durable equipment and I get an increase of 50% in the last seven or eight years, instead of 24%. But even if it is 50%, that is no great boom. It is a growth trend, and that is about all it is.

No Saturation Yet

I see no sign that we have come anywhere near a saturation point in the need and the ability of American business to use equipment and machinery that will increase output per man-hour and help to keep unit costs down or actually to lower the cost. We are not through with the urgent need and demand for that purpose and therefore I think the producers' durable equipment will continue to increase in physical terms over the next five years at an annual average of at least 4%.

The other big item in private investment is residential building, which is currently in an air-pocket, but I think not for too long. It seems to me that during the next five years we are likely to experience a very important upward wave again in housing starts and residential building. There are many devices for trying to estimate housing, but I think one of the simplest and best is to work in terms of the marriage rate in the United States.

Right after the war, we had a very high marriage rate for a year or two. There were more than 2 million marriages a year. More recently, that has slumped down to 1½ million a year. It is not going to stay there. In fact, it is already on the upgrade again, and by the end of another five years the marriage rate, instead of being somewhere around 1.5 million, will be in the neighborhood of 1.8 million to 1.9 million. And beyond that, ten years from now, the marriage rate will be above 2 million again.

I do not believe that we can be in a rising marriage trend without having a demand for houses. We cannot eventually take care of 2 million marriages a year with 1 million houses. This housing situation has got to turn around and move forward again in the next five years.

Now, having worked on private investment and on government purchases of goods and services, my operating procedure is to correlate the combined total of those two estimates with consumer expenditures and gross national product. I shall not go into any tedious technical detail about the correlation, but I think that most people would be satisfied that it is feasible and practical to make that sort of correlation.

The result is gross national product, and I have in mind to give you my figures for the next five years, but they will not have too much meaning unless I compare them with what actually has been happening during the past seven years. I have often referred to this decade as the "Dynamic '50s." We have actually had seven years of the Dynamic '50s. We are in the eighth year, and I am talking about a projection on through to 1962.

The Dynamic '50s

In the Dynamic '50s, thus far, the gross national product in physical terms, in constant dollars, has increased on the average 5½% a year. It will not increase that rapidly during the next five years. It will increase in physical terms at the rate of about 4% a year.

In terms of current prices, the Dynamic '50s thus far have seen an increase in gross national product at the annual rate of about 8%. In the next five years, the increase will be about 5½%. It will be a slower rate of increase.

Now, one might say, "Doesn't this indicate that the economy is slowing down? That we are leveling off? That we are losing momentum?" No, I do not think that is indicated, and the reason can be stated very easily. There was some extra whipped cream on the cake during the last seven years because of the necessity to increase the defense spending by the Federal Government. The increase in defense spending amounted to about $20 billion.

When you translate defense spending into gross national product, you have to apply to it a multiplier of roughly two. In other words, a jump of $20 billion in defense is likely to mean a jump of about $40 billion in gross national product. Over the next five years, I do not see any repetition of that jump of $20 billion in defense. I assume the defense spending will stay about the same as it is now during the next five years. Well, if we do not get the jump of $20 billion defense, then we do not get the jump of $40 billion in gross national product, and the difference between the average annual rate of growth of the last seven years and the next five years is almost entirely this difference between the jump in the defense spending of the past and the constant assumed defense spending in the next five years. Except for that I see no sign of leveling off, loss of momentum, slowing down in the dynamic pressures on American industry.

The Dynamic Industrial Consequences

I have covered point two, operating procedure, and have given you the results, and I now come to point three, which is the dynamic consequences for American industry. In discussing this problem informally with various people, I have found that I have always run into a question, a tough question, a kind of nasty question: They say, "You might be right, but what about profits? Where are they going to be? Are they going to increase any?" Well, I have a form for answering that question.

Instead of referring to profits in the way in which they are reported as headlines in the daily newspaper, I should like to use "profits" in the sense of a cash flow. There have been some very important changes in depreciation and other accounting practices. These are adequately taken into account when we use cash flow. They are not adequately taken into account when we look at reported earnings. So I would say to you that the cash flow, which is retained earnings plus depreciation, the cash flow of American business during the next five years will increase each year by a slightly higher percentage than the increase in gross national product. In other words, the margin, the ratio between the cash flow of earnings and gross national product not only will be maintained but also will rise.

Another phase of the dynamic consequence has to do with the subject of unemployment. The question to which I have addressed myself is, "How much unemployment will there be in 1962 if this American potential works out as indicated?"

The amount of unemployment in 1962 would be between 5% and 7%. Now there are certain inferences that spring from that. If you think I have been too high in my projection of gross national product, then you had better get ready for unemployment of more than 5% to 7% in 1962.

As a matter of fact, whatever you may think of tight money, budget, tax reduction or anything else, both the Federal Government and the Federal Reserve are fully dedicated to continuous growth as an objective of the American economy. They are pledged to the use of all their resources to that end, and from the nature of the men involved, I would have no doubt they would have the courage and the imagination to live up to that pledge.

At the moment, they are trying to retard inflation. They are trying to hold certain things in check. Bear in mind that in the long history of American business cycles, the thing that killed us so often was a crisis. It was a crisis in the stock market, a crisis in real estate, a crisis in commodity prices —always a crisis. Now the Government and the Federal Reserve are using all their talents as best they can to prevent a crisis.

It seems to me that they have a very good chance of being successful in preventing a crisis. I am assuming that they will be successful to a reasonable degree. In taking this position, I do not subscribe to the view that recession and depression have been abolished forever. In fact, I entertain the possibility that the economy may be somewhat more susceptible to fluctuations in the future than in the recent past.

Too often we talk about these things from a purely domestic standpoint, the outlook for business, the outlook for American business. We are part of the rest of the world and in particular we are part of the free world and we are an extremely important part. We have leadership and we have responsibility in the free world.

A course of growth and expansion of the kind I have indicated would mean that the United States would be living up to the responsibilities of that leadership. Anything significantly less than the five-year projection that I have given you would mean that the free world would be falling behind in the Cold War and in the "competitive co-existence" of the world today.

I am not so lacking in faith in the American people as to believe that they are going to throw in the white towel in the race between the Free World and the Soviet World. We can make good on this potential, and we are going to make good in the United States on this potential.

Halsey, Stuart Group Offers Gen. Telephone Co. of California Bds.

Halsey, Stuart & Co. Inc. and associates are offering today (June 6) $20,000,000 of General Telephone Co. of California 5% first mortgage bonds, series K, due June 1, 1987, at 100% and accrued interest. Award of the bonds was won by the underwriters at competitive sale yesterday (June 5) on a bid of 99.279%.

Net proceeds from the sale of the new bonds will be used by the company for construction purposes, and to repay in whole or in part any short-term bank loans incurred in connection with the construction program.

The new bonds will be redeemable at optional redemption prices ranging from 105% to par, plus accrued interest. None of the new bonds, however, may be called for redemption prior to June 1, 1962, if such redemption is for the purpose or in anticipation of refunding the new bonds by application, directly or indirectly, of funds borrowed by the company at an interest rate less than the rate of interest on the new bonds.

General Telephone Co. of California provides local telephone service in certain cities and communities in Southern and central California. Toll service to points in and out of California is provided in part over lines owned by the company and other connecting telephone companies. As of March 31, 1957, the company served a total of 843,523 telephones. All of the common stock of the company, constituting 94.29% of the total voting stock, is owned by General Telephone Corporation.

For the 12 months ended March 31, 1957, the company showed total operating revenues of $72,888,631 and net income of $11,888,546.

F. I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Richard D. Bolton has been added to the staff of Francis I. du Pont & Co., Merchants Exchange Building.

Continued from page 4

The State of Trade and Industry

sion plants and American Motors' Wisconsin plants also operating on Friday and Plymouth's Detroit factory, scheduled to work Friday and Saturday.

Chrysler and Imperial assembly halted on Tuesday of last week because of a Budd Co. strike and was expected to resume on Monday of this week. Buick's main plant in Flint, Mich., and Oldsmobile's in Lansing, Mich., have been down since Tuesday afternoon of the past week, and also will get under way on Monday of the present week.

Steel Production Expected This Week to Reach 88.8% of Ingot Capacity

Steelworks operations took an upturn last week for the first time since early March, "Steel" magazine reported on Monday last. Mills operated at 86% of capacity, or a gain of 2 points over the previous week. The rate is equal to a weekly output of about 2,201,161 net tons of steel for ingots and castings.

Helping to reverse the downward trend were gaps in consumers' inventories and renewed emphasis by producers that prices will be increased in July, this trade weekly noted.

The metalworking publication said that indications are there will not be much additional buying on automotive account this quarter. In fact, there probably will not be much until late third quarter when 1958 model runs get under way.

With steel wage costs scheduled to rise an estimated 20 cents an hour July 1, it is almost a foregone conclusion that a compensating price increase will follow "Steel" declared. Talk has been in terms of $5 to $7 a ton. Some steelmakers appear to think an even stiffer rise is justified.

Steel prices are holding right now. In the week ended May 29, "Steel's" arithmetical average on base prices of finished steel was unchanged at $140.24 a net ton, compared with $139.71 a month ago, $128.98 a year ago and $106.32 five years ago.

Scrap continues the recovery it started several weeks ago. Brokers report supplies are limited. In the week ended May 29, the index on the steelmaking grades was $47 a gross ton,—up 33 cents from the previous week. A month ago, it was $43.67, a year ago $47.17, concludes this trade journal.

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 88.8% of capacity for the week beginning June 3, 1957, equivalent to 2,274,000 tons of ingot and steel for castings, as compared with 88.0% of capacity, and 2,252,000 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 86.7% and production 2,220,000 tons. A year ago the actual weekly production was placed at 2,380,000 tons or 96.7%.

The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Declined Last Week as a Result of Extended Memorial Day Holiday Weekend

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, June 1, 1957, was estimated at 10,936,000,000 kwh., according to the Edison Electric Institute. Output turned downward the past week due to the extended Memorial Day holiday weekend.

The past week's output decreased 638,000,000 kwh. below that of the previous week; it increased 338,000,000 kwh. or 3.4% above the comparable 1956 week and 1,399,000,000 kwh. over the week ended June 4, 1955.

Car Loadings Increased 0.1% Above Preceding Week In Latest Period

Loadings of revenue freight for the week ended May 25, 1957, increased by 382 cars or 0.1% above the preceding week the Association of American Railroads reports.

Loadings for the week ended May 25, 1957, totaled 722,903 cars, a decrease of 65,351 cars, or 8.3% below the corresponding 1956 week and a decrease of 62,686 cars, or 8% under the corresponding week in 1955.

U. S. Automotive Output in the Memorial Day Week Touched Lowest Point in Close to Eight Months

Automotive output for the latest week ended May 31, 1957, according to "Ward's Automotive Reports," declined to the lowest level in nearly eight months as a result of the Memorial Day holiday which provided the majority of the nation's auto workers a four-day "weekend."

Last week's car output totaled 81,625 units and compared with 127,428 (revised) in the previous week. The past week's production total of cars and trucks amounted to 99,251 units, or a loss of 51,584 units below that of the preceding week's output, states "Ward's."

Last week the agency reported there were 17,626 trucks made in the United States. This compared with 23,407 in the previous week and 17,466 a year ago.

Last week's output fell below that of the previous week by 45,803 cars, while truck output decreased by 5,781 vehicles during the week. In the corresponding week last year 77,433 cars and 17,466 trucks were assembled.

Canadian ouput last week was placed at 8,200 cars and 1,991 trucks. In the previous week Dominion plants built 6,217 cars and 1,602 trucks, and for the comparable 1956 week, 10,937 cars and 2,416 trucks.

Business Failures Drop Sharply in Holiday Week

Commercial and industrial failures fell to 225 in the holiday week ended May 30 from 309 in the preceding week, Dun & Bradstreet, Inc., reports. At the lowest level since the first week of the year, the toll was slightly below the 238 a year ago, although remaining above the 203 in 1955. Failures were 10% less numerous than in the comparable week of prewar 1939 when 249 occurred.

Casualties with liabilities of $5,000 or more declined to 185 from 263 last week but were almost even with the 188 of this size in 1956. A slight dip occurred among small failures involving liabilities under $5,000, bringing their toll down to 40 from 46 in the previous week and 50 a year ago. Liabilities exceeded $100,000 for 15 of the week's casualties as compared with 34 last week.

Wholesale Food Price Index Registered Moderate Gain in Latest Week

The Dun & Bradstreet wholesale food price index for May 28 registered $6.11. This was 0.3% higher than the $6.09 of the preceding week and was unchanged from that of the comparable date a year ago.

Advances in wholesale cost last week included flour, lard, cottonseed oil, cocoa, eggs, raisins and hogs. Lower in price were wheat, corn, rye, oats, barley, sugar, coffee, potatoes, lambs and steers.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Moved Moderately Lower the Past Week

Price declines on such diverse commodities as grains, livestock rubber and cotton pulled the Dun & Bradstreet daily wholesale commodity price index down slightly last week. The index stood at 285.92 on May 27, compared with 287.33 a week earlier and 288.90 a year ago.

Most grain prices declined in the week as a result of government selling of surplus wheat to exporters. At the beginning of the week reports on unfavorable growing conditions for wheat, corn and oats moderately stimulated trade, but buying slackened noticeably at the end of the period.

Although purchases of wheat and oats in Chicago slightly exceeded those of the preceding week, prices fell considerably.

Movement of government corn subsided and prices were steady. Soybean prices remained close to those of the prior week as wet weather delayed planting. Purchases of soybeans in Chicago expanded moderately, but were considerably below those of the comparable period last year. Average daily purchases on the Chicago Board of Trade amounted to about 41,000,000 bushels, compared with 41,000,000 bushels in the preceding week and 53,000,000 bushels in the similar week last year.

There was a noticeable rise in cocoa futures prices as buying expanded. Warehouse stocks of cocoa were considerably reduced during the week to 270,369 bags, compared with 353,981 a year ago. Trading in sugar advanced appreciably somewhat boosting futures prices. A slight decline in coffee prices occurred and market activity was sluggish.

Stimulated by reports on unfavorable weather conditions in the growing areas, cotton buyers stepped up their orders the past week. However, prices fell somewhat.

According to the Census Bureau cotton consumption for the current season through the end of April amounted to about 6,776,000 bales against 7,070,000 bales in the corresponding 1956 period.

Exports for the week ended May 23, were estimated at 94,000 bales by the New York Cotton Exchange Service Bureau. This compared with 185,000 bales a week earlier and 78,000 in the similar week last year. For the season through May 21 exports totaled 6,724,000 bales, against 1,752,000 bales a year ago.

Trade Volume in Latest Week Unchanged to 4% Under Like Period of 1956

Although food sales were sustained at a very high level last week, there was a noticeable slackening in consumers' interest in apparel and household furnishings. A spurt in bathing suit sales accompanied the reopening of many beaches and bathing places, but volume was somewhat below a year ago. There was an increase in retail sales of barbecue equipment, outdoor furniture and sporting goods. Gardening implements continued to sell well, while interest in air conditioners picked up noticeably. This was in contrast with the reduced volume in household furniture and most major appliances. While retailers sold less apparel than they had a year ago, there was a seasonal increase in consumers' purchases of graduation specialties and jewelry.

The total dollar volume of retail trade in the period ended on Wednesday of the past week was from unchanged to 4% below a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England, East South Central, West South Central and Mountain —3 to +1, Middle Atlantic and South Atlantic 0 to —4; East North Central —5 to —9; West North Central —2 to —6 and Pacific Coast 0 to +4%.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended May 25, 1957, fell 1% from the like period last year. In the preceding week, May 18, 1957, a decrease of 2% was reported. For the four weeks ended May 25, 1957, an increase of 2% was recorded. For the period Jan. 1, 1957 to May 25, 1957, an increase of 2% was registered above that of 1956.

Retail trade volume in New York City the past week registered gains of 1% to 3% above the like period of 1956, according to estimates by trade observers.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended May 25, 1957, rose 1% above that of the like period of last year. In the preceding week, May 18, 1957, an increase of 3% was reported. For the four weeks ending May 25, 1957, a gain of 4% was registered. For the period of Jan. 1, 1957 to May 25, 1957, the index recorded a rise of 4% above that of the corresponding period in 1956.

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 one or two months.

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.
May 1 filed 170,160 shares of common stock (par $1) being 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**—$28 per share. **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.

★ All-State Properties, Inc.
May 24 (letter of notification) 82,227 shares of capital stock (par $1). **Price**—$1.90 per share. **Proceeds**—To acquire a half interest in mortgage. **Office**—509 West Merrick Road, Valley Stream, L. I., N. Y. **Underwriter**—None.

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.

• Allied Products of Florida, Inc. (6/10)
May 1 filed 130,000 shares of class A common stock (par $1) to be offered to stockholders of record about June 10, 1957; rights to expire about June 25. **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 Guaranty Corp.
May 13 (letter of notification) 38,651 shares of common stock (par $1) to be offered to stockholders of record May 17, 1957 on a basis of one new share for each three shares held; rights to expire June 28, 1957. Any unsubscribed shares will be offered to public residents in Rhode Island and Massachusetts. **Price**—$7.50 per share. **Office**—49 Westminster St., Providence, R. I. **Underwriter**—None.

American Hardware Corp.
April 8 filed 118,000 shares of common stock (par $12.50) being offered in exchange for common stock and class B common stock of Kwikset Locks, Inc., at the rate of one share of American Hardware for each two Kwikset common shares and 55,500 American Hardware common shares for 150,000 shares of Kwikset class B common stock. The offer is conditioned upon its acceptance of not less than 85% of the issued and outstanding Kwikset common and class B common shares by June 28. **Underwriter**—None.

American Income Fund, Inc., New York
May 24 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None. Burton H. Jackson is President. **Investment Adviser** — Securities Cycle Research Corp., New York.

★ American Metal Products Co., Detroit, Mich.
May 27 filed 125,000 shares of common stock (par $2) to be offered for sale under the company's Employee's Incentive Stock Option Plan.

★ Associated Fund, Inc., St. Louis, Mo.
May 28 filed $4,000,000 of 40,000 trust certificates, full paid ($4,000,000) and 60,000 trust certificates, accumulative ($6,000,000).

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. (6/13)
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.

Associates Investment Co. (6/19)
May 24 filed $20,000,000 of 20-year subordinated debentures due June 1, 1977. **Price**—To be supplied by amendment. **Proceeds** — For working capital and to reduce short-term bank borrowings. **Underwriters** — Salomon Bros. & Hutzler and Lehman Brothers, both of New York.

• Automatic Merchandising, Inc., Tampa, Fla.
April 17 (letter of notification) 81,577 shares of common stock (par 50 cents) being offered for subscription by common stockholders at the rate of one new share for each 2.52053 shares held, as of May 25, 1957; rights to expire on June 12. **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.

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.

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.

Bridgeport (Conn.) Gas Co. (6/7)
May 17 filed 34,572 shares of common stock (no par) to be offered for subscription by common stockholders of record June 7, 1957 on the basis of one new share for each seven shares held; rights to expire on June 21. **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.

Browne Window Manufacturing Co.
April 10 (letter of notification) 82,500 shares of common stock (par one cent). **Price**—At market. Total offering not to exceed $300,000. **Proceeds**—To selling stockholders. **Office**—1400 East Jefferson Ave., Dallas, Tex. **Underwriter**—Wm. B. Robinson & Co., Corsicana, Tex.

★ Bulldog Mining Corp., Colorado Springs, Colo.
May 23 (letter of notification) 225,000 shares of common stock (par 20 cents). **Price**—$1 per share. **Proceeds**—To explore presently owned properties, for development costs and working capital. **Office**—2125 Hagerman St., Colorado Springs, Colo. **Underwriter**—None.

Butler Brothers, Chicago, Ill.
May 28 filed 40,000 shares of common stock (par $15) to be offered for subscription by certain of the Ben Franklin franchise holders. **Price**—To be supplied by amendment. **Business** — Distributors of general merchandise. **Underwriter**—None.

Buzzards Bay Gas Co.
May 22 (letter of notification) 5,840 shares of 6% prior preferred stock. **Price**—At par ($25 per share). **Proceeds**—For the purchase of the Barnstable pipeline. **Office**—25 Lyanough Road, Hyannis, Mass. **Underwriter**—Coffin & Burr, Inc., Boston, Mass.

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.

★ Chance Vought Aircraft, Inc.
June 6 filed $12,500,000 subordinated debentures due July 1, 1977 (convertible into common stock to and including July 1, 1967). **Price** — To be supplied by amendment. **Proceeds**—To reduce bank loans and for working capital. **Underwriter** — Harriman Ripley & Co. Inc., 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., 160 Broadway, New York.

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.

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 at 120 East 40th Street, New York 17, N. Y.

• Comico Corp., Memphis, Tenn. (6/20)
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.

Commercial Credit Co. (6/11)
May 28 filed $75,000,000 of senior notes due 1977. **Price**—To be supplied by amendment. **Proceeds**—To pay off short-term loans. **Underwriters** — The First Boston Corp. and Kidder, Peabody & Co., both of New York.

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 Can Co., Inc.
May 29 filed 343,250 shares of common stock (par $10) to be offered under the "Employees' Stock Purchase Plan 1," to employees of corporation and of certain of its wholly-owned subsidiaries.

• Continental Gin Co., Birmingham, Ala.
April 30 filed 143,298 shares of common stock (no par) being offered for subscription by common stockholders of record May 27, 1957 at the rate of one additional share for each share held (with an oversubscription privilege); rights to expire on June 17. **Price**—$30 per share. **Proceeds**—For expansion program and machinery and equipment. **Underwriters**—Courts & Co.; Clement A. Evans & Co., Inc. and The Robinson-Humphrey Co., Inc., 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.

Delaware Power & Light Co. (6/24)
May 28 filed $15,000,000 of first mortgage and collateral trust bonds due 1987. **Proceeds**—To retire bank loans and for construction program of company and its subsidiaries. **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. du Pont & Co. and Reynolds & Co. (jointly); Lehman Brothers. **Bids**—Tentatively scheduled to be received up to 11:30 a.m. (EDT) on June 24 at 600 Market Street, Wilmington 99, Del.

Dominion Resources Development Co.
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.**
May 7 filed 173,970 shares of common stock (par $7.50) being 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** — $13.75 per share. **Proceeds** — For corporate purposes. **Underwriter**—Dominick & Dominick, New York.

Duquesne Light Co. (6/26)
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). **Bids**—To be received by Standard Shares, Inc., 15 Broad Street, New York 5, N. Y., up to 11 a.m. (EDT) on June 26.

★ **Edgcomb Steel Co., Philadelphia, Pa.**
May 23 (letter of notification) 2,573 shares of common stock (par $10) to be offered for subscription by employees. **Price**—$19.43 per share. **Proceeds**—For working capital. **Office**—D St and Erie Ave., Philadelphia, Pa. **Underwriter**—None.

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.

★ **Erie Resistor Corp., Erie, Pa.**
June 5 filed 100,000 shares of 90-cent convertible preference stock, 1957 series (par $12.50). **Price** — $15 per share. **Proceeds** — To retire short-term debt and for working capital. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland, Ohio.

● **Fairbanks, Morse & Co. (6/17-21)**
May 27 filed $15,000,000 of convertible subordinated debentures due June 1, 1972. **Price** — To be supplied by amendment. **Proceeds**—To purchase 300,000 shares of

Continued on page 38

NEW ISSUE CALENDAR

June 6 (Thursday)

Columbia Gas System, Inc.________Debentures
(Bids noon EDT) $20,000,000

Georgia Power Co.________Bonds
(Bids 11 a.m. EDT) $15,500,000

Trane Co.________Common
(Smith, Barney & Co.) 150,000 shares

June 7 (Friday)

Bridgeport Gas Co.________Common
(Offering to stockholders—underwritten by Smith, Ramsay & Co., Inc. and Chas. W. Scranton & Co.) 34,572 shares

June 10 (Monday)

Allied Products of Florida, Inc.__Class A Common
(Offering to stockholders—underwritten by Atwill & Co., Inc.) 130,000 shares

Metropolitan Edison Co.________Bonds
(Bids noon EDT) $19,000,000

Reading & Bates Offshore Drilling Co.__Debs. & Stk.
(Hulme, Applegate & Humphrey, Inc., The Milwaukee Co., The Ohio Co. and Stroud & Co., Inc.) $1,700,000 of debentures and 170,000 shares of common stock

June 11 (Tuesday)

Commercial Credit Co.________Notes
(The First Boston Corp. and Kidder, Peabody & Co) $75,000,000

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

Portland Gas & Coke Co.________Common
(Offering to stockholders—may be negotiated) 225,976 shares

June 12 (Wednesday)

Lake Lauzon Mines, Ltd.________Common
(Steven Randall & Co., Inc.) $300,000

Michigan Wisconsin Pipe Line Co.________Bonds
(Bids 11 a.m. EDT) $30,000,000

June 13 (Thursday)

Ames (W. R.) Co.________Common
(Dean Witter & Co.) 50,000 shares

Norfolk & Western Ry.________Equip. Trust Ctfs.
(Bids to be invited) $6,450,000

Summers Gyroscope Co.________Common
(Offering to stockholders—underwritten by Daniel Reeves & Co.) 250,080 shares

Timken Roller Bearing Co.________Common
(Offering to stockholders—to be underwritten by Hornblower & Weeks) 484,276 shares

June 17 (Monday)

Consolidated Water Co.________Preferred
(The Milwaukee Co.) $250,000

Fairbanks, Morse & Co.________Debentures
(A. C. Allyn & Co., Inc.) $15,000,000

Government Employees Corp.________Debentures
(Offering to stockholders—underwritten by Johnston, Lemon & Co. and Eastman Dillon, Union Securities & Co.) $661,040

Michigan Consolidated Gas Co.________Bonds
(Bids 11 a.m. EST) $30,000,000

Microwave Associates, Inc.________Common
(Lehman Brothers) 50,000 shares

Outboard Marine Corp.________Common
(Offering to stockholders—underwritten by Morgan Stanley & Co.) 486,058 shares

Seaporcel Metals, Inc.________Common
(Charles Plohn & Co.) $680,000

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

Trans World Airlines, Inc.________Common
(Offering to stockholders—no underwriting) 3,337,036 shares

June 19 (Wednesday)

Associates Investment Co.________Debentures
(Salomon Bros. & Hutzler and Lehman Brothers) $20,000,000

Kerr-McGee Oil Industries, Inc.________Debentures
(Lehman Brothers and Straus, Blosser & McDowell) $20,000,000

Kerr-McGee Oil Industries, Inc.________Common
(Lehman Brothers and Straus, Blosser & McDowell) 225,000 shares

Montana-Dakota Utilities Co.________Debentures
(Bids 11 a.m. EDT) $10,000,000

Texas Eastern Transmission Corp.________Preferred
(Dillon, Read & Co. Inc.) $20,000,000

Texas Eastern Transmission Corp.________Debentures
(Dillon, Read & Co. Inc.) $15,000,000

June 20 (Thursday)

Comico Corp.________Common
(Southeastern Securities Corp.) $1,500,000

Erie RR.________Equip. Trust Ctfs.
(Bids noon EDT) $2,925,000

June 24 (Monday)

Delaware Power & Light Co.________Bonds
(Bids 11:30 a.m. EDT) $15,000,000

Pacific Finance Corp.________Common
(Blyth & Co., Inc. and Hornblower & Weeks) 164,604 shares

June 25 (Tuesday)

Barium Steel Corp.________Debentures
(Lee Higginson Corp. and Allen & Co.) $10,000,000

Chicago & Eastern Illinois RR.__Equip. Trust Ctfs.
(Bids to be invited) $1,130,000

Household Finance Corp.________Debentures
(Lee Higginson Corp.; White, Weld & Co.; and William Blair & Co.) $40,000,000

Puget Sound Power & Light Co.________Bonds
(Bids noon EDT) $20,000,000

Rimrock Tidelands, Inc.________Common
(Bear, Stearns & Co.) 1,200,000 shares

Stinnes (Hugo) Corp.________Common
(Bids 3:45 p.m. EDT) 530,712 shares

Zapata Petroleum Corp.________Debentures
(G. H. Walker & Co.) $3,000,000

June 26 (Wednesday)

Duquesne Light Co.________Common
(Bids 11 a.m. EDT) 265,000 shares

Southern California Gas Co.________Bonds
(Bids 8:30 a.m. PDT) $35,000,000

Thriftimart, Inc.________Debentures
(Reynolds & Co., Inc. and Lester, Ryons & Co.) $5,000,000

June 27 (Thursday)

Tampa Electric Co.________Common
(Offering to stockholders—may be underwritten) 217,286 shares

June 28 (Friday)

First National City Bank of New York___Common
(Offering to stockholders—may be underwritten by The First Boston Corp.) $120,000,000

July 1 (Monday)

Mountain States Telephone & Telegraph__Common
(Offering to stockholders—no underwriting) 584,176 shares

July 2 (Tuesday)

Rochester Gas & Electric Corp.________Bonds
(Bids 11 a.m. EDT) $15,000,000

July 9 (Tuesday)

Texas Electric Service Co.________Preferred
(Merrill Lynch, Pierce, Fenner & Beane) $10,000,000

Wisconsin Telephone Co.________Debentures
(Bids to be invited) $30,000,000

July 10 (Wednesday)

Pacific Power & Light Co.________Common
(Offering to stockholders—bids to be invited) 376,600 shares

Washington Water Power Co.________Bonds
(Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co.; and Laurence M. Marks & Co.) $30,000,000

West Penn Power Co.________Bonds
(Bids 11 a.m. EDT) $20,000,000

July 15 (Monday)

Texas Electric Service Co.________Bonds
(Bids 11:30 a.m. EDT) $10,000,000

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 11 a.m. EDT) $18,000,000

July 23 (Tuesday)

Pacific Gas & Electric Co.________Bonds
(Bids to be invited), $60,000,000

July 25 (Thursday)

Southern Pacific Co.________Equip. Trust Ctfs.
(Bids to be invited) about $9,000,000

July 30 (Tuesday)

Bell Telephone Co. of Pennsylvania___Debentures
(Bids 11 a.m. EDT) $50,000,000

August 20 (Tuesday)

Northern States Power Co. (Minn.)________Bonds
(Bids 11 a.m. EDT) $15,000,000

Pacific Telephone & Telegraph Co.____Debentures
(Bids to be invited) $90,000,000

September 4 (Wednesday)

Louisville Gas & Electric Co.________Bonds
(Bids 11 a.m. EDT) $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)

Southwestern Bell Telephone Co.______Debentures
(Bids to be invited) $100,000,000

Utah Power & Light Co.________Bonds
(Bids to be invited) $15,000,000

Utah Power & Light Co.________Common
(Bids to be invited) 400,000 shares

October 15 (Tuesday)

Indiana & Michigan Electric Co.________Bonds
(Bids 11 a.m. EST) $20,000,000

November 19 (Tuesday)

Ohio Power Co.________Bonds
(Bids 11 a.m. EST) $28,000,000

Ohio Power Co.________Preferred
(Bids 11 a.m. EST) $7,000,000

Continued from page 37

company's common stock presently owned by Penn-Texas Corp. at $50 per share. **Underwriter**—A. C. Allyn & Co. Inc., Chicago, Ill.

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.

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.

Foster-Forbes Glass Co., Marion, Ind.
May 21 (letter of notification) 8,339 shares of common stock (par $1.50). **Price**—$25 per share. **Proceeds**—To go to four selling stockholders. **Underwriter**—Raffensperger, Hughes & Co., Inc.; Indianapolis, Ind.

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 Automatics Corp., Atlanta, Ga.**
May 23 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To establish production facilities for manufacture and assembly of controls; and for other corporate purposes. **Address**—c/o Positronic Corp., 2572 Ridgemore Road, N. W., Atlanta, Ga. **Underwriters**—E. P. Lacey, Jr., an officer and promoter; and A. B. Simms & Associates, Atlanta, Ga.

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.**
May 17 filed 194,200 shares of $3 cumulative convertible preference stock ($50 liquidating value) being 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**—$50 per share. **Proceeds**—To increase working capital. **Underwriters**—The First Boston Corp. and Tucker, Anthony & R. L. Day, both of New York.

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.

● **General Telephone Corp., New York (6/14)**
May 24 filed 1,480,787 shares of common stock (par $10) and 170,000 shares of 5.28% convertible preferred stock (par $50) to be offered in exchange for common and preferred stocks of Peninsular Telephone Co. on the basis of 1.3 shares of General common for each share of Peninsular common, and one-half share of General preferred share for each share of Peninsular $1 preferred, $1.30 preferred and $1.32 preferred. No exchange of preferred stock will be made unless at least 80% of the Peninsular preferred stock is exchanged. Offer is expected to remain open for a period of 30 days. **Dealer-Managers** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

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.

Gibbs Automatic Moulding Corp.
May 22 filed $1,000,000 of 6% convertible debentures due March 31, 1967. **Price**—At par. **Proceeds**—To increase company's activities and for working capital. **Office**—Henderson, Ky. **Underwriter**—Cook Enterprise, Inc., 111 S. 7th St., Terre Haute, Ind.

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.

Government Employees Corp. (6/17)
May 24 filed $661,040 5% convertible capital debentures due June 30, 1967, to be offered for subscription by common stockholders of record June 10, 1957 at the rate of $100 of debentures for each 20 shares of common stock held; rights to expire on July 8, 1957. **Price** — 100% of principal amount. **Proceeds** — For working capital. **Underwriters**—Johnston, Lemon & Co., Washington, D. C.; and Eastman Dillon, Union Securities & Co., New York.

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**—To be received up to 11 a.m. (EDT) on June 18 at Chase Manhattan Bank, 40 Wall Street, New York 15, New York.

Hartford Special Machinery Co.
April 30 (letter of notification) 6,105 shares of common stock being 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.

★ **Haydu Electronic Products, Inc.**
June 3 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—1426 West Front St., Plainfield, N. J. **Underwriter**—Berry & Co., Plainfield and Newark, N. J.

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.

★ **Household Finance Corp. (6/25)**
June 4 filed $40,000,000 of sinking fund debentures due 1982. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriters** — Lee Higginson Corp. and White, Weld & Co., both of New York, N. Y.; and William Blair & Co., Chicago, Ill.

★ **Household Gas Service, Inc., Clinton, N. Y.**
May 29 (letter of notification) $75,000 of first mortgage 5% sinking fund bonds due May 1, 1965. **Price**—90% of principal amount. **Proceeds**—For equipment repayment of debt and working capital. **Underwriter** — Mohawk Valley Investing Co., Inc., Utica, N. Y.

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.

★ **Institutional Income Fund, Inc. (N. Y.)**
May 29 filed (by amendment) 800,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

Intermountain Gas Co.
May 6 filed 58,067 shares of common stock (par $1), of which 45,150 shares are being 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 11. The remaining 12,917 shares are being offered to employees and others. **Price**—$7.50 per share. **Proceeds** — For construction program. **Underwriter**—White, Weld & Co., New York.

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 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 being 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. Statement effective May 23, 1957.

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.

★ **Isthmus Steamship & Salvage Co., Miami, Fla.**
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds** —To purchase a ship and for working capital. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Fla.

★ **Jersey Central Power & Light Co. (7/16)**
May 29 filed $15,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; 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**—To be received up to 11 a.m. (EDT) on July 16 at office of General Public Utilities Corp., 67 Broad Street, New York 4, N. Y.

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.

★ **Kerr-McGee Oil Industries, Inc. (6/19-20)**
May 31 filed $20,000,000 of sinking fund debentures due June 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for capital expenditures. **Underwriters**—Lehman Brothers, New York; and Straus, Blosser & McDowell, Chicago, Ill.

★ **Kerr-McGee Oil Industries, Inc. (6/19-20)**
May 31 filed 225,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For capital expenditures. **Underwriters** — Lehman Brothers, New York; and Straus, Blosser & McDowell, Chicago, Ill.

Lake Lauzon Mines Ltd., Toronto, Can. (6/12)
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.

★ **Life Insurance Investors, Inc.**
June 3 filed 400,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

★ **Louisiana-Delta Offshore Corp. (6/26)**
June 6 filed 346,289 shares of common stock, of which 100,008 shares are to be sold for the account of the company and 246,281 shares for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To retire $175,000 debentures now outstanding and for general corporate purposes. **Underwriter** — Smith, Barney & Co., New York.

Marion Finance Corp., Ardmore, Pa.
March 28 filed $250,000 of 6% renewable subordinated debentures, due upon demand May 1, 1967, without demand May 1, 1972. **Price**—At par (in units of $100 and $500 each). **Proceeds**—For working capital. **Office**—17 W. Lancaster Ave., Ardmore, Pa. **Underwriters**—Walnut Securities Corp., Philadelphia, Pa.; B. Ray Robbins Co., New York; and Berry & Co., Plainfield, N. J

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.

★ **McGraw-Edison Co., Elgin, Ill.**
June 3 filed 10,000 participations in the company's profit sharing plan, together with 400,000 shares of common stock which may be acquired pursuant to such plan.

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**—To be received up to noon (EDT) on June 10 at offices of General Public Utilities Corp., 67 Broad Street, 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**—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.

★ **Microwave Associates, Inc., Burlington, Mass. (6/17-21)**
May 29 filed 50,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To discharge bank loans and to finance inventory and accounts receivable and expenditures for development of new products. **Business**—To develop and produce components for radar systems. **Underwriter**—Lehman Brothers, New York, who has acquired from the company an option to purchase up to 20,000 shares of common stock at $7 per share during the period beginning Nov. 24, 1957 and ending May 24, 1962.

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.

★ **Montana-Dakota Utilities Co. (6/19)**
May 27 filed $10,000,000 of debentures due June 1, 1977 (convertible through May 31, 1967). **Proceeds**—To retire bank loans and for construction program. **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**—Expected to be received up to 11 a.m. (EDT) on June 19.

★ **Mountain States Telephone & Telegraph Co. (7/1)**
June 5 filed 584,176 shares of capital stock (par $100) to be offered for subscription by stockholders of record June 20, 1957 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 on July 1. **Price**—At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent. **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.

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.

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.

Oil Ventures, Inc.
May 13 (letter of notification) 2,500,000 shares of common stock. **Price**—At par ($10 cents per share). **Proceeds**—For development of oil and gas properties. **Office**—725 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Mid America Securities, Inc. of Utah, Salt Lake City, Utah.

Outboard Marine Corp. (6/17)
May 24 filed 486,058 shares of common stock (par 30 cents) to be offered for subscription by common stockholders of record June 14, 1957 on the basis of one new share for each 15 shares held; rights to expire on July 1, 1957. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Stanley & Co., New York.

★ **Pacific Finance Corp., Los Angeles, Calif. (6/24-25)**
May 29 filed 164,604 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term loans and for working capital. **Underwriters** — Blyth & Co., Inc. and Hornblower & Weeks, both of New York, N. Y., and Los Angeles, Calif.

Pacific Natural Gas Co., Longview, Wash.
May 28 filed $1,000,000 of subordinate interim notes due 1963 and 20,000 shares of common stock (par $1) to be offered in units of a $50 note and one common share. **Price** — To be supplied by amendment. **Proceeds** — To repay short-term debt and other current liabilities and for construction program. **Underwriters**—Names to be supplied by amendment.

★ **Pacific Power & Light Co. (7/10)**
June 4 filed 376,600 shares of common stock (par $6.50) to be offered for subscription by common stockholders of record July 10, 1957 on the basis of one new share for each 10 shares held; rights to expire on Aug. 1. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Eastman Dillon, Union Securities & Co.; Bear, Stearns & Co. and Dean Witter & Co. (jointly); Kidder, Peabody & Co.; Ladenburg, Thalmann & Co. **Bids**—Expected July 10.

★ **Pancal Oil Corp.**
May 13 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For oil drilling expenses. **Office**—27 William St., New York, N. Y. **Underwriter** — Bush Securities Co., New York, N. Y.

★ **Paramount Enterprises, Inc.**
June 3 (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For payment of loans and working capital. **Business**—Phonograph records. **Office** — 383 Concord Ave., New York, N. Y. **Underwriter**—Amos Treat & Co., Inc., New York.

Pepsi-Cola Mokan Bottlers, Inc.
April 11 (letter of notification) 60,000 shares of common stock (par 50 cents). **Price**—$5 per share. **Proceeds**—For general funds of the company. **Office**—207 West 8th St., Coffeyville, Kan. **Underwriter** — G. F. Church & Co., St. Louis, Mo.

● **Philadelphia Electric Co.**
May 14 filed 609,815 shares of common stock (no par) being 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**—$36.25 per share. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Drexel & Co., Philadelphia, Pa., and Morgan Stanley & Co., New York.

● **Philip Morris, Inc., New York**
May 28 filed 385,000 shares of common stock (par $5) to be offered in exchange for common stock of Milprint, Inc., Milwaukee, Wis., on a share-for-share basis. The offer will become effective upon deposit of at least 346,500 Milprint common shares. The offer will expire on July 19. **Underwriter** — None. Lehman Brothers acted as intermediary in negotiating the transaction.

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. (6/11)
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 on 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.

★ **Public Service Electric & Gas Co. (6/18)**
May 29 filed 250,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

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. and Lehman Brothers (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster Securities Corp. **Bids**—To be received at 90 Broad Street, 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.

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.

★ **Retirement & Vacation Properties, Inc.**
May 20 (letter of notification) 20,000 shares of 6% cumulative preferred stock (par $10) and 20,000 shares of common stock (par five cents) to be offered in units of one share of each class of stock. **Price**—$10.50 per unit. **Proceeds** — To complete dam; retire notes; construct buildings, streets and water system; and for working capital. **Office** — State Highway 679, P. O. Tregilians, Route No. 1, Louisa County, Va. **Underwriter**—None.

★ **Rimrock Tidelands, Inc., Shreveport, La. (6/25)**
June 3 filed 1,200,000 shares of capital stock (par 20 cents). **Price**—To be supplied by amendment. **Proceeds**—For equipment and working capital. **Underwriter**—Bear, Stearns & Co., New York.

★ **Rochester Gas & Electric Corp. (7/2)**
May 29 filed $15,000,000 of first mortgage bonds, series R, due 1987. **Proceeds**—To discharge short-term obligations and for construction program. **Underwriter**—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). **Bids**—To be received up to 11 a.m. (EDT) on July 2.

Rota Parking, Inc.
May 13 (letter of notification) 275,000 shares of common stock to be offered to stockholders and the public. **Price**—At par $1 per share). **Proceeds**—For expenses incident to development of a new concept of mechanical parking. **Office**—515 Maritime Bldg., 911 Western Ave., Seattle, Wash. **Underwriter**—None.

St. Louis Insurance Corp., St. Louis, Mo.
March 27 filed 1,250 shares of class C cumulative preferred stock (par $57). **Price**—$97 per share. **Proceeds**—To R. M. Realty Co., who is the selling stockholder. **Underwriter** — Yates, Heitner & Woods, St. Louis, Mo. **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 5⅔ 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.

★ **Science & Nuclear Fund, Inc., Philadelphia, Pa.**
May 29 filed 33,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

Seaporcel Metals, Inc., Long Island City, N. Y. (6/17)
May 24 filed 340,000 shares of common stock (par 10 cents), of which 300,000 shares are to be offered to public. **Price**—$2 per share. **Proceeds**—For new equipment and working capital. **Underwriter**—Charles Plohn & Co., New York.

Continued on page 40

Continued from page 39

★ Sidney Beef Co., Sidney, Neb.
May 20 filed 11,750 shares of preferred stock (par $10) and 11,750 shares of common stock (par $1), of which 5,250 shares of each class of stock are to be issued to Sterling Packing Co. in exchange for the latter's plant and real estate at Sidney, Neb. **Price**—At par. **Proceeds**—To enlarge and improve plant, for working capital and other corporate purposes. **Underwriters**—David J. Neubauer, Richard F. Neubauer and John Neubauer, officers of the company.

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.

★ Southeastern Fund, Columbia, S. C.
June 3 filed $2,000,000 of 6½% sinking fund subordinated debentures due June 15, 1972, of which $1,500,000 principal amount are to be offered for subscription by stockholders; the remaining $500,000 principal amount, plus any unsubscribed debentures, to be publicly offered. **Price**—To stockholders, 95% of principal amount; and to public, at 100%. **Proceeds**—For working capital. **Underwriters**—Smith, Clanton & Co., Greensboro, N. C.; Powell & Co., Fayetteville, N. C.; and Frank S. Smith & Co., Inc., Columbia, S. C.

Southern Bell Telephone & Telegraph Co. (6/18)
May 28 filed $70,000,000 of 29-year debentures due June 1, 1986. **Proceeds** — To repay advances from parent, American Telephone & Telegraph Co., expected to amount to approximately $36,000,000, and for additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on June 18.

● Southern California Edison Co.
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. This offering was withdrawn June 3. Bond sale expected in July.

★ Southern California Gas Co. (6/26)
May 28 filed $35,000,000 of first mortgage bonds, series C, 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 up to 8:30 a.m. (PDT) on June 26.

★ Southern Discount Co., Atlanta, Ga.
May 23 (letter of notification) $60,000 of subordinated non-convertible 5% debentures, series G, due Oct. 1, 1975 (in denominations of $500 and $1,000 each), to be offered in exchange for series D, E or F debentures. **Office**—919 W. Peachtree St., N. E., Atlanta, Ga. **Underwriter**—None.

Spalding (A. G.) & Bros. Inc.
April 11 filed $2,017,300 of 5½% subordinated convertible debentures due June 15, 1962, being 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.

★ Star Plywood Cooperative, Esacada, Ore.
May 31 filed 335 memberships in the Cooperative. **Price**—$6,500 per membership. **Proceeds**—For proposed plywood plant. **Broker**—Star Sales, Inc., Estacada, Ore.

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. (6/13)
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. **Office**—Santa Monica, Calif. **Underwriter**—Daniel Reeves & Co., Beverly Hills, Calif.

★ Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders of record March 15, 1957 on a basis of two new shares for each three shares held; rights to expire on July 20. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

Texas Eastern Transmission Corp. (6/19)
May 29 filed $15,000,000 of debentures due June 1, 1977. **Price**—To be supplied by amendment. **Proceeds** — For new construction. **Underwriter** — Dillon, Read & Co., Inc., New York.

Texas Eastern Transmission Corp. (6/19)
May 29 filed 200,000 shares of preferred stock, subordinate convertible series (par $100). **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Dillon, Read & Co. Inc., New York.

Texas Glass Manufacturing Corp., Houston, Tex.
May 28 filed 3,000,000 shares of common stock (par $1), of which 2,700,000 shares are to be offered to public at $2 per share. The remaining 300,000 shares are under option to original stockholders at $1 per share. **Proceeds**—For expansion and working capital. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Texas.

★ Thriftimart, Inc., Los Angeles, Calif. (6/26)
May 31 filed $5,000,000 of convertible subordinated debentures due 1977. **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program and working capital. **Underwriters**—Reynolds & Co., Inc., New York, and Lester, Ryons & Co., Los Angeles, Calif.

Timken Roller Bearing Co., Canton, O. (6/13)
May 21 filed 484,276 shares of common stock (no par) to be offered for subscription by common stockholders of record June 12 on the basis of one new share for each 10 shares held; rights to expire 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.

Trans World Airlines, Inc., New York (6/18)
May 28 filed 3,337,036 shares of common stock (par $5) to be offered for subscription by common stockholders of record June 17, 1957 at the rate of one new share for each share held; rights to expire on July 8. **Price**—To be supplied by amendment. **Proceeds** — To pay for aircraft and other equipment. **Underwriter** — None. Hughes Tool Co., the holder of 2,476,142 shares of TWA common stock may purchase any unsubscribed shares.

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.

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) being 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.
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 June 4, 1957; with rights to expire June 19. **Price**—$38.50 per share. **Proceeds** — For expansion program. **Underwriter**—Goldman, Sachs & Co., New York.

★ West Penn Power Co. (7/10)
June 3 filed $20,000,000 of first mortgage bonds, series Q, due July 1, 1987. **Proceeds**—Together with proceeds from sale of about $12,400,000 of common stock in March and April, 1957, to carry out construction program. **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 p.m. (EDT) on July 10 at office of West Penn Electric Co., 50 Broad Street, New York, N. Y.

Western Printing & Lithographing Co.
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. **Office**—Racine, Wis. **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

★ Woodland Oil & Gas Co., Inc., New York
May 28 filed 700,000 shares of common stock (par 10 cents), of which 600,000 shares are to be offered for account of company and 100,000 shares for account of a selling stockholder, Ralph J. Ursillo, General Manager of the company. **Price**—$1.50 per share. **Proceeds**—To drill and complete oil wells on the company's Pennsylvania and Kentucky properties and for two "deep tests" on its Pennsylvania property, as well as for working capital. **Underwriter**—Name to be supplied by amendment.

★ Zapata Petroleum Corp., Midland, Tex. (6/25)
June 3 filed $3,000,000 of convertible debentures due 1972. **Price**—At par. **Proceeds**—To retire bank loans; for development of producing properties; and for working capital. **Underwriter** — G. H. Walker & Co., St. Louis, Mo. and New York, N. Y.

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.

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.
May 17 it was reported company plans to issue and sell in late Summer or early Fall $10,000,000 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 Douglas, Phoenix, Ariz.
May 29 it was announced stockholders of record May 28 have been offered 160,000 additional shares of capital stock (par $5) on the basis of one new share for each 2½ shares held; rights to expire on June 14. **Price**—$14 per share. **Proceeds** — To increase capital and surplus and used to acquire Farmers & Stockmen's Bank of Phoenix. **Underwriter**—William R. Staats & Co., San Francisco, Calif.

● **Bank of Montreal, Montreal, Canada**
May 31 this Bank offered 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. **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.

Barium Steel Corp. (6/25)
May 27 it was reported company plans to register about June 5 $10,000,000 of 12-year convertible debentures. **Underwriters** — Lee Higginson Corp. and Allen & Co., both of New York.

Bell Telephone Co. of Pennsylvania (7/30)
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 up to 11 a.m. (EDT) on July 30.

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 4⅜% 12-year convertible debentures to be placed privately, to be used to repay bank loans and for construction program. **Underwriters**—Kidder, Peabody & Co. and White, Weld & Co. about the middle of last year arranged the private placement of an issue of $5,000,000 series G first mortgage bonds.

★ **Chicago & Eastern Illinois RR. (6/25)**
Bids are expected to be received by the company on June 25 for the purchase from it of $1,130,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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).

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).

★ **Emerson Electric Manufacturing Co.**
June 3 it was announced company plans to offer stockholders rights to subscribe to approximately $3,000,000 of convertible debentures early this summer. **Proceeds**—For working capital. **Underwriter**—Smith, Barney & Co., New York. Registration—Expected later this month.

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 RR. (6/20)
Bids are expected to be received by this company in Cleveland, Ohio, up to noon (EDT) on June 20 for the purchase from it of $2,925,000 equipment trust certificates to mature in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

First National Bank of Fort Worth
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. **Price**—$24 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Dallas Union Securities Corp. and First Southwest Corp., both of Dallas, Texas.

First National City Bank of New York (6/28)
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 as of June 24, 1957; rights to expire on July 22, 1957. Warrants are expected to be mailed on or about June 28. **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.

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 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

Continued on page 42

Continued from page 41

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).

Illinois Power Co.
March 29 stockholders approved an increase in the authorized serial preferred stock (par $50) from 1,000,000 shares to 1,600,000 shares. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp., both of New York.

Indiana & Michigan Electric Co. (10/15)
May 20 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds due 1987. **Proceeds**—For reduction of bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Oct. 15.

Indianapolis Power & Light Co.
Nov. 21, H. T. Prichard, President, announced that present plans contemplate an issue of $6,000,000 of preferred stock some time in 1957 if market conditions make it feasible, and an issue of $8,000,000 in bonds in 1958. Temporary bank loans are available and probably will be utilized, during at least part of 1957. Additional securities will need to be sold in 1959 and 1960, amounting to approximately $14,000,000. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—May be Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp., who underwrote last equity financing.

International Utilities Corp.
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.

Kaiser Industries Corp.
Nov. 28, E. E. Trefethen, Jr., Executive Vice-President, stated that it is anticipated that a portion of the funds necessary to meet the $25,000,000 installment due April 1, 1957 on its 4¾% term loan may have to be provided by the creation of debt by, or the sale of equity securities, of this corporation or Henry J. Kaiser Co., or through the public or private sale of a portion of the securities of the companies owned by the Henry J. Kaiser Co., or of certain other assets. **Underwriter**—The First Boston Corp., New York.

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 Power Co.**
May 20 it was reported company may issue and sell in the fall about $20,000,000 of debt securities. **Proceeds**—For construction program and to reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Kidder, Peabody & Co.; Smith, Barney & Co., and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly).

Montreal (City of)
May 23 it was announced this City plans to market a $25,000,000 loan in New York. This followed rejection of a bid by a Montreal banking syndicate to take a $10,000,000 bond issue at a net interest cost of 6.11%. **Proceeds**—$18,000,000 for public works and $7,000,000 for local improvement projects. **Underwriters**—Probably Shields & Co.; Halsey, Stuart & Co. Inc., and Savard & Hart.

New England Electric System
May 23 it was announced SEC has approved the merger of the five following subsidiaries: Essex County Electric Co.; Lowell Electric Light Corp.; Lawrence Electric Co.; Haverhill Electric Co. and Amesbury Electric Light Co., into one company. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, to be known as Marrimack-Essex Electric Co. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Company; Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co., and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., and White, Weld & Co. (jointly). **Offering**—Expected in first half of 1957.

New Jersey Bell Telephone Co. (9/11)
May 1 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—Together with proceeds from sale of 900,000 shares of common stock (par $100) to parent, American Telephone & Telegraph Co., will be used to pay for expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Shields & Co.; White, Weld & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received on Sept. 11.

New Jersey Power & Light Co.
Sept. 12 it was announced company plans to issue and sell $5,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Kuhn, Loeb & Co.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane

New York 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.

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 due semi-annually to and including June 1, 1972. 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.) (8/20)
March 4 it was reported company plans to issue and sell approximately $15,000,000 of 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. **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 20.

Ohio Power Co. (11/19)
May 15 it was reported that this company now plans to issue and sell $28,000,000 of first mortgage bonds and 70,000 shares of $100 par value 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. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 19.

Pacific Gas & Electric Co. (7/23)
May 23 it was announced company intends to offer and sell $60,000,000 of first and refunding mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. **Bids**—Expected to be received on July 23.

Pacific Telephone & Telegraph Co.
May 24 it was announced company plans to offer to its stockholders the right to subscribe for 1,822,523 additional shares of common stock on the basis of one new share for each six shares of common stock and/or preferred stock held. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent. **Underwriter**—None. American Telephone & Telegraph Co. owns 89.6% of the voting stock of Pacific T. & T. Co. **Offering**—Expected some time in August.

● **Pacific Telephone & Telegraph Co. (8/20)**
May 24 it was announced company plans to issue and sell $90,000,000 of new 23-year debentures due 1980. **Proceeds**—To repay advances from parent and for improvements and additions to property. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on Aug. 20. **Registration**—Expected in the latter part of July.

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.

★ **Permian Basin Pipe Line Co.**
May 20 it was announced company, a subsidiary of Northern Natural Gas Co., may issue about $25,300,000 of new securities, in the following form: $15,000,000 of mortgage bonds, $3,700,000 of preferred stock and $6,600,000 of common stock. **Proceeds**—To repay advances of $9,300,000 from parent, and the remaining $16,000,000 for new construction. **Underwriter** — Glore, Forgan & Co., New York.

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).

Public Service Co. of Indiana, Inc.
Feb. 11 it was announced that it is expected that a new series of first mortgage bonds (about $25,000,000 to $30,000,000) will be issued and sold by the company during the year 1957. **Proceeds**—To repay bank loans (amounting to $25,000,000 at Dec. 31, 1956) and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly).

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.

San Diego Gas & Electric Co.
April 23, E. D. Sherwin, President, announced that company will probably raise about $7,500,000 late this fall through the sale of preferred stock. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

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.

South Carolina Electric & Gas Co.
Jan. 14 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. **Bids**—Not expected to be received until next Fall.

● **Southern 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. [The proposed sale of 1,200,000 shares of $25 par preferred stock on June 6 was withdrawn on June 3.] **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 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.

Southwestern Bell Telephone Co. (10/1)
May 24 directors approved the issuance of $100,000,000 new debentures. **Proceeds** — For expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids** — Tentatively expected to be received on Oct. 1.

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 up to 11 a.m. (EDT) on July 17.

Tampa Electric Co. (6/27)
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 26 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.

Texas Electric Service Co. (7/9)
May 27 it was reported company plans to issue and sell $10,000,000 of preferred stock. **Proceeds**—For new construction. **Underwriters**—Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Beane, all of New York, N. Y.

• Texas Electric Service Co. (7/15)
May 27 it was announced company expects to sell $10,000,000 of first mortgage bonds due 1987. **Proceeds**—For plant expansion. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); The First Boston Corp.; Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Lehman Brothers (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on July 15. **Registration**—Planned for June 14.

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.

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 Grand, Inc., Reno, Nev.
April 29 it was announced company plans to issue and sell 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds** — To explore and develop company's 64 uranium claims in two groups,—approximately 1,280 acres in Hells Roaring Canyon and Yellow Cat Mining Districts in Grand County, Utah. **Underwriter**—Stauffer Petroleum Corp., Box 8834, Britton Station, Oklahoma City, Okla., of which S. M. Stauffer is President.

Utah Power & Light Co. (10/1)
March 12 it was announced company plans to issue and sell about $15,000,000 of first mortgage bonds due 1987. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. **Bids** — Tentatively scheduled to be received on Oct. 1.

Utah Power & Light Co. (10/1)
March 12 it was also announced company plans to offer to the public 400,000 shares of common stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. **Bids**—Tentatively scheduled to be received on Oct. 1.

Valley Gas Co.
April 15 it was announced company, a subsidiary of Blackstone Valley Gas & Electric Co., plans to issue, within one year, $4,000,000 of bonds, $1,100,000 of notes and $900,000 of preferred stock to its parent in exchange for $6,000,000 of notes to be issued in exchange for certain assets of Blackstone. The latter, in turn, proposes to dispose by negotiated sale the first three new securities mentioned in this paragraph.
April 15 it was also announced Blackstone plans to offer to its common stockholders (other than Eastern Utilities Associates its parent) and to common stockholders of the latter the $2,500,000 of common stock of Valley Gas Co., it is to receive as part payment of certain Blackstone properties. **Dealer-Manager**—May be Kidder, Peabody & Co., New York.

Virginia Electric & Power Co.
March 8 it was announced company 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.

Washington Water Power Co. (7/10)
May 28 it was announced company plans to issue and sell $30,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans. **Underwriters**—Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co. and Laurence M. Marks & Co., all of New York.

★ Wisconsin Public Service Co.
May 29 it was announced company plans to issue and sell about $7,000,000 of first mortgage bonds and about $5,000,000 common stock this Fall. **Proceeds**—For construction program and to repay bank loans. **Underwriters**—(1) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Dean Witter & Co.; Lehman Brothers; White, Weld & Co. (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.

Our Reporter's Report

The corporate new issue market is still in an unsettled state seeking a level of prices and yields that will entice the investor back to the buying side. And so far, it appears, investment bankers have not been able to find the right combination.

They have not been helped in their efforts by the behavior of the Treasury list which continues to flounder about as short bills are placed at the highest cost basis in many years, the last lot at 3.37%.

Sustained firmness in the money market, with little or no indication of early easing, is putting a penalty on the potential borrower with highest ratings. At the moment the investor is not of a mind to show much favor for a top-rated bond in competition with one carrying a moderately lower rating.

In fact, the prevailing situation this week caused the withdrawal of a large utility preferred stock offering which had been on schedule, evidently because the prospective issuer did not want to pay the rate which such an undertaking would have demanded.

Underwriters, presumably recognizing the fact that they had not gauged the market entirely right in the case of the recent New York Telephone Co. offering, turned that issue loose and wound up the syndicate.

Won't Trade Up

Dealers who make a specialty of ferreting out "situations" find that even when they get an attractive "switch" lined up, it is difficult, if not impossible, to interest institutional portfolio managers.

One dealer sought to prevail upon a client to sell some BAA bonds, now moving at prices to yield around 4.10%, and buy Triple A bonds offering 4.55%, but without success.

The client just couldn't see taking a four point loss on the bonds bought some years ago in order to take on the dealer's recommended issue at an increased yield of almost one-half point.

Investors are Cautious

As usual the underwriter, is charged with the task of getting seller and buyer together in period when the market is in a state of flux, as at present. And it's not always an easy job.

Currently, New York Telephone Co.'s $70 million issue, brought out a fortnight ago, is a good example. Bankers paid the company a price of 101.113 for a 4½% interest rate and brought the bonds to market at 101.755 for a yield of 4.40%.

But the issue proved sticky, even on that basis, and this week the sponsors decided to terminate the syndicate and let the bonds settle. They did, to a low just under 99, with bonds still available at those levels.

Good Calendar Next Week

The coming week promises a relatively busy period for underwriters, especially if the investor's mood changes a little for the better. Tuesday promises to be the big day.

The schedule calls for the offering, by negotiation, that day of $75 million of 20-year notes of Commercial Credit Corp. which will use proceeds to repay short-term loans. Consolidated Natural Gas is slated to take bids on $25 million of debentures and a "secondary" of 900,000 shares of Kaiser Industries Corp. is on the roster.

On Monday, Metropolitan Edison Co. has $19 million of bonds up for bids and Michigan, Wisconsin Pipe Line Co., will open tenders for $30 million of its bonds.

Shifts to Bonds

Southern California Edison Co. was scheduled to market 1.2 million shares of its $25 par preferred stock yesterday, but because of market conditions decided to abandon that plan.

Subsequently, the company announced that it would market an issue of bonds instead, probably early next month.

Market observers looked upon the switch as indicating that the company figured it could do better currently with a debt issue carrying a good sinking fund. And, moreover, they pointed out that invariably it is easier to refinance a bond issue than it is a stock issue.

Bankers Offer Quinta Stock at 50c a Share

Public offering of 700,000 shares of Quinta Corp. capital stock at a price of 50 cents per share was made on June 3 by Frederic H. Hatch & Co., Inc. (New York); Clark, Landstreet & Kirkpatrick, Inc. (Nashville, Tenn.); and Minor, Mee & Co. (Albuquerque, N. M.). The shares are offered as a speculation.

Net proceeds from the sale of the capital shares will be used by the company to retire notes outstanding, for expansion and for the development of properties.

Quinta Corp. was organized for the purpose of dealing in real estate in general, including the exploration, development and operation of uranium, oil, gas, and other mineral properties. It is anticipated that real estate holdings near the town of Grants, New Mexico, and bordering the main East-West Highway, will be developed for residential and commercial use by the community which is growing in this area due to the increasing mining and milling activity. Its properties are located in New Mexico, with the principal executive office in Santa Fe. Agreements have been entered into with Phillips Petroleum Co., and Homestake Exploration, Inc., a wholly owned subsidiary of Homestake Mining Co., for the exploration and exploitation of the company's uranium properties. Quinta Corp. also has leased water rights on its holdings near the town of Grants, N. M., to Sabre-Pinon Corp., for a period of seven years, commencing Jan. 1, 1957, at an annual rental of $36,000.

Jos. E. Masek Is Recuperating

MINNEAPOLIS, Minn.—Joseph E. Masek, Manager of the Trading Department of M. H. Bishop & Co.,

Jos. E. Masek

is recuperating at home following a serious operation. He would be glad to hear from his friends at his home, Route 1, Excelsior, Minn.

Bankers Underwrite Gen. Precision Offer

General Precision Equipment Corp. today (June 6) is offering rights to subscribe at $50 per share for 194,200 shares of new $3 cumulative convertible preference stock, no par value, to the holders of its common stock on the basis of one new preference share for each six common shares held, and to the holders of its $1.60 cumulative convertible preference stock on the basis of one new preference share for each nine $1.6 preference shares held. The offer is being made to shareholders of record June 5, 1957 and will expire June 24, 1957.

The offer is being underwritten by a group of investment firms headed jointly by The First Boston Corp. and Tucker, Anthony & R. L. Day.

Shares of the new preference stock are convertible, on the basis of $50 per preference share, into common stock at a conversion price of $42 per share. They are redeemable at the option of the company at prices ranging from $53 per share on or prior to June 30, 1962, to $50 per share after June 30, 1972, in each case plus an amount equal to accrued and unpaid dividends.

The net proceeds from the sale of the new preference stock will be added to general funds and increase the company's working capital. The growth of business has resulted in an increasing need for outside funds, principally to finance a larger volume of inventories and receivables, the cost of recent investments made on a cash basis and the net cost of additions to research, development and production facilities.

For the three months ended March 31, 1957, net sales amounted to $43,458,000 and net income to $1,108,000 compared with net sales of $32,616,000 and net income of $347,000 for the same quarter of 1956. Net sales for the calendar year 1956 amounted to $153,262,000 and net income to $2,395,000.

With E. T. Cronin Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Helen Flores has joined the staff of Edward T. Cronin Company, 548 South Spring Street.

Form Prudential Funds

ELIZABETH, N. J. — Prudential Funds Corp. has been formed to engage in a securities business from offices at 17 Watson Avenue. Officers are Henry Goldfinger, president and Matilda Goldfinger secretary and treasurer.

Mutual Funds

By ROBERT R. RICH

Changed Outlook

Proceeds from recent sales of Delaware Fund shares have been used to complete positions in U. S. Industries 5½% convertible debentures and Tung-Sol Electric common, D. Moreau Barringer, Chairman, reports in his latest semi-monthly Directors' Letter.

Mr. Barringer recalled that U. S. Industries once competed with Pullman, ACF and the railroads' own shops as Pressed Steel Car for what he termed "the unsatisfactory freight car market," describing it as an "unremunerative experience" for shareholders. However, he told the fund's board, U. S. Industries' outlook has been changed by the acquisition of diversified machine-making companies, as well as by the abandonment of freight car building "The debentures we purchased," he said, "were part of the program of financing this revolution, and since they are convertible into common at only 3½% above its current price, give us a good yield and a good chance of sharing in the company's expected prosperity."

The mutual fund executive and investment counsellor said Tung-Sol's current expansion and capital strength indicate 1957 earnings of more than $4 a share and a possible increase in the present $1.40 dividend rate. Mr. Barringer pointed out that although some of the country's strongest companies are in the same business, Tung-Sol has been able to expand sales 250% since 1949 and maintain a sturdy profit margin. Continued healthy expansion of the company's fields, he believes, will be insured by the increased use of vacuum tubes, transistors, and small light bulbs in automobiles, television, electronic business machines and defense items, especially missiles.

Commenting on the market, Mr. Barringer said its present breathing spell should not be unexpected after an almost unchecked rise of 3¼ months. But, he told directors, if it develops into more of a decline than seen to date, Delaware Fund will again consider modifying its present percentage of liquid assets.

Equity Corp. Reports

The consolidated statements of The Equity Corporation and its wholly-owned subsidiary, Equity General Corporation, for the three months ended March 31, 1957 show net assets at that date equivalent to $264.89 per share of $2 convertible preferred stock (preference in liquidation $50 per share and accumulated dividends), and $5.93 per share of common stock. Comparable figures for Dec. 31, 1956 were $259.68 per $2 convertible preferred share and $5.78 per share of common stock.

Affiliated Fund Asset Value Up

Affiliated Fund reports a gain of 25 cents a share in the net asset value of its outstanding capital stock for the six months ended April 30, 1957, after adjustment for a capital gain distribution paid Dec. 10, 1956. Total net assets were $372,414,324 on April 30, 1957 compared with $357,977,445 on Oct. 31, 1956.

"In the six months since the end of our last fiscal year," H. I. Prankard 2nd, President, writes shareholders, "our stocks have fared particularly well in the market. I think that this trend will continue as more and more investors conclude that some of the stocks that have had abnormal advances in the past few years have reached points where they do not offer as good values as many of the stocks we own."

The Fund's investments are largely in the stocks of service companies and in the stocks of producers of non-durable goods, fuel and raw materials, rather than in the so-called "growth stocks" and stocks of companies producing durable goods. Mr. Prankard pointed out that the company's selection of stocks is based solely on values in relation to market prices and that "as we find good values among the growth stocks or among the stocks of companies producing durable goods, we add them to our holdings."

The Affiliated portfolio is diversified as follows: Common Stocks in service industries — 31.38%; producers of non-durable goods — 28.09%; producers of fuel and raw materials — 18.03%; producers of capital goods or durable goods — 9.44%; and cash and short-term government bonds — 13.06%.

Western Minerals

An "Atomic Letter" just released by the distributor of Atomic Development Mutual Fund, Inc. announces the addition of the Fund's portfolio of 20,000 shares of United Western Minerals, Inc. which has extensive holdings in the Ambrosia Lake area of New Mexico as well as oil land in the Southwest including the Paradox Basin in Utah.

The letter includes a chart comparing the tremendous atomic power programs of Great Britain, the Euratom nations and the relatively small U. S. program. An early expansion of the U. S. program is anticipated. Also discussed is the recently declassified process for production of boron high energy fuels and the participation of the Fund's portfolio companies including Olin Mathieson, American Potash and Harshaw Chemical Co., in the manufacture of ingredients for such fuels.

I. D. S. Stock Fund Assets At $249 Million

Total net assets of Investors Stock Fund, Inc., mutual fund affiliate managed by Investors Diversified Services, Inc., stated at market value of securities investments, rose from $204,592,575 as of Oct. 31, 1956 to a new high of $249,273,929 as of April 30, 1957, up $44,681,354 for the first half of the current fiscal year, Joseph M. Fitzsimmons, Chairman of the Board, announced in the Fund's semi-annual report.

Net asset value per share of the Fund was $13.94 on April 30, compared with $13.23 on Oct. 31, 1956. Dividends declared during the period increased to 21 cents per share compared with 20½ cents per share for the like period a year ago, and were derived entirely from investment income.

New highs were reached in number of shares outstanding and shareholder accounts. Shares outstanding increased from 15,458,821 on Oct. 31, 1956 to 17,884,255 on April 30, 1957. Number of shareholder accounts grew from 70,139 to 83,876 in the same six months.

Investments in common stocks and equivalent equities at the end of the six months under review comprised all but 1.35% of the Fund's assets. Industry groups in which the Fund held its larger investments on April 30, 1957 were as follows: Petroleum and natural gas 17.64%; public utilities 13.15%; chemicals 7.02%; electrical and electronic equipment 5.86%; industrial machinery and equipment 5.36%.

Common Stock Outlook Good Bullock Says

Total net assets of Dividend Shares, Inc., a mutual fund managed by Calvin Bullock, on April 30, 1957 stood at $214,005,610, or $2.71 per share, according to the report for the six months ended April 30, 1957 mailed to shareholders. Corresponding figures on Oct. 31, 1956 were $204,637,055 and $2.63 respectively.

The long-term outlook for quality common stock investment continues, in the opinion of management, to be favorable, Hugh Bullock, President, told the shareholders. Additions were made to holdings of 32 common stocks, and 15 new common stock investments were undertaken during the period. Common stocks of 109 corporations, having a market value of $187,712,461, were owned on April 30, 1957, as compared with 101 corporate stocks with a value of $176,803,012 on Oct. 31, 1956.

A new industry category, "aircraft and defense," was added to the portfolio, Mr. Bullock pointed out. This group consists of the common stocks of three leading companies, all new acquisitions in the period. In addition to being important in the aircraft industry, a part of their operations is devoted to the growing field of guided missile development. Other important additions, he said, were made in the chemical and drug oil groups. Chemicals and drugs now comprise 8.16% of total assets and petroleum 18.39% of assets.

Bullock Fund, Ltd., a mutual fund managed by Calvin Bullock, had total net assets of $33,618,832 on April 30, 1957, according to a letter to stockholders accompanying the 98th consecutive quarterly dividend from net investment income. It consists of 10 cents per share, payable June 1, 1957.

During the period Jan. 31, 1957 to April 30, 1957, the fund increased its holdings of common stocks from 81.5% to 88.2%, Hugh Bullock, President, told the shareholders. Bond holdings were reduced from 8.45% to 7.26%, and cash and receivables from 10.07% to 4.58%. The major part of such changes was made in February, Mr. Bullock said, since which time the common stock market has shown a material advance.

Significant increases in the amount of assets allocated to chemicals, natural gas and drug industries, he said, are indicative of the careful consideration given factors of long-term growth and cyclical characteristics in the selection of investments. Principal industrial holdings on April 30, 1957 were: petroleum 12.87%; chemical 11.38%; steel 10.74%; aircraft and defense 6.79%; and natural gas 4.82%.

Canadian Fund, Inc., a mutual fund managed by Calvin Bullock, had total net assets at $44,648,613 on April 30, 1957, according to the quarterly report to stockholders accompanying the 19th consecutive quarterly dividend, payable June 1. It is at the rate of 10 cents per share and is derived entirely from net investment income.

On April 30, 1957, Canadian Fund completed its first five years of operations, Hugh Bullock, President, told the shareholders, and on May 15, 1957, the fifth anniversary of the first public offering of shares on an open-end basis was marked. Canadian Fund was the first mutual fund in the United States created for investment in Canada.

Shares of the fund were first offered at $12.75 per share, Mr. Bullock said. On April 30, 1957, the per share offering price was $21.84, a rise of 71%. Adding back the $1.14 in net securities profits paid during that period, this gain exceeds 80%. In addition, quarterly dividends from net income totaling $1.90 per share have been paid to holders. Total net assets after the original offering were $10,611,000. On April 30, 1957, the market value of net assets was $44,648,613.

Canadian Fund, on April 30, 1957, owned common stocks of 47 Canadian corporations, plus Canadian government bonds and cash reserves. Largest holdings are in the common stocks of Canadian companies in the natural resource fields — oil and gas, metals and mining, paper and pulp. At April 30, 1957, 51% of total net assets were invested in these groups. There are now more than 17,500 shareholders of the fund, both individuals and institutions.

Frank MacBride Opens

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Frank MacBride Jr. is engaging in a securities business from offices at 2101 Capitol Avenue.

Join Hathaway Inv.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Alfred L. Landreth and William H. Schneider have become connected with Hathaway Investment Corporation, 900 South Pearl Street.

Energy Fund Assets At New High

Total net assets of Energy Fund reached a record high of $4,021,770 on May 15, up 55.9% from $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 assets 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 distributions in the period of $4.72 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.

Twin City Bond Club 36th Annual Outing

MINNEAPOLIS, Minn. — The Twin City Bond Club will hold its 36th annual golf tournament and picnic on June 20 at the White Bear Yacht Club. The outing will be preceded by an informal buffet supper for out of town guests in the garden ballroom of the Nicollet Hotel, Minneapolis, June 19.

Reservations may be made with Adolph Helfman, of the First National Bank of St. Paul. Guest registration fee is $30.

Robert A. Krysa, Harold E. Wood & Co., is General Chairman for the picnic, assisted by Robert G. Davis, Registration; E. W. Prescott, E. J. Prescott & Co.; Stanley R. Manske, First National Bank, of St. Paul, Publicity; Lyman W. Cole, Kalman & Company, Inc., Transportation; Wallace K. Fisk, John Nuveen & Co., Entertainment; Willys P. Jones, Tennis and Horseshoes; Larry Shaughnessy, Jr., Shaughnessy & Company, Golf; Leo L. Quist, Harold E. Wood & Co., Bridge and Gin Rummy; George A. MacDonald, First National Bank of Minneapolis, Prizes; Ray B. Garcia, J. M. Dain & Company, Inc., Special Prizes; James Klingel, Juran & Moody, and Oscar M. Bergman, Allison-Williams Company, Prize Solicitation; J. Dan McCarthy, Jamieson & Company, Boating.

Form Hardy, McCauley

SARASOTA, Fla. — Hardy, McCauley & Co., Inc. has been formed with offices at 1278 North Palm Avenue to engage in a securities business. John M. McCauley is a principal.

H. A. McClain Opens

PALOS VERDES ESTATES, Calif. — Harold A. McClain is engaging in a securities business from offices at 116C Palos Verdes Boulevard.

J. E. Flick Opens

DALLAS, Tex. — Jesse E. Flick is engaging in a securities business from offices in the Burt Building.

Continued from page 7

Importance of Financial Planning To a Growing Corporation

ner-Lambert. This company has had a remarkable growth through mergers and acquisitions. The first step in the growth was the establishment of a broader public market for the old Warner-Hudnut stock in 1951. This was followed by the acquisition of Chilcott Laboratories through an offer to exchange the newly established Warner-Hudnut stock for Chilcott stock. Subsequently, the improving marketability of the Warner stock enabled the company to make attractive stock offerings to acquire Lambert Pharmaceutical Company, Emerson Drug Company and Nepera Chemical Company. Each of the acquisitions has apparently been advantageous to the company and to both its old and newly acquired stockholders, since the market value of the stock has increased after each acquisition and almost three-fold since the original offering in 1951.

Prospering United Artists Corp.

A third illustration of financial planning is the program of United Artists Corporation which recently effected its first public financing in the amount of $17,000,000. The financial planning of this company over the past six years illustrates the advantage of starting your financial planning early.

United Artists was originally owned by four leading independent producers and movie stars including Mary Pickford, Douglas Fairbanks, Charlie Chaplin and D. W. Griffith. It enjoyed a fine reputation for many years but the company did not build up a sound financial base since its owners funneled off most of the profits to themselves as the star or producer. In 1951, the company was in serious financial straits. It had lost money for three consecutive years, while the then owners, Mary Pickford and Charlie Chaplin, failed to agree on what should be done. At this point a new management team was invited to take over. Under an arrangement with the previous owners, they received an option to acquire 50% of the company's stock for $8,000 provided they were able to show a profit in any of the three years 1951-1953. During this period, they were to have full voting control, and if they were successful in showing a profit in any of these three years, the option stock would vest and they would receive full voting control for a period of 10 years.

The new management had a definite financial program in mind before agreeing to take over the management of the company.

(1) They first obtained a commitment from a finance company to open a line of credit which would enable United Artists to meet its immediate financial needs.

(2) They consulted with a number of commercial banks about their future plans. They advised them that their plan was to finance low-cost pictures which would be produced without the usual heavy overhead expenses and salaries customary in the industry. This was to be done by offering independent producers and stars the opportunity to make pictures in which they would have a major share in the profits of the picture. The new management's plan was to rely on a distribution profit on a large volume of pictures produced by the independent producers and stars, rather than on the picture production profits which was the customary source of income in the industry.

This program paid off as illustrated by the fact that the commercial banks did open lines of credit for the company in 1952 and 1953 which permitted them to borrow several times their net worth.

More than anything else, the financial history of this company's operations illustrates the desirability of working closely with your commercial banker and keeping him advised of your program even before you ask him for credit.

Needless to say, United Artists has prospered under the new management with net earnings increasing each year from a loss in 1950 to over $3,000,000 in 1956.

Accumulated Earnings' Goal

A second financial technique illustrated by United Artists' history was the decision that the company accumulate its profits and not pay dividends or high salaries or incur studio overhead. This enabled the company to repurchase the Pickford and Chaplin stock partly out of accumulated earnings and partly from borrowed money with the net result that the management group ended up owning 100% of the outstanding stock at a modest cost.

The third phase of the financial planning was the recent marketing of securities of United Artists, brought about when the banks advised the company that due to the tight money situation they would not be able to expand the line of credit of the company beyond existing levels. Our firm had been introduced to the United Artists management several years ago and had followed the growth of the company closely. The planning involved timing the issue in an industry which has not enjoyed high market favor in recent years. It also involved (1) the amount and type of securities to be sold, (2) the relation of the debt securities to the total capitalization, and (3) the fixing of a conversion price for the common stock into which the debentures would be convertible in relation to a market price of the common stock yet to be established. The decision was to sell $10,000,000 of 12-year convertible debentures and 250,000 shares of common stock at $20 a share for the account of the company, and 100,000 shares of common stock for the account of the management group. The debentures represented approximately 45% of the total capitalization of the company. The common stock at 20 was priced at about six and one-half times current earnings. The conversion price was set at 5% above the initial offering price for the common stock with step-ups at four year intervals to $22½ and $25 per share. Limits were placed on the amount of additional senior and other indebtedness which could be incurred. The management stockholders continue to hold 65% of the presently outstanding stock.

In order to conserve cash for further expansion, the management group chose to take a class B common stock on which they do not have to pay dividends, although they may in amounts equal to those paid in any year on the publicly held stock.

Certain restrictions were placed on the amount of stock which the management stockholders can sell during the first five years, and as long as the debentures are outstanding, in order to assure continuity of management and to protect the public stockholders and debenture holders.

Smith-Douglass Experience

Another example is that of Smith-Douglass Corporation which has obtained almost 100% financing of several acquisitions in its expansion program over the past few years after first establishing market acceptance for its securities in both the public and private markets. In fact, just recently, Smith-Douglass acquired for less than 50 cents on the dollar (substantially all of which has been borrowed at long-term) a company in Texas in which over $7,000,000 had been invested by others over the past four years in an unsuccessful attempt to start a new plant without sufficient operational know-how or resources. I might point out in passing that the fate of that company illustrates three pitfalls in financial planning: (1) Too high an estimate of the prospective sales price for the product to be produced; (2) Too little experience in the chemical business to make the plant work; and (3) Running out of money before the job is completed.

Braniff Airways

Another example of financial planning that I would like to mention in closing is that of Braniff Airways. In 1955, the company was faced with the competitive problem of ordering new equipment to meet the improvement programs of its larger competitors or suffering the consequences. In 1955 investment bankers obtained for the company commitments from a small number of life insurance companies to lend it $15 million to cover the acquisition of a fleet of new DC-7C's and other equipment, to be delivered in late 1956 and early 1957.

As a necessary adjunct to this loan, the company raised $5,000,000 of additional equity capital by offering subscription rights to its common stockholders.

In the Spring of 1956 Braniff had to expand its financial program even more substantially to cover new orders for Lockheed Turbo-Prop aircraft and Boeing 707 Jet aircraft, to be delivered in 1959 and 1960. In each case heavy progress payments were required. This increased the capital requirements of the expansion program to $83,000,000.

Investment bankers made it possible to increase Braniff's original loan commitment from $15 million to $40 million and at the same time to raise an additional $10 million by the sale of common stock through subscription rights.

This financial planning illustrates the necessity of covering forward commitments **well in advance** and the necessary relation between equity and debt capital.

I hope these examples have been helpful in pointing up the necessity of timely financial planning and, in the words of our advertisement, doing your financing **"when you can."**

Winston Firm Offers Atlas Credit Shares

J. A. Winston & Co., Inc., of New York City, on June 4 publicly offered 680,000 shares of B common stock (par 10 cents) of Atlas Credit Corp. at $2.25 per share on a best efforts basis.

The net proceeds are to be added to working capital and used for general corporate purposes.

Atlas Credit Corp., incorporated in Pennsylvania on Feb. 25, 1953, is engaged primarily in financing the modernization and improvement of homes and other buildings in the greater Philadelphia area and communities in the nearby Delaware Valley.

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)	June 9	§88.8	*88.0	86.7	96.7
Equivalent to— Steel ingots and castings (net tons)	June 9	§2,274,000	*2,252,000	2,220,000	2,380,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 24	7,457,350	7,511,100	7,536,550	7,070,800
Crude runs to stills—daily average (bbls.)	May 24	¶7,910,000	8,131,000	7,634,000	7,797,000
Gasoline output (bbls.)	May 24	27,102,000	27,057,000	26,211,000	25,649,000
Kerosene output (bbls.)	May 24	1,878,000	1,875,000	1,648,000	1,762,000
Distillate fuel oil output (bbls.)	May 24	12,592,000	13,003,000	12,352,000	12,121,000
Residual fuel oil output (bbls.)	May 24	7,584,000	7,798,000	8,339,000	8,042,000
Stocks at refineries, bulk terminals, in transit, in pipe lines— Finished and unfinished gasoline (bbls.) at	May 24	194,373,000	196,383,000	200,222,000	183,510,000
Kerosene (bbls.) at	May 24	23,935,000	22,854,000	20,163,000	20,699,000
Distillate fuel oil (bbls.) at	May 24	91,532,000	86,830,000	74,898,000	72,027,000
Residual fuel oil (bbls.) at	May 24	39,791,000	39,426,000	36,800,000	34,787,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 25	722,903	722,521	690,789	788,254
Revenue freight received from connections (no. of cars)	May 25	617,829	615,799	595,119	659,360
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 30	$298,907,000	$338,914,000	$476,032,000	$562,586,000
Private construction	May 30	100,712,000	193,873,000	173,545,000	390,820,000
Public construction	May 30	198,195,000	145,041,000	302,487,000	171,766,000
State and municipal	May 30	171,613,000	96,003,000	136,221,000	133,136,000
Federal	May 30	26,582,000	49,038,000	166,266,000	38,630,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 25	9,750,000	9,605,000	10,000,000	9,944,000
Pennsylvania anthracite (tons)	May 25	487,000	509,000	489,000	404,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 25	116	• 120	123	117
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 1	10,936,000	11,574,000	11,266,000	10,598,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 30	225	309	297	238
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 27	5.670c	5.670c	5.670c	5.179c
Pig iron (per gross ton)	May 27	$64.56	$64.56	$64.56	$60.29
Scrap steel (per gross ton)	May 27	$47.50	$47.17	$42.83	$47.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper— Domestic refinery at	May 29	31.300c	*31.150c	31.500c	45.400c
Export refinery at	May 29	28.975c	29.200c	29.500c	42.175c
Lead (New York) at	May 29	15.000c	15.000c	16.000c	16.000c
Lead (St. Louis) at	May 29	14.800c	14.800c	15.800c	15.800c
‡Zinc (delivered) at	May 29	12.000c	12.000c	14.000c	14.000c
Zinc (East St. Louis) at	May 29	11.500c	11.500c	13.500c	13.500c
Aluminum (primary pig. 99%) at	May 29	25.000c	25.000c	25.000c	24.000c
Straits tin (New York) at	May 29	98.500c	98.000c	99.375c	94.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 4	88.02	88.61	90.27	95.26
Average corporate	June 4	94.71	95.16	96.07	104.83
Aaa	June 4	99.04	99.36	100.49	108.16
Aa	June 4	97.78	98.41	98.88	106.74
A	June 4	95.32	95.77	96.54	104.48
Baa	June 4	87.59	87.99	89.09	100.00
Railroad Group	June 4	93.08	93.97	94.56	103.30
Public Utilities Group	June 4	95.92	96.07	96.54	105.17
Industrials Group	June 4	95.32	95.77	97.00	106.04
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 4	3.52	3.47	3.32	2.86
Average corporate	June 4	4.09	4.06	4.00	3.46
Aaa	June 4	3.81	3.79	3.72	3.27
Aa	June 4	3.89	3.85	3.82	3.35
A	June 4	4.05	4.02	3.97	3.48
Baa	June 4	4.59	4.56	4.48	3.75
Railroad Group	June 4	4.20	4.14	4.10	3.55
Public Utilities Group	June 4	4.01	4.00	3.97	3.44
Industrials Group	June 4	4.05	4.02	3.94	3.39
MOODY'S COMMODITY INDEX	June 4	421.9	415.8	408.3	411.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 25	242,763	255,600	235,168	239,176
Production (tons)	May 25	282,388	286,720	248,935	285,603
Percentage of activity	May 25	95	95	86	99
Unfilled orders (tons) at end of period	May 25	382,666	423,348	388,939	490,043
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	May 31	110.24	110.35	107.48	108.72
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered— Total purchases	May 11	1,632,010	1,600,480	1,593,190	1,712,550
Short sales	May 11	305,700	287,560	248,880	350,340
Other sales	May 11	1,268,910	1,301,700	1,310,860	1,355,130
Total sales	May 11	1,574,610	1,589,260	1,559,740	1,705,470
Other transactions initiated on the floor— Total purchases	May 11	344,600	339,970	423,610	354,410
Short sales	May 11	23,500	19,550	44,700	23,400
Other sales	May 11	360,350	305,850	414,560	367,300
Total sales	May 11	383,850	325,400	459,260	390,700
Other transactions initiated off the floor— Total purchases	May 11	597,183	582,304	751,450	653,390
Short sales	May 11	141,720	118,840	125,100	89,090
Other sales	May 11	509,176	635,268	779,319	695,550
Total sales	May 11	650,896	754,108	904,419	784,640
Total round-lot transactions for account of members— Total purchases	May 11	2,573,793	2,522,754	2,768,250	2,720,350
Short sales	May 11	470,920	425,950	418,680	462,830
Other sales	May 11	2,138,436	2,242,818	2,504,739	2,417,980
Total sales	May 11	2,609,356	2,668,768	2,923,419	2,880,810
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	May 11	1,342,810	1,356,428	1,317,169	1,451,531
Dollar value	May 11	$67,158,913	$69,649,842	$63,741,054	$76,312,009
Odd-lot purchases by dealers (customers' sales)— Number of orders—Customers' total sales	May 11	1,190,651	1,174,170	1,161,536	1,158,592
Customers' short sales	May 11	11,568	7,406	11,944	4,235
Customers' other sales	May 11	1,179,083	1,166,764	1,149,592	1,154,357
Dollar value	May 11	$57,962,814	$59,467,289	$54,884,002	$59,600,057
Round-lot sales by dealers— Number of shares—Total sales	May 11	323,530	307,750	300,220	290,780
Short sales	May 11	------	------	------	------
Other sales	May 11	323,530	307,750	300,220	290,780
Round-lot purchases by dealers— Number of shares	May 11	486,470	454,620	477,290	550,260
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	May 11	560,170	524,130	574,240	560,780
Other sales	May 11	11,919,650	11,890,590	12,230,160	12,823,970
Total sales	May 11	12,479,820	12,414,720	12,804,400	13,384,750
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group— All commodities	May 28	117.2	*117.2	117.1	114.3
Farm products	May 28	89.9	*89.7	89.4	90.7
Processed foods	May 28	105.3	105.3	104.3	102.6
Meats	May 28	91.6	91.7	87.1	83.2
All commodities other than farm and foods	May 28	125.2	125.2	125.4	121.6

*Revised figure. ¶Includes 965,000 barrels of foreign crude runs. §Based on new annual capacity of 133,459,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of March:			
Total gas sales (M therms)	7,592,400	8,260,000	7,393,100
Natural gas sales (M therms)	7,333,000	7,967,200	6,977,200
Manufactured gas sales (M therms)	25,300	28,200	44,200
Mixed gas sales (M therms)	234,100	264,600	371,700
AMERICAN TRUCKING ASSOCIATIONS, INC. Month of March:			
Intercity general freight transported by 382 carriers (in tons)	5,270,498	4,904,450	5,366,638
AMERICAN ZINC INSTITUTE, INC.—Month of April:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	96,506	*96,924	83,664
Shipments (tons of 2,000 pounds)	80,264	*94,607	80,795
Stocks at end of period (tons)	105,599	*89,357	47,907
Unfilled orders at end of period (tons)	42,102	56,818	46,106
COAL EXPORTS (BUREAU OF MINES)— Month of March:			
U. S. exports of Pennsylvania anthracite (net tons)	363,360	305,466	231,294
To North and Central America (net tons)	84,404	104,382	116,778
To Europe (net tons)	270,461	195,974	114,190
To Asia (net tons)	8,486	5,110	326
To South America (net tons)	9	------	------
Undesignated	------	------	------
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of March 30:			
Total consumer credit	$40,503	$40,513	$37,761
Instalment credit	31,273	31,233	29,112
Automobile	14,501	14,410	13,743
Other consumer goods	7,698	7,805	7,300
Repairs and modernization loans	1,754	1,759	1,631
Personal loans	7,320	7,259	6,438
Noninstalment credit	9,230	9,280	8,649
Single payment loans	3,527	3,433	3,050
Charge accounts	3,500	3,662	3,469
Service credit	2,203	2,185	2,130
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate consumers— Month of February (000's omitted)	46,216,760	47,692,745	44,107,554
Revenue from ultimate customers—month of February	$775,742,000	$784,979,000	$724,794,000
Number of ultimate customers at Feb. 28	54,125,853	54,059,284	52,735,867
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of April:			
Contracts closed (tonnage)—estimated	360,351	289,103	378,937
Shipments (tonnage)—estimated	313,591	305,009	281,616
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of March:			
Gas-fired furnace shipments (units)	51,600	45,300	56,500
Gas conversion burner shipments (units)	7,200	5,900	8,400
Gas-fired boiler shipments (units)	5,800	5,200	6,700
Domestic gas range shipments (units)	162,300	150,800	181,900
Gas water heater shipments (units)	229,100	208,100	267,500
METAL PRICES (E. & M. J. QUOTATIONS)— April:			
Copper— Domestic refinery (per pound)	31.517c	31.452c	46.161c
Export refinery (per pound)	29.775c	29.555c	46.964c
††London, prompt (per long ton)	£241.956	£239.543	Not Avail.
††Three months, London (per long ton)	£242.768	£239.137	Not Avail.
Lead— Common, New York (per pound)	16.000c	16.000c	16.000c
Common, East St. Louis (per pound)	15.800c	15.800c	15.800c
††Prompt, London (per long ton)	£111.872	£113.104	£115.713
††Three months, London (per long ton)	£111.703	£112.345	£114.938
Zinc (per pound)—East St. Louis	13.500c	13.500c	13.500c
§§Zinc, Prime Western, delivered (per pound)	14.000c	14.000c	14.000c
††Zinc, London, prompt (per long ton)	£98.375	£96.613	£98.241
††Zinc, London, three months (per long ton)	£94.669	£94.789	£96.806
Silver and Sterling Exchange— Silver, New York (per ounce)	91.375c	91.375c	90.875c
Silver, London (per ounce)	79.869d	79.744d	78.781d
Sterling Exchange (check)	$2.78885	$2.78305	$2.80772
Tin, New York Straits	99.452c	99.577c	93.310c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$225.000	$255.000	$266.560
¶Antimony, New York boxed	36.590c	36.590c	36.470c
Antimony (per pound), bulk Laredo	33.000c	33.000c	33.000c
Antimony (per pound), boxed Laredo	33.500c	33.500c	33.500c
Platinum, refined (per ounce)	$92.692	$93.000	$103.000
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97% grade	$2.00000	$2.00000	$2.60000
Aluminum, 99% grade ingot weighted average (per pound)	27.100c	27.100c	25.900c
Aluminum, 99% grade primary pig	25.000c	25.000c	Not Avail.
Magnesium ingot (per pound)	35.250c	35.250c	33.300c
**Nickel	74.000c	74.000c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.25
PORTLAND CEMENT (BUREAU OF MINES)— Month of March:			
Production (barrels)	22,642,000	17,860,000	23,386,000
Shipments from mills (barrels)	20,551,000	15,116,000	22,222,000
Stocks (at end of month—barrels)	34,267,000	32,3[illegible]0,000	29,868,000
Capacity used (per cent)	76	67	87
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of March:			
Passenger Tires (Number of)— Shipments	8,006,340	7,538,015	7,463,577
Production	8,629,310	8,04[illegible],177	7,811,863
Inventory	18,064,560	17,375,929	18,096,416
Truck and Bus Tires (Number of)— Shipments	1,107,356	1,000,789	1,163,014
Production *	1,136,347	1,122,243	1,381,502
Inventory	3,678,134	3,632,540	3,465,273
Tractor-Implement Tires (Number of)— Shipments	349,726	287,908	340,025
Production	318,370	292,135	352,366
Inventory	758,498	787,334	886,632
Passenger, Motorcycle, Truck and Bus Inner Tubes (Number of)— Shipments	3,397,399	3,291,161	2,962,282
Production	3,821,887	3,361,557	3,346,927
Inventory	6,539,561	5,959,580	6,847,640
Tread Rubber (Camelback)— Shipments (pounds)	31,298,000	28,902,000	28,335,000
Production (pounds)	30,530,000	30,545,000	27,830,000
Inventory (pounds)	30,713,000	31,047,000	28,440,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne, U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange.

Public Utility Securities

By OWEN ELY

Southern Natural Gas Company

Southern Natural Gas operates a pipeline system extending from gas fields in Texas, Louisiana and Mississippi to markets in the south. Gas is sold at wholesale to eight distributing utilities, 80 municipalities and districts, 3 pipeline companies and 60 industrial customers. The population thus served is about 1,200,000 in Georgia, 620,000 in South Carolina, 1,000,000 in Alabama, 180,000 in Mississippi and 100,000 in Florida. Industrial business accounts for about 60% of sales, the largest customers being utilities, steel mills and makers of cement, ceramics, lime, paper and textiles. Important utilities buying their gas wholesale from Southern include Atlanta Gas Light, Alabama Gas and Mississippi Valley Gas. Southern sells to Transcontinental Gas Pipeline Corp. as well as to local pipeline companies.

Of the gross plant account of $209 million at the end of 1956, about 85% was in transmission facilities, 8% in production and local storage, and the balance in distribution and miscellaneous. Gross construction expenditures for last year were only about $7 million, but this year are estimated at $22 million. In 1955 the company bought all but 6% of its gas needs, its own production coming from Louisiana wells. Independent producers in Louisiana, Texas and Mississippi supplied 72%; United Gas Pipe Line, 17%; Olin Gas Transmission, 3%, and miscellaneous sources, 2%. The company's own net gas reserves approximate 435 billion cf but total controlled reserves are about 5½ trillion cf. Net oil and distillate reserves are about 10 million barrels. *Probable* reserves would increase the oil figure about five-fold, and the gas figure substantially. The company has about 200,000 acres of undeveloped land under lease and also a 30,000 acre off-shore block.

The company established new high records in 1956 with gas sales up 12%; revenues, 16%, and net income, 21%. Load factor increased and pipeline capacity was about 6% higher. The number of shares increased 22% due to conversion of debentures and new acquisitions, so that share earnings of $2.35 were off 2¢. By the year-end nearly half of the $34 million debentures issued in 1953 had been converted into stock; the remaining increase in shares resulted from acquisition of a majority interest in Offshore Company.

Historically, Southern Natural Gas has shown very rapid growth. In 1936 revenues were less than $6 million, and in 1946 approximated $14 million, while in 1956 they amounted to $80 million. Share earnings and dividends compare as follows (after adjustment for the 2-for-1 split in 1952):

	1936	1946	1956
Share Earnings	$0.78	$1.37	$2.35
Cash Dividends	0.32	0.69	1.85

In addition to cash dividends the company distributed a share of common stock of Southern Production in 1947 and a share of Alabama Gas in 1953, to each share of its own stock.

The company in November last year acquired control of the Offshore Company, through which it is engaged in deep water drilling in the Gulf of Mexico; it also proposes to do contract drilling in Venezuela. The company has five barges plus one under construction, equipment having cost about $25 million. Southern bought about two-thirds of the stock for $15 million and assumed a debenture issue.

As a further step toward diversification (because of the limited opportunities of earning money in the utility business at present) Southern is now negotiating for the purchase of the assets of Suntide Refinery at Corpus Christi. It expects to pay about $37.5 million for the assets subject to the present Suntide debt of $13 million, and will also provide about $4 million working capital. Suntide is a modern refinery processing 60,000 barrels a day and capacity is being increased to 75,000 barrels. Suntide's sales last year were about $80 million and cash throw-off about $10 million. The company earned about $3,160,000 for its stock in 1956 and has not yet reached full earning power. Southern expects to acquire U. S. and foreign crude oil reserves for this refinery. Substantial agreement on the acquisition is expected by September, with the closing next January. Another step towards diversification was the purchase in 1954 of a substantial stock interest in Air Reduction Company, which has increased substantially in value.

As of Dec. 31, 1956 Southern Natural Gas had outstanding $100 million long-term debt (including about $18 million convertible debentures and $6 million notes) and 4,376,000 shares of common stock with an equity value of nearly $80 million or about $18 a share. Thus the equity ratio approximated 45%. The management considers a debt ratio of 60% (or even 70% temporarily) reasonable so long as it is automatically reduced by sinking funds. The company has made arrangements with several banks to borrow up to $25,000,000 from time to time up to May 31, 1959. A portion of these funds will be used to pay the company's $6,000,000 note maturing June 1, 1957.

Southern Natural Gas and subsidiaries earned $2.32 in the 12 months ended March 31, and 62c a share in the March quarter. No comparisons with earlier periods are available, due to interim acquisitions. On a parent company basis, earnings were $2.15 for the 12 months' period vs. $2.70 in the previous period, the decline being due principally to an increase of about one-eighth in the number of shares.

Southern Natural Gas is currently selling around 45 and paying $2 to yield 4.5%. The price-earnings ratio is about 19.4, based on the March earnings.

Smith, Barney Group Offers Trane Shares

Public offering of 150,000 shares of common stock of The Trane Co., manufacturer of air conditioning, heating, ventilating and special-purpose heat transfer products, is being made today (June 6) by an underwriting group headed by Smith, Barney & Co. The stock is priced at $46⅝ a share.

Net proceeds from the sale of the stock will be added to general funds of the company and, it is anticipated, used for capital expenditures and to increase working capital. Major construction projects scheduled for 1957 or early 1958 are a manufacturing plant in Clarksville, Tenn., for central air conditioning units for the residential market, a plant in La Crosse, Wis., headquarters of the company, for the manufacture of brazed aluminum heat transfer surface; and a substantial addition to Trane's research and testing laboratory in La Crosse.

During Trane's recent years air conditioning has become an increasingly important part of Trane's business and in 1956 sales of air conditioning products accounted for approximately 50% of net sales. The company's products in the air conditioning field consist principally of central cooling units and the larger types of air conditioning equipment. It does not manufacture the small window-type unit.

Consolidated sales during 1956 totaled $74,444,000 and net income was $5,740,000, equal to $2.90 a share on the 1,979,846 common shares outstanding at the end of the year. Sales during the three months ended March 31, 1957, were $18,631,000 compared with $17,620,000 in the corresponding 1956 period; net income in the 1957 quarter was $1,170,000, equal to 59 cents a share, and in the 1956 quarter, $1,150,000 or 58 cents a share, calculated on the basis of 1,979,846 outstanding common shares.

With White & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—John J. Senkosky is now with White & Company, Mississippi Valley Building, members of the Midwest Stock Exchange.

With Green, Erb

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Fred W. Gehret is now with Green, Erb & Co., Inc., N. B. C. Building, members of the Midwest Stock Exchange.

DIVIDEND NOTICE

Beneficial Finance Co.

112th CONSECUTIVE QUARTERLY CASH DIVIDEND

The Board of Directors has declared a quarterly cash dividend of

$.25 per share on Common Stock

payable June 29, 1957 to stockholders of record at close of business June 14, 1957.

June 3, 1957

Wm. E. Thompson
Secretary

Over 1,000 offices in U. S. — Beneficial Finance System — Canada, Hawaii and Alaska

DIVIDEND NOTICES

AMERICAN CAN COMPANY (CANCO)

PREFERRED STOCK

On May 28, 1957 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable July 1, 1957 to stockholders of record at the close of business June 13, 1957. Transfer books will remain open. Checks will be mailed.

JOHN R. HENRY, *Secretary*

ALCO PRODUCTS INCORPORATED

30 Church Street, New York 8, N. Y.

PREFERRED DIVIDEND NO. 196

COMMON DIVIDEND NO. 132

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of twenty five cents (25¢) per share on the Common Stock of this Company have been declared, payable July 1, 1957 to holders of record at the close of business on June 11, 1957. Transfer books will not be closed.

May 28, 1957

CARL A. SUNDBERG
Secretary

CANADA DRY

DIVIDEND NOTICE

The following dividends have been declared by the Board of Directors:

Preferred Stock

A regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock, payable July 1, 1957 to stockholders of record at the close of business on June 14, 1957.

Common Stock

A quarterly dividend of $0.25 per share on the Common Stock, payable July 1, 1957 to stockholders of record at the close of business on June 14, 1957.

Transfer books will not be closed. Checks will be mailed.

J. W. REILLY
Secretary

DIVIDEND NOTICES

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., May 28, 1957.

The Board of Directors has this day declared a dividend of Twenty-five Cents (25c) per share, being Dividend No. 117, on the Preferred Capital Stock of this Company, payable August 1, 1957, out of undivided net profits for the year ending June 30, 1957, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business June 28, 1957.

D. C. WILSON, Assistant Treasurer
120 Broadway, New York 5, N. Y.

DIVIDEND NO. 71

Hudson Bay Mining and Smelting Co., Limited

A Dividend of one dollar and twenty-five cents ($1.25) (Canadian) per share has been declared on the Capital Stock of this Company, payable September 9, 1957, to shareholders of record at the close of business on August 9, 1957.

J. F. McCARTHY, *Treasurer.*

CERRO DE PASCO CORPORATION

Cash Dividend No. 148

The Board of Directors of Cerro de Pasco Corporation, a New York corporation, at a meeting held on June 4, 1957, declared a cash dividend of forty cents (40¢) per share on the Common Stock of the Corporation, payable on June 28, 1957, to stockholders of record on June 14, 1957. The Transfer Books will not be closed.

MICHAEL D. DAVID
Secretary

300 Park Avenue
New York 22, N. Y.

CdeP

LONG ISLAND LIGHTING COMPANY

QUARTERLY DIVIDEND

PREFERRED STOCK

The Board of Directors has declared the following quarterly dividends payable July 1, 1957 to holders of Preferred Stock of record at the close of business on June 14, 1957.

Series	Per Share
Series B, 5%	$1.25
Series D, 4.25%	$1.0625
Series E, 4.35%	$1.0875
Series F, 4.35%	$1.0875
Series G, 4.40%	$1.10

May 28, 1957

VINCENT T. MILES
Treasurer

DIVIDEND NOTICES

SAFETY INDUSTRIES, INC.

formerly

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.

DIVIDEND NO. 240

The Board of Directors has declared a dividend of 25¢ per share on the outstanding Capital Stock of the Company of the par value of $12.50 per share, payable July 25, 1957, to holders of record at the close of business June 25, 1957.

May 28, 1957

J. T. CULLEN,
Treasurer

GOODYEAR

DIVIDEND NOTICE

The Board of Directors today declared the following dividend:

60 cents per share on the Common Stock, payable September 16, 1957 to stockholders of record at the close of business August 15, 1957.

The Goodyear Tire & Rubber Co.
By Arden E. Firestone,
Secretary

June 3, 1957

THE GREATEST NAME IN RUBBER

New York, June 5, 1957

The Board of Directors has this day declared a quarterly dividend of Eighty (80) Cents per share on the Capital Stock of this Company for the quarter ending June 30, 1957, payable on July 15, 1957, to stockholders of record at the close of business June 14, 1957.

STUART K. BARNES, *Secretary*

Guaranty Trust Company of New York

THE **West Penn** *Electric Company*

(Incorporated)

Quarterly Dividend on the COMMON STOCK

$37\frac{1}{2}$¢ PER SHARE

Payable June 29, 1957
Record Date June 7, 1957
Declared May 29, 1957

WEST PENN ELECTRIC SYSTEM

Monongahela Power Company
The Potomac Edison Company
West Penn Power Company

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — One fact seems to stand out in any analysis of the Farm Credit System in the United States today — the system is moving further away from Federal Government support toward complete farmer ownership.

However, most institutional lenders are under some form of State or Federal supervision. The national banks, for example, are federally chartered and receive supervision from the Comptroller of the Currency, the Federal Reserve authorities, and the Federal Deposit Insurance Corporation. The Farm Credit System is no exception. It is supervised by an independent agency of the U. S. Government —the Farm Credit Administration—under policies established by a part-time Federal Farm Credit Board.

The System, as now constituted, includes: (1) approximately 1,100 national farm loan associations and 12 Federal land banks, from which farmers obtain long-term farm mortgage loans; (2) 497 production credit associations and 12 Federal intermediate credit banks, which provide farmers with short- and intermediate - term operating credit; and (3) the 13 banks for cooperatives from which farmers' marketing, purchasing, and service cooperatives can obtain both long- and short-term loans.

The oldest part of the System —the Federal Land Banks and national farm loan associations —is celebrating its 40th anniversary this year and is doing so under the mantle of complete farmer-ownership. The national farm loan associations were farmer-owned from the beginning. And the last of the Federal land banks reached this goal in 1947. The other parts of the System also are either largely farmer-owned or have embarked on a systematic program of replacing the Government capital.

Government Capital Reduced

Altogether, the Federal Government made available a total of $683 million to capitalize the Farm Credit System. Of this total, there remained on Jan. 1, 1957, $87 million in the Federal intermediate credit banks. $1.8 million in production credit associations, and $147 million in the banks for cooperatives, or a total of $236 million. As of the same date, farmers and their cooperatives had a stock investment in the System totaling $226 million and, in addition, there was net worth accumulated from earnings amounting to $590 million.

And, although Congress decides how much money the supervising agency, Farm Credit Administration, may spend each year, that cost is paid by assessment upon the 37 banks in the System rather than from tax sources.

Because the System was Government-sponsored, many people fail to evaluate the System in its proper perspective today. Except to the extent that funds represented by net worth may be used for loan purposes, and some temporary borrowings from commercial banks, loan funds for the System are obtained by issuing and selling bonds and debentures in the investment market. None of the 37 banks in the System is a bank of deposit or engages in other general banking functions.

In effect, then, the Farm Credit System is a mechanism for channeling investment funds available in the general capital market from commercial banks, insurance companies, large corporations, trust and pension funds to farmers and their cooperatives in every agricultural community in the country.

Finance in Private Market

The 37 banks employ a fiscal agent in New York City to sell their securities in amounts required to meet their needs for loan funds. This fiscal agent distributes these securities through recognized security dealers and dealer banks located in the principal cities throughout the nation. The fact that investors compare these securities favorably with those of the Federal Government itself, even though they are not guaranteed by the Government, has enabled the System to provide farmers and their cooperatives in all parts of the country, regardless of the local supply of money, with credit at rates that are comparable to those paid by other types of business.

Consolidated Federal land bank bonds are backed by the pledge of long-term first mortgages on farms endorsed by the local national farm loan associations and are supported by the financial strength of the 12 Federal land banks. The land banks have a combined net worth of $365 million.

The consolidated Federal intermediate credit bank debentures are backed by farmers' notes, largely for seasonal operating credit, in addition to the $150 million net worth of these 12 banks. The notes are endorsed by the production credit associations or the other financial institutions for which the banks discount such paper. The term "other financial institutions" includes agricultural credit corporations, livestock loan companies, and some commercial banks.

The consolidated debentures of the 13 banks for cooperatives —12 district banks and a central bank—are backed by the notes of more than 2,000 marketing and purchasing associations with which they do business, in addition to the banks' combined net worth of $262 million.

The interest rates which the 37 banks charge their borrowers depend in large part upon what the banks have to pay for money obtained in the investment market. Thus, when interest rates in the general market rise, the cost of loanable funds to the farmer through the System also rises. While these banks are absorbing some of such increases in cost of money, the recent general increase in interest rates has been reflected in material increase in the rates of interest they charge their borrowers.

Farm Credit Barometer

Because of its closeness to farmers, the Farm Credit System is a barometer of current financial needs of agriculture. For example, land bank loans for periods of five to 30-odd years, are designed to aid farmers in the purchase of land, to refinance debts, and for other farm purposes. However, many loans are currently being made to enlarge existing farms so that they can make more efficient use of modern machinery. Moreover, recognizing another trend in American agriculture, part-time farmers are now eligible for land bank loans if they have a dependable source of outside income.

The maximum legal limit of land bank loans has been increased gradually, recognizing the growing capital requirements and increasing sizes necessary for efficient operation. Maximum size of loan 40 years ago when the land banks started was $10,000. The present legal limit is $200,000.

The Federal land banks now hold about 363,000 loans totaling $1.8 billion. The estimated total farm mortgage debt is $9.8 billion. Other large holders of farm mortgages are commercial banks and insurance companies.

Impact of Mechanization

The trend toward mechanization has also been reflected in the operations of the 497 production credit associations, which extend short-term and intermediate credit to farmers. Intermediate-term loans (up to five years) are a recent addition to provide farmers with credit to finance such things as heavy equipment and farm and ranch improvements. Most of these production credit loans are rediscounted with the intermediate credit banks. In 1956, the production credit associations made 276,000 loans totaling about $1.5 billion. Discounts made by the intermediate credit banks for other financial institutions during 1956 amounted to $155 million.

As for the banks for cooperatives, these 13 banks made loans amounting to $609 million to about 1,800 farmer cooperatives in 1956. Farm Credit Administration officials feel that one of the greatest services these banks have performed is to demonstrate that farmers' cooperatives, when properly organized, are sound credit risks. It is estimated that the banks for cooperatives currently provide over one-half of the credit used by farmers' marketing and purchasing cooperatives.

The actual dollars farmers borrow from the Farm Credit System are, of course, important. However, the System's officials feel its function is to make sure credit is available on a business basis to farmers in all parts of the country who have a sound need for credit.

[*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

"Sort of an odd character—He's been in Wall Street for years and has never taken a tranquilizing pill!"

Two With Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.— Stuart W. Thomson and Jameson Young has become associated with Hooker & Fay, 221 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Thomson was previously with Sutro & Co. and E. F. Hutton & Company.

Business Man's Bookshelf

Beat the Cost of Living With Vantage Stocks—R. H. Weber and Thomas B. Meek—Business Reports, Inc., Larchmont, N. Y. (fabrikoid) $12.50.

Economic and Financial Decisions of United Nations General Assembly (1946-1955)—Index to economic and financial resolutions of the first ten sessions (10-year period)—Dr. Louis C. Longarzo, 61 Broadway, New York 6, N. Y. $5.00.

Growth of Life Insurance Company Mortgage Investments in Recent Years—Institute of Life Insurance, Division of Statistics & Research, 488 Madison Avenue, New York 22, N. Y. (paper) on request.

Labor Standards—U. S. Department of Labor publications—Safety Standards, 15 cents; State Workmen's Compensation Laws, 45 cents—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.

Needed: A New Foreign Aid Policy—Howard C. Peterson—Committee for Economic Development, 444 Madison Avenue, New York 22, N. Y. (paper).

Our Manpower Future 1955-1965—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y. 30 cents.

People's Capitalism—Round table of Yale University and the Advertising Council—The Advertising Council, 25 West 45th Street, New York 36, N. Y. (paper) 25 cents.

Regulations Issued by Switzerland Regarding Its Payments With Various Countries: Tenth Supplement — Bank for International Settlements, Basle, Switzerland.

Skilled Work Force of the United States — U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y. 20 cents.

United Nations and Economic and Social Cooperation—Robert E. Asher, Walter M. Kotschnig, William A. Brown, Jr. and associates—The Brookings Institution, 722 Jackson Place, Northwest, Washington 6, D. C. (paper) $2.50.

Wage Inflation—A Discussion by The Conference Board Economic Forum—National Industrial Conference Board, Inc., 460 Park Avenue, New York 22, N. Y. (paper) $1.50 (quantity prices on request).

You and Your Family's Life Insurance—Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. (paper) on request.