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ESTABLISHED 1839

# The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 185 Number 5648 New York 7, N. Y., Thursday, June 20, 1957 Price 40 Cents a Copy

EDITORIAL

## As We See It

The Prime Minister of Britain in his recent letter to Mr. Bulganin has made some observations which deserve special attention in these days when so much is being said about disarmament, discontinuance of nuclear experiments, and the banning of nuclear weapons in the event of war. These subjects have a large measure of popular appeal and there is danger in the present circumstances that they will get out of perspective. Let us not forget for a moment that in the words of Mr. Macmillan "the first and most important question that faces us all" is not disarmament agreements of any sort but "is how to dispel the threat of war." To Mr. Bulganin, the Briton continues with this observation: "You and I have lived through two world wars. We have seen their terrors. We must wish to preserve our children and grandchildren from the third and perhaps final tragedy."

"But," he adds, "it would be disingenuous of me not to repeat that great problems still divide us. There is the question of Europe, where our views are very dissimilar both about Germany and about Hungary. There is the Middle East, in which we have yet to find common ground. We have different points of view on many great issues, indeed on the most fundamental basis of life." The Britisher then says that "these differences ought not to prevent us from making some kind of advance towards a more sensible relationship between our two countries," but it is evident that the writer of these sentences is fully aware, as the rest of us should be, that it

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## Credit Requirements And Economic Growth

By ROY L. REIERSON*

Vice-President and Economist, Bankers Trust Co.

**Maintaining existing monetary reserves are adequate to support expansion in bank credit and the money supply permanently, Dr. Reierson holds real problem is to keep the vast expansive potential of our monetary base under control. Asserts banking system is neither overloaned nor undercapitalized, and the credit system is still wholly able to finance a growing economy. Points out U. S. Bank reserve requirements are still substantially above the legal minimum, and considerably higher than in other important countries. Warns against continuing inflation, and the need for checking the wage-cost-price spiral.**

One of the most widely accepted convictions of our present era is that of sustained economic growth. Indeed, a favorite activity not only among economists but also among business managements and government officials for some time has been to project the expanding output of the American economy five or ten years ahead. Until fairly recently little attention has been given to the financial implications of economic progress. In the past several years, however, the high and rising level of capital goods spending has raised, with increasing insistence, the question as to whether the volume of new savings will be sufficient to finance a sustained advance in production. But it was not until the past 12 months or so that growing pressures upon liquidity positions prompted serious inquiry into the adequacy of the credit supply and the prospective availability of short-term funds. There is, of course, no clear-cut delineation between short-term credit and long-term


Roy L. Reierson

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*An address by Dr. Reierson before the 27th National Business Conference of the Harvard Business School Association, Boston, Mass., June 8, 1957.

## Public Folly, Private Greed And Federal Reserve System

By ALLAN SPROUL*

Former President, Federal Reserve Bank of New York

**There are times, former central banker declares, when the Federal Reserve "has to validate public folly and private greed, by supporting increased costs and prices with an increased money supply, no matter how reluctant it may be to do so, and no matter how independent it may be of political or private pressures." After describing workings of money market, crucial role of banks and Federal Reserve, Mr. Sproul analyzes activities of Federal Open Market Committee, and opines that, with greater knowledge of a money economy, there might be less need to rely so heavily on credit policy to be economy's policeman. Blames cost-price spiral on union power and managerial acquiescence, and sees Fed's task becoming more difficult.**

The Federal Reserve System was created out of our previous experience to provide an elastic currency, to improve our check collection system, to pool our banking reserves, and to expedite the transfer of funds from one part of the country to another. Credit policy was supposed to take care of itself, pretty much, if discounts at the Federal Reserve Banks and the non-gold backing of Federal Reserve notes were limited, largely, to "self liquidating" commercial paper.

The Federal Reserve System has provided us with an elastic currency, and improved system of check collection at par, a means of pooling bank reserves, and a method of rapidly transferring funds from one place to another. Some may say that the currency is too elastic, some may say that the vagaries of "float" growing out of our check collection


Allan Sproul

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*An address by Mr. Sproul before the California Bankers Association, May 21, 1957.

PICTURES IN THIS ISSUE—Candid photos taken at the Silver Anniversary Field Day of the Municipal Bond Club of New York appeared in today's PICTORIAL SECTION.

# 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**



STEPHEN J. SANFORD

Security Analyst, Delray Beach, Fla.

**Reaction Motors Inc.**

Three years ago we discussed this company in these columns, and while the stock has advanced approximately 300% since then, growth and progress have been so outstanding that a fresh look appears justified at this time.

Stephen J. Sanford

Since the early history of the company was covered rather fully in the previous article (see May 27, 1954 edition of the "Chronicle") we will stress at this time the more recent developments.

Reaction Motors today stands as the oldest, but not the largest, rocket engine company in this country, having been started in 1941 in New Jersey by four young scientists.

It has done extensive research and development work on rocket engines propelled by liquid fuel. RMI power plants have flown the "Viking" missile to an altitude of 158 miles, and during its flight it reached a speed of approximately 4,300 m.p.h.

A 6,000 lb. thrust rocket engine sent an Air Force X-1A Bell plane to a speed of over 1,600 m.p.h. and an altitude of over 90,000 feet.

The capital structure of the company is simple. At the year-end it had outstanding only 244,286 shares of capital stock preceeded by bank notes payable of $800,000. This is a small capitalization for a company whose business is currently running at an annual rate in excess of $20 million. Fifty per cent of the stock is owned by Olin Mathieson Chemical Corp. and another 20% by Laurance S. Rockefeller, who became a substantial stockholder in the company ten years ago. This leaves approximately 75,000 shares available for the public and the rest of the management group. This small floating supply often results in rather spectacular price swings for the stock.

Sales have advanced sharply in recent years as may be seen from the table below:

| | |
|---|---|
| 1954 | —$4,736,690 |
| 1955 | — 7,522,958 |
| 1956 | —16,193,944 |

My own estimate for 1957 is sales of approximately $24 million.

Since the company is a supplier to the Air Force and Navy, profit margins have been on the lean side. Only about 2.8% has been carried through to net, and if our sales estimate is accurate that could mean earnings of about $2.70 per share this year. The stock in the past has usually sold at a price between 20 and 30 times annual earnings.

The company owns a 23% stock interest in Flight Refueling, Inc. This affiliate makes equipment for the probe-and-drogue method of refueling jet planes in flight. Sales of Flight Refueling now exceed $5 million annually.

At the beginning of last year employees numbered about 670. This number has now increased to nearly 1,800. Of these 330 are graduate engineers, so it would appear that the company is well staffed for still further expansion.

Since they are connected directly with the defense effort, practically all of the company's current contracts are of a classified nature. It is known, however, that the company is developing the power plant for two new piloted aircraft. One of these is North American's X-15, which has been described as the first "semi-space ship." It is estimated that this plane will be able to reach the fantastic altitude of 100 miles with a speed of up to 5,000 m.p.h.

Other products include gas pressure regulators and various major valve components for both the IRBM and ICBM systems.

In conjunction with Marquardt Aircraft and Olin Mathieson the company is also doing extensive development work on high-energy solid fuels. One of the these probably is a boron derivative.

Another contract is for producing a rocket powerplant with a 500,000 lb. thrust for Air Force test sleds.

It is difficult to provide an accurate appraisal of the future price behavior of a dynamic growth stock like Reaction where the floating supply of stock is so restricted. In the past investors seeking long-term capital gains have shown a willingness to evaluate it on a very liberal price-earnings' ratio. Since the current backlog of unfilled orders is at a record high of approximately $24 million, still further growth appears to lie immediately ahead.

It would come as no surprise to those who have followed the fortunes of the company closely if the shares, currently traded in the Over-the-Counter Market, were to be split (probably two-for-one) later this year, with listing on a national exchange to follow early next year.

ROBERT H. STOVALL

E. F. Hutton & Co., New York City

**The Coca-Cola Company**

By far the largest of the soft drink companies, Coca-Cola pushed its gallonage sales to a new all-time high in 1956. And, judging from results achieved in the first quarter of this year, a new sales record will likely be made in 1957.

Robert H. Stovall

Coca-Cola presently falls in the category of a deflated blue chip, having sold as high as 200 in 1946 and 165 as recently as 1950. This has resulted from a steady squeeze on the operating profit margin since 1950, brought about chiefly by the relative inflexibility of the company's pricing and merchandising policies in the face of an inflationary economy. This caused a steady shrinkage of net profit up until two years ago. There is now reason to believe that the downward trend in profit margins has been arrested and higher earnings are in prospect.

In 1955, the company elected a new president and there has been a very noticeable change in marketing technique since that time. Earnings in 1956 improved to $6.87 per share from $6.44 the year before despite a colder-than-average summer and it is likely that profits will be in the $7.25-$7.50 range for 1957. Historically, increases in the dividend payout have been made in round amounts and it is reasonable to hope for a boost to a $6 annual rate once earnings have advanced to a level sufficient to sustain such a payout. It is possible that such action could be justified by this time next year and a two-for-one split is not impossible. In addition, the company has a large cash position and may eventually use some of these funds to diversify its activities. On this basis, the shares, currently priced at 107, appear to have an attractive capital gain potential with a relatively slight downside risk. The yield of approximately 5% is liberal for a quality issue.

**Operating History**

Coca-Cola had its inception in May of 1886 when an Atlanta pharmacist hit upon the formula for this most popular of all soft drinks. The company was operated as a private business until it was incorporated in 1919 and the shares listed on the New York Stock Exchange. Coca-Cola International, a holding company, was formed in 1922 and originally held more than 50% of the stock in the operating company. As each share of Coca-Cola International is convertible into eight shares of Coca-Cola Company, Coca-Cola International has been in a process of gradual liquidation over the years and now holds less than 30% of the stock of Coca-Cola Company.

Gallonage sales increased sharply during the 1920's and into the great depression, which had very little effect on Coca-Cola's progress. Sugar restrictions imposed during the Second World War held down sales growth but the upward trend was resumed in the immediate postwar period. The sales curve flattened out in the first half of the present decade but has picked up in the past two years.

During the late 1930's, Coca-Cola had about 55% of the total soft drink market in this country. This share of the business has declined to around 40% at present. Aside from the emergence of aggressive competitors, the loss of Coca-Cola's relative position can also be attributed to the company's traditionally conservative policies as to merchandising, pricing and dealer relationships. Because of the tremendous growth in home consumption of soft drinks, bottled Coca-Cola has over the years expanded at a higher rate than fountain Coca-Cola. Nevertheless, 1956 was an all-time record year for the fountain product.

**New Management Effects Changes**

In February of 1955, a new president, having a background in advertising and public relations, was appointed. In August of the same year, the present executive vice-president joined the firm after many years as part of the top management team of one of the nation's leading food companies. Among the changes which have been effected, perhaps the most far reaching but least ap-

*Continued on page 47*

# The Jencks Case

**United States Supreme Court, in momentous 7-1 decision, holds Government must permit defendant access to statements and documents on which charge of criminal wrong-doing is based. In demolishing Government's contention of need for secrecy in instant case, high court holds that aim of prosecution is not to win case, but to see that justice is done. Decision reaffirms Constitutional right of accused to defend himself with all means at his command, a right quite frequently breached by some quasi-administrative agencies.**

One need not be a soothsayer to prophesy that the case of *Jencks v. United States of America*—until recently No. 23 on the docket of the Supreme Court of the United States—is destined to become a landmark in American jurisprudence.

Here, the Court, delivering its opinion through Mr. Justice Brennan, said:

**"We hold that the criminal action must be dismissed when the Government, on the ground of privilege, elects not to comply with an order to produce, for the accused's inspection and for admission in evidence, relevant statements or reports in its possession of government witnesses touching the subject matter of their testimony at the trial. The burden is the Government's, not to be shifted to the trial judge, to decide whether the public prejudice of allowing the crime to go unpunished is greater than that attendant upon the possible disclosure of state secrets and other confidential information in the Government's possession."**

The alleged crime referred to in this history making pronouncement was the claimed false swearing by Jencks in an affidavit that he was not a member of the Communist Party or affiliated with it.

During the trial Harvey F. Matusow and J. W. Ford, Communist Party members and the Government's principal witnesses, testified that as paid investigators for the F.B.I., they made written and oral reports to that body of their activities in which Jencks allegedly participated.

The petitioner Jencks made a motion to direct the Government to produce these reports for inspection and use in cross-examining Matusow and Ford. Based in part upon the error resulting from the denial of this motion in the lower court, our Supreme Court was enabled to strike an important blow in the interest of fair play and justice. It said:

"We now hold that the petitioner was entitled to an order directing the Government to produce for inspection all reports of Matusow and Ford in its possession, written and when orally made, as recorded by the F.B.I., touching the events as to which they testified at the trial. We hold, further, that the petitioner is entitled to inspect the reports to decide whether to use them in his defense. Because only the defense is adequately equipped to determine the effective use for purpose of discrediting the Government's witness and thereby furthering the accused's defense, the defense must initially be entitled to see them to determine what use may be made of them. Justice requires no less."

The Court disapproved the practice of producing Government documents to the trial judge for his determination of relevancy and materiality, without hearing the accused.

Despite the fact that the Government, in the Courts below, did not assert that the reports were privileged against disclosure on the grounds of national security, confidential character, or public interest, it nevertheless, in effect raised this point in its brief to the Supreme Court.

Here the Court, quoting other cases, said resolutely:

**"The rationale of the criminal cases is that, since the Government which prosecutes an accused also has the duty to see that justice is done, it is unconscionable to allow it to undertake prosecution and there**

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### 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 20, 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.

# Observations . . .

By A. WILFRED MAY

## SOUND INTERNATIONAL "AIDING"

*WASHINGTON*—In present-day international financing—with its loans, grants, subsidies, giveaways disguised and undisguised; governmental and non-governmental—the World Bank (The International bank for Reconstruction and Development) continues to stand out as a bastion of soundness and freedom from political motivation.

A. Wilfred May

This is demonstrated first in the bare statistics. During the first 11 years of its existence the Institution has, without a default, made 167 loans totaling over $3 billion in five continents. *Reserves* in two categories, one against losses on loans and guarantees, and the other credited to the Bank's Special Reserve from loan commissions, aggregate $265 million against the disbursed loan total of $2,242 million. And a net income of about $30 million is being annually earned.

### Contributing Principles and Policies

But of even more importance than the statistical results achieved, in determining the Institution's long-term aspects, are the principles and policies which have been religiously pursued. A fundamental rule, generally unrealized by the public, is that all loans are made to private companies, and not to government projects, as a matter of business efficiency. An exception is comprised in power and railroading, where credit is extended to the public authorities after the private sector has had and turned down a fair chance at it.

Recent loans to Uruguay and Chile, amounting to $40 million, and an 80% addition to Mexico's power development during the past decade, have followed this routine. In view of the default on her external debt, nothing has been loaned to Greece.

### Careful Lending

Typically, in the negotiations for the Indian Railways loan, in addition to its own technicians the Bank engaged the services of an outstanding American railway-management experts firm to survey and appraise the project. And here, as always, the Bank will keep a check on the charges.

A $75 million loan to Iran, while unique, testifies to the Bank being on the alert for the worthy as well as the eligible. Not as a development loan, but close to a commercial-type transaction the monies were advanced as a five-to-six year advance on oil revenues — a loan against money-equivalent receipts.

### General Restrictive Rules

Strict "ground rules" for the receiving end of credits are maintained. Primarily, the project must be set up with the right kind of organization. For example, in the case of the construction of ports, the Bank insists that the borrower set up an autonomous *authority*, which shall be self-supporting. This will likewise obtain in the case of highway projects, along with other safeguards. Credits to power projects have been withheld until rates shall have been definitely fixed at adequate levels, judged as such on the basis of their ability to generate capital for replacement of the investment and/or for capital expansion. During the past year the inadequacy of Mexico's power rates has led to fishy-eyed banking-type refusals. Depreciation calculated on replacement value basis is insisted on.

And all-over scientific protection is importantly aided by the continuing and searching scrutiny of the various surrounding economic facts and trends, as garnered by an extraordinarily able group of economic specialists working on every area.

### Freedom From Politics

The presence of political motivation in kindred lending institutions is worthy of note, both by way of highlighting the contrasting purity of the World Bank, and also in some cases in showing their interference with the Bank's politics-free performance. Take the new Development Fund now being promulgated before committees of this Congress. As confirmed in explanatory statements by Secretary Dulles, the overall policies would be geared to the dictates of international political strategy. The monetary extensions would be in grant form, except for the fact that under the country's present mood, this will make for it difficult sledding through the Congress. If not in grant form, the aid may be extended via repayment in local currencies, a disguised semi-grant technique which has been shunned by the World Bank.

In either event, the Development Fund will probably undermine the sound efforts of the World Bank in two ways: (1) Through the injection of politics in lending in the same locale, and (2) in affording an ailing country the wherewithal to desist from putting its economic house in order. Where repayment is not called for in local currencies under the contract, the country's dollar obligations might be unduly swelled.

Such interference on both political and economic grounds has been clearly demonstrated in actual practice in the operations of the Export-Import Bank. A clear example of the practical implications has occurred in Brazil. Because this country's economic house has been out of order, and as a weapon to spur its being but into order, Mr. Black's staff and directorate have insisted in withholding credits. But lo and behold, the Export-Import institution, being committed to the furtherance of U. S. foreign policy as well as to the interest of importers and exporters, gave Brazil $151,400,000 in development credits (on top of $50 million authorized earlier in the year). Coupled with a statement from President Eisenhower giving its backing to the Kubitschek Government as "a good friend and valuable ally," it was further agreed to suspend loan repayments in case of a shortage of dollar earnings.

### Prudence By IFC

Again:—the course of the new International Finance Corporation, formally established July 25, 1956, typifies the course of prudence and soundness—via the very course for which it is being criticized. For public and press have been carping at the complete absence of lending thus far as contemplated under its *raison d'etre* of participation in underdeveloped areas with private capital and private management, on the basis of debt obligation plus indirect rights to "venture" equity interest.

Despite many applications, some of which are still pending, not being acceptable on an investment basis, the Institution, under Robert Garner's Presidential direction, has completed no business yet, keeping its $92 million capital resting in short-term governments. Under the realistic direction of President Garner, formerly Vice-President of the International Bank and of General Foods, and John G. Beavor, brought in from a distinguished service as hard-bolied managing director of Britain's Commonwealth Development Finance Co., Ltd., the business offered has been revealed as lacking investment qualifications. The applications have largely come from the areas of mining, timber and processing of materials, and miscellaneous manufacturing; and have involved obligations, as hotels, outside of the appropriate industrial field. Some have been in the form of advances on agricultural lending, or financing import and export contracts. Others have come from small and unduly risky countries.

So here again this area of international "aid" is to be commended for its forbearance—in contrast to all the concurrent give-awaying and pressure for more of it.

* * *

### High-Level Scorekeeping— Or Bear Signal?

A leading Stock Exchange firm opening a new office on New York's Park Avenue this week, has installed outside its windows a "Market Meter," a seven foot illuminated sign facing the thoroughfare showing the hourly changes in the Dow Jones industrial average. Black or red numbers respectively signal an hour-to-hour gain or loss. We wonder whether this is merely giving "the crowd" what it wants; and if so, what will happen at World Series time?

## B. W. Pizzini & Co. To Admit Pflugfelder

B. W. Pizzini & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on June 21st will admit Frederick J. Pflugfelder, member of the Exchange to partnership in the firm.

## With Hill Richards

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Donald S. Burness is now with Hill Richards & Co., 621 South Spring St., members of the Pacific Coast Stock Exchange.

## To Be Hirsch Partner

Robert J. Fraiman will acquire a membership in the New York Stock Exchange and on July 1 will be admitted to partnership in the New York Stock Exchange firm of Hirsch & Co., 25 Broad Street, New York City.

# Profit from Pins and Wheels, Atoms and Automation

By IRA U. COBLEIGH

*Enterprise Economist*

**Giving some description of and report on, the progress and prospects of a well managed and well diversified enterprise—American Machine and Foundry Company.**

Avid endeavors to diversify the product mix of corporations have been frequent phenomena on the financial stage of the past decade.

Ira U. Cobleigh

We have seen overweening "swifties" like Bellanca seek diversity by assembling, mainly by offering their own shares in exchange, a bizarre collection of corporate subsidiaries; we have witnessed some financial indigestion in such corporate aggregations as U. S. Hoffman Machinery, where the blending of assorted companies into a functional corporate whole has presented certain problems and, in contrast, we have seen others, ably managed, such as American Marietta and General Dynamics merge their way to diversified top flight corporate excellence. At all events in each of the above instances the basic endeavor, successful or otherwise, was to expand and sustain corporate earning power by more diversified operations and outputs. That also has been the goal of American Machine & Foundry Co. and the result, as we shall shortly perceive, may well be described in just two words—"mission accomplished."

American Machine & Foundry Co., founded in 1900, devoted the first two score years of its corporate life specializing in machinery for the tobacco and baking industries. Automation machinery for these trades is still an important part of the picture but the most significant forward motion in AMF began in the year 1946. It was during the past decade that this attractive enterprise really zoomed. In that period its assets and earnings grew sevenfold, and 20 quite diverse, but dynamic, companies were assimilated. So today we find AMF, with its DeWalt Power Tool division aiding and abetting the "do-it-yourself" craze. There's a complete line of rolling equipment for the youngsters—juvenile wagons, cars, velocipedes, bicycles and specially designed baby strollers. And there's the W. J. Voit Rubber Corp. division, a leading producer of skin diving, football and basketball equipment, and, most importantly, producer of the Automatic Pinspotter, for bowling alleys, about which more later.

Other major output of AMF includes a broad line of electric motors and relays; oil well power tools, drilling and recovery equipment (which will account for over $20 million in gross revenue this year); and such automatic gadgets for the baking industry as wrappers, mixers, slicers, roll makers and even pretzel benders. AMF is the leading U. S. producer of cigaret making machinery and provides the very latest in the automatic packing machinery for cigarets in the popular hard box containing unit. The company has for 39 years made cigar machines, improving them as the years went by, and continues to lease (not sell) them to cigar makers.

The management at AMF shortly after World War II perceived the vital future importance of atomic energy, and for some years has addressed itself to research and production in this area. Right now AMF has contracts to build 15 research reactors (five in the U. S. and 10 abroad) with further contracts for others being negotiated. It is well known that all radio-active elements must be completely insulated from human contact or exposure. But they do have to be moved and handled nevertheless. Hence the Master Slave Manipulator, a unique product of AMF, has been widely acclaimed and accepted. It is a remote control robot for handling radioactive materials and it includes reactor rod mechanisms that, since 1955, have been performing their tasks all over the world with insulated efficiency.

All these various facets of corporate activity have been swiftly delineated for you but, by all odds, the most important and exciting section of company activity relates to its patented contributions to the bowling industry. These contributions are fourfold —The Pinspotter which sets pins back up and in place; the Pindicator which reports the pins left standing, the Underlane Ball Return, which rolls the ball back, in an unseen manner, and the AMF Single T Ball Rack. Now if bowling were some minor pastime of dilettantes, then nobody would pay much attention to this section of company business. But bowling is a very big industry. Over 20 million persons now bowl in the U. S. and the Pinspotter should add to the already amazing popularity of this sociable and coeducational sport. This is true because the Pinspotter (which replaces pin boys but not pin up girls) not only is far swifter than the attendants who used to function, but it suggests that bowling can be done around the clock—with no closing down simply because pinboys are either unavailable, or fast asleep.

Actually this Pinspotter deal is a fantastic plus for AMF. Company revenue here will not (and does not) derive from sales but from rentals. For example, the Pinspotter costs about $3,000 to build. It is placed in the alley on a 10-year contract, based on 10c a game rental for the first 10,000 games with an $800 per annum minimum rental guarantee. By the end of 1956, 18,500 machines had been installed; and by April 15th of this year over 20,000 were on location and over 8,000 machines are on order. There is now a competitive machine but this is sold rather than leased. AMF bowling equipment may therefore be expected to continue its wide appeal to alley owners, because of its minimum capital outlay requirements.

All of this brings us up to the acid test by which corporation results are judged—profitability.

On this count the showing of AMF verges on the remarkable. For 1956 gross revenues were up 37%, pretax earnings advanced 94% over 1955, and net per share rose from $1.64 in 1955 to $3 in 1956. Progress this year is equally impressive, with the first quarter bulging total sales by 36% over last year and $1.06 earned per share in the period. For the full year 1957 a gross of around $245 million and a per share net of $3.85 seem quite predictable.

Naturally a company growing as fast as this one has some quite heavy capital requirements. These have been met by use of a number of financial vehicles from bank loans to common stock, which provide the investor in AMF with a broad selection of securities. The funded debt of $80.2 million includes two issues of convertible debentures—the 4¼s of 1981, convertible into common at $31.25 through July 1, 1966, now selling at 123; and the 5s of 1977 convertible at $38.25 through Feb. 1, 1977 now selling at 111½. Then there are two issues of preferreds —$3.90 and $5 dividend issues, followed by 3,209,809 shares of common listed on NYSE and now selling at 38½. The indicated cash dividend is $1.20 and extras in stock have been paid in each of the last four years. (Assuming full conversion of debentures, common stock would be increased by 608,858 shares.)

Balance sheet position is good, with net working capital of $80 million on April 1, 1957.

Although AMF has been in business for 57 years and has paid continuous dividends for 30 years, it appears to be definitely a more dynamic company today than at any time in its history. With a number of major companies this year reflecting the squeeze of profit margins, AMF is not only moving ahead swiftly in gross sales but it actually widened its profit margin in 1956. By prudent and profitable diversification into many fields, and benefiting from an engineering and research staff of 1,600, AMF is moving ahead. If both rising earning power and bowling interest you, this common stock may be right down your alley!

## W. T. McIntire II With R. S. Dickson & Co.

R. S. Dickson & Company, Incorporated, announce that William T. McIntire II has become associated with the firm as an Assistant Vice-President in the New York office, 30 Broad Street.

## Max Mamet Now With F. L. Salomon & Co.

Max Mamet has joined the trading department of F. L. Salomon & Co., 29 Broadway, New York City, members of the New York Stock Exchange. Mr. Mamet was formerly associated with the New York office of Arthur M. Krensky & Co.



# The State of Trade and Industry

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

Over-all industrial production in the past week suffered from spottiness with automotive production losing ground after its gains following the Memorial Day holiday week; steel output too held to lower levels and, according to "Steel" magazine this week, "Business will continue its sidewise movement for at least two or three months in spite of the current flurry of new orders reported by many companies."

Reports also note that lead and zinc producers are experiencing slow domestic sales during a period of world-wide oversupply.

Claims for unemployment insurance by newly laid-off workers rose by 13,300 to a total of 218,100 during the week ended June 8, the Bureau of Employment Security of the United States Department of Labor currently reports.

The increase in new claims, the agency states reflected seasonal cutbacks of jobs in a number of industries, including clothing and textile plants. Initial claims for the like week of last year totaled 211,300.

Insured employment ended the downward trend that started last February, increasing by 40,900 to a total of 1,237,700 during the week ended June 1. A year earlier the total was 1,264,000.

In the steel industry metalworkers are facing up to the second half of 1957 with optimism, states "The Iron Age," national metalworking weekly, this week. Few companies expect their business to soften and most look for a pickup or, at worst, a leveling off.

In its mid-year check of the metalworking industry, "The Iron Age" found that in spite of a few weak spots, the general outlook for the balance of 1957 is encouraging. Even automotive and appliances, currently dragging their feet, are looking ahead to a seasonal revival.

"Iron Age" editors found industry executives concerned about tight money and the continuing trend toward higher prices. Metalworkers are finding it hard to finance their own needs for new equipment and feel that their customers would buy more if money were cheaper to come by.

The coming steel price increase is worrying many companies, this trade weekly observed, but few if any outfits intend to absorb higher costs. They say they will pass along as much of the increase as they can, competition permitting.

In a check on the outlook for major metalworking industries, this trade magazine states that 1957 automotive output will roughly parallel that of 1956 with the summer months slow, but new-model surge will pick up some of the slack. Aircraft is enjoying a $9,000,000,000 military and commercial backlog, up from last year's $8,000,000,000; employment is up 73,000 from a year ago and the highest since end of World War II. Machine tools shipments, it notes, will continue at a high level, probably $850,000,000 for the year with backlogs down, but builders cheered by a trend to a high peace-time plateau. Electrical apparatus backlogs, both industrial and atomic are at a record level and with appliances, some companies expect this year's volume to equal that of 1956.

"The Iron Age" survey supports the growing belief that steel demand will make a strong comeback in the fourth quarter. Some steel mills are warning their customers against going too far overboard on inventory cutbacks. A sudden upsurge, they say, could leave some steel users in the lurch.

Some of the factors that will contribute to a stronger steel market later in the year are an expected revival of auto sales with new-model production and a reversal of user inventory policy from reduction to buildup. A continued high level of spending for new plant and equipment; heavy freight car backlogs; oil and gas activity; a strengthening export market and fall seasonal influences, declares this trade paper.

Steel producers are worried about the public's reaction to the expected steel price boost in July and they are sounding out company and outside sources on public sentiment. This concern may work toward minimizing the amount of the increase after steel labor gets its wage boost. Such companies are beating the drums for as much as $10 a ton, but the actual increase probably will be closer to $6, concludes "The Iron Age."

Industrial production declined slightly in May for the third straight month, the Federal Reserve Board reported.

Taking seasonal factors into account, the board said American industries produced at 143% of the 1947-49 average, or one percentage point below April output, but two points above a year earlier.

Summarizing business conditions as of early June the board

*Continued on page 34*



# Chemical Research's Essentiality To Good Profitability

By THEODORE T. MILLER*
President, Polymer Chemicals Division, W. R. Grace & Co.

**Chemical official and Director of Boston Fund recommends investing in chemicals for long range dividends rather than immediate return; attributes and sees research continuing to provide the 3 to 1 margin of growth advantage as against the nation's average; and shows how retained earnings are compounded by helping to pay for the costly research which promotes not only new product growth but also helps lower costs on older products — keeping them competitive. Mr. Miller submits criteria investors should consider in judging investment potentials, and cites data indicating chemical capital expenditures in 1957 will be 31% over 1956—$1.9 billion. Notes short supply conditions generally no longer exist but is confident that chemical stocks belong in any well managed investment portfolio.**

When discussing what research has done for the chemical industry, one is tempted to describe it with the Air Force's old term—CAVU—ceiling and visibility unlimited. Indeed, the danger of talking about research's part in chemical growth is that I, like Icarus, may soar so high that the sun will melt the wax on my wings — although nowadays the chemical industry could surely provide Icarus with an irradiated polyethylene hinge that perhaps not even the sun could melt! Nonetheless, I'll try to give a sound examination of why I believe research is the key to sound investments in chemical stocks.

T. T. Miller

My subject matter combines a note of optimism with one of caution. To sound the optimistic note, any industry that enjoys the high growth rate of the chemical industry presents appealing reasons for investing in its future. On the side of caution, remember that chemical research in the past 25 years has produced so many "miracles" that people may have become generally blase in what they expect of it—much as they would if Don Larsen pitched a perfect no-hit game every time he took his turn on the mound.

### Describes Characteristics

The chemical industry is so complex as to defy precise description; but it can be characterized by three words: basic, ubiquitous, dynamic. It is **basic** because it supplies products to every other industry in the United States. There are 72 industrial classifications in the Department of Commerce statistical tables. The chemical industry is, for all practical purposes, the **only one** which supplies products to **every other** classification. It is **ubiquitous** because, at some stage of production, chemistry is employed in the manufacture of almost every end product whether it be destined for industry or the home. And it is **dynamic** because it is constantly generating new products, and it is constantly generating whole new industries. Do you know that some 50,000 new compounds are prepared and studied by chemists every year? Naturally, most of them remain laboratory curiosities, but many become the raw material of new products; they create new markets; they are the cornerstones of brand new industries. Look at polyethylene plastics, for example. Twelve years ago they were unknown to the consuming public. Now we have squeezable bottles, noiseless garbage cans, non-corrosive piping, practically perfect electrical insulation, tough packaging films and useful housewares, all made of this versatile resin. Thousands of our fellow men are employed in this new and expanding field of polyethylene plastics. And it is only one example of many which might be cited.

Of course, research is a projection of the past into the future, and before we can project our-

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*An address by Mr. Miller before The Vance, Sanders & Co. Seminar, Los Angeles, Calif., May 29, 1957.

# New Steps to Strengthen The Rights of Stockholders

By G. KEITH FUNSTON*
President, New York Stock Exchange

**Specific proposals to strengthen stockholders' rights in proxy contests and to provide shareholders in all publicly-owned companies—whether traded on a national stock exchange or over-the-counter markets—the benefits of full disclosure, are recommended by New York Stock Exchange head. The rational behind the over-all recommendations, according to Mr. Funston, is to facilitate future corporate financing requirements and bring about "economic democracy" or "People's Capitalism." While the recommended new safeguards are not construed as an automatic cure-all, the former college president believes the placing of new responsibilities on shareholders permits them to keep our corporate machinery responsive to their will, and should encourage more shareholding since it provides: (1) the right to vote; (2) securance of a proxy; (3) fair and honest proxy contest; (4) adequate and timely information; and (5) extension of this protection to listed and unlisted publicly-owned firms. Supports Fulbright Bill which is not, however, as comprehensive as N. Y. S. E. disclosure standards.**

There is a woman in Dallas, Texas, and a man in Galloway, Ohio—two people I have never met — who really suggested the text for most of my remarks.


G. Keith Funston

Not long ago I received brief notes from each of them. The Texas letter proclaimed that the Stock Exchange's effort to broaden the ownership of business was helping to create a new dimension for America's economy and for its people. The Ohio letter was somewhat more personal. The writer had purchased shares in a small appliance company several years ago. He noted that he had neither heard from the company nor had he been able to obtain any information about it. He wondered how he could remedy this.

In these two letters, it seems to me, we can trace some of the enormous progress we have made —and some of the real problems we have fallen heir to—as corporate ownership has expanded. My Texas correspondent reflects the attitude of millions of people who are coming to a new understanding of our remarkable economic system. But today it is the man from Galloway who concerns me most. For he symbolizes the problems some investors still face, even despite our great progress. Those problems, briefly, concern the rights of stockholders . . . the matter of full disclosure . . . and the question of proxies and proxy contests.

*An address by Mr. Funston before the General Management Conference, American Management Association, New York City, June 4, 1957.

In any given month we are apt to receive, at the Stock Exchange, several letters that have a disturbing sameness to them. They pose questions that go something like this: "Why wasn't I allowed to vote?" "Why didn't I receive a proxy?" "Why can't I get more information about my company?"

It is small comfort to reply that these safeguards have been largely provided for investors only when the securities they own are listed on the New York Stock Exchange. For the basic questions remain. After all, of the many thousands of publicly-held companies, only 1,100 are listed on our Exchange. And I have asked myself often—why, indeed, can't all stockholders vote? Why isn't more financial data available to the owners of all securities, and not just to those listed on a national exchange?

These issues are as timely as this morning's newspapers. And they form the basis of several proposals I am anxious to explore with you — proposals which, if adopted, can strengthen immeasurably our system of free enterprise.

That system, I might add, has attained its great strength because we have managed to keep it free. It has made its greatest strides as we have struggled to make it more democratic. Indeed at the present time, I am convinced that our form of democratic capitalism is undergoing one of its more dramatic tests. That test, very simply, is whether the rights, privileges and duties of a nation of shareowners can be developed properly and safeguarded.

### Middle Income Millions Have Assumed Key Role in Economy: Their Dollars Invested in Ownership Will Be Needed to Meet Future Goals

Let's look for a moment at just two of the economic changes since World War II that bring this problem into focus.

First, it is apparent that not the few, but the millions, enjoy an astonishingly high standard of living. The nation's families, with greater funds at their disposal than ever before, are not only living better **today**, but they are saving, investing and planning for **tomorrow**.

This has led to a **second** vital development. Shareownership has mushroomed. Through institutionalized savings, about 110 million Americans now are indirect owners of business. More important, over 8.6 million people are direct shareowners in our publicly - held businesses. This represents a sharp 33% increase over 1952. And the single most important fact we have learned about the nation's shareowners stresses both the appeal and the spread of ownership: two-thirds of our stockholder family have incomes under $7,500 a year.

At the Stock Exchange we believe with some justifiable pride that our concerted and careful education program in recent years has done much to encourage such shareownership on a sound basis. But we are well aware that in the coming decade corporations will need extraordinary amounts of growth money to meet their future needs.

Our appraisal of the decade ending in 1965 is that some $60 billion in outside equity money should be raised for new plants and equipment alone. This sum is triple the new stock financing in the last 10 years. It is beyond the capacity of our financial institutions to furnish it. Thus, it is clear that industry must reach out to the mass of the American people. It must encourage the investment habit. As this is done, we will develop, much more than at present, a "People's Capitalism." As the profits of the future are distributed more widely, a newer, better and more productive order of things will inevitably emerge.

But there is an important "if" to the promise of our future. As our corporate form of enterprise develops further, it must do so along democratic lines. It must be responsive to the will of additional millions of investors. And to be responsive, I submit that these basic conditions must be met:

First, shareowners must be **assured of a corporate vote.** The reason was put very simply by an English writer recently. He said: "intelligent investment is not conducted best by mutes."

Second, shareowners must be given the machinery and the convenient opportunity to exercise that vote. This means insisting that proxies be provided to shareowners of all publicly - owned businesses. In this connection, I might add that management should be urged to submit for shareowner approval, the vital proposals affecting a corporation's future.

Third, because proxy contests for corporate control are a necessary part of the democratic process, the ground rules for **fair and honest proxy contests** must be further developed and spelled out.

Fourth, shareowners must be assured of **adequate and timely information** on which to base their vote—and in a larger sense —on which to base their investment decisions.

Finally, investors must be assured that the basic safeguards established for their protection **will apply to all publicly-owned companies,** regardless of whether their shares are traded on a national stock exchange or in the over-the-counter markets.

It is these points I should like to concentrate on.

### Corporate Vote Must Be Extended to Shareowners of All Public Companies: Compulsory Proxy Solicitation Also Urged to Ease Voting Process

At the outset let me make clear that the Stock Exchange is

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# The Economic Situation And Outlook

By WILLIAM W. TONGUE*
Economist, Jewel Tea Co., Inc.

**Industrial economist predicts expansion of business activity will continue under influence of consumer expenditures, business spending on plant and equipment, and inventory stability. Asserts consumers have adjusted spending to current conditions and will function as important support for the economy. Maintains tax reduction should become effective only at time of cut in Government spending; with funds from latter source also used to reduce debt.**

The Joint Economic Committee Staff's appraisal of The Economic Situation and Outlook, as outlined in their memorandum of May 23, 1957, seems eminently sound. A gross national product of $435 billion for 1957 implies personal disposable income in excess of $300 billion, which would support consumer spending of more than $280 billion. These figures represent increases of approximately 5½% from 1956 and nearly 2% from rates in the first quarter of 1957. Price increases will deflate these gains in real terms, but it is clear that if they materialize 1957 will chalk up new records in production and employment.


William W. Tongue

### Strengths in the Private Economy

The specific numbers one forecasts help to outline the general characteristics of the economic picture one foresees. Of equal significance is the confidence one has that the picture will actually develop as indicated — for forecasting is not today an exact science and economists' projections are always made with the knowledge that they may be upset by unexpected developments. I believe we can have a high degree of confidence that so far as the private economy is concerned the present level of activity is solidly based and any surprises upsetting the forecast are more likely to be on the upside than on the downside.

**First,** the Commerce-SEC and McGraw-Hill surveys of intended plant and equipment expenditures, and the most recent survey of capital appropriations by the National Industrial Conference Board, offer fairly conclusive evidence that business capital expenditures will be sustained throughout the year.

**Second,** a part of final demand is currently being met from the drawing down of business inventories. This "inventory adjustment" is so far occurring without any weakening of final demand and con be expected to be completed in short order in view of the generally conservative inventory-sales ratios currently prevailing. While a strong shift of business sentiment in favor of inventory accumulation does not seem a near-term probability, it does appear that there will be little further depressing effect on production rates from inventory cutting.

**Finally,** we turn to the most important, and frequently the most ignored, group shaping the business picture — the consumers of America, whose purchases of goods and services, including housing, total more than two-thirds of the gross national product and 85% of the privately-produced gross national product. Examination of consumers' behavior in the recent past is reassuring as to their probable contribution to future business levels.

*Statement by Mr. Tongue before Congress of the United States, Joint Economic Committee Subcommittee on Fiscal Policy, Hearings on Fiscal Policy Implications of the Economic Outlook and Budget Developments, June 3, 1957.

### 1954-55 Experience shows Power of Consumers

Consumers, ever alert to opportunities to improve their standard of living, were quick to react to the substantial easing of money rates and borrowing terms which occurred in 1954 and continued into 1955. Consumer spending on goods and services, including housing, rose from an annual rate of $242 billion in the fourth quarter of 1953 to a rate of $275 billion in the third quarter of 1955. The rise of $33 billion compared with a total increase of $39 billion in gross national product and exceeded the rise in disposable personal income by $10 billion, or 44%. Consumer spending, including housing, rose from 97% of disposable income in 1953 to over 100% of disposable income in the third quarter of 1955. Such is the strength of the desire of consumers to better their level of living; and such is the power of easy money reinforced by tax reductions.

### Consumers Show Good Sense

Consumers showed equal good sense in 1956 by reducing their rate of borrowing as interest rates rose and credit terms tightened. While total consumer spending continued to rise gradually through 1956 and thus far into 1957, it has been brought into a more normal relationship to income. By the second quarter of 1956 total spending, including housing, had dropped down to 98% of disposable income. It has continued to hold at approximately this ratio for the past year, despite widely-publicized warnings ranging from predictions of runaway inflation to dire depression, sometimes in the same statement. This stability of consumer behavior speaks volumes for the solid good sense of the American people, and the confidence they have in our future. It also gives us ground for believing that consumers have adjusted their spending to current conditions and are likely to be a support to the economy for the visible future.

In summary, the three major determinants of private business activity—consumer expenditures, business spending on plant and equipment, and additions to or subtractions from inventory — seem very unlikely to exert a downward push on business activity this year, and most probably will have an expansive influence, particularly if there is a shift to modest inventory accumulation in the latter part of the year.

A fourth factor, net foreign investment, may well moderate, but should not offset entirely, the expansion expected from the combined forces of the three factors summarized above.

This view of the business outlook, which is consistent with that of the Committee Staff, is predicated on the assumption of

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# Toward Maintaining Economic Progress

By WILLIAM McCHESNEY MARTIN, JR.*

Chairman, Board of Governors of the Federal Reserve System

**Monetary chief suggests measures contributing to maintenance of steady and sustainable rate of economic progress. Asserts that to the extent that fiscal policy results in a budgetary surplus and Federal debt is reduced, supply of savings is increased and need for monetary restraint is lessened. Maintains tax reduction is out of order without corresponding curtailment in Federal expenditures. Concludes present economic situation reflects no basic weakening calling for relaxation of policies to curb inflationary pressures.**

The Joint Economic Committee and the Board of Governors share a common concern: that the operations of both monetary and fiscal policy be directed—in the words of a report issued by your Committee in January, 1956—to "maintaining a steady and sustainable rate of economic progress."

W. McC. Martin, Jr.

On behalf of the Board of Governors, I should like to outline some measures which we believe would contribute to the achievement of this common objective.

Events have moved swiftly since passage of the Employment Act of 1946. Congressional debate and expert opinion preceding passage of that Act were in close agreement in pointing to unemployment of men and machines as the primary threat to the national economy. The history of the period since the war, both in this country and abroad, however, has demonstrated that the primary danger was not one of idle men but was one of too much money.

### Pressure on Resources

Almost everywhere in the world, pressure on resources has been intense. The necessity of preventing competing claims for scarce resources from resulting in general price increases has been a major problem. Defense needs have been a major claimant. Other demands on resources have been bolstered by pressing individual and community needs, on the one hand, and by large financial assets, strong liquidity positions, and rapidly rising current incomes on the other. Even so, the opportunities for vigorous growth and accelerated technological progress resulting in sharply rising standards of living and increased security, especially for those in the lower and middle income groups, have been very great. Even greater opportunities lie ahead, ready to be realized if the threat of international conflict can be reduced and the insidious inroads of inflation curbed.

### Inflation Never Harmless

Inflation is never harmless, even in its mild or "creeping" form. Neither is it inevitable. Given appropriate monetary and fiscal policies, reasonable restraint by consumers and businesses in their spending decisions, and continuing keen competition, price stability with a rising standard of living can reasonably be expected. On the other hand, acceptance of the gradually rising price theory carries with it a widening expectation of further rise. This leads in turn to financial overcommitments, speculation, misdirected expansion of capacity, slackened efficiency, erosion of existing savings and discouragement of new savings, and an ultimate reaction of a serious nature.

For about two years we have been experiencing an intensified demand for funds and, although the supply of savings and the volume of bank credit have both increased, expanding demands have outpaced their availability to potential users except at rising interest rates. Consequently, the price of money has risen. If bank credit had been allowed to increase more rapidly under these circumstances, prices of goods and services, including those purchased by Federal, State and local governments, would have risen further under the stimulus of inflationary credit pressures. How much further no once can say, but the strength of inflationary forces has been and is still formidable.

An increase in the volume of savings is the most effective way to deal with a situation whose inflationary potential would only be aggravated by an excessive use of credit. As these savings are made available to meet demands for more housing, schools, and other public improvements, as well as expansion of new business plant and equipment, they provide the resources for stable economic growth. To the extent that fiscal policy results in a budgetary surplus and the Federal debt is reduced, the supply of savings is increased and the need for monetary restraint lessened. This is because maintenance of a surplus permits funds to be channeled through Government debt retirement into the capital markets where they would be available to meet private demands and demands of State and local governments for funds to carry through their projects for needed community facilities.

### Tax Cutting Ruled Out Now

A reduction in taxes would bring welcome relief to millions of taxpayers. Such action, however, without a corresponding curtailment in Federal expenditures, would reduce or eliminate the budget surplus, and tend to stimulate increased total spending in the economy. At the same time the supply of funds made available to the capital markets through Federal debt retirement would be reduced.

As a number of witnesses who appeared before this Committee have pointed out, the general economic situation is still one of very active demands, intensive utilization of resources and continuing pressure toward higher prices for goods and services. They have also noted the declines in residential building and some consumer durable goods, the slight falling off in total industrial production and the drop in prices of some sensitive commodities. However, the general economy is still being stretched by record levels of plant and equipment outlays, rising demands for State and local government projects, further increases in consumer buying, and continued need for large-scale defense spending. On balance, the situation does not seem to the Federal Reserve to reflect a basic weakening that would call for relaxation in efforts to curb inflationary pressures.

The Congressional Committee has indicated an interest in the consideration given to current and prospective economic trends in the formation of Federal Reserve policy. Since Federal Reserve System operations reflect to some degree all phases of the nation's economic life and have a pervasive influence on it, they must be adjusted on a day-to-day basis to the ever changing situation. Hence, the System has need for as much current and background economic information as it can assemble.

### Best Informed Judgments Sought

Efforts are directed toward bringing together, and combining as background for our decision-making the best available statistical information and the best informed impressions and judgments that can be obtained from businessmen, bankers, agricultural experts, labor leaders, and from others both in and out of government. We also depend on information collected and compiled by other agencies of the Federal Government. For this reason it is important to the proper formulation of monetary policy that the statistical facilities of the Federal Government be well manned.

In our appraisal of economic developments maximum use is made of the decentralized structure of the Federal Reserve System. Through the 12 Federal Reserve Banks and their 24 branches, in business and financial centers all over the United States, and especially because of the caliber and experience of men who serve as the directors and officers of these institutions, the Federal Reserve is in close touch with current and prospective developments throughout the country.

In accordance with provisions of the Federal Reserve Act the Board meets frequently with Presidents of the Federal Reserve Banks, who serve as members and alternates, on the Federal Open Market Committee. The Act also provides for quarterly meetings with the Federal Advisory Council, composed of representatives of the member banks in each district. These occasions make it possible to study continuously underlying developments in all parts of the country and all sectors of the economy.

### Toward Better Public Understanding

Much of the statistical data and other information we collect for our own policy decisions is also made available to the public in general. We believe this is as important as its internal use, because it helps to provide a basis for better public understanding and more accurate appraisal of credit and monetary problems and of policy actions designed to deal with them.

*Statement of Chairman Martin before the Subcommittee on Fiscal Policy of the Joint Economic Committee, Washington, June 14, 1957.

## IDAC Convention for 1958 Announced

The Investment Dealers Association of Canada will hold its 1958 convention at the Manoir Richlieu, Murray Bay, Quebec, June 9-12, 1958.

## Unterberg, Towbin Co. Silver Anniversary

C. E. Unterberg Belmont Towbin

C. E. Unterberg, Towbin Co., 61 Broadway, New York City, on June 17 celebrated the 25th Anniversary of the founding of the firm.

## Form Trust Secs. Corp.

BOSTON, Mass.—Trust Securities Corporation is engaging in a securities business from offices at 80 Federal Street. Officers are Ralph S. Henry, President; Richard W. Stoker, Treasurer; and William W. Vicinus, Vice-President; all were formerly officers of Wall Street Management Corp.

## S. W. Heimlich Opens

ELIZABETH, N. J.—Simon W. Heimlich is engaging in a securities business from offices at 230 Parker Road.

## N. J. Weisman Opens

Norman J. Weisman is conducting a securities business from offices at 1 East 46th Street, New York City.

# Dealer-Broker Investment Recommendations & Literature

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

**Atomic Letter (No. 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.**

**Eligible Book**—List of preferred and common shares listed on Toronto and Montreal Stock Exchanges considered eligible for investment by Canadian Insurance Companies—Cochran, Murray & Hay, Dominion Bank Building, Toronto, Ont., Canada.

**Institutional Favorites**—Survey with particular reference to **Commercial Credit, Douglas Aircraft, Kimberly Clark, Phillips Petroleum, Union Pacific Railroad,** and **F. W. Woolworth Co.** — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

**Japanese Stocks** — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

**Japanese Stock Market**—Review—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.

**Market Review**—Bulletin—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.

**New Orleans Raw Materials**—Data on raw materials available for business and industry—New Orleans Public Service, Inc., Industrial Development Staff, 317 Baronne Street, New Orleans, La.

**"Now, About the Specialist . . ."**—Booklet describing the function of the specialist in the market—New York Stock Exchange, Department SP, 11 Wall Street, New York 5, N. Y.

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

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

**Steel**—Outlook—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Bethlehem Steel** and on **Yale & Towne.**

**Western Canadian Oils** including Natural Gas Review—11th edition—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, and Royal Bank Building, Toronto, Canada.

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**American Distilling Company** — Bulletin — De Witt Conklin Organization, 120 Broadway, New York 5, N. Y. Also available is a bulletin on **Micromatic Hone Corp.**

**Aro Equipment Corp.**—Memorandum—Hemphill, Noyes & Co., New York 5, N. Y.

**California Eastern Aviation** — Analysis — Bregman, Cummings & Co., 100 Broadway, New York 5, N. Y. Also available is a memorandum on **W. R. Grace & Co.**

**Carnation Company**—Study—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

**Central Telephone Company**—Analysis—First Securities Corporation, 111 Corcoran Street, Durham, N. C. Also available are circulars on **Food Mart, Inc., Watson Bros. Transportation Co., Economics Laboratory, Inc.** and **A. J. Bayless Markets Inc.**

**Cochran Foil Company**—Analysis—Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo.

**Columbian Carbon**—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Sylvania Electric Products.**

**Crown Zellerbach** — Memorandum — Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available is a memorandum on **United Aircraft.**

**Crusader Oil & Uranium**—Bulletin—Cleek-Tindell Co., Inc., Paulsen Building, Spokane 1, Wash.

**Cummins Engine Company**—Analysis—A. G. Becker & Co., Inc., 60 Broadway, New York 4, N. Y.

**Dennison Manufacturing Co.**—Memorandum—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y.

**Detrex Chemical Industries**—Report—Moreland & Co., Penobscot Building, Detroit 26, Mich.

**Diner's Club Inc.** — Memorandum — Oppenheimer & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **Thiokol Chemical Corp.**

**Dominion Bridge Company Ltd.**—Analysis—Ross, Knowles & Co. Ltd., Research Department, 25 Adelaide Street, West, Toronto 1, Ont., Canada.

**E & B Brewing Co.** — Memorandum — Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich.

**First National City Bank of New York**—Analysis—First Boston Corporation, 15 Broad Street, New York 5, N. Y.

**Florida State Turnpike Authority**—Circular—John Nuveen & Co., 40 Wall Street, New York 5, N. Y.

**Ford Motor Company of Canada Ltd.** — Analysis — McLeod, Young, Weir & Company, Limited, 50 King Street, West, Toronto, Ont., Canada.

**Gulf Natural Gas Corporation**—Report—T. J. Feibleman & Co., Richards Building, New Orleans 12, La.

**Hood Chemical Company Inc.**—Analysis—Gude, Winmill & Co., 1 Wall Street, New York 5, N. Y.

**International Bank of Washington, D. C.**—Analysis—John R. Boland & Co. Inc., 30 Broad Street, New York 4, N. Y. Also available is a new report on **Sandy Hill Iron and Brass Works** and a circular on **Chibougamau Asbestos Ltd.**

**Earle M. Jorgensen Co.**—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif. Also available is an analysis of **Bullock's Inc.**

**Kaiser Steel Corp.**—Memorandum—Barret, Fitch, North & Co., 1006 Baltimore Avenue, Kansas City 5, Mo.

**Kropp Forge Co.** — Memorandum — Blair & Co., 105 South La Salle Street, Chicago 3, Ill.

**Lobitos Oilfields Ltd.**—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

**Marquardt Aircraft Co.**—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

**Metallurgical Resources, Inc.**—Analysis—G. K. Shields & Co., 15 William Street, New York 5, N. Y.

**Midwestern Instruments, Inc.** — Analysis — General Investing Corp., 80 Wall Street, New York 5, N. Y.

**Miehle-Goss-Dexter, Inc.**—Analysis—H. Hentz &Co., 72 Wall Street, New York 5, N. Y.

**National Aluminate Corp.** — Report — Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available is a report on **Hagan Chemicals & Controls, Inc.,** a bulletin on **Supermarkets** with particular reference to **Jewel Tea Co.** and **Red Owl Stores, Inc.** and a memorandum on **Wisconsin Power & Light Co.**

**National Supply**—Bulletin—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y. Also available is a bulletin on **Lukens Steel.**

**North American Refractories**—Analysis—McManus & Walker, 39 Broadway, New York 6, N. Y. Also available are brief analyses of **Tung Sol Electric** and **North American Coal Company.**

**Northwest Production** — Report — Western Securities Corp., 1 Exchange Place, Jersey City 2, N. J. Also available are reports on **Three States Natural Gas, Delhi Taylor Oil** and **Big Piney Oil & Gas.**

**Olin Oil & Gas Corporation** — Memorandum — Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

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## COMING EVENTS

In Investment Field

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

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

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

**June 22, 1957 (Chicago, Ill.)**
Bond Traders Club of Chicago 31st annual Field Day at Midwest Country Club.

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

**June 28, 1957 (New York City)**
Municipal Bond Women's Club of New York annual outing at Morris County Golf Club.

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

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

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

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

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

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

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

**April 23-25, 1958 (Houston, Tex.)**
Texas Group Investment Bankers Association annual meeting at the Shamrock Hotel.

**June 9-12, 1958 (Canada)**
Investment Dealers' Association of Canada annual convention at Manoir Richelieu, Murray Bay, Quebec.

# Financing State and Municipal Debt

By DANIEL M. KELLY*

Partner, Salomon Bros. & Hutzler, Members N. Y. S. E.

**Mr. Kelly maintains municipal finance is caught in a "squeeze play" between the Federal tax collectors' take and the "investment capital take" of the nation's business borrowers, and that reliance on tax exemption to produce low interest cost may be unwarranted. Asserts bond dealer organization faces gigantic task in underwriting and distributing large volume of tax-exempt securities coming to market in next decade. Concludes expanding economy, world-wide demand for capital, erosion of dollar's purchasing power, and high income taxes will prevent voluntary savings of long-term capital from keeping up with capital demand, which will continue erosion of bond prices and increase yields.**

In a way municipal finance is currently caught in a sort of squeeze play between the tax take of the Federal tax collectors, and the investment capital take of the nation's business borrowers. Of course it does have the historic advantage of a prior claim on tax collections, and the right to issue tax exempt securities. To capitalize on this prior tax claim may not always be politically feasible. To rely on the tax exempt status of the interest on its debt to continue to produce low interest cost capital funds for the indefinite future may prove, in the light of existing economic trends, to be disappointing.

Daniel M. Kelly

Long-term projections of the volume of municipal securities flotations may not materialize in full. Yet they have never been higher than they are today. Students of municipal finance believe that over the next decade construction expenditures of state and local governments will more than double, running from a present rate of $12.2 billion annually to $25 billion plus in 1967. Over the same period new bond flotations are expected to follow suit, running from a presently estimated annual rate of $6.2 billion to $15.4 billion ten years hence. And, right now at any rate, competition for the investment dollar by both business enterprise and the Federal Government has never been keener.

Of course, in trying to forecast the future of municipal finance we are working with a constantly shifting set of variables, but, if present conditions continue largely to prevail in the years ahead, the municipal bond market may have to undergo sustained periods of severe pressure both as to the cost and the availability of money.

Such pressures may be mitigated by increasingly severe Federal income tax levies on life insurance companies and savings banks, as well as on business and on individuals. Perhaps such taxation may be extended to the income of such mutual associations as farmers' cooperatives, labor unions and eleemosynary funds, thus eventually broadening the market for tax-exempt investments. There will very likely be periods of relative money market ease, due to business slowdowns or recessions such as occurred in 1954, the year which witnessed the historic high of $7 billion of new tax-exempt flotations. There might even be cost reducing innovations in the field of education in which the anticipated increase in construction expenditures over the next decade is expected to be exceeded only by outlays for water works and sewer construction.

### Rate of Flotations to Be Maintained

Over-all, however, the rate of increase and the volume of municipal flotations seems likely to be well maintained, and up to now the greatest pools of institutional investment capital have been put to very little necessity to seek investment in municipal securities. If this remains true in the future the municipal bond dealer organization faces a gigantic task in underwriting and distributing the large volume of tax-exempt securities which will probably come to market during the next decade.

Moreover, the local nature of much of the municipal bond market, and the manner in which even very large bond issues are brought to market are not readily conducive to easy, low cost distribution of municipal securities. The municipal market, as compared to the corporate market, handles a much larger number of issues which are much smaller in size. Many issues have a strictly local appeal. Other credits, while suitable for national distribution do not come out in sufficient size per issue, or per maturity, to achieve it. In addition, most municipal issues, even those brought out in large volume, come to market in serial maturities which are sometimes difficult to fit to the exacting preference of the would-be buyers, and which are not readily suitable to the maintenance of a good secondary market.

### Revenue Issues Impending

An increasing number of highway, and electric plant revenue issues are coming to market in large volume, with long-term maturities and fixed, specific sinking funds. Such issues can be distributed almost as easily as corporate bonds, and have developed as good a secondary market. Perhaps the same marketing technique can be extended to the larger sized, tax supported issues. Were this to be done, although a somewhat higher net interest cost to the borrower might sometimes result, the availability of the funds sought would probably be improved. Moreover, the possibility of using sinking fund purchases to reduce net interest costs at a later date during periods of depressed bond prices, would be created. A probable reduction in distribution costs might also be passed along to the borrower.

As things stand today, however, the underwriting and distribution of municipal securities very likely does require more manpower, dollar for dollar, than do corporate bond marketings. It is not surprising therefore, that with the flood of issues now seeking bids, some smaller issues get short shrift in the underwriting departments of the bond dealers. There just isn't enough manpower to go around, and I doubt there's enough economic incentive present to provide any more of the quality required.

The dismay with which the small municipalities which occasionally suffer the ill effects of a jammed-up new issue calendar view the operation of the municipal bond underwriting system is understandable. If local or regional dealer banks can't or won't come to their aid, they certainly have justification for seeking some form of state aid, and the simpler the form, the better. The financial scheme recently proposed in my home State of New York for the market relief of local school district obligations allegedly unable to attract proper bids is, to my mind, self-defeating because of its complexity. If a state's credit standing is urgently needed to market the obligations of the state's municipalities then acknowledge it and put that credit directly behind the local bonds. Or adopt the simple and effective system devised by the State of California to finance local school districts.

To extend the area of aid to local governments beyond the borders of the states and into the Federal jurisdiction, seems to me to be economically ineffective and politically dangerous. Take the case of the legislation now pending in Congress to appropriate Federal money for local school construction. There is an objection on the part of its opponents that Federal aid means Federal control, and a heated denial by its proponents, of this elementary proposition which is as old as human nature. But, actually, the objections to this pernicious measure go beyond that. I doubt that there is a single state in the union so completely poverty-stricken, it is unable to provide an education for its children. In addition, the Federal Government obviously has no funds it doesn't get from the citizens of the several states, and, by embarking on this essentially municipal undertaking would only still further diminish the "pay as you go" ability of local government as a whole. Besides, another costly processing charge would have to be levied by Washington on the funds collected and disbursed. The whole business is economically and financially absurd. More seriously, individual liberty declines when national power grows strong at the expense of local power, and this proposal would deal another heavy blow to our already anemic system of divided Federal and state powers. Finally, the United States Treasury seems to be having enough trouble with the unwieldy Federal debt without loading any more burdens on the already awkward Federal debt structure.

This brings up another thorny question, namely the extent to which offerings of United States Treasury securities dilute sources of funds for investment in tax-exempt bonds. Obviously, little investment money would be diverted into Treasuries from individual or personal investment funds seeking tax-exempt income. Of course, yield changes in Federals do prompt yield changes on tax-exempts, especially in a tight money market, for the long-term Federal rate is still the basic rate for all long-term money. Comparison of long Federals with new corporate issues obscures this truth, but witness the more directly comparable relationship between Treasury 3%'s of 1995 and long-term, high-grade, seasoned corporate issues. This factor may even have a bearing on the investment decisions of individuals who buy tax-exempts. Among institutions which invest in tax-exempt bonds dilution and diversion due to Federal debt competition are probably greater. In the very short-term area, such as the bill market, I doubt that there is much competition. In the intermediate term area the competition probably increases, and in the long-term area the competition for investment dollars from such sources as state and local government funds, and labor union funds restricted to investment in government obligations is direct, and if only portfolio managing criteria is involved, overwhelming. Of course, this is not the only factor involved so the dollar volume thus affected is conjectural. The forthcoming Senate Finance Committee hearings on the financial condition of the Country may shed some light on this question.

No matter how highly specialized the problems of state and municipal finance may seem to be, they can only be viewed in true perspective as part of the money market picture as a whole. For quite a while, however, the tax-exempt status of State and municipal securities did appear to confer on the tax-exempt section of the money market a special immunity which cushioned it from the full impact of events in other money market areas. When the postwar competition for long-term investment funds turned keen, this seeming immunity immediately began to fade. Tax exemption isn't the market factor it once was, because nowadays the chief accumulators of long-term investment funds don't need it. For example, our firm's projection of the supply of new long-term investment funds this year comes to about $22 billion. The chief sources of such funds are the great institutional investors. Listed in the order of their importance as suppliers of capital funds are, (1) the life insurance companies; (2) the savings and loan associations; (3) private pension funds; (4) mutual savings banks; (5) State and municipal retirement and pension funds; and finally, fire and casualty insurance companies.

Collectively these institutional investors are expected to generate about $17 billion of long-term investment funds this year. Most of them have no present need for tax-exempt income. Therefore, unless the yields available on long-term municipal obligations become directly competitive with the yields afforded by long-term Treasury and corporate obligations of similar quality, they would not normally be buyers of municipal bonds.

State and municipal retirement and pension funds are, of course, very substantial buyers of tax-exempt securities. But they have little actual investment incentive to do so in today's markets for their income is not subject to tax. Their purchases of State and municipal securities, which currently yield a good deal less than

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*An address by Mr. Kelly before the Municipal Finance Officers Association of the United States and Canada, 51st Annual Conference, Saint Paul, Minn., June 5, 1957.

# Equities as Trust Investments Under Present Conditions

By EDNA M. THOMPSON*
Assistant Investments Officer
Girard Trust Corn Exchange Bank, Philadelphia

**Investment officer notes that although institutions and trustees are still far outnumbered by individuals as owners of common stocks, there has since the early nineteen-thirties been a basic reversal in trustees' long-existing negative attitude toward equity investment: stemming from shortened supply of senior capital, disillusionment with safety of bonds, need for income, and Roosevelt-sparked fear of inflation. Gives rules for trustee policy toward equities under present conditions, toward over-all portfolio management as well as selection of issues, including specifically-named suggestions. Concludes that good business practice demands attention be given to preservation of trust income's purchasing power and reasonable growth of assets; that a good balance be kept between equities and senior securities; and that concentration be centered on real value.**

Nowadays, when we speak of trust investing, we automatically think about common stocks. How different from just a few years back. Less than 25 years ago, only the most daring of corporate trustees would have presumed to purchase a common stock without expecting to be called upon for an explanation and an apology. In fact, only since 1951 have we in Pennsylvania been permitted to buy commons in "legal" accounts and then in a ratio not exceeding one-third of the total. Moreover, a study of the ownership of all publicly owned common stocks showed that as recently as 1954, out of a total of $252,000,000,000, personal trusts administered by banks and trust companies accounted for only $32.7 billion, or 13%. Individuals still far outnumber institutional and trustee owners of common stocks.

Edna M. Thompson

### Historical Concept

Why the long abstention from common stocks by trustees? The answer lies in the historical concept of the trustee's function considered in relation to the nature of a common stock. In this classical tradition, the trustee is a conservator of wealth already in being, not one whose purpose is the accumulation of future wealth. The Pennsylvania Law of Trusts is typical. "It should be the policy of a trustee so to invest the trust property as to preserve its value while making it reasonably productive of income, rather than so to invest it as to jeopardize its preservation in the hope of increasing its value or increasing the income." The theme is plain—safety of principal with a reasonable income return therefrom, with emphasis upon conservation of wealth already accumulated. Common stock owners, on the other hand, are a species of entrepreneur, risk bearers, whose objective is creation of future wealth — estate **building** rather than mere **preservation.** High grade bonds and mortgages, backed by proved values, satisfied the classical needs of the trustee perfectly—a specified sum repayable at a set time with regular interest payments in the interim and the right of legal action against the buyer on default of either principal or interest. Historically, common stocks meant risk, and trustees had been warned to avoid risk. It was as simple as that.

### Reversal of Attitude

Thus the great wave of enthusiasm for common stocks as investments which was generated in the twenties following publication of Edgar Lawrence Smith's well known book on the subject did not penetrate the thinking of our leading trust companies. Strangely enough, only when the "new era" philosophies had apparently been completely dissipated, that is by 1933, did the initial move toward common stocks as trust investments come about. What forces and considerations prompted the move, which began to take shape in 1934-35? As I recall those days, and as I reread the records, it seems that there were four factors primarily responsible for the change from the former quaint mode of trustee life:

(1) Short supply of senior capital. Large amounts of formerly acceptable bonds and mortgages had passed into default in the fiasco which followed 1929, some of which disappeared permanently with foreclosure and liquidation, and some of which emerged in reorganization in junior lien position or even as equities. But more importantly, the best situated companies, even as early as the twenties, were no longer financing by means of bank loans and mortgage bonds. They were learning to fill their own requirements by plowed back earnings or by occasional common stock sales. The story of corporate bond financing activity during the thirties and early forties was a dreary monotony of refundings.

(2) Disillusionment with bonds and mortgages as safe investments. In the experiences of the great depression, wholesale defaults of principal and interest on what had been thought to be safely situated senior investments, occurring in the face of uninterrupted dividends on common stocks of other companies, convinced many that no longer could refuge be taken in mere technicalities of language, or in legal convenants, but that the only real security behind any investment is earning power. Indeed, the uncomfortable impression took shape that creditors' rights were not as sacred as had been thought. We heard that "human rights" were more important than "property rights," whatever that was designed to mean.

(3) The need for income. As the thirities progressed, two things happened—costs of operation began to rise, particularly as trustees found it necessary to take on new tasks: investment analysis, tax work, real estate foreclosures, to mention a few; and simultaneously, the income from trust estates began to shrink. For many years, the yield on high grade corporate bonds, as measured by the Standard & Poor index, had not been less than 4½-5%. But in 1934, this figure dropped to 4.14%, in 1935 to 3.61%. This was, of course, only the beginning. The skid in yields continued almost without interruption to a fantastically low 2.51% in 1946. The main reason for the drop was a virtual drying up of private construction and related financing. This ties in with our observations concerning the supply of high grade corporate senior capital. There simply was less and less middle ground between the now rising supply of United States Government and Government Agency bonds, on the one hand, and common stocks, on the other.

### The Great Fear of Inflation

But perhaps the greatest immediate concern in those early days of the first Administration of Franklin D. Roosevelt, and that which really sparked the drive toward common stocks in trust accounts was the

(4) Fear of inflation. The word inflation has taken on many meanings in recent years. Technically, inflation means a sharp rise in the money supply relative to the supply of real wealth as represented by goods and services. In our credit economy, of course, a condition of inflation exists every time that new extensions of credit are being granted on loans or installment purchases in excess of the rate at which outstanding credits are being retired. But in the classical tradition, inflation means a disproportionate increase in the money supply as evidenced by the basic coin of the realm—a far more insidious thing because this time the distortion will be permanent and will be made to serve the ends of the political powers who brought it about. It was this type of inflation which lifted its head in this country in the mid-thirties, perhaps for the first time since 1896, and which caused trustees to begin revising their thoughts about long-range investment programs and the preservation of purchasing power of their trust funds.

### Additional Factors

Now those are four reasons why trustees turned to common stocks. But I have not mentioned two additional reasons which **might** have been given. Actually, the two considerations I am about to name did not appear to enter trustee thinking at all!

**First:** Common stocks were cheap in 1933-35. Were they? Well, the Standard & Poor industrial average, which ranged around 8½-11 in 1926, had dropped from a high of 25.38 in 1929 to a staggering low of 3.52 in 1932, to recover only modestly to about 8½ in the Spring of 1935, still down 66% from the high. The railroad and public utility indices showed even poorer recovery.

Surely there must have been some bargains here. Yet the leading trust investment official of a large bank expressed the opinion in May, 1935, and I quote him because I feel his remarks are representative of a large body of thought:

"Common stocks are now selling at prices, in relation to dividends and earnings, so high that they are no longer a desirable purchase. The situation, as far as intrinsic values of common stocks are concerned, is comparable to 1928 and the early part of 1929, but still further complicated now, as compared with then, by the attitude of the Administration and of Congress, which introduced many unknown factors which might vitiate intelligent analyses."

This official was further quoted as stating frankly he did not know what to buy for permanent investment and could think only 30 to 60 days ahead. His company had now discarded its list of approved investments for trust estates.

**Second:** Common stocks should have been bought for growth! This word has become so much a part of our creed recently that it is hardly believable that it seems to have had no place at all in the traditional policies of trustees. In the first place, as we have just seen, the growth concept was alien to the trustee's function as a **conservator** of property. Even today, no court has yet held a trustee responsible for maintaining constant purchasing power of trust income or principal let alone for increasing the value of the estate. But secondly, who was left to espouse the cause of growth by 1935? The "new era" philosophy of the twenties had been thoroughly dissipated, and in its place there came the Keynesian "mature economy" theory, adopted by the East-European-nurtured school of socialists which began to infiltrate and dominate our national government.

And so the policy of buying common stocks for trust estates was officially launched. For a while all went well, as 1936 and 1937 came along with a short-lived boom. But this was followed by a very disappointing 1938. As time passed, the initial fears of a currency inflation ebbed. The practice of buying common stocks continued but up to a limit of only 25%.

### Currency Inflation

Then came the war—and the "currency inflation" which our friends in trust investing had feared so acutely in 1933-35 became a reality. Over $200,000,000,000 was frozen permanently into our money structures in the processes of financing military and related operations. Corporate earnings began to rise, and although temporarily under wraps because of the excess profits tax, it became intriguing to many to imagine what would happen when the tax was lifted. After the first days of the stock market's frozen horror in 1941-42, investor attention turned to the possibilities of common stocks of all types. When it became apparent after 1943 that the German cause was doomed, more and more bullish sentiment was generated in Wall Street. None of your "selectivity" either — all groups participated. Finally a peak was reached in June, 1946. Many companies hit their best earnings levels in 1946—Department Stores — Liquor Companies — Movies, right on schedule as the excess profits tax expired. But then something went wrong. The men began to be separated from the boys. Suddenly it wasn't all clear sailing. The postwar economy began to shape up in two unpleasant ways: Here at home it became obvious that government policies were still tinged with a strong leftist bias. Abroad, the situation was even worse. The wartime alliance fell apart at the seems—our former gallant allies in Eastern Europe became the new enemy, while the nations of Western Europe were bogged down in Socialism and were in precarious financial shape. The stock market sagged. Even though a great business boom was now in progress, and Standard & Poor industrial average earnings shot up from levels of only $1.06 in the final months of 1946 to over $2.40 in 1949, supposedly a recession year, the index of industrial stock prices sagged from the 1946 high of 18.53 to a dismal low of 13.23 in mid 1949.

On top of this came Korea. Nobody in the U. S. seemed to know what the Korean War was all about, or who or what the "United Nations" was. It was probably only natural that the ultimate reaction came in the form of a new national political administration elected on a platform calling on the new group to clean up the "mess."

With the new regime there developed a vast wave of investor confidence. As we analyze this new "confidence," we find it a curious anomaly — a pledge of belief simultaneously in private enterprise and in government control — a newly resuscitated belief in the long-term growth of the American, in fact, the world, economy, and at the same time a belief that the government would keep things going and would not permit the inherent processes of private capitalism to assert themselves in such a way as to harm the investor! But whatever its nature, the confidence factor accomplished wonders in Wall Street.

The swing to common stocks was accelerated. Where trustees had been willing to buy up to 25% in commons before, the ratio was stepped up to 50%, or in some cases even higher. Institutions of all kinds came into the stock market. Pension and profit sharing trusts, generated in many cases by the workings of the tax laws and labor influences of the postwar era, became purchasers of commons. Above all, individual purchases of common stocks soared. Mutual funds flourished. Investment clubs were formed. Under these pressures, price-earnings multiples on common stocks shot upward. But with one difference from the mid-forties. Now the emphasis was on "blue chips." The rule was—but only the big names. Small or secondary companies in any industry could exist only a short time in the jungle of commerce. Bigness feeds on itself. Only the big names can afford the personnel, the advertising, the research, the tax bills, the political connections, which are vital to present day survival.

More recently, a further modification in thinking of the investment community has become apparent. Many of the vaunted "growth" stocks of a year or two ago have dropped 20% or more in price. It now seems that investors are concerned more about the earnings outlook for the next six to twelve months rather than ten to twenty years away. Stocks are now said to be in a "trading range"—no longer bounding forward at a rate of 25% per annum as was the case with the Standard & Poor industrial average between 1952 and 1956. The new gospel is "selectivity" which, of course, boils down to buying those issues which are going up, selling those which are going down!

### Conditions Confronting Us

This brings me to the second part of the title of these remarks —"under present conditions." What sort of conditions confront us, and how can the trustee best chart his course in these times? Let us examine a few basic factors:

(1) There exists a world-wide desire for material betterment. While this creates periodic political unrest and generates opportunism, it should be remembered that this is only the same fabric which brought America into being out of the old feudalisms of Western Europe. Certainly this is a bullish factor for it points toward development of new markets. In the meantime, however,

| | 1929 High | Average April 1935 | % Apr. 1935 of 1929 High |
|---|---|---|---|
| S & P Indust. Stocks | 25.38 | 8 67 | 34% |
| S & P R. R. Stocks | 54.91 | 10.32 | 19 |
| S & P P. U. Stocks | 85.15 | 12.31 | 15 |

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*A talk by Miss Thompson before the Ohio Bankers Association Trust Conference, Cincinnati, Ohio.

# The Fast Changing South Is A Frontier of Opportunity

By HOWARD B. JOHNSON*
President, Atlantic Steel Company

**Though the impact on the South's "built-in" expansion process of new economic development has hardly been felt, noted Southern steel head's review of the South's progress concludes that this region might well be the major factor in the continued U. S. economic expansion in the next 30-40 years. Turning to the increasing per capita metal working sales, Mr. Johnson expects a tripling in sales in the next two decades—providing today's greatest problem of getting money is solved. Decries "phantom profits" which do not reflect under-depreciation of physical assets.**

In order to give some perspective to what is happening in the South, I wish to emphasize three points: First: the United States as a whole is in the midst of an unprecedented prosperity.

Howard B. Johnson

Second: even in this period of nationwide prosperity, the South's growth trends look impressive. However, it is important to understand that the percentage gains for this region can be misleading. The figures for the earlier base years were so low that the South's gain looked good even in cases where the rest of the nation was out-stripping us.

And third: the most important development in the South, which I shall discuss later, is the radical change that is taking place in the nature of the economy itself. The statistical and quantitative gains are relatively unimportant compared to the basic changes that are taking place in the region's economic structure.

As for our national prosperity, perhaps no nation in the history of the world has ever increased its physical output in peace time as rapidly as our nation has since the end of World War II. Our gross national product in 1946 of $209 billion was almost doubled in 1956 for a total of $412 billion. Admittedly, higher prices have been an important factor in the rise, but after adjusting for price changes, the real gain in physical terms is still about 42%—quite an impressive showing for the ten-year period.

**Second Industrial Revolution**

Actually, we are in the middle of the Second Industrial Revolution based upon the technological and scientific developments coming out of the war—in electronics, nucleonics, chemistry and physics. Every industry, as well as every section of the nation, is sharing in this dynamic development.

Consider, for instance, the field of metalworking. *Steel Magazine* estimates that by 1975, metalworking sales will reach $372 billion, compared with $135 billion in 1956.

The figure is, of course, a projection. It is based in part on population estimates which indicate there will be 221 million of us by 1975. More people, and more families mean bigger markets and a larger over-all economy.

In metalworking, there is another factor. Each year per capita consumption of the products of metalworking is increasing. Since World War II this increased consumption amounts to $41 each year, over the preceding year, for every man, woman and child in this country.

**Predicts Triple Metalworking Sales**

If the per capita consumption trend continues (and we have good reasons to expect it will) and if the population estimates are correct, metalworking sales should triple in the next two decades.

Already easily the country's greatest industry, metalworking enjoyed a sales volume last year which was greater than that of the next five largest industries combined: food and beverages, petroleum and coal products, chemicals, lumber and furniture, and textiles.

If metalworking sales volume of $135 billion could be converted into silver dollars, there would be enough to pave the Ohio Turnpike, the Pennsylvania Turnpike, the New Jersey Turnpike, and the New York Thruway. Those left over would surface many of the turnpikes that will be built in the future.

In order to provide the plants, factories and business establishments necessary for this pyramiding sales volume, billions of private dollars must be invested. In addition, hundreds of millions of dollars must be spent annually simply to replace older facilities which become obsolete. These replacements are primarily to eliminate manual labor and save manpower generally.

As you know, automation is becoming more of a necessity in all major industry. The watch words now are mechanization and speed. Perhaps we are like that native of our own Okefenokee Swamp who was asked if it were true that an alligator would not attack a man who was carrying a flashlight. He relied. "It all depends on how fast he carries it."

**Today's Greatest Problem**

Industry's greatest problem today is to get the money—the billions of dollars—required to pay for the expansion the country expects, and for the mechanization and speed that economics demand.

It can look to internal sources such as retained earnings and depreciation allowances. It can go to outside sources such as banks, insurance companies and private investors. It can depend upon higher selling prices.

You business men don't need to be told how difficult it is to obtain capital for expansion from any of these sources. Internal sources are becoming less available because rapid amortization on Korean emergency-built facilities is now coming to an end. Today's costs of equipment are about three times that of World War II, and our depreciation allowances are entirely inadequate to replace facilities now becoming obsolete.

Many companies in steel and other industries are suffering from a disease known as "phantom profits"—figures which must be reported as profit subject to taxes, but which are really costs of doing business. The Machinery and Allied Products Institute estimates that under-depreciation of physical assets of United States business will amount to $6 billion for 1957 alone.

These are actual cases in my own industry:

In 1940 a blast furnace cost $2,014,000; replacing it in 1955 cost $5,120,000. An open hearth shop in 1930 cost $10 million; its replacement in 1955 cost $64 million. The difference of $54 million had to come from profits, since they were simply maintaining facilities. To earn the $54 million in profit to cover this shortage in depreciation, they had to earn $118 million before taxes. Based on our own company's earnings rate in 1956, this steel company would have to sell $1,500,000,000 worth of steel to cover the depreciation shortage on this one facility.

I can give an actual example in our own company. Last year we completed a new rolling mill costing $9,054,000. While it will produce more tons per hour and has a slightly larger range than the facility it replaces, it is essentially the same type of mill, and was even built by the same mill builder as our old mill. In other words, both mills had buildings, furnaces, roll housings, motors, cooling beds, cranes and shears. They both produce a wide variety of small steel bars and shapes. The big difference is that the old mill, complete, cost us $189,000!

Our Federal tax laws had allowed us to recover the $189,000 spent, through depreciation allowances. Inflation, over the past 50 years, together with improved equipment, had raised the cost of replacement nearly 50 times its original cost!

You're also familiar with the fact that increased capacity requires increased amounts of working capital. Because of these problems, dividend rates in spite of capacity operations, have not been large enough to warrant selling important new steel stock issues. And higher selling prices are certainly not popular with our customers, or with those of us who have to sell steel.

**Fast Changing South**

The South is certainly contributing to, and sharing in the dynamic development of the nation. This area continues to attract new industry on the basis of abundant raw materials and natural resources, ample labor, favorable tax and labor laws, mild climate, pleasant living conditions and growing markets.

The South is changing fast. For the first time, there is the beginning of a balance between manufacturing and agriculture in the region's economy. In the postwar period, the Southeast has added manufacturing employment at a rate one-third higher than that in the rest of the country.

In the 11 Southeastern states, a total of 4,105 new manufacturing plants with 25 or more employees were added in the ten years between 1946 and 1955. And last year, over $1 billion was spent on new or expanded facilities.

To mention a few plants now under construction, or recently completed: Lockheed Aircraft is building a $50 million installation at Dawsonville, Ga.; Hughes Aircraft, a $50 million plant here in Miami; Pratt and Whitney, $40 million in Palm Beach; American Enka Corporation, $20 million in Morristown, Tenn.; National Research Corporation, $25 million in Pensacola, Fla.; Reynolds Metal Company, $103 million aluminum plant in Sheffield, Ala.; Kaiser Aluminum, $60 million in Gramercy, La.

Another major economic trend in recent years is income. The per capita income in the Southeast is more than four times as great today as it was in 1939. This gain compares with a three-fold increase in the rest of the nation.

As a result of this gain, per capita income in the Southeast now is about two-thirds as great as that in the rest of the nation. In 1939, it was only one-half as great.

In a real sense, the South's economy for the first time is on a cash basis. In the '30's, with per capita income of only about $300, the South was to a large extent "subsistence" economy.

**Urbanization**

The South is rapidly becoming urbanized. There has been a heavy shift from farm to city since 1940, and today the urban population in the South is almost equal to the rural population. Consequently, the locational pattern of the region is beginning to look more like that of the rest of the country.

A great part of the South's population gain is taking place in the metropolitan areas. Since 1940, these areas have grown at a rate five times as great as the non-metropolitan areas in the region. If Florida is excluded, the disproportionate gain in the metropolitan areas is a great deal larger than that.

Agriculture remains important to the South's economy, but there has been a sharp shift within agriculture to the more productive enterprises and to a better balance between cash crops and live-

*Continued on page 22*

*An address by Mr. Johnson before the National Association of Credit Men Annual Credit Congress, Miami, Fla., May 13, 1957.

# Economic Outlook for Some Segments of Chemical Industry

By C. A. SETTERSTROM*
Special Projects Manager, Commercial Development Division
Chas. Pfizer & Co., Inc., Brooklyn, New York

**Healthy qualitative growth of various segments of the chemical industry is described by Mr. Setterstrom who finds that the biological sciences are just at the beginning of their development. With increases anticipated for all classes of the drug industry because of new population demands, the Chas. Pfizer executive anticipates 25% of the growth—$675 million—will result from new product developments. Believes food, drug and agricultural chemical activities will require 2,000 additional scientists by 1962.**

Advances in nutrition and in the prevention and treatment of disease have been the major contributors to the decrease in mortality and increase in total life expectancy. Changes in mortality since 1940 are shown in Figure I. Based on certain speculations which will be mentioned later and on extrapolations, I think the age-adjusted mortality rate will decline to about 750 per 100,000 by 1962. In prior periods most of the increase in average life expectancy has been due to a lower infant mortality (Figure 2) but hereafter, there should be relatively sharp increases in middle and old age expectancy. You and I can expect to be among the beneficiaries.

Increases in longevity and in vigor per given age improve total productivity and this, in turn, upgrades the general economy. To illustrate, about 1,960,000 more people were living in the United States in 1955 than would have been alive if there had been no improvements in mortality rates since 1940. These people were responsible for "personal consumption expenditures" of about $8 billion in 1955.

### Chemicals in Agriculture

Complete data for some of the farmers' expenditures for the production of food are not available, and we've had to use totals from different years, but for perspective, the picture is reasonably accurate. For the various categories total expenditures are about $10 billion, so each percentage is about $100 million.

Principal items in the machinery and equipment categories in order of importance, are tractors; harvesting machinery; haying machinery; planting, seeding and fertilizing machinery. The chemical industry has an indirect interest in this market, particularly for its requirements of rubber and plastics, but this interest will not be covered in the present paper. The fertilizer segment is an even more important consumer of chemicals, but also outside the scope of this paper.

Poultry feeds account for 62% of the formula feed purchases, dairy feeds 18.6%, swine feeds 9.5%, beef and sheep feeds 6.1%. The total of $3.3 billion includes feed additives worth about $125 million, with 85% contained in the feed as sold, and 15% sold separately for mixing at the farm level. The feed supplement market is of the same order of magnitude as the market for pesticides and animal health products.

* * *

### Pesticides

Table I shows a . . . breakdown for pesticides sales. Beginning in the 1940's there was a rapid growth in insecticides because of DDT and other chlorinated insecticides. This growth rate has been sustained by the newer chlorinated compounds but I'm inclined to believe this rate will slacken off. There probably will be keen competition within the category and changes in the nature of the chemical requirements, but the total dollars of sales may remain much the same. In the "Herbicides and Growth Regulators" class, the unusual properties of gibberellin suggest that this compound or derivatives will find major new markets by 1962. Miticides are up because of the fast growth of Malathion or of other compounds with similar properties. Modest increases only are suggested for the other categories.

* * *

### Drugs and the Chemical Industry

The 1956 sales of the pharmaceutical industry were divided approximately as shown in Figure 3. About half the sales dollar goes for raw materials and about 75% of the raw materials are manufactured compounds, so the total of about $1.75 billion means a market for about $650 million in chemical industry terms.

* * *

Ethical drugs are sold only by prescription but there has developed an important third category with annual sales of several hundreds of millions of dollars—called "O.T.C." or "Over the counter" ethicals. These are sold without prescription but on the recommendations of doctors and pharmacists, so the selling effort is directed chiefly to them. The natural transition of a safe drug for treatment of minor ailments is ethical to O.T.C. to Proprietary. The O.T.C. category has shown the chief gains because of superior new products and sound merchandising; the Proprietary industry has shown relatively little sales increase over the past few years. There will be some other new and better proprietaries smartly promoted, but these may be balanced by obsolescence of some of the old timers.

The ethical drug business has at several times during the past decade shown sudden growth . . . With trepidation because I'm certain to be wrong at least in part, I guess that there will be a general leveling off in the current major categories with increases only in proportion to population growth. There will, however, in my opinion be another series of new product eruptions similar in number and of about the same relative order of magnitude as those which characterized the period from 1947 to 1957 when there was a growth averaging about 15% per year in ethical drugs. I guess that the current ethical U. S. drug market will increase 75% in five years or about $850 million. In my calculations, about 15% of this total gain will be in established categories and 60% in new areas. This means new product category sales gains of $135 million or 12% per year. The small forecasts for the current categories are not meant to suggest any slackening of the intense competition for better products within the sales groups, but rather that the over-all totals will not change substantially.

### Reasons for Optimism

The optimism on new product categories is based on several considerations:

(1) Pharmaceutical industry research expenditures are about $75 million per year. Some of this is intensive, crash program research more like product development research of the heavy chemical industry, and some of it goes for new products in old categories but a portion breaks into new ground.

(2) This research is aided by the fundamental investigations of government, educational, and philanthropic agencies. This year, the Health, Education and Welfare Department and other Federal groups are spending $210 million. The total scheduled to be spent by Federal agencies alone in 1958 is $270 million. Not all of this is or will be commercially productive but much of it is building on to that body of solid, factual new knowledge so essential for sus-

*From an address by Mr. Setterstrom before the Chemical Market Research Association, New York City, May 28, 1957.

FIGURE I

AGE-ADJUSTED DEATH RATES
1940 – 1953

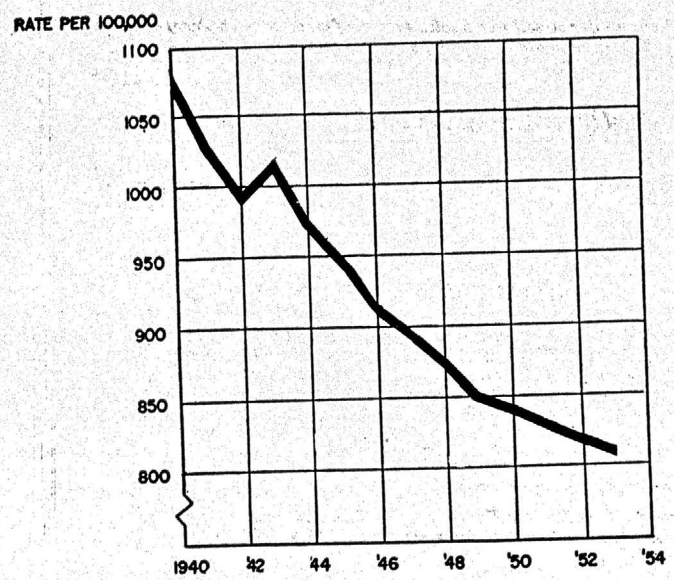



FIGURE II

EXPECTED LENGTH OF LIFE
WHITE MALES

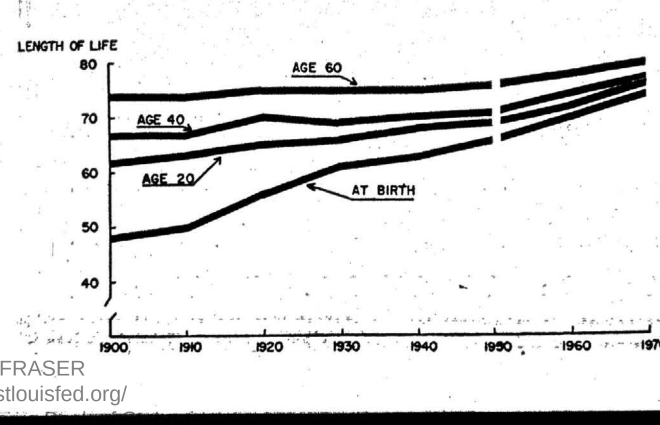



FIGURE III

APPROXIMATE 1956 U.S. SALES OF THE PHARMACEUTICAL INDUSTRY–MANUFACTURERS PRICES

SALES IN MILLIONS OF DOLLARS

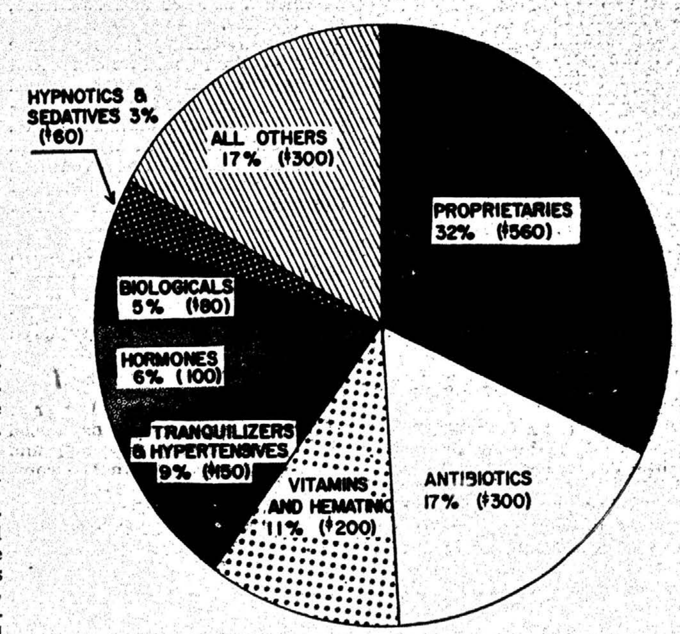
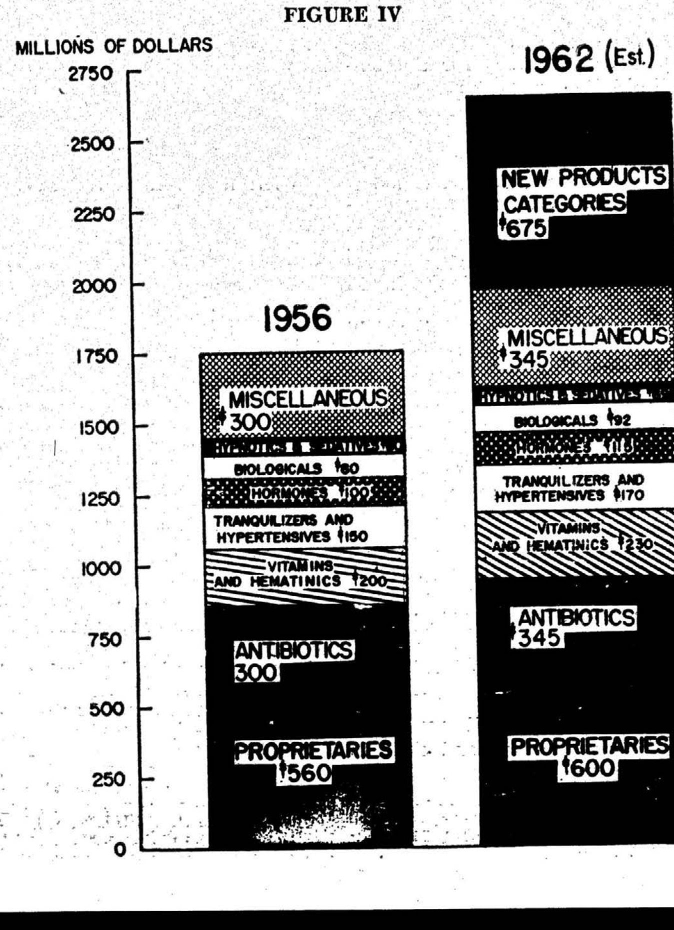



FIGURE IV



tained and significant new product development.

(3) Major research breakthroughs are likely in several areas. My opinions are merely illustrations of possibilities. Most will not materialize in five years but I am confident that some will and I have omitted many from the listing.

(a) Until recently, the chemistry of the brain was surrounded by an iron curtain of mystery and awe. The tranquilizers have helped to break down this curtain. There are good indications that schizophrenia, acute depression, compulsive alcoholism and other so called mental diseases are organic in nature and that they can be treated with chemical compounds.

(b) The hypotensives, such as the Rauwolfias, are merely the beginnings of more effective treatments for coronary disease. There are substantial indications that some atherosclerosis may be dietary in origin and this may lead to the development of a whole line of new products. Improved treatments for dissolving blood clots have been forecast.

**Geriatric Opportunities**

(c) There are some beginnings of understanding on the chemistry of aging. Difficult, tedious work on the structure of protein, easy new methods for tracer, labeling, studies of the effects of radiation and of diet and hormones and other approaches are casting new light. As mortality decreases and life span increases, the geriatric problems and needs will increase. As the acute diseases are controlled, the chronic diseases will become more important. Today the chronic patients comprise only 10 to 25% of the average general practitioner's practice. By 1962 these percentages may double. The chronic treatments in order of importance are as follows; note how many are associated with increasing age: (1) Essential hypertension; (2) Obesity; (3) Constipation; (4) Arteriosclerotic heart disease; (5) Tension and anxiety; (6) Menopausal syndrome.

Also consider how extensive the markets would be for drugs that would delay wrinkles, baldness, grey hair or any other of the signs or symptoms of age.

(d) Steady progress is continuing on all fronts in the fight against cancer. New discoveries will continue, but they may be confined to portions of this disease which has such a complex and broad etiology.

(e) The scientific and commercial successes of the Salk vaccine suggest that other vaccines may be developed for measles, mumps or for the common cold.

(f) An appreciation of the remarkable responses of the endocrine systems to environmental stresses is opening a new understanding of the role and the nature of natural and synthetic hormones and, perhaps, of the mechanism of ulcer formation.

For my own use only I have detailed the Drug Industry sales potentials for each of these research areas, and the total suggests that the sales gain forecast of $135 million per year is reasonable. If so, the projected 1962 market will, therefore, look something like the data plotted in Figure 4, when compared to 1956.

**Some Further Speculations**

To give us some idea of what these projections might mean, let's assume that we are associated with a company whose U. S. sales are $100,000,000, that these sales are divided between drugs, agricultural chemicals and food additives in the ratio of 2:1:1 and that we are going to get a proportionate share of the market increases. If the gross projections should be correct, 1962 sales would be about $140 million. If earnings are proportional to sales, and price earnings ratios remain constant, the stock price will increase 40%. If research expenditures are kept at 5% of sales, there will be an addition of approximately 80 scientists in the research department. If we apply this same formula to the total of the industries covered in this discussion, they will in total require 2,000 additional scientists by 1962. Other interesting deductions are possible, but remember they all rest on one frail human opinion.

I've projected a lot of figures and it is on such food that chemical market research super mortals are said to feed, but permit me a couple of concluding, philosophical observations.

While not sure about my quantitative forecasts, I have a solid confidence in the healthy qualitative growth of the food and drug segments of the chemical industry. To paraphrase Anton Carlson "No matter how much is learned about the distant galaxies of stars or the inner workings of the atom, the ultimate destiny of the human race depends on the food it eats and upon its victory over disease."

To this we can add that the biological sciences are just at the beginning of their development, and that sustaining their growth is a powerful motivation superimposed upon the other drives of the human spirit. This motivation is a concern with hunger and suffering, a response to the parable that instructs us to feed the hungry and to care for the sick.

**Table I — Pesticides**

(Sales in Millions of Dollars at the Manufacturers' Level)

| Category— | 1956 | 1962 (Est.) |
|---|---|---|
| Insecticides | $58 | $62 |
| Fungicides | 50 | 55 |
| Herbicides & growth regulators | 22 | 31 |
| Miticides | 13 | 20 |
| Soil fumigants | 8 | 9 |
| Space fumigants | 6 | 7 |
| Rodenticides, etc. | 3 | 4 |
| | $160 | $188 |

# Moore Leonard Lynch Celebrates 80 Years

PITTSBURGH, Pa.—"The gross traffic that originated or passed through Pittsburgh by rail and river was greater than the combined tonnage of the ports of London, New York, Antwerp, Hamburg and Liverpool. After a tour through the bustling mills and factories, a European visitor to the city remarked, 'Pittsburgh is the busiest city in the world'."

That was in 1900. This visit and many other interesting historical facts about Pittsburgh are recorded in a 20-page booklet commemorating the 80th anniversary of Moore, Leonard & Lynch, Union Trust Building, members of the New York and Pittsburgh Stock Exchanges, the city's oldest brokerage firm.

When the parent firm of Moore, Leonard & Lynch opened its doors for business in 1877, Pittsburgh was a city of approximately 140,000 people and had a baseball team that finished second in the International League. The firm's offices were in the old First National Bank Building, and a brisk business in grain futures was carried on by the two original partners, Joseph H. Moore and George M. Irwin.

In the ensuing years, Pittsburgh has grown into a metropolitan area of more than two million people and the home of many of the nation's important industries. Moore, Leonard & Lynch has kept pace with the growth of the city and now numbers 12 partners and more than 90 employees in its offices in Pittsburgh, Greensburg and New York City.

In its 80th anniversary book, Moore, Leonard & Lynch provides a running commentary on the events that have taken place in Pittsburgh since the firm's founding. Descriptive color is added to the story with timely pictures of the historical scene, such as the burning of Union Station during the railroad riots of 1877.

# U. S. Chemical Companies Net $50 Million Yearly From Abroad

**Income derived in the form of royalties for patents and "know-how" through foreign licensing of domestic chemical processes, according to Robert S. Aries. Says growth of chemical industries in Western Europe and Japan has outstripped proportional growth of U. S. counterparts.**

The foreign licensing of chemical processes contribute $50,000,000 per year to the American chemical industry in the form of royalties for patents and "know-how," Dr. Robert S. Aries, New York consultant who recently returned from a study trip abroad, said at a recent meeting of the New York Society of Security Analysts.

Dr. Robert S. Aries

Dr. Aries is head of the New York consulting firm of R. S. Aries & Associates, who specialize in the chemical industry.

The growth of the chemical industries in Western Europe and in Japan during the last four years, he said, has outstripped the proportional growth of their counterparts in the United States and has been aided as never before by private U. S. industry.

The average European and Japanese chemical growth from 1953 until the Middle East crisis was 12% per year compared to somewhat less than 10% for the United States, including our tremendous growth in 1955 which compensated for the rather poor U. S. showing in 1953 and 1954.

The average net profits after taxes of the publicly owned chemical process European and Japanese companies is about 6% of their sales, compared to about 9% for U. S. counterparts, according to Dr. Aries.

Talking on the subject of foreign chemical developments, licensing and royalties and their effect on earnings of U. S. corporations, Dr. Aries stressed that petrochemical growth is the most impressive and that American processes have been very prominent in the postwar industry development. Hundreds of agreements are in existence involving joint ventures, engineering and licensing with U. S. firms.

Western Europe manufactured products based on U. S. licenses are conservatively estimated to sell for $1 billion annually and provide about $30 million of annual income to U. S. chemical process companies. Processes have also been purchased from Western Europe by North American companies at an increasing rate since 1951, most of which have been based on inventions rather than complete "know-how". It is expected that in a decade the technical flow will be about equal in both directions, according to Dr. Aries. U. S. chemical process companies now receive $20 million annually from Japan for stock participation, the sale of "know-how" and patent licensing. The term "technical currency" has been adopted to explain the policy of international exchange of processes. In view of heavy taxation throughout the world and the tremendous demand for good processes, money alone (even dollars) is not enough for international process acquisition but is supplemented by other processes or improvements in barter type operations, according to Dr. Aries.

R. S. Aries & Associates has been a pioneer in the exchange of "know-how" between Western Europe and the United States, having consummated 26 such licensing agreements since 1950. Dr. Aries is also a part time member of the Graduate faculty of the Polytechnic Institute of Brooklyn and a Vice-President of the American Section, Societe de Chimie Industrielle.

## Two With Jensen Stromer

(Special to THE FINANCIAL CHRONICLE)

MARYSVILLE, Calif. — Eileen N. Brown and Cleo T. Newsom have become connected with Jensen & Stromer, 426 East Fifth St.

## Joins Pasadena Corp.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—William R. Kelley has joined the staff of Pasadena Corporation, 618 East Colorado Street.

## Curran Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—William M. Brennan is now with the Curran Company, 4336 Fourth Ave.

## With Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert G. Mount is now with Kidder, Peabody & Co., Russ Building.

## Joins McAndrew Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—David S. Tucker, Jr. is now connected with McAndrew & Co., Incorporated, Russ Building.

# Connecticut Brevities

**The Royal-McBee Corporation** has obtained an option on a tract of land in Bloomfield on which, subject to approval by the town Zoning Commission, it proposes to build a research and development center. The project will cost an estimated $2 million and will feature a two-story university-style building containing about 75,000 square feet of floor space. The center will be devoted exclusively to research and development work on typewriters, data processing machines and electronic computing equipment. The new center will be completed by mid 1958 and will enable the company to double its present research staff. The Roytype Division will move into space in West Hartford presently occupied by research and development.

* * *

**Kaman Aircraft** is constructing a single story engineering and administrative building on Blue Hills Avenue in Bloomfield. The new single story building will contain 31,500 square feet of floor space and will be constructed of steel, brick and glass. Completion of the new building by early fall of this year will enable the company to consolidate its operations and eliminate the use of certain rented quarters separate from the main plant. The company has also taken a five-year option on an additional 19 acres of land owned by American Sumatra Tobacco Company in Bloomfield.

* * *

**Jarvis Power Tools Company** has announced plans for a $400,000 building addition at its main plant in Middletown. Recently the company completed a branch plant in Guilford and is constructing a new plant in Portland. Each plant is specifically designed for production of a single line of products. The company manufactures industrial power tools, cutting tools, special machinery and aircraft parts.

* * *

**Waterbury Farrel Foundry and Machine Company** has recently sold privately to Connecticut insurance companies $2,500,000 of long-term debt, with the proceeds to be used in connection with construction of a new 50,000 square foot plant in Cheshire. The new plant which is scheduled for completion in December of this year will employ about 100 persons.

* * *

**The Union Manufacturing Company**, with headquarters in New Britain, has arranged to purchase 75% of the capital stock of **The Charles Parker Company**, Meriden. Parker, which employs about 300 persons and produces hardware and brass products and operates a foundry, will continue under its previous management and at the same location.

* * *

**The Fafnir Bearing Company** is adding a wing containing 33,000 square feet of floor space to its Myrtle Street plant in New Britain. The addition will cost an estimated $200,000 and will house press work operations.

* * *

Stockholders of **Bridgeport Gas Company** have been offered rights to purchase 28,910 shares of common stock on the basis of one share for each seven shares owned of record June 4. The shares are offered at $26 a share and rights will expire on June 24. Proceeds of about $700,000 will be used in connection with expansion requirements presently running at the rate of about $1 million a year.

* * *

The Stromberg-Carlson Division of **General Dynamics Corporation** has opened a new administration building and an electronics center in Rochester, N. Y. providing more than 1,000,000 square feet of additional floor space. The Division has increased its employment from 5,000 to 8,000 persons since its acquisition by General Dynamics in mid 1955 and expects a further increase to 11,000 by the spring of 1958. The Division is presently devoting about 50% of operations to military production.

* * *

Stockholders of **Hartford Special Machinery Company** have been offered rights to purchase one new share at $20 for each share owned of record on May 24. The rights will expire on June 21. Proceeds from the sale of the additional 6,105 shares will be used to reduce bank loans and to provide additional working capital.

## Reynolds Co. Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Bruce P. Dohrmann is now affiliated with Reynolds & Co., 425 Montgomery Street.

## Now With Walston Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — James O. Chaffers, Jr. is now with Walston & Co., Inc., 265 Montgomery Street. He was formerly with Pacific Coast Securities Co.

## Joins York Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Edward L. Ripley has joined the staff of York & Co., 235 Montgomery Street, members of the Pacific Coast Stock Exchange.

## With Kenneth Stucker

(Special to The Financial Chronicle)

MIAMI SHORES, Fla.—Paul L. Light has joined the staff of Kenneth B. Stucker, 9822 Northeast Second Avenue.

## Joins Sutro Bros.

(Special to The Financial Chronicle)

KEY WEST, Fla. — Jacob M. Elias has become connected with Sutro Bros. & Co., La Concha Hotel. He was formerly with Oppenheimer & Co.

## D. B. Fisher Adds

(Special to The Financial Chronicle)

DETROIT, Mich. — Aurelian F. Wigle has become associated with D. B. Fisher Company, Buhl Building, members of the Detroit Stock Exchange. Mr. Wigle was formerly with Goodbody & Co., and Paine, Webber, Jackson & Curtis.

# Municipal Men Celebrate Silver Anniversary Field Day

By EDMUND G. O'LEARY

Eastman Dillon, Union Securities & Co.

Municipal men from Rhode Island to Florida and as far west as Colorado joined members of the Municipal Bond Club of New York last Friday in celebration of the Club's Silver Anniversary Field Day at the Westchester Country Club, Rye, N. Y.

The weather was fair and hot and the special field day program, under the general Chairmanship of John C. Fitterer, Jr., of Kuhn, Loeb & Co., attracted an attendance of about 380, including 81 out-of-town guests.

The Club's annual comic, "The Bond Crier," provided much amusement throughout the day, and other special features in addition to the large variety of sports events kept the group busy from early morning until far after the banquet that evening.

Heavy competition was provided among the golfers. There was a three-way tie for low gross, and the Governor's Trophy was awarded to Jerome C. L. Tripp, of Tripp & Co. Second low gross was awarded to Edmund G. Byrne, of Byrne & Phelps, Inc., and third low gross to John Mitchell, of Caldwell, Marshall, Trimble & Mitchell. All three showed a low gross score of 80. Among the guests, top honors for low gross went to Russell M. Ergood, Jr., of Stroud & Co., Philadelphia. Second low gross was won by Freeman Grant, of Grant & Co., Philadelphia.

The Sanders Shanks, Jr., Memorial Trophy and low net honors went to Thomas C. Cafone, of W. E. Hutton & Co. and E. A. M. Dobden, of Kean, Taylor & Co., both showing a 72. Fred D. Stone, Jr., of Marine Trust Co. of Western New York, showed a 73.

Low net honors among guests went to John L. Mosle, Jr., of Rotan, Mosle & Co., of Houston, Tex., and George L. Martin, of the World Bank, New York City, who tied with a 72.

The longest drive was 300 yards made by Roald A. Morton of the Blue List, and Lewis W. Pollok, of Eddleman-Pollok Co., of Houston, came nearest the pin.

The tennis tournament was won by Donald S. MacFadden, of Eastman Dillon, Union Securities & Co., and Paul W. Wolfe, of Harris Trust & Savings Bank. Second prize went to John Small, of John Small & Co., and Seth Glickenhaus, of Glickenhaus & Lembo.

The top scorer in the bridge tournament was a team consisting of Davis Kales, of Wood, Gundy & Co.; James Ransom, of Harris Trust & Savings Bank; Russell Hoff, of Joseph, Mellen & Miller, and Frank Smeal, of Guaranty Trust Co.

Prizes for the best at horseshoe pitching were awarded to James M. Ransom, of Harris Trust & Savings Bank, and Phillip Whitman, of Rand & Co. Second prize went to H. Grady Wells, of Andrews & Wells, and James F. Gilbert, of Hornblower & Weeks, and third prize to Walter W. Niebling, of Merrill Lynch, Pierce, Fenner & Beane, and Richard Whitcomb, of Phelps, Fenn & Co.

George B. Gibbons, Jr., Geo. B. Gibbons & Co., and Nils S. Geruldsen, Wallace, Geruldsen & Co., Chicago, were winners of a special event.

## With Curtis Merkel

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—James K. Wiley, Jr. is now with Curtis Merkel Company, Inc., 601 First Avenue, North, members of the Philadelphia-Baltimore Stock Exchange.

# *From Washington Ahead of the News*

By CARLISLE BARGERON

It can hardly make a conservative happy the way the Supreme Court has been acting under the Chief Justiceship of Former Governor Warren of California. Once again the search-light has been focussed upon it by its decisions this week.


Carlisle Bargeron

But the fact remains that beginning with its famous decision on segregation, early after Warren took the bench, which overturned the mores and even the laws of the country which had been in existence for more than 50 years, the Court's controversial decisions have had an unusual degree of unanimity.

This was true in the Jencks case which has put the FBI in a hole, and in the two cases relating to Communists this week. In fact, Tom Clarke, whom I consider to be the most political-minded member of the bunch, is becoming the lone dissenter, perhaps assuming the role of the late Justice McReynolds of the New Deal days, except that the Court was dealing with different issues. Clarke seems to want to put evil-doers in jail; the others are proving to be more lenient, more liberal. McReynolds fought for the rights of the private citizen when the rest of the Court was making him bow to the New Deal.

The majority of the Court under Warren's leadership is patently out now to curb excesses on the part of Congress. It goes against my grain, as it undoubtedly does to other people in this country, to see those of the Communist stripe who did so much to this country in the 30's and 40's, go scot free. But there is little question that Congressional committees have created excesses in going after them.

It is silly for a committee to claim that it is seeking enlightenment at this late date upon which to base legislation. Its only purpose can be to bring the tripe out into the open, smear them and hold them up to public scorn. Probably there should be some way this could be done, but it is not within the province of a Congressional committee.

An extenuating circumstance, too, is the fact that these Commies of the 30's and 40's were in violation of no law. They were, instead, operating under a very friendly and cooperative government. It was a sordid story and I like to see it told and retold for the purpose not of bringing the small fry to book but of keeping the light on the men at the top. The Commies have never worried me so much as the so-called liberals who played ball with them in the past and of whom it would be difficult to show any distinction in deeds today, except, of course, that the Commies are the tools of a foreign government.

The sacrosanctity of the FBI needs some scrutiny. It came into being at the time when the country was being over-run by crime, and the people and the editors were tired of glorifying gangsters and saw the need of glorifying law enforcement. It has unquestionably done a tremendous job but it has grown and grown until either active FBI men and former FBI men pervade all segments of our life. They have a great fraternity.

The question arises, however, as to whether it is good to have men going around the country, collecting up every piece of gossip they can on citizens and stacking it up, unevaluated, in dossiers. The FBI has made quite a point that it makes no effort to evaluate the information it picks up on a man, to judge its reliability or appraise its worth at all. If someone in authority asks for that file he gets it. Police officers everywhere, by the nature of their training, pick up all the gossip they can about people on their beats. But they don't write it down and make a file of it unless there is something tangible.

Anyway, the Supreme Court is stepping into our tangled affairs at many points, and under the leadership of a man who as Governor of a great State, was never very self-assertive.

# Dillon, Read Group Offers Texas Eastern Debentures & Pfd. Stk.

Dillon, Read & Co. Inc. headed an investment banking group which offered yesterday (June 19) $15,000,000 of 6% debentures due 1977 and 200,000 shares of preferred stock, 5.75% subordinate convertible series, $100 par value, of Texas Eastern Transmission Corp.

The debentures were priced at 98½% to yield approximately 6.13% to maturity. A semi-annual sinking fund, beginning Dec. 1, 1959, will retire approximately 96.3% of the debentures prior to maturity. The debentures are not refundable for a period of 10 years at an interest cost of less than 6.13% but are otherwise redeemable at the option of the company at any time at prices scaling from 106% to 100%.

The convertible preferred stock is priced at $100 per share and is convertible into common stock at $25 per share at any time prior to June 1, 1967, subject to the company's right of redemption. The convertible preferred stock is redeemable at prices ranging downward from $105.75 per share through June 1, 1962, to $100 per share after June 1, 1987.

Proceeds from the sale of these securities will be used by the company in connection with a $235,000,000 program which contemplates an increase of 250,000,000 cubic feet of gas in the daily delivery capacity of the company's system and the reconversion of a major portion of the "Little Big Inch" pipeline to transportation of petroleum products. Additional financing to the extent of approximately $20,000,000 will be necessary to complete this program. Approximately half of the gas for the new program is to be purchased from Petroleos Mexicanos, an agency of the Mexican Government, at a connection on the Rio Grande. The balance is to be purchased from producers in the Gulf Coast area of the United States. The reconversion of part of the "Little Big Inch" and construction of a lateral line to Chicago, Ill., which the company intends to undertake as soon as a certificate is received from the Federal Power Commission, will enable the company to furnish a common carrier petroleum products transportation service extending from Beaumont, Tex., to Moundsville, W. Va., and to the Chicago market area.

# Can My Dollars Work Harder?

By JAMES E. SNYDER*
A. C. Allyn & Co., Inc., Chicago, Ill.

**A tract for neophyte investors is the result of Mr. Snyder's guidance and suggestions regarding the why and how of investing. The experienced dealer advises that in increasing the productivity of one's savings for the usual reason of additional income with reasonable safety another motivating factor has become increasingly important in the past fifteen years, i. e., protection against purchasing power monetary depreciation. The author discusses: prior need for cash and insurance before purchasing stocks; make-up of income and capital gains growth securities; market timing considerations and advisability of reviewing portfolio periodically; mutual funds, M. I. P., and investment clubs; what preferred stocks and bonds have to offer; reasons for "dollar cost averaging."**

Increased productivity is a familiar phrase in today's cost conscious economy, but its application to a stock investment program may seem somewhat remote. A savings program is not merely a matter of accumulating dollars or securing additional income; it is also a question of growth and flexibility as financial conditions change. Dollars have to work harder today. There is little solace in a savings program which after 20 or 30 years of accumulation dumps the saver out of the pipeline with savings whose purchasing power has not kept pace with changing economic conditions.

Thus, the "why" of stock investment as a part of the savings program must precede any consideration of the "what" and "how" of such a program.

There are many reasons why we save and many familiar methods for accumulating savings. The role of securities in such a program may not, however, be so familiar. Most of this discussion will be related to common stock investments which, ordinarily, will comprise a large portion of any individual investment program for securities.

We save for current and/or future income, retirement, educational funds, and similar purposes. When we put money to work in a savings program, we want two things: additional income that the money can earn and reasonable safety of principal. During the past 15 years a third element has become increasingly important—growth in values as price levels rise. Some of you may remember the '30s when insurance companies widely advertised retirement programs realizing $150 to $200 per month at retirement age. Twenty years ago this seemed ample to many people, but we are all well aware how inadequate this same $200 is now.

This is why we need increased productivity from our savings program, and it is here that common stock investment can make a unique contribution which other forms of ordinary investment do not readily supply.

A common stock earns income in the form of dividends, and secondly, its market value tends to reflect, in substantial part at least, higher general price levels such as have occurred in recent years and which could occur in future years. In brief, it offers a conveniently available investment media whereby relative purchasing power can be better maintained.

### Invest for Ownership

This is the big "why" of common stock investment. Another "why" (and an important one) is the fact that common stock investment is ownership. You may not feel like it, but, as the holder of a common stock, you are actually a part owner of the enterprise in which you have invested. It is my opinion that this investment has had value in the past and will continue to have in the future because this country's economic system, however imperfect it may seem at times, is grounded in the free enterprise system and the prospect of profit for the entrepreneur. A broad base of common stock ownership by thousands of investors who thus have a stake in our economy will do a great deal to insure the continuation of this philosophy. Likewise, as owners, you enjoy greater prospects for financial reward as the economy and its business enterprises grow.

Securities, therefore, offer an easily available means for saving where your dollars can work for you with maximum effect—current income, the prospect of growth, and the likelihood that the values you acquire for your dollars will keep pace with changes in price levels and maintain their ultimate purchasing power.

These rewards are not automatic. We get them only because of our willingness to take risk—and usually the reward will be proportionate to the degree of risk taken.

This is an important part of the first big "what" of any investment program—"What am I saving for?" and "How much risk am I justified in taking to achieve my investment objective?" This is a basic decision and will govern the direction and scope of any investment program. They are your dollars and it is your future, so this decision must clearly recognize any limitations. As a result some of us may find that stocks are not for us, but many more of us will find that they can be an important, if not vital, contributor to a successful realization of investment goals.

### First Basic Considerations

To start, every investor (present or potential) should have emergency cash savings (or its equivalent in, say, U. S. bonds). The amount will be governed by foreseeable emergency requirements for ready cash, but some cash savings are basic. Secondly, there must be adequate insurance protection. Here again, the amount and form is an entirely individual matter, but it, too, is basic. In this regard, I think it is worthwhile to point out that some people may think they never have enough cash savings and insurance, regardless of how much they accumulate. These people will probably never do anything about a common stock investment program. If, however, you approach financial planning from what I think is the more constructive viewpoint of "How can I plan my program so that I can be sure to include common stock investment?" you will become an investor and thus give yourself the advantages of securities as a part of your program.

The heart of a common stock investment portfolio consists of conservative common stocks with good records of earnings and dividends in essential industries and which are available to yield a reasonable return. Risk is minimized as much as possible. This is the *income* portion of a common stock portfolio and is a basic part of every investment program no matter what its objective and what ultimate risks may be warranted. These securities also have the prospect of gradual growth, but the prime consideration is income. Securities of this kind are found in the electric utilities, some natural gas securities, bank stocks, mutual funds, and high-grade industrial common stocks. Bonds and preferred stocks (particularly convertible issues) may also be considered for income in view of the substantially more attractive rates now available. Municipal bonds are similarly attractive yieldwise and have the additional attraction of tax-free income.

For example, what better place could you as a new investor start your program than the electric utility in your own community (a company you know and whose service you use every day)? Bank stocks are similarly attractive, and, like utilities, have shown better than average price stability in all kinds of markets. The investor can also anticipate continued gradual growth in these securities as the demand for their services grows. For example, the use of electric power is expected to double in the next decade, which you can visualize from your own increased use of electric power. This growth will be reflected in utility security values just as it has been in past years.

### Growth Stocks

The second large category of common stock investments is the so-called growth securities. Here the primary consideration is long- or short-term growth in values rather than in income. Many people think that growth securities are of interest to wealthy investors only, but actually, the risk involved in many of them is justified for many smaller investors as well.

The first type of growth security might be described as the "businessman's risk" situation. These are well established companies which usually pay some dividends and in which there has been a rising trend of sales and demand for products or services. The risks in such situations are not large and usually such investments are suitable for nearly all investors, with the possible exception of extremely conservative accounts where current income is of first importance. Securities of this type are found in the insurance stocks, aircrafts, aluminum, chemicals, pharmaceuticals, construction (particularly road building) and the like.

The second type of growth security is the speculation. Risks are greater and are warranted only for those investors who are prepared for the prospect of loss if the anticipated results do not materialize. The criterion in these instances should be that a possible loss will not damage your basic investment position. These situations include new companies (venture capital investment) formed to exploit a new product or process, bona fide mining and oil ventures, and similar operations. This type of "capital gains" security would also include special situations where securities appear unduly depressed because of unusual financial or market circumstances and in which there appears to be reasonable prospect of market enhancement. Railroad income bonds would be an example.

In summary, your over-all investment program will include emergency cash savings (or its equivalent), adequate insurance protection, and securities which will be of two broad classifications, i. e., income securities and "capital gains" securities. Percentages in each category will vary in accordance with each individual, giving due consideration to risks justified, purposes for which you are saving, immediate cash needs, and the like.

### How to Proceed

Market conditions as well as your own personal situation will dictate your investment position as of any given time, but these suggestions may provide a convenient guide for setting up a logical and rewarding program. Likewise, not all of your investments will be made simultaneously, and filling out the program may be a matter of considerable time. Which come first will again depend on opportunities available, markets, timing, etc. However, if your program includes income and growth situations and is based on an honest appraisal of your financial limitations, and if you strive conscientiously to realize them and are not sidetrack d by of a presumed "fast profit," I'm sure you will be rewarded. It may not be as exciting as a free-wheeling trading operation, but in the long run it will be a lot surer.

One additional caution. No investment program is static. Circumstances change, companies change, and mistakes will be made. Don't feel that you can set up any program and forget about it. Review it periodically with the broker with whom you do business. Some of the income securities will probably continue to stay in the portfolio, but others should be shifted as economic changes occur. Your portfolio should be as dynamic as the economy in which it is invested. Some portfolios might need reviewing once a year; others would require more frequent discussion, say six months, or in unusual circumstances each three months.

Once your investment goals are determined and a suitable program for their realization established, the next question is how to proceed. This will in part be determined by how much time you can spend in the management of your portfolio and what sums of money you have available for investment from time to time. It's easy for me to stand up here and say "Start an investment program." I know there are a bewildering number of securities from which to choose, and it may be difficult to define clearly one's objectives. The thing to do is to start, and a good place to start is with a good income-producing security in a company you know, such as your local utility. The investment will whet your interest, you will learn more about investing as a result, and with the aid of your broker a good program can be developed from a small nucleus.

The industry has made great strides in recent years toward providing various methods of investment, one or more of which should meet the requirements of nearly every investor. It may be that you

*Continued on page 32*

*An address by Mr. Snyder before the Securities Seminar, Dixon Junior Chamber of Commerce on May 6, 1957.

# THE MARKET . . . AND YOU

By WALLACE STREETE

Continuing its recovery from the "Blueberry Pie" break of last week, the market by Monday managed to re-attain a peak (measured by the Dow Jones Industrial Average at 513) not surpassed since the middle of last August. Only then, after six successively rising sessions, did profit-taking make a dent. But it must not be overlooked that within the overall rise of the Average of almost 60 points, or 13%, from the Feb. 12 low, there have been many major laggards. These have been manifested in actual declines in the textiles, air transport and aircraft manufacturers, tobaccos, packers, metals, papers, mail orders and rails; while merchandisers and electronics have dragged their feet. And markets, irrespective of the trend, have taken on extraordinary thin-ness.

### Big News in Bonds

But the Big News has been taking place in the Bond Market, coincident with the rise in money rates and the shying-away from the dollar. While the Treasury's short-term borrowing rate this week jumped to 3.40%, the highest since the Bank Holiday of 1933, long-term U. S. Governments continued on the toboggan to successively new lows. The Victory Loan 2½s of 1967-72 got down to the 86 range, the 3¼'s of 1978-83 to 93, and the 40-year 3's to 88; showing yields in excess of 3½%. Similar deterioration has been maintained in the area of corporate liens, with the highest grade issues knocking about at weirdly high returns (as the 4.85% Triple-A Southern Bell Telephones). In the tax exempt municipal division, new issues are being offered at constantly higher yields.

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The $64,000-Question now is whether from here on stock yields will follow their traditional role of rising to a more favorable comparable level with those on bonds, or whether the present divergent performance will continue.

### Riding Over the Obstacles

Besides the record high bond yields, other external obstacles are being surmounted by the persistent bull stock market, namely squeezed profit margins, disappointing steel and automobile business, a May decline in factory employment, slow lead and zinc sales, sticky consumer appliance volume, and declines in housing. Of course, there are many counterbalancing favorable factors, but the big Plus here is the public's increasing assumption of nonstop Inflation.

### A New Look at Radio-TV

The radio and television sector of the market is getting a second look from analysts after its protracted period of sour action. It is contended that growth can be legitimately claimed here too on the record of a 2½-time increase in broadcasting revenues between 1950 and 1956, and a 375% increase in the number of TV broadcasting stations during the past five years. Popular issues in this category include American Broadcasting-Paramount, selling at 12 times earnings, and Columbia Broadcasting System, Inc., priced at 11½ times estimated 1957 earnings.

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In the manufacturing division, while the outlook is uncertain, share prices have declined drastically from their 1955 peaks. Accordingly, Magnavox, Motorola and Zenith, which seem to be well-deflated on a statistical basis, are well regarded for industrial and market prospects.

### Interesting Merger Enterprise

A well-regarded "merger" issue is Whirlpool Corporation, representing the combination of several interests, now operating under the previously independently prosperous Whirlpool-Seeger management. 19% of the common is owned by RCA and 17% by Sears Roebuck. The present price of 24 is only nine times expected 1957 earnings of $2.75, expected to rise further with expansion in the consumer appliance field in 1958.

### Steel Leader

Bethlehem Steel, which made a new 1957 high last week, seems to be getting increasing attention from the industrial analysts as well as the technicians. The company, the nation's second largest steel unit, is fully integrated, and owns large domestic and foreign reserves of coal, ore, and limestone. Owning 12 ship yards, the enterprise also is the country's largest shipbuilder. Earnings for the first quarter were $1.25 on the four-for-one split shares, indicating an annual price-earnings ratio of about 10-1.

### The Technical View

The "technical" folk assure us that despite the sharp five-month advance since the buy signal in mid-February, the indicators do not have us yet located in over-bought territory. They are quite certain that in the absence of an advance above the 1956 highs, or indications of loss of momentum, a sell signal is out of order. And last week's market performance was regarded as "creditable"—with a weather eye on those laggard rails.

### Off-the-Exchanges

In the over-the-counter markets this week some weakness cropped up in the insurance area, including moderate profit-taking in the life issues. While the prime favorite life companies, as Lincoln, Travelers and Connecticut General are far from bargain-priced at 15 to 25 times their reported 1956 earnings, long-term confidence in them on the part of dug-in investors remains unabated. Wealthy holders interested in ploughed-back earnings in lieu of highly-taxed annually distributed income disregard short-term movements disturbing to less far-sighted holders.

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In the fire and casualty sectors some renewed weakness also cropped out, no doubt due to impatience over continued unfavorable operating results and delay over rate increases. Bulls on issues like Home Fire, National Union, American Insurance, and Massachusetts Bonding point to the increased yields on their investments presently and prospectively obtainable, expected upward revisions in the rate structure, high investment income yield on market price, discounts of market price below liquidating values, and merger potentialities closing up the market discounts.

### Discounts on the Exchange

Speaking of discounts, several of the exchange-listed closed-end investment companies, despite their recently improved market action, are still selling substantially below their portfolio's asset valuation. These include Tri-Continental (27%), Pennroad (27%), Niagara Share (22%), National Shares (20%), Carriers & General (22%). On the other hand, selling at a premium are Lehman Corp. (5%), American European (9%), and United Corp. (8%).

*[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.]*

## Felder Co. to Admit

Felder & Co., 72 Wall Street, New York City, members of the New York Stock Exchange on June 25 will admit Richard M. Adler to general partnership and Lester Santly to limited partnership.

*Continued from page 6*

# The Economic Situation And Outlook

rising government expenditures, a rise which seems assured at the state and local level.

### Benefits of Reduced Federal Spending

We now turn to the question asked in the Schedule of Hearings: "What would be the impact of substantial reductions in Federal appropriations and spending for fiscal 1958 on the level of economic activity during 1957-58?"

This much-to-be-desired development, for which we all pray, would permit the transfer of productive recources from supplying goods and services for the Federal Government to supplying goods and services for the private economy and possibly for state and local government activities. This would make possible the raising of the standard of living of the American people, enabling them to enjoy some of the fruits of our rising national production which have been absorbed by rising Federal budgets, and make additional funds available to the capital markets for productive investment, including investment in houses and other durable consumers' goods. All of these would add to the economic capacity and strength of the American people.

This is the end product that a substantial reduction in Federal spending makes possible. To realize this, however, requires careful and responsible public action, such as suggested below; for a reduction in Federal spending, taken by itself, would depress economic activity. And the depressing effect would doubtless be greater than the decline in Federal expenditures alone.

### Positive Public Policy Needed

To prevent a downward spiral and to facilitate the reemployment of people and physical resources freed by declining production for the Federal Government, a positive public policy would be required. Part of such a policy might well include an easing of the money markets by Federal Reserve action. Conceivably, monetary action alone would be sufficient to effect a smooth transition. Federal money, instead of flowing to suppliers of goods and services for the Federal Government, would now be directed to paying off part of the national debt. Holders of this debt, seeking alternative investments, would purchase consumer instalment notes, mortgages, other obligations of individuals, corporate bonds and stocks, and state and local government securities. Thus the savings in Federal expenditures could be channeled into building up the accumulated assets and productive capacity of the country.

However, easy money should not be the sole weapon of public policy if more than a token reduction in Federal expenditures is contemplated. There is no clear presumption that monetary policy would be sufficient to offset a substantial reduction in Federal spending. However, there is ample evidence, as indicated in the discussion of our 1954-55 experience, that easy money, coupled with tax reduction, would provide a strong stimulus to the economy, sufficient to absorb those released from government activity into productive private employment. The easy money policy would make the funds available in the money markets, while the tax reduction would give people and business firms added income which could in part be spent directly on consumption and in part could be used as the basis for added borrowing. The added borrowing would be used by consumers and business to purchase physical assets such as the houses, machinery and other durable goods which constitute the real wealth of the country. The strongest stimulus to such action would come from an across-the-board reduction in taxes rather than one concentrated in any one group.

With respect to the timing of tax reduction, it seems clear that this should become effective when the decline in Federal expenditures becomes a fact. However, an announcement that Federal spending will decline in the future would have an immediate depressing effect on raw material purchases, plant and equipment planning, and possibly on employment, for those firms that would be affected by the spending cutback. To offset this, it would be helpful to have an announced expression of intent to reduce taxes when spending is cut—or, better still, an actual bill cutting taxes might be passed, to become effective with the decline in spending.

Our present tight money markets reflect a shortage of savings relative to demand to use these savings by business for plant and equipment, by State and local governments for schools and other local public works, and by consumers for houses and other durable goods. Consequently, while a substantial part of any saving in Federal expenditures should undoubtedly be restored to the people through tax reduction, a part should also be devoted to reducing the Federal debt, thereby adding to the availability of funds in the capital markets. It would be the responsibility of the monetary authorities to see that these funds are channeled into productive use. This course would both add to the spendable income of consumers and help to build up the economic wealth and strength of our country.

## Texas Nat. Petroleum Notes Sold Privately

Texas National Petroleum Co., it was announced on June 19, has arranged to place privately, through Cruttenden, Podesta & Co., investment bankers, an issue of $3,000,000 6% secured promissory notes due serially to May 1, 1967. The notes will be secured by liens on certain gas properties.

The proceeds from this financing will be used to retire existing debt and for general corporate purposes.

## Joins Whitehall Secs.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Frank P. Straccia has joined the staff of Whitehall Securities Corporation, 80 Federal Street.

## Jerry Thomas Adds

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla.—Lamar F. Holmes has been added to the staff of Jerry Thomas & Co., Inc., 238 Royal Palm Way.

## Joins Jonathan Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Julius Goffan is now with Jonathan & Co., 6399 Wilshire Boulevard.

## With Kostman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Maynard E. Baker is now affiliated with Kostman, Inc., 215 West Seventh Street. He was previously with Samuel B. Franklin & Co.

# NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Stockholders of **J. P. Morgan & Co. Incorporated, New York** will be asked to approve an increase in the Bank's capitalization from 300,000 to 350,000 shares of $100 par value each, with the additional shares to be distributed as a one-share-for-six stock dividend, it was announced by Henry C. Alexander, Chairman, following a meeting of the Board of Directors on June 19.

Mr. Alexander said a special meeting of stockholders will be held July 17 to vote on the Board's proposal. Approval of the State Superintendent of Banks also is required.

Upon receipt of the necessary approvals, Mr. Alexander said, it is intended to distribute the additional shares on July 29 to stockholders of record at the close of business on July 17. He also stated that the board plans at its next dividend meeting, scheduled for Aug. 7, to declare the quarterly dividend at the current rate of $2.50 per share on the company's stock, including the additional shares.

The Chairman explained that, following the proposed increase in capitalization, the bank's capital would be $35,000,000, surplus would remain unchanged at $30,000,000, and undivided profits would be approximately $15,000,000.

"This further broadening of the bank's permanent capital base," said Mr. Alexander, "is in line with our steadily expanding role in serving the financial needs of business and industry."

Incorporated in 1940 with a capital of 200,000 shares as successor to the partnership of J. P. Morgan & Co., the bank has paid two previous stock dividends: one of 25% in October, 1951, and one of 20% in October, 1954. On both occasions the $10 per share annual dividend rate previously in effect was maintained on the increased number of shares.

* * *

**Bankers Trust Company, New York,** just raised their quarterly dividend to 75 cents, it was announced by S. Sloan Colt, Chairman of the Board. The bank has been paying a regular quarterly rate of 70 cents since Jan. 15, 1956 and has paid a quarterly since September, 1904 to shareholders.

The new dividend will be made payable on July 15, 1957 to shareholders of record of June 27, 1957.

* * *

**The First National City Bank of New York** was 145 years old on June 16.

The original charter was granted to **City Bank of New York** on June 16, 1812 following the liquidation in 1811 of the first **Bank of the United States.**

The bank opened for business at 52 Wall Street. Head office is now situated at 55 Wall Street. The bank operates 75 offices in New York City and 70 branches in 24 countries overseas.

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**The First National City Bank of New York** on June 18 announced the promotion of three Assistant Cashiers to Assistant Vice-President.

They are Milton M. Bates, Overseas Division; Walter Gless, Operating Division; and Bernard J. Martin, Operating Division.

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**The First National City Bank of New York** on June 14 opened its 71st overseas branch in Havana, Cuba.

Located on the Rancho Boyeros Highway which runs to Marti International Airport, the branch becomes the sixth in Havana and the 11th in Cuba.

Wilfredo Costa, a native of Cuba, who has been with First National City for 35 years, is the Manager of the new branch.

* * *

John M. Grotheer and William T. Reiners have been appointed Assistant Vice-Presidents of **The Chase Manhattan Bank, New York,** George Champion, President, announced on June 12. Both Mr. Grotheer, formerly an estate planning officer, and Mr. Reiners, a personal trust officer, are in the trust department.

Albert O. Holt, also of the trust department, and Thomas D. Hill, Jr., of the bank's national territorial organization, were appointed Assistant Treasurers.

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

Mr. Viseltear joined Manufacturers Trust Company in 1928. He was appointed an Assistant Manager of the bank's West 43rd Street at Eighth Avenue office in 1943, and was assigned as Manager of the Boynton Avenue, Bronx office in 1956.

At present Mr. Viseltear is assigned to the bank's 155th Street at Third Avenue office.

* * *

**Chemical Corn Exchange Bank, New York,** has elected six Assistant Vice-Presidents and one Trust Officer, Harold H. Helm, Chairman, announced.

The new Assistant Vice-Presidents are: Miss Elizabeth R. Wemple and Frank P. Glass, Term Loan Division; Douglas W. Baker, C. Houghton Birdsall, Jr. and Arthur E. Rettinger, Metropolitan Division, and Norborne Berkeley, Jr., National Division. James E. Kennedy has been promoted from Assistant Trust Officer to Trust Officer, Pension Trust Department.

Mr. Helm also announced that Adolph T. Rasmussen and Lawrence A. Roedl, former Assistant Managers, have been appointed Managers of the bank and John Butler, Robert H. Chiang, John A. Cronin, James P. King, George L. Major, Jr. and John Orgovan have been appointed Assistant Managers. All are members of the bank's Metropolitan Division.

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The election of J. Richard Finnegan as a Vice-President of the **Federation Bank and Trust Company, New York,** was announced by Thomas J. Shanahan, President. Mr. Finnegan has been associated with Federation Bank since 1952, serving as Assistant Vice-President since March, 1956. Mr. Finnegan will be in charge of the bank's office at 6 East 45th Street.

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**American Trust Company** promoted Frank Snyder, head of American Trust Company's documentary Letter of Credit division since 1950, to the post of Assistant Treasurer. Mr. Snyder's duties include supervision of the Letter of Credit and Collection departments.

His previous connections included **Guaranty Trust Company** and **Bank of the Manhattan Company.**

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Election of J. Victor Herd and Benjamin Ferguson Few as Trustees of **The Bank for Savings in the City of New York** was announced today by Alfred S. Mills, President.

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Robert B. Fiske was elected to the Board of Trustees of **Dry Dock Savings Bank, New York,** it was announced by Thurman Lee, President. Mr. Fiske is Vice-President and Director of American Cyanamid Company, with staff responsibilities for Public Relations.

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Nicholas J. Barrett died on June 16 at the age of 87.

In 1906, Mr. Barrett was elected Trustee of the **Italian Savings Bank** which he served as a Vice-President and Treasurer until 1932 when the bank merged with the **East River Savings Bank, New York.** Mr. Barrett remained as Treasurer of the East River Savings Bank until 1943 when he retired.

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William A. Kielmann, President of **Central Bank and Trust Company, Great Neck, N. Y.** announced that James G. McGrath has been appointed Assistant Treasurer of the bank, and that William J. Peters has been appointed Assistant Secretary.

Mr. McGrath is active in the Consumer Credit Department and has been with Central Bank since its first year of operation.

Mr. Peters serves Central Bank as Auditor, and is also with the bank since 1954. Mr. Peters served both the **Bank of the Manhattan Company** and the **Bayside National Bank** before joining the staff of Central Bank.

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At the regular meeting of the Board of Directors on June 13, Ralph T. Tyner, Jr., Chairman and Harold J. Marshall, President of **National Bank of Westchester, White Plains, N. Y.** accepted "with deep regret" the resignation of Edward P. Prezzano of Mount Vernon as an officer of the bank. The move becomes effective at the end of the present year. Mr. Prezzano will continue as a director of the bank. In this capacity he nows serves as Vice-Chairman of the Board.

In June of 1951 he became Chairman of the Executive Committee of **New Rochelle Trust Company.** He held that position throughout the next five years, during which he was a leader in promoting the consolidation of the former New Rochelle Trust with other Westchester banks into the **Westchester Bank & Trust Company,** immediate parent of the present National Bank of Westchester. Mr. Prezzano had been a director of New Rochelle Trust Company for several years prior to joining its staff as an officer.

Mr. Prezzano is a member of the Board of Trustees of the **Eastchester Savings Bank of Mount Vernon.**

* * *

Construction is scheduled to begin on the **Concord National Bank, Concord, N. H.** and the **Concord Savings Bank, Concord, N. H.** during the last day of June, it was announced.

* * *

**The National State Bank of Elizabeth, Elizabeth, N. J.,** with common stock of $1,000,000; and **The First National Bank and Trust Company of Summit, Summit, N. J.,** with common stock of $300,000 consolidated as of the close of business May 31. The consolidation was effected under the charter of The National State Bank of Elizabeth and under the title "The National State Bank, Elizabeth, N. J."

At the effective date of consolidation the consolidated bank will have capital stock of $1,875,000, divided into 75,000 shares of common stock of the par value of $25 each; surplus of $2,000,000; and undivided profits of not less than $227,130.59.

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Walter Reller, President of the **Ambler National Bank, Philadelphia, Pa.** and Geoffrey S. Smith, President of **Girard Trust Corn Exchange Bank, Philadelphia, Pa.** on June 13 jointly issued the following statement:

A proposal of merger of the Ambler National Bank and the Girard Trust Corn Exchange Bank has been informally approved by the Boards of Directors of both banks.

It is proposed that the shareholders of the Ambler National Bank will receive 1⅝ shares of Girard Trust Corn Exchange stock for each share of Ambler National Bank stock.

A formal plan of merger is now being prepared by counsel for official action by both boards and to be submitted to the shareholders of both banks for their approval as well as to the State and Federal regulatory authorities.

All officers and employees of the Ambler National Bank will become members of the staff of the Girard Trust Corn Exchange.

The Board of Directors of the Ambler National Bank will serve as an Advisory Board with Dr. Andrew Godfrey as its Chairman. Dr. Godfrey has been Chairman of the Board of the Ambler National Bank.

Walter Reller will continue in charge of the offices of the Ambler National Bank as Vice-President—Ambler Division, on the staff of Girard Trust Corn Exchange.

* * *

Six employees of **Fidelity Trust Company, Pittsburgh, Pa.,** have been elected to new offices by the Board of Directors, according to John A. Byerly, President.

Albert F. Buck, formerly Assistant Secretary, has been elected Assistant Vice-President, and William C. Fecke, Jr., formerly a tax officer, was elected Assistant Secretary.

Elmer G. Grant, Jr., was named Assistant Secretary, and David K. Hildner was named a Trust Officer. New tax officers are W. Reid Lowe and William F. Lancaster.

Mr. Buck has been with Fidelity since 1948.

Mr. Fecke joined the bank in 1925.

Mr. Lowe joined Fidelity last Sept. 17.

Mr. Grant joined Fidelity last Nov. 5

Mr. Hildner joined the bank in 1936.

Mr. Lancaster has been with Fidelity since 1936.

* * *

Three promotions have been made by **The Michigan Bank, Detroit, Mich.** Board of Directors according to an announcement by John C. Hay, President.

L. R. McElhone has been named Vice-President, while Joseph A. Solsburg and George A. Pierson, have been selected Assistant Vice-Presidents.

Mr. McElhone formerly was Assistant Vice-President. Mr. Pierson previously was Manager of the Grand River-Livernois office and Mr. Solsburg was Manager of the old branch at 600 Woodward.

The appointments are effective immediately.

* * *

**First National Bank of Niles, Mich.** increased its common capital stock from $200,000 to $300,000 by a stock dividend effective June 10. (30,000 shares, par value $10.)

* * *

Election of Edward William Carter to the Board of Directors, of **California Bank, Los Angeles, Calif.** has been announced by Frank L. King, President.

Mr. King also announced board action electing seven to the position of Vice-President of California Bank and 11 others to posts as Assistant Vice-Presidents.

Elected Vice-Presidents were: E. M. Carver, O. G. Keiper, John R. King, N. R. McGrew, E. S. Richard, L. C. Small, and Webb J. Thomas.

Named as Assistant Vice-Presidents were: Arthur C. Allen, Norman Barker, Jr., K. E. Bell, Robert W. Brown, Edward P. Callahan, A. L. Corson, C. W. Dearborn, Edward E. Gregg, Arnold E. Hoeft, D. D. Moorhead, and R. E. Rowton.

# Impact of Economic Trends on Life Insurance

By A. L. GITLOW*
Associate Professor of Economics
School of Commerce, Accounts & Finance, New York University

**Labor economist cites following basic trends as particularly significant to the life insurance industry: growth of population and family formation, increase in life expectancy, inexorable inflation pressure, population's age distribution, passing of three-generation family farm, and people's expanding security-consciousness. Foresees vast further potential demand for life insurance coverage, with enlargement of opportunities and challenge facing the industry. Calls attention to population trends' impact on annuity arrangements, and on labor recruitment by all American industry.**

In this specialized world, I was a mite dubious as to the propriety of a specialist in labor economics and industrial relations venturing into the area of the life underwriter. However, the day has long since dawned when the labor economist has a vital and expanding concern with life insurance and pension matters, for these are things which are coming more and more into the forefront of the "fringe" benefits demanded by labor in collective bargaining. They are also, as we all know, an important area of public policy and action. Therefore, let us get down to some basic economic trends which possess particular significance to the people in the life insurance business, as well as to the entire population of our vast and diverse nation.

Abraham L. Gitlow

### Basic Trends

While this is by no means an exhaustive list, I see seven fundamental long-run economic trends which are especially worthy of attention: first, the widely publicized growth of this country's population; second, the growth of family formation; third, the increase in average life expectancy; fourth, the seemingly inexorable march of inflation; fifth, the age distribution or age profile of our population; sixth, the passing into history of the three generation family farm; and, seventh, the expanding security-consciousness of the American people. Consider each briefly.

### Population Growth

Three centuries ago the vast area that is now the United States of America was primitive and virgin, scarcely touched by man's imprint. Peopled by picturesque savages, its coast was specked with several settlements of Europeans. The early settlers were followed by many millions in the latter part of the 19th and early part of the 20th centuries, making up one of the great migratory movements of human history. The offspring of the earlier immigrants, coupled with the later arrivals, populated this great land. In 1790, when the first decennial census in our nation's history was taken, the young Republic's population numbered slightly less than four million. The seventeenth census, taken in 1950, revealed a dramatic growth to 150,697,361. And this growth is continuing! On March 1, 1957, our total population, including Armed Forces overseas, numbered 170,270,000.

To life insurance people, as to all others who provide services and goods for these increasing millions of Americans, the statistics spell opportunity and challenge. And the horizon beckons, if the Census Bureau's estimates of our future population are accurate. The Bureau has forecast a July, 1975 population somewhere between 207 million and 228.5 million for the United States. Assuming the continuance of prosperous conditions, this is an unsurpassed market for almost everything from yo-yos to life insurance. These numbers also mean continuing expansion of our labor force. There are and will be problems—serious ones. But the essential features of the picture are opportunity and challenge.

### The Population's Marital Status

With respect to marital status, the Census Bureau pointed out that "During each decade since 1890, the proportion of single persons has declined. The long-range decrease has been due in part to gradually rising marriage rates and in part to an increasing proportion of the population in the older age groups where single persons are relatively few. Since 1940 the trend has been greatly accelerated . . ."[1] This upsurge in family formation increases still further the potential demand for life insurance coverage, enlarging the already great opportunities facing the industry.

### Increase in Average Life Expectancy

One of the surest indicators of the health and well-being of a nation's population is its average life expectancy. The enormous progress made by the people of the United States is reflected clearly in such data. In 1954, the average American's life expectancy at birth was about 70 years. In 1900, it had been 47.3 years. Equally important, at age 65, the 1954 expectation was another 14.4 years, or close to 80. These facts possess enormous significance with respect to retirement and the growth of annuity programs to enable us to spend our later years in tranquility and free from need.

Another fact, of vital significance to life insurance, is the differential in average life expectancy as between men and women. Since medical science overcame the most serious hazards of childbirth, women outlive men. As of 1954, the average female life expectancy for all races at birth was 72.9 years, while that for males was 66.8 years. Thus, on the basis of expectancy figures at birth, the average American woman can reckon on some six years of widowhood. Further, the gap between the average life expectancy of males and females at birth has widened significantly since 1900, when women outlived men, on the average, by only two years. I do not pretend to know how wide this gap may become, or, indeed, whether it may be reversed at some point. At this moment, however, it is certain that these statistics represent a tremendous challenge to those who work in the life insurance field. Few people contemplate death with equanimity. Yet the American man, who is a family head, must be made more than simply aware of the statistics. He must be brought to action.

### Inflation

What has inflation got to do with our subject? It is the insidious termite that eats away the substance of our life insurance and annuity programs, robbing them of their real worth as seen at the time of the establishment of such programs.

Inflation means that life insurance and annuity programs must be periodically reviewed in terms of real adequacy, and the review period had better not be too long. In this respect, those who sell and service life insurance policies have done a commendable job. Between 1930 and 1955, life insurance per family in the United States rose from $2,800 to $6,900, or 146%. In the same period, the cost of living rose by 60%. Thus, real life insurance protection per family has increased. I congratulate the industry on its performance. However, in the same span of years disposable personal income per family rose from $1,900 to $5,000, or 163%. Thus, the job could be somewhat better. Further, I want you to remember this: in 1930 the average female life expectancy at birth was 3½ years greater than the male while in 1954 it was 6.1 years. Consequently, I must temper my congratulations with a blunt reminder that both the capacity to buy and the need for private life insurance protection have outpaced the growth of such life insurance protection per family in the period 1930-1955.

Although changes in the terminal dates used would alter the picture, I believe a basic challenge exists. Perhaps I, as an individual, am excessively insurance conscious, but I do not believe that the significant increase of recent years in group life insurance arrangements, growing out of collective bargaining and voluntary employer programs, offsets the desirability of more individually purchased private life insurance protection per family. I simply remind you that under many, though not all, group life insurance programs the worker's coverage terminates with his employment. Also, millions of workers are not covered by group policies. Old age and survivors insurance, while very important, strikes me as providing a protection base upon which private insurance should build in order to achieve a proper level and variety of coverage.

### Age Profile of the Population

We noted earlier the dramatic growth which has occurred in our population. Another trend warrants particular mention: the changing age distribution of our population.

The Bureau of the Census wrote, in a 1955 population report, "The population 65 years and over continued to show rapid gains, increasing by about 1.9 million between 1950 and 1955. There were about 14.1 million persons in this group on July 1, 1955. In comparison, there were 12.2 million in 1950 and about 9.0 million in 1940. The population 65 years and over has grown persistently and quite rapidly since at least 1870 when it was first classified separately in the census. At the beginning of this Century (1900) they numbered about three million. Since 1920, this age group has increased by about 35% each decade, or approximately at an average rate of 3% a year. The rate of increase in the proportion of the population aged 65 and over has also been quite high. The 1955 proportion (8.6%) is more than twice that of 1900. Thus, in 1955 about 1 in every 12 persons in the population was 65 years old or over, as compared with 1 in every 15 in 1940, and only 1 in every 25 at the beginning of this Century."

"Since 1940 some notable changes have occurred in the distribution of the population by age . . . compared to 1940, there are 'deficits' in some of the more important age groups, viz., 15 to 19 years and 19 to 24 years. These groups normally provide the bulk of new recruits for the labor force and for the Armed Forces."[2]

With respect to the future, the Census Bureau stated that "By 1975, a substantial portion of the population — an estimated 60 to 65%—will consist of persons born before 1955. Projections of this group involve relatively small errors. It appears quite clear, for example, that persons in the late 'teens' and early 'twenties' representing roughly the college-age group (18 to 24 years) will increase rapidly after 1960 and may number almost 25 million by 1970, or 10 million more than in July 1955. . . ."

"It is reasonably certain that the number of persons 65 years old and over will also increase substantially. This group in 1955 numbered slightly over 14 million and by 1975 may reach 20½ million. This figure in all likelihood represents a minimum. . . ."[3]

What does this mean to the life insurance business? First, it poses a great challenge in the annuity arrangements made available and sold to the expanding group of elderly persons, who will face the problems as well as the pleasures of retirement. Second, it involves a labor recruitment problem for all American industry including life insurance. Remember the reference to "deficits" in certain age groups: This appears to be a by-product to the great depression of the 1930's. If prosperity is maintained, it is going to be especially difficult to recruit and keep young people in specific jobs and businesses during a portion of the decade of the 1960's.

### The Passing of the 3-Generation Family Farm

A mere review of numbers fails miserably to reveal fully the dimensions of the old age and retirement problem in the United States. There have been fundamental changes in our economy which vitally influence the old age and retirement picture. One change involves the importance of agriculture. Years ago, when our nation was primarily agricultural, elderly persons spent their last years on the family farm, with their children and grandchildren. While this was not necessarily an idyllic arrangement, it was generally effective. Within the limits of their strength, the older folks made constructive contributions to the farm. The farmhouse provided living space and food was easily available. In short, little money was required in retirement.

Today's picture is dramatically different. The overwhelming majority of our population is urban or suburban. The usual family unit is a two generation one—parents and children. Apartments and suburban homes are not noted for providing living space for a third generation. Elderly folks must usually find their own living quarters. This costs money, as does food and other necessaries —let alone some of the amenities of life. Briefly, annuity arrangements are enormously important today and may be expected to be even more so tomorrow.

### Expanding Security Consciousness

All of the foregoing has demonstrated sketchily the potential demand for life insurance and annuity coverage. Our people require increasing amounts of these services. Of equal importance, however, is our population's recognition of these needs and willingness to pay for them. There are substantial signs that the American people have become more security-conscious. Social security programs and collective bargaining developments can lead one to such a conclusion. But public policy and group action are not a complete answer. I believe the life insurance industry must continue to be concerned with the individual holder of a life and annuity contract. Make the facts known to the individual American. Do not forget him! Do not permit him to forget himself! In so doing, you will make a further contribution to the well-being of our nation.

### Some Final Observations

I have talked about economic trends as they relate to life insurance. The gist of my message implies great growth for the industry. To economists, such growth has a special significance. It means that insurance companies will continue to handle increasing amounts of the savings of the American people. And savings possess a critical economic significance. They are the dollars which buy more and better toolpower (capital), thereby expanding our nation's productive potential and our living standards. Thus, the life insurance industry faces a further challenge in the manner in which it invests the savings which flow through its hands. Some study has been devoted to this.

An analysis of the percentage distribution of life insurance company assets, during the period 1920-54, reveals these major features:

(1) Life insurance funds have played an important role in financing the Federal Government's efforts toward prosperity and peace. From a post World War I (1920) point at which 11.3% of life insurance company assets were in U. S. Government securities, the percentage declined to 1.9% in 1930, rose to 19.3% by 1940, further increased to 45.9% in 1945, and had declined to 10.8% by 1954. Barring a wartime military buildup or a depression, 10-12% strikes me as a reasonable level at which to keep the proportion of life insurance company assets invested in securities of our Federal Government.

(2) The percent of assets in all other government bonds has declined rather persistently in the 34-year period, from 7.1 and 6.1%, respectively, in 1920 and 1930, to 3.6% in 1954. As a local school board member, it seems to me that the life insurance companies might re-examine this trend and this proportion. They could make a considerable contribution to school construction needs in our nation, which are now desperate, by building up in some degree the proportion of their assets which are invested in local school bonds. These bonds have some very desirable features from the investor's standpoint. First, they are tax exempt securities; and, second, in properly run school districts, they are safe investments.

(3) Except for the World War II period, when life insurance company assets were concentrated in U. S. Government securities, there is a persistent tendency for the proportion of life insurance company assets invested in the securities of business and industry

*Talk by Professor Gitlow before the Chartered Life Underwriters of America, New York City, May 22, 1957.

1 U. S. Bureau of the Census, "Changes in Marital Status and in Number of Households, 1890 to 1951," *Current Population Reports*, Series P-20, No. 35, Nov. 28, 1951, p. 1.

2 U. S. Bureau of the Census, "Estimates of the Population of the United States, by age, color, and sex: July 1, 1950 to 1955," *Current Population Reports*, Series P-25, No. 121, Sept. 27, 1955, page 2.

3 U. S. Bureau of the Census, "Revised Projections of the Population of the United States, by age and sex: 1960 to 1975," *Current Population Reports*, Series P-25, No. 123, Oct. 20, 1955, page 3.

to rise, from 27.7% and 28.8% in 1920 and 1930, respectively, to 44.3% in 1954. I favor this trend. As the quantity of savings passing through the hands of life insurance companies increases, it is most important that a sizable proportion go into business and industry, thereby contributing to further capital formation. Remember! More and better capital increases productivity. It is the key to plenty.

(4) Mortgages account for a large proportion of life insurance company assets. Yet, a long-term trend is not discernible. Between 1920 and 1930, the percent of assets invested in mortgages increased from 33.4% to 40.2%. This was a period of great construction activity. During the depression, a severe contraction was experienced with the percentage of assets in mortgages declining to 19.4%. By 1945, as a consequence of World War II, the percentage further contracted to 14.8. Since then, building activity has been great and life insurance company assets invested in mortgages surged up to 30.8% by 1954. I believe the life insurance companies might do well to re-examine this proportion. It might be reduced somewhat as assets placed in local school bonds and business and industry were increased.

In this connection, it is interesting that Thomas E. Lovejoy, Jr., President of Manhattan Life Insurance Company, told an audience some weeks ago, in discussing the current slump in home building: "Since 1948, we have been building so many houses that the supply has finally caught up with demand. . . . We may have this condition until the crop of war babies grows up, forms families, and the demand for housing fakes another spurt. That is expected in the 1960's."[4]

Assets of life insurance companies, which surpassed $90 billion by 1956, grew largely because of the savings element in life insurance. Guaranteeing a minimum rate of interest (about 2.5%) to policyholders and beneficiaries leaving death benefits with the companies to earn a return, the life insurance firms must earn at least this much from their assets. Further, competition for business leads them to seek larger yields, so they can offer a higher rate than the guaranteed minimum. To the assets already accumulated must be added the large and continuous inflow of new savings and repayments on past loans (over $12 billion annually). Of these enormous sums, the life insurance companies hold relatively little in cash. Apart from immediate requirements for liquidity, the leading problem is to maximize income. But this must be done consistent with state laws and prudence.

These considerations explain the preferences for certain types of investments, as well as shifts over time in these preferences. They help explain why funds made available for expansion of industry are more likely to go to well-established firms than to struggling newcomers, who may be the trail blazers of the future. Further, the funds are more likely to be made available in debt (bonds) rather than in equity (stock) form. Consequently, life insurance company assets may not be employed where their productive value would be greatest. They go to what appears best among a limited range of "conservative" investment opportunities.

Although laws increasingly permit investment of at least small portions of assets in common stock, the choice, as noted, is likely to be the stock of long-established, large firms. Recognizing that the claims of life insurance policyholders are relatively more liquid than the assets of the life insurance companies, I still urge study of how a more substantial proportion of these assets may be made available as venture capital. The results of such study may require legislative changes, which would enable life insurance companies to invest their assets in even more productive ways than previously. I consider these suggestions important, so that the large amount of savings passing through the hands of life insurance companies may yield increasing fruits of well-being and tranquility for the American people.

[4] "Commercial and Financial Chronicle," May 16, 1957, page 6.

## Keller Adds to Staff

BOSTON, Mass.—John J. White has become connected with Keller & Co., 31 State Street.

## Timken Roller Bearing Offering Underwritten By Hornblower & Weeks

The Timken Roller Bearing Co. is offering shareholders of record June 12, 1957, the right to purchase 484,276 additional shares of common stock (without par value) at $40 per share, on the basis of one new share for each ten shares held. The rights will expire at 3:30 p.m. (EDT) on July 1, 1957. Hornblower & Weeks, who headed the financing in 1922 also will head the nation-wide group of investment bankers underwriting this issue.

This financing will represent the first time the company itself has offered securities publicly since its incorporation in 1904, although a block of 400,000 shares of stock owned by members of the Timken family was sold to the public in 1922. Early in June, the stock was split on a two-for-one basis.

Net proceeds will be added to the company's general funds and will be available for capital expenditures over the next several years. These expenditures will be made for new equipment and facilities to increase volume, reduce costs and improve quality.

Timken is the largest manufacturer of tapered roller bearings in the world and is also a large maker of removable rock bits used in the construction, roadbuilding, mining and quarrying industries. In addition, the firm is one of the nation's leading producers of quality alloy steels in the form of bars, billets and seamless tubing.

Net sales in 1956 rose to $214,475,493 from $196,054,414 in 1955. Income in 1956 amounted to $21,789,664, equal to $4.50 a share, on the 4,842,760 shares then outstanding, reflecting the stock split. In the previous year, income amounted to $22,100,165, or $4.56 a share, adjusted on the same basis.

Quarterly dividends have been paid continuously since 1922, and have been disbursed at an annual rate of $2 a share for the past two years, reflecting the stock split.

## Boren Adds to Staff

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Ben F. Evans, Jr. has been added to the staff of Boren & Co. Securities Brokers, 9640 Santa Monica Boulevard. Mr. Evans was previously with Bache & Co.

# The Airline Challenge—Pitfall or Opportunity

By SELIG ALTSCHUL*
Aviation Advisory Service

**Aviation expert points out uncertainties facing airline industry, including levelling-off of growth, profit squeeze manifested in last year's earnings decline in face of 13% passenger traffic increase, lag in economizing technological improvements, regulatory restrictions, intensive competition, CAB's fare policies, and accounting regulations including removal of the rapid tax write-off. Maintaining key to group's economic future lies with regulatory aspects and permission to develop earnings adequate to attract capital. Mr. Altschul concludes that with favorable treatment in those sectors, the industry, with its growth potentials intensified by the coming of jets, may come into its own.**

I welcome this opportunity to discuss the airlines as they represent a dynamic force, vital to the nation's economy and general welfare. As such, they are dependent upon sustained and continued investment support. As with most investments, however, they contain the ingredients which can lead to pitfalls or opportunities. If anything, the airlines probably have more than their share of uncertainties. This is what helps make the airlines so interesting—and challenging.

Selig Altschul

### The Growth Factor

We all know that the airlines have a tremendous growth factor. In 1956, the domestic trunks flew some 21.6 billion revenue passenger miles. This was up 12.7% over 1955, but 112% above the 10.2 billion revenue passenger miles of 1951 and 260% over the 6 billion mark of 1947. While the rate of growth has slowed down and is not now of the more impressive 20 to 25% annual gains recorded by the industry in earlier years, the steady uptrend in airline travel remains strong and will continue. It must be remembered that with each succeeding year, the base upon which the rate of growth is calculated becomes larger. Also, there is a tendency of the rate of growth to level off somewhat as the degree of penetration of the total market increases. Incidentally, there is a definite tapering off in coach traffic—the category representing the largest gains in recent years. For example, during 1956, air coach travel accounted for 35.7% of the total for the industry as a whole, virtually unchanged from the 34.9% participation of 1955. Of course, within the industry there are wide variations.

Nevertheless, substantial traffic gains lie ahead. As forecast by the Civil Aeronautics Administration, domestic revenue passenger miles are expected to range from 32 billion to 38 billion for 1960. For 1965, this same source projects a range of from 42 to 56 billion and, for 1970, anticipates a low of 52 billion to a high of 68 billion in revenue passenger miles.

There can be no doubt that the introduction of jet aircraft will represent an important factor in attracting more and more people to the air. The speed and comfort advantages alone will create new volume, particularly in the long distance markets.

### Earnings Lag

Operating earnings and net income, on the other hand, have not only fallen far short of matching the sharp traffic gains but have, in fact, gone into reverse.

This is an ironic phenomenon in a growth industry where rising volume is normally expected to bring leverage into play and exercise a favorable impact upon earnings. In other words, once the break-even point is reached, the bulk of subsequent increases in gross revenues is normally expected to flow through to net operating income. This has not happened in the air transport industry because of the continuing squeeze on profit margins.

Stated differently, the industry has had to generate substantial gains in gross merely to hold its ground in earnings. Last year, earnings actually declined in the face of an increase of almost 13% in passenger traffic.

Net operating income for 1956 was down about 18% to $101 million from $123 million for 1955. The squeeze on airline profit margins has been well publicized by the separate airlines in their individual 1956 annual reports and first quarter accounts for 1957. There is no need to here enumerate the various rising cost elements in the face of an unchanged fare structure. The fact remains that technological gains in the aeronautical art, which for years were able to absorb rising operating costs, simply cannot continue to overcome increased unit expenses.

On the contrary, technological improvements accomplishing increased economies simply are no longer operative in the same manner as in the past. Each new aircraft model, for example, in addition to representing an improvement in speed, range and comfort, also effected a reduction in seat-mile costs. This has been the story from the DC-3 on to the DC-4 and through the DC-6B series. With the DC-7 however, only gains in speed range and comfort were accomplished. Seat-mile costs for this model, the DC-7, reversed the previous trend and are higher than for the DC-6B.

Every trunk airline, without exception, wants higher fares. All but four, however, have filed for an immediate 6% increase in the fare structure with a few fringe differences. This has become the Passenger Fare Increase Case now before the CAB which, under the agency's procedural steps, must be decided by Oct. 1, next. Marking time is the General Passenger Fare Investigation Case which was launched by the CAB last year with the implied objective of reducing fares. A final determination in this instance is unlikely before sometime in 1958.

Considerable importance has been attached to these proceedings. Of course, an upward revision of fares is in order and should be granted. But, regardless how adjudicated, the CAB will be dealing with just one symptom in the Passenger Fare Increase Case, and not with the fundamental economic condition of the industry. It is an economic patchwork shaped throughout the course of years, unrelated in piecemeal regulatory moves.

### Key to the Future

For this reason, the regulatory aspects governing the position of the airlines is of over-riding importance and therein lies the key to the group's economic future.

The CAB is charged with the mandate to foster and encourage a strong civil air transportation system. It also has the responsibility of protecting the public interest. In wearing the public interest cloak, it is understandable where the board can become overzealous, probably as a result of prodding from Congressional Committees and, at times, taking action which frequently runs contrary to the public interest. Throughout the years we have an almost unbending, never-changing attitude of the board toward the industry. A regulatory philosophy which was successful in 1938, and perhaps in the immediate post-war years, is not necessarily valid today. For example, the board was indeed correct in taking the separate airlines off of mail subsidies as soon as they became economically self-sufficient. And the airlines, themselves, were glad to be rid of subsidies as soon as possible.

But circumstances change and a rigid regulatory pattern applied to meet conditions which no longer pertain, is, in the long run, contrary to the public's interest.

Very few elements in any industry remain static forever. For example, the monetary authorities kept the prime rate for money at 1½% from 1935 to Dec. 26, 1947, when it went to 1¾%. But it changed after 12 years, and it kept on changing with the needs of the times until it hit 4% last year. Now, if the monetary authorities saw fit to effect this tremendous change in the prime rate of money, a vital element in the country's financial structure, what about the need for change in the thinking of the regulatory authorities governing the airlines—a dynamic industry whose very essence epitomizes change?

No longer can the board conveniently compartmentalize each issue in a separate proceeding without regard to the overall position of the industry as a whole. For example, during 1955 and 1956, in various route proceedings, the board certificated extensive new mileage, sharply intensifying competition within the industry. Those individual airlines that have been extended into new markets are, of course, pleased. Those carriers, however, which have had additional lines placed on their backs, are naturally unhappy. But the fact remains that virtually all leading markets have service from a minimum of two, and frequently from three or more airlines. New York-Chicago is served by five carriers, and nine airlines operate between New York and Washington.

In making many of its new route awards, the board asserted that additional business would be created and little, if any, traffic diverted from established operations. This definitely has not been the case thus far. Traffic has been thinned out. In one or two cases, carriers enjoying certain equipment advantages have recorded sharp traffic gains taken out of the hides of competitors. As additional equipment is delivered and more schedules implemented on these new routes, even further competition will be brought into being.

### Intensive Competition

This intensive competition does a number of things to an airline's capital requirements and operating budgets. It means that every carrier is determined to have enough equipment to hold on, at the very least, to its present position over established route segments, plus attempting to carve out additional volume over its new extensions. It further means that sales and promotion efforts are being intensified. At the same time, the thinning out of traffic serves to reduce load factors. Hence, leverage in reverse begins to operate.

Instead of the highly controlled route patterns of the past, where, in some instances, semi-monopolistic conditions similar to the operating franchises of public utilities prevailed, we are having highly competitive forces unleashed where the airline certificate for its route value is becoming of diminished consequence. The travelling public may appear to be the immediate beneficiary. But I wonder. Multiplicity of service leads to additional congestion and delays at air traffic control centers and at airports. In many instances, the additional services seem to be provided at the expense of schedules from other routes. Further, in the long run, I question whether the lower load factors and lower degree of profitability resulting from multiple competition will provide a greater or a lesser improvement in equipment and service for the travelling public.

The board, at one time, demonstrated a keen interest in strengthening the industry through mergers. Extensive new route awards throughout the industry are moves in the opposite direction and defeat the objectives envisioned by mergers. It is obvious that airline fares now have a natural tendency to be established in the competitive pits and will be set at the lowest possible levels to attract the most business consistent with profitable operations.

For this reason, among others, it is a little difficult to understand the rationale of the board's General Passenger Fare Investigation, set in motion last year, for the obvious purpose of reducing fares.

Alleged excessive earnings realized on the investment by a number of trunk lines is the ascribed basis for the board action in starting the General Passenger Fare Investigation and for staff resistance to the emergency 6% fare increase. This is not the forum to establish a fair rate of return on the investment for the airlines. But a number of facts are self-evident. In the first place, it is a serious mistake to place the airlines in the same regulatory framework as that of a monopolistic utility. The reasons for this contrast have been previously stated. Having most of the aspects of competitive industrial enterprises, an operating ratio measure is clearly more in order. This is particularly true in view of the narrow profit margins prevailing for the airlines. Incidentally, this was an approach I first advocated when I was with the board in 1941, and time has reinforced the correctness of this view.

### Fallacy of Fair Rate of Return

Even the fair rate of return on the investment, if valid, as applied to the airlines is most fallacious. In the first place, the board is looking at results which are old and have changed considerably during the last year or so. More importantly, the board's staff, in computing rate of return, makes extensive disallowances in the investment base and in operating expenses. This may be fine as hindsight and in reducing every carrier to a common standard, but it isn't the way in which the airlines are forced to operate from day to day in the cold crucible of reality.

Certainly, today's circumstances differ sharply from the days when the domestic trunk airlines were on mail subsidy and the Board was cast in the role of a Treasury watchdog.

In fact, most airlines were and remain just as anxious as the Board to have removed themselves from subsidy. There was the strong motivation in the implied incentive that once off subsidy, the 8-10% return on investment, which served as a ceiling on earnings, would be removed. The desire to broaden markets and competitive forces are the best assurance that the public will not be gouged. And the proof is there as the average passenger fare has remained virtually unchanged during the past 10 years in the face of sharply rising prices everywhere for services and commodities purchased in today's markets.

Administrative actions being effected by the Board off to the side in a separate compartment are closely related and should influence determinations in the passenger fare proceedings. One phase has been finalized with another being proposed. This has to do with the CAB prescribed Uniform System of Accounts which govern the manner in which the airlines keep their books. As of Jan. 1, 1957, a number of significant changes were declared effective and will serve to remove a measure of flexibility in equipment programs and create tenuous earnings. More importantly, it will remove vital safeguards so essential to meet extraordinary situations, which occur in a technological changing industry, and which cannot be anticipated in advance. This is a highly technical subject which deserves much more time than is now available. Briefly however, the major changes in accounting will now require the airlines to do the following:

(1) Reflect the cost of an overhaul in the residual value of airframes and their attendant engines.

(2) Cataloguing Flight Equipment Spare Parts and Assemblies into two categories. They may not be expensed or reserved for against loss due to obsolescence excepting under special approval from the Board.

(3) Establish a reserve for Airframe Maintenance, and such reserves are to be classified as "valuation reserves." This, incidentally, is not even good accounting.

These changes are regarded by many as interfering with managerial judgment and prerogatives. There can be no doubt as to their removing flexibility in effecting equipment transitions.

### Intrusion Into Management Prerogatives

Far more serious an intrusion into managerial prerogatives is a pending change in the economic regulations which would require the airlines, for accounting purposes, to increase residual values on aircraft from 10% to 15%, plus the cost of an overhaul, with depreciation on a straight-line basis over a period of 7 years. This proposed change has not yet been declared effective. But the financial consequences are most serious to say nothing of placing equipment transitions in a strait jacket if this change is permitted to become operative.

For tax purposes, this proposed change would not apply, of course, where "quickie" write-off certificates have been received. But there is much equipment not covered by such amortization certificates and the Internal Revenue Service, in those instances, will follow the CAB Uniform System of Accounts. As a matter of fact, two airlines are now faced with such an interpretation by the Internal Revenue Service. A third carrier, operating at a loss last year, has voluntarily gone to a 7-year life with a 15% residual value for its aircraft.

Nor can the Board shut its view as to the action of a sister government agency which has upset fi-

*An address by Mr. Altschul before the 10th Annual Convention of the National Federation of Financial Analysts Societies, Cleveland, Ohio, May 22, 1957.

nancing plans of the airlines in acquiring new aircraft.

Upon attaining the goal of 900 commercial transports previously determined as eligible for fast tax write-offs, the Office of Defense Mobilization, at the 1956 year-end, closed out the expansion program for this category along with four others associated with the national defense interest.

As a result, pending applications with the ODM, aggregating $1.4 billion and covering almost 400 air transports, including most of the jets on order, will not be eligible for accelerated tax amortization. It is small wonder that the industry is strongly pressing for reversal of the ODM decision.

**Vital Role of Tax Amortization**

Such accelerated tax amortization played a vital role in enabling the industry to embark upon an aggressive program of equipment expansion in keeping with national objectives. It is doubtful if the air carriers could have acquired the modern fleets they have without such a program. Under the provisions of the certificates of necessity granted for this purpose, the airlines are permitted to write-off 80% of the cost of the aircraft in five years. Without this certificate, normal depreciation charges against a stated life of seven years would apply.

The fast write-off has been most helpful in adding to the "cash flow" of airline earnings and has made the financing of new equipment fleets possible. Capital formation from internal sources has immeasurably strengthened in this process and has been the bulwark attracting banking funds to the industry.

For example, in the three-year period, 1953-1955, of the total $601.1 million in funds generated some $323.7 million, or almost 54%, were derived from depreciation and amortization charges. (It is important to note that not all of these charges were due to the quick write-off but such accelerated items played a significant part.) This largely facilitated the re-investment of $486 million, or almost 81% of cash funds obtained from all sources, in the purchase of property, mostly aircraft. It is for this reason that new debt and capital stock financing were kept to a minimum.

With a tight money market, the internal self-generation of cash is more important today than ever before if the airlines are to finance new equipment acquisitions now believed to be in excess of $2.5 billion.

And financing such capital funds through other means can be a formidable undertaking. Certainly new money—from banks or investors—may not be attracted as much of the protection afforded by the cash flow will be removed.

Nor can earnings be expected to fill the vacuum caused by the removal of the rapid tax write-off. Subject to the caprice of narrow profit margins, earnings at best are now considered nominal. On the $1.4 billion of new equipment on order and covered by these certificate applications, it is estimated that somewhere between $20 to $25 million annually, in a cash flow, is involved for the next five years. This would mean that these carriers would have to earn, before taxes, twice that amount additional each year, or between $40 to $50 million to offset the termination of certificates of necessity.

Logically, this could promote strong inflationary pressures in the fare structure. In other words, in order to offset the loss of the cash flow due to the rapid tax write-off abolition, fares would have to be increased to not only absorb rising costs but to compensate for the additional cash required.

The ending of the fast write-off could possibly lead to a curtailment and even cancellation of equipment purchase orders. And if denied the means of generating the necessary funds for such purposes, managements may be discouraged from embarking upon necessary expansions.

Considerable impairment of capital funds would result through overstated earnings as a result of the elimination of accelerated amortization. This would come about as replacement of equipment has been at progressive sharp increases in price. When the time arose to replace old equipment, it would be found that depreciation reserves were grossly inadequate. This phenomenon is even now most acute in the case of the local service airlines.

Moreover, rapid write-offs promote technological advances as there is a greater incentive to acquire newer and more modern aircraft by discarding "old" equipment that is completely depreciated on the books.

As aircraft is written-off through an accelerated depreciation policy and as expansion programs are completed, the airlines will have reduced their future investment base against which charges may be assessed for tax credits. In other words, accelerated depreciation, in a broad measure, serves to defer taxes for payment to a future date. It is not uncommon to find substantial reserves for this purpose in the balance sheets of most of the domestic trunk airlines. Accordingly, accelerated amortization by no means is to be construed as a means of tax "forgiveness."

It is to the future that the regulatory authorities should set their sights as we all do in evaluating the position and outlook for any industry.

**Capital Demands Large**

The capital demands of the airlines are indeed enormous. Capital budgets necessitated by the jet age keep on growing. Not only are aircraft involved but supporting facilities on the ground and in the air will require capital expenditures. The airlines will pay for many of these items directly, while other facilities and services will be absorbed in their operating costs. For example, in the new airways control plan, so essential to safety in the air, it is contemplated that the airlines will pay a users' charge. Enlarged airport accommodations for passengers are a must and higher rental charges in this area are inevitable.

About a year ago, in an address before the Wings Club in New York, I estimated U. S. airline capital expenditures at $3 billion for the next ten years. This now appears on the low side. About half of this amount was projected in the form of new money: long-term debt, short-term bank loans and equity type securities. The balance is expected from retained earnings, cash throw-offs and proceeds from surplus aircraft sales.

I have spent considerable time in reviewing the regulatory side of the industry because of its impact on the current and future financial position of the airlines and their ability to meet the challenges of the future.

The economic facts of life are quite simple — the airlines must be permitted to develop earnings adequate to attract capital. And the airlines are in constant competition for money with other industries that also need capital but whose earning power is not inhibited by artificial restraints. What does it take to attract equity money? That is the base upon which the pyramid of new capital funds, long- and short-term debt, rests. The Board ought to focus on that simple equation and many of its actions will take on a new perspective.

I am confident that the Board, in the final analysis, is determined to follow its basic mandate as set forth in the Declaration of Policy of the Civil Aeronautics Act of 1938 and which is:

"The encouragement and development of an air transportation system properly adapted to the present and future needs of the foreign and domestic commerce of the United States, of the Postal Service, and of the national defense. . ."

Once this is done, we can anticipate the airlines coming into more of their own, both operationally and economically. And with an industry just bursting with growth potentials—intensified by the coming of the jets—the group may once again attract investment capital and achieve its proper destinies.

## FIC Banks Place Debs.

The Federal Intermediate Credit Banks on June 18 offered a new issue of approximately $83,000,000 of 4¼% nine-month debentures, dated July 1, 1957 and maturing April 1, 1958. The debentures are priced at par.

At the same time it was announced that of the outstanding maturities $1,500,000 of debentures due September 1957 and $10,000,000 of debentures due October 1957 were sold and privately placed. Proceeds from the financing will be used to refund $66,000,000 of 3¾% debentures maturing July 1, 1957 and for lending operations.

The new issue is being offered through John T. Knox, Fiscal Agent, and a nation-wide selling group of recognized dealers in securities.

## J. T. Stephens Elected

At a meeting of the Board of Directors, Missouri Pacific Railroad, held in St. Louis, Jackson T. Stephens, President, Stephens, Inc., an investment company specializing in banking and utility company securities, Little Rock, Ark., was elected to fill the unexpired term of Robert B. Anderson, President, Ventures, Ltd., New York, N. Y.

Mr. Anderson, whose term expires in May, 1958, tendered his resignation in connection with his acceptance of the post of Secretary of the Treasury.

# Bank and Insurance Stocks

By ARTHUR B. WALLACE

## This Week — Insurance Stocks

### The Aetna Casualty and Insurance Company, Hartford, Connecticut

This adjunct of Aetna Life Insurance Company was incorporated in 1883 under Connecticut law as the Hartford Equitable Indemnity Company. Its initial capital stock was $500,000. In 1889 the title was changed to Aetna Accident Insurance Company, and to the present form in 1917. A controlling interest in the unit was acquired in 1907; and today Aetna Life holds approximately 62% of the outstanding stock.

At the end of 1955 Automobile Insurance Company, another Aetna Life affiliate, was merged with the Casualty company and there were then outstanding 1,400,000 shares, par value $10. Controlled subsidiary units are Standard Fire Insurance Company of Hartford, over 99% owned; and Iowa Fire Insurance, wholly owned.

The Accident Company, as Aetna Casualty was called for some time, spearheaded the Life Company's venture into the accident field, and later a Connecticut law was passed permitting life companies to write accident coverage.

The Accident Company's capital grew from the original $500,000, to $9,000,000 just before the Automobile merger. A 50% stock dividend was paid to the holders of the subject company, and then Automobile was absorbed by a share-for-share exchange of stock. About 20,000 agents represent the company, which operates on a nationwide basis. With its companion companies, practically all lines of business are written. Aetna Casualty, on premium volume, is the second largest writer in its field.

**Principal Lines Written Are, for 1956**

| | |
|---|---|
| Auto Bodily Injury | 22% |
| Workmen's Compensation | 19 |
| Miscellaneous Bodily Injury | 12 |
| Fire and Allied Lines | 9 |
| Auto Physical | 11 |
| Inland Marine | 7 |
| Auto Property Damage | 10 |
| All Other | 10 |

Net premium income in that year was $237,800,000, up from $163,711,000 the year before, prior to the merger of Automobile.

Through 1955 (the merger being effective at the end of that year) Aetna Casualty's ten-year growth in premium volume was about 236%.

For the same decade the average combined loss and expense ratio was 96.2%, giving an approximate underwriting profit margin of about 3.8%. This decade embraced several years in which the automobile lines of business were particularly bad; automobile lines account for about 43% of total premium volume:

**Ten-Year Statistical Record—Per Share**

| | Liq. Value | Adj. Und. Profit | Invest Income | Federal Taxes | Net Earn. | Div. | Price Range High | Low |
|---|---|---|---|---|---|---|---|---|
| 1947 | $61.74 | $2.11 | $3.06 | $0.25 | $4.91 | $2.00 | 56 5/8 | 49 1/4 |
| 1948 | 65.38 | 4.73 | 3.52 | 1.39 | 6.87 | 2.00 | 56 | 49 1/4 |
| 1949 | 73.60 | 4.77 | 4.21 | 2.56 | 6.42 | 2.00 | 63 | 48 5/8 |
| 1950 | 85.32 | —0.18 | 4.85 | 0.52 | 4.15 | 2.00 | 74 5/8 | 57 1/4 |
| 1951 | 87.29 | —1.21 | 5.09 | 0.07 | 3.81 | 2.00 | 71 | 55 5/8 |
| 1952 | 96.68 | 5.51 | 5.51 | 2.03 | 8.98 | 2.00 | 75 5/8 | 57 |
| 1953 | 103.60 | 8.45 | 6.29 | 2.81 | 11.93 | 2.13 | 98 5/8 | 72 |
| 1954 | 133.49 | 13.21 | 7.24 | 6.35 | 14.10 | 2.00 | 126 | 84 5/8 |
| 1955 | 154.31 | 5.17 | 8.31 | 0.58 | 12.90 | 2.40 | 176 | 120 |
| 1956 | 156.30 | 2.74 | 7.64 | 0.15 | 10.22 | 2.70 | 136 | 108 |

NOTES—Data for 1956 reflect Automobile Insurance Co. merger. Adjustment made for 50% stock dividend in 1955.

In the investment end of the company's operations, in the ten years through 1956 approximately 38% of investment income was disbursed as dividends.

As the nature of the casualty business requires that a company maintain relatively high liquidity, Aetna Casualty, of course, conforms with this industry practice. There follows a breakdown of assets as of the end of 1956:

| | | | |
|---|---|---|---|
| Cash | 3.7% | Preferred Stocks | 5.4% |
| U. S. Gov't Obligations | 7.6 | Common Stocks | 22.3 |
| Other Bonds | 52.0 | Other Investments | 0.5 |
| Miscellaneous Assets | 8.5% | | |

In the decade to Dec. 31, 1956, Aetna's change in the value of its assets (including realized gains and losses) was $43,686,000.

The growth factor becomes evident in the above ten-year statistical record. Liquidating value in the period increased about 157%; net earnings some 240%; dividend 35%. Here is a stock suited to the investor who is less attracted by current income than he is by long-term growth. The management is the same as that of Aetna Life Insurance Company.

A conservative dividend policy is pursued, as is true of all the better managed companies. The present annual rate is $2.70, and selling at present at about 142, the yield is 1.90%. In the decade ended with 1956, the gain to the stockholder was $116.79, or at an annual rate of $11.68; a little less than one-fifth of this gain, on average, was accounted for by the cash dividends, the remainder by the increase in equity, again on average.





*Continued from page 11*

# The Fast Changing South Is A Frontier of Opportunity

stock. Cotton no longer dominates our agriculture, but it remains a good partner in a better balanced economy. In 1930, livestock and livestock products counted for only one-fifth of the South's farm income; in 1954, the proportion was well over one-third.

The South's farms are getting larger, more mechanized, more productive and more profitable. Farm ownership has increased substantially, and capital investments are larger. The South's agriculture is now predominantly on a cash rather than a "subsistence" basis.

The South is now a major consumer market in the United States. Since 1940, its department store sales, its volume of personal savings, and its bank accounts have all been growing more rapidly than in the average of the rest of the nation. Averages, however, are not without their dangers, as is illustrated by the story of the statistician who was drowned trying to wade across a river with an **average** depth of three and a half feet.

Perhaps a good index of the relative gains in consumer purchasing power is passenger car registration. In the period between 1932 and 1955, registrations in the South increased 302%, as compared with a United States gain of 145%.

All of these gains are impressive indications of improvements in the South's economy. However, it is important to take a balanced view of what is happening. There is a less glittering side to each of these growth indexes.

### Still Far From Full Development

It is still a fact that the South's per capita income is only two-thirds that of the rest of the country. It is also true that the dollar gains have been influenced by the increase in the cost of living.

As to manufacturing, despite the region's impressive gains, the factory still plays a relatively small role in the South's economy. In 1955, manufacturing accounted for only 18% of the region's total income. This is considerably less than in some other regions of the nation.

As to urbanization, the South is still generally considered rural despite the tremendous gains that have been made in the urban areas. The trend from farm to city is going on at a rapid rate, however, and the proportion of population in metropolitan areas will increase in the future.

Actually, neither the relative gains that the region has made in quantitative terms nor a comparison of the statistics with what is happening elsewhere in the nation is important.

### No Longer a Colonial Economy

The important point is that the basic nature of the South's economy is itself changing. Only 20 years ago the South was in every economic sense a "colonial economy." It had been almost completely by-passed by the first Industrial Revolution nearly a century ago. Today, the South's economy is fast maturing and the region is participating fully in the second Industrial Revolution which is sweeping the nation. It can confidently be stated that the South's economy is "over the hump"—that is, it has changed from a colonial to a mature economy and, although the process is yet in an early stage, there is little likelihood that the South's economy will ever return to the status which it occupied only two decades ago.

There are a number of characteristics of "colonial economies" which should be mentioned because they all applied to the South of the prewar period—a predominant reliance on agriculture, a predominant use of hand labor with little mechanization, a vast over-supply of people, a preoccupation with the simplest type of economic processing, a virtual lack of secondary industries, a serious shortage of local capital, underdeveloped natural resources, a continuous loss of its best manpower, and a generally low standard of living. In addition, the colonial economy operates on adverse terms of trade—it sells on the "open" market and buys in the "protected" market. All of these were characteristics of the South's economy.

Today, the South is throwing off each of these characteristics, one by one. World War II was the main reason for the transition getting under way—it pumped in hundreds of millions of dollars to create a "cash" market for the first time and it resulted in the mass migration of millions of people of the farms. The result was a movement of plants to the South in the immediate postwar years to reach the new market—and more important, the subsequent use of the South's natural resources, labor, and abilities as the Second Industrial Revolution got under way several years later.

### Just Getting Underway

In the light of this perspective, the South's new economic development is just getting under way. The impact of this basic economic change has hardly yet been felt. Every new primary plant moving into the Sotuh opens up the possibility of a large number of secondary plants being developed in the region which will be at a competitive advantage with respect to existing suppliers elsewhere. It is just a matter of time before the secondary development takes place on a large scale, and along with it development of a skilled labor force, large pools of equity capital, and large numbers of new business enterprises. It is, in effect, a "built-in" expansion process.

Most of this new economic development will take place in the urban areas. Trends in the South's metropolitan areas have already been phenomenal. For example, only five years ago the official projection indicated that metropolitan Atlanta would reach the population of one million people by the year 1980. At the same time, the prediction was made by others that this figure might be reached as early as 1970—a prediction which was greeted with great skepticism.

Today it is perfectly clear that metropolitan Atlanta will reach the one million mark by 1960 or early 1961. This same type of accelerated population trend has taken place in every major metropolitan area in the region.

The implications of these developments to the credit man are, of course, very plain. The South has already become a large cash market, but this is only the beginning of the development.

Today approximately 43% of all the families in the South are in the income brackets between $3,000 and $7,500 a year—the brackets in which most consumer credit is developed. This is still not as high a proportion in these middle-income brackets as in the rest of the country but it is nearly twice as great as the proportion only 15 years ago. It represents a tremendous change over the days of the "colonial economy."

These changes that have already taken place in the South's cash market have been the reason for so much enthusiasm about the region's potential. In perspective, the postwar decade will be regarded by history as the beginning of a brand new economy for one-third of the entire nation. Indeed, the opening up of the economic frontier of the South might well be the major factor in the continued expansion of the United States economy in the next 30 or 40 years—opening up new areas for investment, production, consumption, and capitalistic enterprise.

The South is indeed the nation's economic frontier — a frontier of opportunity.

## Weinberg Vice-Chmn. For Nat'l Bible Week

Sidney J. Weinberg, a partner in the firm of Goldman, Sachs & Company, New York City investment house, has accepted the invitation of the Laymen's National Committee, Inc. to serve as a Vice-Chairman for the forthcoming 17th Annual National Bible Week, to be sponsored by the Committee the week of Oct. 21 through Oct. 27. The announcement comes from George Peck, the Committee's President.

Sidney J. Weinberg

Mr. Weinberg, a representative of the Jewish faith, joins a group of special Honorary Vice-Chairmen, consisting of the Honorable James A. Farley, the Chairman of the Board of the Coca-Cola Export Corporation, and H. W. Prentis, Chairman of the Armstrong Cork Company. The National Chairman for the week is Charles R. Hook, Chairman of the Armco Steel Corporation in Middletown, Ohio.

National Bible Week, which the all-faiths committee yearly sponsors the third week in October, is a time when all Americans are invited to support and participate in this important "week." Newspapers, magazines, radio and television stations, theaters, churches, schools and all private as well as public groups will have an opportunity to assist.

As the official theme for the 1957 National Bible Week, "THE BIBLE — TODAY, TOMORROW, FOREVER" will be featured. This slogan will be widely used on all printed material, which the Committee will distribute free of charge to those writing Committee Headquarters, Hotel Manger Vanderbilt, New York City.

## Ware & Keelips Admit

Robert W. Keelips, Jr. will become a partner in Ware & Keelips, 61 Broadway, New York City, members of the New York Stock Exchange.

## Butler, Herrick Branch

WESTHAMPTON BEACH, N. Y.—Butler, Herrick & Marshall have opened a branch office on Main Street under the management of Richard M. Bolton.

# More Economic Troubles in Britain

By PAUL EINZIG

**Dr. Einzig reports increased pessimism in Britain, furthered by unfavorable trade figures entailing negligible gold inflow. Notes reappearance of over-consumption to the detriment of export efforts. Holds recent increase in investor inflation-consciousness will accentuate government loans' vulnerability to sterling weakness. Sees the prospects for increased industrial profits together with pursuit of over-full employment policies causing switch from fixed-interest securities to equities. Maintains Britain's economic future depends on whether increasing contribution of middle classes can offset declining contribution of the working classes.**

LONDON, Eng.—With the first half of the year practically at an end, there is a growing volume of pessimism in Britain about autumn prospects. It is always during the first half that the Treasury is able to reinforce its gold reserve, and thus becomes able to face seasonal losses during the second half. This year the inflow during the first five months has been disappointingly small. The preliminary trade figures for May give some indication of the reason why the gold inflow was negligible last month. There was a sharp increase in imports, and the adverse trade balance was considerably larger than during the corresponding month in 1956.

Paul Einzig

### Over-Consumption Again

There are indications that once more Britain is consuming too much. As a result of the increase in wages and the disappearance of fears of unemployment, consumer demand is increasing. Once more producers can rely safely on the absorbing capacity of the domestic markets, so that there is not the same inducement for them to concentrate on export drive as there was until a few months ago.

The possibility of a strong adverse pressure on sterling in the autumn is widely envisaged. Thanks to the arrangement of dollar facilities with the International Monetary Fund, the authorities will be able to withstand the pressure. But the dollar facilities will have to be repaid eventually, so that their use will amount to mortgaging the future for the sake of immediate relief. There will be an important difference between the coming period of pressure on sterling and similar previous periods. In the meantime confidence in British Government loans has weakened considerably. On the occasions of previous runs on sterling most investors in fixed interest bearing securities were not particularly conscious of the erosion of the purchasing power of their holdings. There is growing evidence that in the course of the last few months investors, big and small, have become much more inflation-conscious. Any additional adverse influence, such as a weakness of sterling, is liable to accentuate the prevailing fears that the real value of Government loans is doomed to slow but non-stop decline.

### Equities and Government Loans

In recent months equities were inclined to move in sympathy with Government loans, owing to the temptation offered by the rising yield of the latter, and the declining trend of profits of industrial firms. But there are indications that attempts to hold down prices through financing higher wages out of profits are abandoned. For one thing, the increase in costs resulting from the recently granted or impending wages increases are far too heavy to be financed out of profit margins.

Moreover, since the Government itself has given up the struggle against rising prices by authorizing the National Coal Board to increase its prices, industrial firms see no reason why they should try to be more royalist than the King or more Catholic than the Pope. So it seems probable that industrial profits will show a recovery during the next 12 months. This will reinforce the trend to switch over from gilt-edged stocks to equities. Indeed, since it is becoming increasingly clear that the Government intends to pursue its policy of overfull employment, the investors' preference for equities is bound to become accentuated. What the Government's attitude amounts to is a virtual guarantee of the purchasing power of equities, without any similar guarantee for Government loans. It is an attitude which will not make Treasury financing any easier.

### Disarmament Implications

It is of course possible that a far-reaching international agreement on disarmament may bring welcome relief to sterling and to British Government loans, both through its psychological effect and through making possible drastic cuts in military expenditure. But the underlying trend would remain, even if its effects would become somewhat mitigated and deferred.

There are no indications of any change in the attitude of the trade unions for the better, so that the wages spiral is expected to continue to rise relentlessly. The latest move in that direction is the new demand of the Amalgamated Engineering Unions for the 40-hour week and for increased paid holidays. Having just agreed, in return for a substantial increase of wages, to abstain from claiming further wages increases for 12 months, they immediately dishonored the spirit of the agreement by claiming more pay indirectly through a reduction of working hours and an increase of holidays.

This attitude clearly indicated what is wrong with Britain. It is the demoralization of organized industrial labor. Its postwar attitude is guided by moral standards similar to those of Hitler and of the Communist Governments — to grasp at any advantages that can be secured by concluding agreements, and to evade obligations arising from the agreement before the ink of their signatures is dry. Again and again wages increases were granted in return for promises of increased efficiency or the abandonment of restrictive practices. Very few of such undertakings were honored to any noteworthy extent, if at all.

### Britain's Economic Future

The reason why this attitude of British labor has not prevented an increase in the output after the war, and why it has not led so far to a major crisis, lies in the fact that the demoralization of the working classes was accompanied by a rise in the moral standards of the middle classes. In spite of the narrowing of income differentials and the confiscatory taxation, the middle classes today are working much harder than before the war. Their inventive genius has survived the reduction of the financial incentive resulting from egalitarianism run mad.

Britain's progress in the sphere of the production of atomic energy and in many other industrial spheres indicate that in spite of the utmost discouragement they have to face, the middle classes more than hold their own. British industrial modernization is making good progress in spite of the inadequacy of depreciation allowances for taxation purposes. Indeed, it is probably correct to sum up the situation by saying that Britain's economic future depends on whether the increasing contribution of the middle classes to the economy can offset and more than offset the declining contribution of the working classes.

## Irving Lipsiner Opens

NEW HAVEN, Conn. — Irving Lipsiner is engaging in a securities business from offices at 53 Cooper Place under the firm name of Planners.

## Form Quintin Securities

Quintin Securities, Inc. has been formed with offices at 32 Broadway, New York City, to engage in a securities business. Officers are Quintin A. Murray, President and Treasurer, and I. Murray, Vice-President and Secretary.

## Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. on June 14 headed an underwriting group which offered $4,320,000 of 4⅛% equipment trust certificates of Norfolk & Western Ry., maturing semi-annually Dec. 1, 1957 to June 1, 1972, inclusive. This is the first instalment of an aggregate not to exceed $12,900,000. The certificates were priced to yield from 3.90% to 5.30%, according to maturity.

Issuance and sale of the certificates was subject to authorization of the Interstate Commerce Commission.

The aggregate issue will be secured by 2,000 hopper cars estimated to cost $17,000,000.

Participating in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Baxter & Company; Freeman & Co.; Ira Haupt & Co.; Wm. E. Pollock & Co., Inc.; and Shearson, Hammill & Co.

## Opens Inv. Office

SEATTLE, Wash. — Grace C. Tucker is engaging in a securities business from offices at 500 Wall Street.

## James McKenna Admits

On June 13, Miriam Frankel will be admitted to limited partnership in James McKenna & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

## A. S. E. Nominating Comm.

Edward T. McCormick, President of the American Stock Exchange, has announced that at an election held on June 11, 1957, Bernard E. Teichgraber, Thomson & McKinnon; Harold J. Brown, Brown, Kiernan & Co.; James Gilligan, Gilligan, Will & Co.; and L. W. Herman were elected regular members of the Exchange's Nomination Committee, and Kenneth W. Martin, Merrill Lynch, Pierce, Fenner & Beane; Lloyd W. Mason, Paine, Webber, Jackson & Curtis, and M. Donald Grant, Fahnestock & Co., were elected non-regular members of the same committee for the ensuing year.

## Whitney Director

CHICAGO, Ill—Wheelock Whitney, Jr., has been elected a director of Truax-Traer Coal Co. to fill the vacancy on the board created by the death of his father, March 23. Mr. Whitney is associated with J. M. Dain and Company, Inc., Minneapolis investment firm.

## With Mitchell Hutchins

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Russell M. Chandler, R. Edward Garn and Albert J. Payne have become associated with Mitchell, Hutchins & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges. All were formerly with John J. O'Brien & Co.

# Vital Implications of Traffic Congestion

By ROGER W. BABSON

**Mr. Babson maintains curtailment of urban traffic congestion is prerequisite to maintenance of automobile sales. Asserts parking-lot business offers better opportunities than auto industry. Predicts replacement of present awning space by thruways for use of motorscooters, bicycles, and roller skaters.**

Of two things I am certain, either radical steps must be taken to head off the increasing automobile congestion in cities, or else the sale of automobiles will decline. Either a hundred billion dollars must be expended for road improvements, or else readers had better sell their motor stocks on the next good rise. Furthermore, I believe that instead of spending money on new turnpikes, it would be better to double the width of our ordinary two-lane roads, making four lanes with a barrier in the middle. However, this would increase the congestion in cities.

Roger W. Babson

### City Legislation Needed

Of course, the first thing which all cities should do is to keep all trucks off streets during the busy hours—with deliveries permitted only between 6 p.m. and 8 p.m. This should be done at once, in every city having a population of over 50,000. The next step would be to eliminate all parking on downtown streets. A start has been made on this; but the problem has not been tackled heroically. Parking meters are a step in the right direction, but they are not the ultimate solution.

Frankly, if I were a young man today, instead of going into the automobile business, I would purchase land for a good downtown parking lot and gradually build a chain of parking lots. It seems as if garages for parking would be a good investment if properly located. I shall watch with interest the new mechanical "pushbutton garages" and note how they "take." I understand that such an open-air four-story garage costs about $400,000. At any rate, my guess is that during the years ahead there may be more money in parking automobiles than in selling automobiles! Wise are the city authorities who now spend money to buy up old buildings and install parking lots. In fact, such parking lots are a city's main hope, combined with proper advertising and service for downtown retail stores. In this connection I repeat a former forecast that all new retail stores will be larger, will be confined to one floor, and that the clerks will be on roller skates.

### Motorscooters, Bicycles, and Roller Skates

If parking on streets is eliminated, this will speed up traffic and should help the bus companies of each city. On the other hand, more traffic lights should be installed at crossroads. The speedier the traffic, the more traffic lights will be needed. The question is, how will the waits and congestion at these cross streets be eliminated? This brings me back to Sir Isaac Newton's great basic law of *Action and Reaction.*

Automobiles will only continue to grow longer for a period, after which a reaction will set in and cars will be made shorter and shorter. Shorter cars, however, will not end the congestion at street crossings. In accordance with the law of *Action and Reaction*, when the sale of cars begins to decline, the sale of motorscooters, bicycles, and roller skates will begin to increase. Now let me give my final forecast on the solution of the traffic problem.

### Overhead Throughways for Motorscooters, Bicycles and Foot Passengers on Roller Skates

In most cities, awnings are now permissible for retail stores. These provide protection to pedestrians against both rain and extreme sunshine. In most cities there are miles of these awnings over the sidewalks. My forecast is that these awnings will be replaced by throughways for the use of motorscooters, bicycles, and perhaps foot passengers on roller skates. These throughways could be overhanging from the buildings just as the awnings now are; but they would be built by the city authorities and a small toll charge could be made for their use. They would be no wider than the sidewalks and would be elevated over all streets. This would enable a cyclist to go from the city line into the heart of the city without stopping for crossroads or intersections.

These elevated "throughways" would serve also as protection from rain and sun to pedestrians on the sidewalks below. They would have outlets at every building. Just inside each building would be a place to park vehicles. Cities would soon be repaid for building these elevated "throughways" by increased assessments. They would make the second stories as valuable as the first floors.

# So. Bell Telephone Debentures Offered by Halsey, Stuart Group

Halsey, Stuart & Co. Inc. and associates yesterday (June 19) offered $70,000,000 of Southern Bell Telephone & Telegraph Co. 29-year 5% debentures due June 1, 1986 at 102.32% plus accrued interest, to yield 4.85%. The group was awarded the issue on June 18 on a bid of 101.33%.

Net proceeds from the sale of the debentures will be used by the company to pay outstanding advances from American Telephone & Telegraph Co. approximating $38,000,000 and for general corporate purposes, including extensions, additions and improvements to the company's telephone plant.

The debentures will not be redeemable prior to June 1, 1962. Beginning June 1, 1962, the debentures will be redeemable at the option of the company at prices ranging from 106.82% to and including May 31, 1963, and declining thereafter at stated intervals to par in the last five years.

## Justice & Shuler Formed

(Special to THE FINANCIAL CHRONICLE)

COCOA BEACH, Fla.—Thurman G. Justice and Erma U. Shuler have formed the partnership of Justice and Shuler with offices in the Gatlin Building to engage in the securities business.

## Abner Bregman

Abner Bregman, member of the New York Stock Exchange, passed away on June 10th.

*Continued from page 3*

# The Jenks Case

**invoke its Government privileges to deprive the accused of anything which might be material to his defense . . ."**

and further,

". . . in criminal cases . . . the Government can invoke its evidentiary privileges only at the price of letting the defendant go free."

The powerful impact of this determination needs to be carefully weighed and understood.

Chief offenders against making the type of disclosure which the Court here directs are some of our administrative agencies.

These often conduct investigations out of which arise criminal prosecutions which they spearhead.

Frequently, in the trial of such prosecutions, the instant agency will claim a privilege against disclosing certain data bearing upon the defense.

Each administrative agency is jealous of its powers, and, to the largest possible extent, prefers to act *en camera.*

Some agencies have passed rules dubbing certain matter as classified, and hence not to be disclosed; but the Courts, will not be governed by such rules, and have overridden them, particularly in criminal cases.

**Some years ago the conviction of a defendant was reversed for failure of the Securities and Exchange Commission, under the claim of privilege, to supply certain demanded data then in its possession, relating to oil royalty sales.**

**Only recently the SEC engaged in the disapproved practice of producing Government documents to the trial judge for his determination of relevancy and materiality, without hearing the accused.**

The duties and obligations of the Government are now clear beyond peradventure.

In a startling lone dissent Mr. Justice Clark said:

"Unless the Congress changes the rule announced by the Court today, those intelligence agencies of our Government engaged in law enforcement may as well close up shop for the Court has opened their files to the criminal and thus afforded him a Roman holiday for rummaging through confidential information as well as vital national secrets."

This is not well reasoned. It wrongfully assumes guilt of a defendant before a conviction, and overlooks the application of the majority opinion to those cases only in which the Government possesses statements or reports by witnesses touching the subject-matter of their testimony at the trial.

Apparently influenced by the dissent, some Congressmen have already called for legislative action to protect F.B.I. files.

We believe this is unnecessary.

**As the Court pointed out, the interest of the United States in a criminal prosecution is not that it shall win a case, but that justice shall be done.**

**In that framework, this seven to one decision constitutes a bulwark in the interest of the fair and impartial trial.**

As the Court has indicated the answer to the Government's claim of privilege is to drop the prosecution. Our national security, therefor, need never be endangered, and the right of the defendant will be preserved.

That the Court has struck down the deplorable tendency in some quarters of Government, courts and elsewhere, to nullify the Consitutional rights of all of us most assuredly must be applauded. This is so notwithstanding the principals and issues involved in the instant case, which were no less repugnant to the jurists than they are to us.

**However, to its credit, the Court perceived that the principle at issue necessarily transcended all other considerations. It recognized the great danger of placing in jeopardy the fundamental rights of society as a whole in order to bring an alleged malefactor to justice, regardless of the nature of the charges involved.**

## D. A. Scheinost Opens

(Special to THE FINANCIAL CHRONICLE)

COSTA MESA, Calif.—Dale A. Scheinost is engaging in a securities business from offices at 166 East Seventeenth Street.

## Arthur Hogan Adds

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, Calif. — Burton L. Schoen has been added to the staff of Arthur B. Hogan, Inc., 6705 Sunset Boulevard.

# Jackson, McFadyen Secs. Formed in Can.

MONTREAL, QUE., Canada—L. S. Jackson & Company Limited of Montreal, John A. McFadyen & Co., Limited, Toronto, Canadian Alliance Securities Ltd., Montreal, and Major & Company of Montreal, combined their investment and stock brokerage businesses as of May 15th under the name of Jackson, McFadyen Securities Limited, with offices at the Canada Building, Montreal, and at 25 King Street, West, Toronto. The new firm holds memberships in the Toronto, Montreal and Canadian Stock Exchanges.

Directors of Jackson, McFadyen Securities Limited are Alfred J. Bendall, Pierre H. Bond, Frank J. Brennan, Frank R. Guptill, Leo S. Jackson, John C. Kaufmann, Fred V. McCann, John A. McFadyen, S. Randolph Noble, Donald W. Partridge, Malcolm P. Reilly and Clement E. Williams.

# Municipal Bond Club Elects New Officers

The Municipal Bond Club of New York held its Annual Field Day June 14, commemorating the 25th anniversary of the club's founding. John C. Fitterer, Jr., of Kuhn, Loeb & Co., was general chairman of the Silver Anniversary Outing.

W. Neal Fulkerson, Jr., of the Bankers Trust Co., retiring president of the Club, presided at the annual business meeting at which members ratified the following slate of officers for the 1957-58 year.

For president, Charles E. Weigold, of Chas. E. Weigold & Co.; Vice-President, John W. deMilhau, of the Chase Manhattan Bank; Secretary, Henry Milner, R. S. Dickson & Co., and for Treasurer, Robert R. Krumm, of W. H. Morton & Co.

A highlight of the day was publication of the annual lampoon of the municipal bond business—The Daily Bond Crier, wherein the foibles of municipal bond men are exposed to the stinging barb of satire.

# Sweet Notes Issued By Kiener & Orchestra

Sweet notes were furnished by George Kiener and his orchestra at the Municipal Bond Club of New York Silver Anniversary Field Day held Friday, June 14, 1957 at the Westchester Country Club and Beach Club at Rye, New York. George has been at the Club for many years and knows how to get the boys harmonizing and having lots of fun.

## Two With H. L. Jamieson

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Vern H. Bohigian and Ben H. Inouye have become affiliated with H. L. Jamieson & Co., Inc., Bank of America Building.

## Sills & Co. Opens

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Sills & Co. has been formed with offices in the Ingraham Building to engage in a securities business. Officers are R. B. Sills, President; A. R. Sills, Vice-President; and M. Leandro, Secretary-Treasurer.

## Two With Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Thomas H. Golden and Harold A. Pearson have become associated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges. Both were formerly with William R. Staats & Co.

*Continued from page 5*

# Chemical Research's Essentiality To Good Profitability

selves ahead we must examine what has already been achieved.

### Industry's Size

The United States chemical industry—that is, manufacturers of chemicals and allied products—consists today of some 12,000 plants. They are located in every part of the country. They provide jobs for about 800,000 people. Since 1952, production of industrial chemicals has grown at an average rate of 10% a year. The rest of industry through the same period has grown at an average rate of 3%. The chemical product categories which have shown the greatest growth have been plastics, synthetic rubbers, light metals, petrochemicals, synthetic fibers, agricultural chemicals, synthetic detergents, glass fibers, gasoline and oil additives, silicones, catalysts and synthetic lubricants. Our own projections indicate, and our plans for expansion contemplate, that the three-to-one margin of growth advantage will be maintained by the chemical industry in the years ahead.

The basic reason for all this healthy growth is, of course, the laboratory. As the Armour Research Foundation points out, "Half of the nation's employment can be traced directly to the research laboratory. Teams of scientists and engineers are today creating tomorrow's jobs, tomorrow's industrial profits and tomorrow's comforts."

### Compares Research and Growth

The chemical industry spends about $370 million a year on research, or over 3% of sales. During the past five to six years the average research expenditure of all United States manufacturers has only been 1% of sales. As a result, we not only have a host of new chemical products on the market every year, but also we are blessed with new and improved products of all kinds that have been made possible through a new chemical ingredient or a new chemical treatment. In fact, it seems to me that there is a significant relationship between the two facts that the chemical industry has been investing in research at three times the average for the nation and that its rate of growth has been three times as fast.

The glowing results of research, like winning performances of a champion athlete, often tend to make things look easy. In the eyes of the beholder, the less spectacular history beneath the historic moment is often obscured. For example, more than 5,000 pain-relieving compounds have been developed each with great care and difficulty and at considerable cost. Only eight types of these compounds are commercially and medically feasible. Now this is no isolated instance; it is, rather, an indication of what the researcher must reasonably expect. Yet he has the satisfaction of seeing this burgeoning chemical industry growing in direct proportion to his success, for it is estimated that each dollar spent on research is later followed by $10 in capital invested for the manufacture of new and improved products.

### New Products and Competitive Old

In addition to the growth in brand new products which research provides for the chemical industry, it helps to lower costs on older products and thus to keep them competitive.

Chemical companies originally stayed pretty much at the basic or heavy chemical stage. Today research programs have changed all that. Instead of a company making plain old mundane sulfuric acid, chlorine, caustic soda or nitric acid, you identify companies with household words like nylon, "Saran," "Prestone" and "All," just to mention a few. Finding uses for by-products and up-grading the basics has done a lot to improve the earnings of chemical companies.

Clyde Williams, President of Battelle Institute, recently made some interesting comments on research as a stabilizer of growth, which is another advantage the chemical industry derives from consistent research. Mr. Williams said, "Research tends to curb inflation by its continuous creation of more industries, more products and more jobs." "Research," he said, "is also acting to stabilize capital expenditures to some extent, because in its steady development of new products and processes that require plant expansion it is causing a shift from short-term to long-term capital expenditure planning. Such long-term planning helps to avoid abrupt changes in capital expenditures, and by thus 'building-in' a degree of stability in capital expenditures . . . tends to keep business growth on a more even keel."

### Increased Capital Expenditures

Let's take a fast look at the latest figures on capital expenditures. The McGraw Hill annual survey of business spending plans, published in April, revealed that the chemical industry expects to spend in 1957 some $1.9 billion for capital additions, up 31% over 1956. This compares with an increase of 14% for manufacturing as a whole.

For research and development, chemical firms expect to spend $527.7 million this year, about $30 million more than last.

Research and development programs in new chemical products are much less of a risk than, say, in the automotive industry.

A car manufacturer who spends tens of millions to restyle and retool for a new model is subject to the mercy of the buying whims of an unpredictable public — not so with a new chemically-based product. The product may be developed on a pilot plant scale and test marketed before its potential public without making a multi-million dollar commitment to produce it in large quantities. In this way its use-pattern may be formulated.

### Advantage and Handicap

Another advantage of research is that it helps to put the company in the lead on a new development. The company which can get its new process operating first can usually enjoy the benefit of a good sized share of the market to itself —for a while anyway—and often at high initial profits. Generally the man who puts his plant on stream a year or two ahead of the next fellow also enjoys the advantage of lower plant investment costs because of the continuous inflationary spiral in building costs.

The upping of research expenditures has a limitation that we cannot brush aside. Every time a company goes in for research or expands its program, it needs technically trained manpower. As many have heard, we are not turning out enough scientists to meet our growing needs. This situation may become worse, because there is a steady decline in the number of science teachers available each year. Until we pay more attention to those who carry the cudgel for higher teaching salaries, more incentives, greater utilization of our current personnel, we will not be able to move as fast as we would like, and our rate of future growth may be slowed.

Research also introduces its hazards into the chemical industry. Your competitors' research may force your own products into technological obsolescence if you have not been alert.

As I see it, then, here is a summary of what we have been saying as to the advantages and limitations connected with the use of research to such a large extent by the chemical industry. It has made us one of the fastest growing industries; it has improved the profitability of older product lines through upgrading, diversification and cost cutting; it has stabilized growth through lengthening the time range of capital investment programs, and it has often produced high initial profits for companies who break through early with a new development. Among the limitations are the shortage of technical manpower and the constant risk of obsolescence through ill directed research.

Now, with the importance of good chemical research fixed in our minds, let's look at the chemical industry through the eyes of the investor.

### Investor's Viewpoint

Chemical companies not only increased their sales by an average of 10% in 1956 over 1955, they also increased their average earnings by 10%. The pharmaceutical companies did especially well, reporting for 1956 average increases of about 15% in sales and 23% in net earnings. The year 1956 was not all smooth sailing. Last year the chemical industry, along with all major industries, felt the impact of the steel strike, reduced production of automobiles, depressed conditions in the textile industry, higher costs of materials labor and freight, and an intensification of competition in many product lines. Beginning in the third quarter of last year, prices have been increased in many basic chemicals such as chlorine, caustic soda, formaldehyde and acrylonitrile. The volume of sales increased in the fourth quarter and is now running ahead of a year ago. Profit margins have been restored in many lines, but we must not forget that industry in general—and the chemical industry is no exception—is no longer in the short supply position which characterized the post war period and the Korean crisis of seven years ago; we are "back to normalcy" in most supply-demand relationships and in most profit margins. There are signs that the profit squeeze is still on in some chemical quarters. But there are also signs that many of the gaps between supply and demand will narrow over the next two or three years.

The fantastic growth of the chemical industry, and the investor's apparent conviction that it will continue, makes the good chemical stocks high priced with relation to today's earnings. Fifty chemical stocks are now selling on the average about 16½ times last year's earnings, and 15 times estimated 1957 earnings, to yield 3.2%. It should be recognized that 1956 earnings are, in many instances, after deducting heavy charges for starting up new plants and facilities. As these new plants attain efficiency of operation, earnings should improve.

### Builds Earning Power

In the chemical industry, the need for preserving cash to finance further capital expansion necessitates plowing back a substantial proportion of earnings which might otherwise be paid out in dividends. The investor looking for long range dividends rather than immediate return pays no immediate personal tax on profits that are plowed back and reinvested in research. Actually such retained earnings are compounded for him by the management of the business. So while chemical stock dividends are low at the time of purchase, the continuous plowed back reinvestment over the years builds the company's earnings power.

$10,000 invested in ten selected diversified chemical stocks at the end of 1945 would today have a market value of $53,000. The yield at the time of purchase was only 2.7%. However, these ten companies have increased their annual dividend payments, and the current annual rate of dividend payments provides a yield of 12.4% on the original cost of the investment.

Last winter at the Manufacturing Chemists Association meeting in New York there was a forum devoted to investing in the chemical industry I would like to mention some of the highlights which were brought out on what the investor should consider concerning research.

It is not easy for the investor to appraise the value derived from a company's expenditures for research.

Assuming that a company has an adequate research budget of a few hundred thousand to several millions of dollars annually, based on a reasonable percentage of sales—just how is it spending this money?

### Research Coordination

Is there a top executive in charge of the research program who plays a part in the policy making decisions of the company? Or is he a research manager who reports to a different Vice-President with a different "pet" project at each phase of the moon? What is the calibre of the research personnel? Are the laboratory facilities modern and well equipped to do a comprehensive job? Is there continuity of employment in the research staff providing continuity in the program itself, or are the employees shifting to greener fields and more livable surroundings? Yes, even the location of the laboratory has something to do nowadays with the calibre of personnel you will attract.

Naturally these questions might not be answered candidly by every company you approach. You might need a Sherlock Holmes approach to secure the real analysis.

Let us see how some of these questions can be answered or assessed.

### Selecting a Growth Firm

By finding the company's "batting average" in its record of new products developed from research over the past decade or two, one may be able to appraise whether its research is paying off. I say "decade or two" because research developments take years of effort. It takes about seven years to bring a development from the test tube to the production line. But allowing for this time lag, it remains true that a true growth company is not just capturing a larger share of the market for existing products, it is one that also grows by venturing into new fields through creation of new products.

How do the research men servicing, for example, the Vance Sanders group of investment trusts study chemical companies? They follow 20-25 chemical stocks at all times but only recommend the six they like best. At three different intervals during the year they visit each one of the chemical companies whose stocks they are following. They try to see at least three of the top officers of these companies and ask many questions about research. Their questions include:

(1) What is the basic raw material situation. Is its availability or price structure changing?

(2) What is the company's present and projected research program?

(3) Does its research lead into diversification, or is it concerned merely with up-grading of raw materials and by-products?

(4) What will the pricing attitude be in the face of increased capacity in the industry?

(5) Will the company hold its normal margin, improve it, or suffer a deterioration of it?

It seems to me that these questions are excellent and indicate some of the depth interviewing that must be done in order to achieve a comprehensive picture of a chemical enterprise.

In conclusion, then, let me say that from the point of view of investment buying, many of the chemical companies are not the best yielders at today's market. However, I am confident that chemical stocks belong in any well managed investment portfolio. They will return a good yield in the future to the long range investor. Why? Because our partner, chemical research, is going to continue to provide us with sparkling ideas and profitable products, it is going to keep us in the forefront of the growth industries, and it is the well-spring of what makes our industry basic, ubiquitous and dynamic.

## Francis W. Hanus Now With Bear Stearns Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Francis W. Hanus has become associated with Bear, Stearns & Co., 135 South La Salle Street. He was formerly cashier for Arthur M. Krensky & Co. and prior thereto was an officer of Webber-Simpson & Co.

## With Cruttenden, Podesta

(Special to The Financial Chronicle)

CHICAGO, Ill.—Robert R. Shields is now connected with Cruttenden, Podesta & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was formerly with Barclay Investment Co. and Francis I. du Pont & Co.

## Two With S. B. Franklin

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Amos C. B. Murphy and Genevra E. Tremaine are now with Samuel B. Franklin & Company, 215 West Seventh Street. Mr. Murphy was previously with Kostman, Inc. Miss Tremaine was with Marache Dofflemyre & Co.

## With Reinholdt Gardner

(Special to The Financial Chronicle)

SPRINGFIELD, Ill. — Glen B. Gerding has been added to the staff of Reinholdt & Gardner, Reisch Building.

## Joins J. Barth Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—James F. Croul has joined the staff of J. Barth & Co., 3323 Wilshire Boulevard.

## With Bateman, Eichler

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Emerald L. Olson has become connected with Bateman, Eichler & Co., 453 South Spring Street.

## With C. A. Botzum

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Raymond L. Winter has become affiliated with C. A. Botzum Co., 210 West Seventh Street.

## Louis E. Hatzfeld

Louis E. Hatzfeld passed away June 15th at the age of 84. Prior to his retirement he was a member of the New York Stock Exchange and a partner in Henderson & Co., New York City.

*Continued from first page*

# As We See It

is these "differences" which constitute the heart of the trouble.

Of course the burden of present day armament is heavy. Of course the potentialities of full scale atomic warfare are horrible beyond description. The fact remains, though, that disarmament, or at least a substantial reduction in armaments, would present no difficulty were it not for the existence of international "differences" of the sort to which the British Prime Minister refers. With elimination or even a marked reduction in the threat of war, the problems surrounding nuclear armament would largely vanish. And, basically, the threat of war arises not out of armament efforts but from conflicts of ideas which give rise to lines of action setting man against man. These more fundamental differences or conflicts are the real problem.

### Some Differences

The British Prime Minister has listed some of them. Conflicting views about Europe and its future, constant meddling in the Middle East by the Kremlin, and the mercilessness of the Soviet interference in Hungary are specifically cited. These are all concrete areas in which conflicting ideas or ambitions clash. The current problem is, however, much broader and deeper than is thus indicated. One of the real impediments in the path to lasting peace in this world today is the basic nature of communistic philosophy as proclaimed in Moscow—the more menacing to the remainder of the world by reason of the fact that, in important particulars, it merges with and reinforces the imperialistic ambitions long harbored by Russia.

It has become rather more common of late to place emphasis upon the co-existence theme, but the fact is not concealed that the Russian communists look forward to a world of communism, and in that new and strange world the Kremlin is seen in the ruler's seat. It may be, as the Kremlin masters are now careful to explain, that they do not envisage world communism achieved by force, but rather a conversion brought about by persuasion and the working out of natural forces, but he would be naive indeed who supposed that brute force is not part and parcel of the Kremlin's thinking, or that Soviet leaders do not intend to do what they can now and in the future to be certain that Moscow will be the world capital of that universal socialist or communist state. This fundamental tenet of Stalinist communism always stalks through the conference rooms and plagues the efforts at any sort of an understanding with Moscow.

Certain corollaries add to the difficulties. Whether they admit it or not, communist leaders generally regard themselves always at war in a sense with the capitalist countries. They regard themselves as enemies of these other forms of social and economic order, dedicated to the task of converting the world to communism, and so obsessed with the assumed righteousness of their cause that any means to their ends justify themselves. Just as in the case of actual war it is not a crime or even culpable behavior to mislead or deceive the enemy, but rather a "part of the game." If it is believed to their advantage to enter into agreements of one sort or another with full intention of breaking them when, as and if convenient, then, of course, they do so with no hesitation.

### Did Not Originate in Moscow

Of course, such perfidy did not originate with the communists or with the Kremlin. It was Japan, the capitalist country with imperial ambitions comparable to those of the Kremlin, which "played us for a sucker" in the years preceding the outbreak of World War II. It was Hitler who played fast and loose with his word throughout most of Europe and ended by plunging the world in the worst of all wars. But the communists both in Russia and in China have shown themselves adept enough at such tactics and quite ready and willing to employ them. The problem is not only that of reaching some sort of understanding with the Kremlin, but of being reasonably certain that the agreement is real and will be observed.

In some respects this is a situation new in history. Among all the nations of the world it would appear that only the communist countries now have any large scale imperialist ambitions. Indeed as a practical matter it could almost be said that only Russia has such ambitions in a form to bear importantly upon the current situation. To be sure, communist China has been beating at its present borders here and there, but the leaders of that land appear to be much more occupied with solving their own internal problems and getting on their economic feet than with communizing the world at large. It appears to be the Kremlin that is burning with proselyte's zeal, compounded with its own historical national ambitions.

The other so-called colonial powers are today primarily interested in maintaining a status quo. They have developed extensive financial interests in various parts of the world. They have come to be dependent upon resources of their former colonies or dependencies. They naturally want to hold what they have if that can be done. But with the rise of nationalism throughout the world a good deal of antagonism is often generated by endeavors to conserve their assets—and the resulting tension is grist for the Kremlin mill. Such basic issues will yield, if they yield at all, little by little and this fact must be borne in mind when disarmament is under discussion.

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# Equities as Trust Investments Under Present Conditions

old regional cultures are enjoying new vitality and national and racial indentities are more sharply defined than ever before.

(2) Scientific advances have been accelerated. Technical changes are taking place even in those sections of the world up to now classed as backward. Resistance to material changes has weakened. This can mean a greater risk of obsolescence in established investments, and calls for great elasticity in thinking. It might be well to note, however, that most changes still do not take place overnight.

(3) There is a general disinclination to assume risk. Universally there appears a desire for government control — a feeling that events are moving too swiftly and forces are too powerful to be handled on less than a national basis. At the same time, this means a whole new concept is evolving—the taxpayer seems to be taking the place of the old-time entrepreneur — the risk bearer. More and more activities are in the form of taxpayer-subsidized government or authority projects—government—(that is taxpayer-) guaranteed obligations—government contracts —stockpiling. An attempt is made to circumvent the laws of supply and demand by periodic creation of artificial shortages. Perhaps to the extent we can take advantage of these situations, we as investors are temporarily relieved of part of our normal risk, although, in the inevitable absence of a planned program, all this means that national policy is dominated by a conglomeration of pressure groups. This is a disturbing trend in many ways. I feel that if this country is ever again to see real trouble, it will originate from this source.

### Immediate Investor Considerations

Now for the more immediate considerations which affect us as investors:

(1) We are entering or are already in a period of overcapacity in a lengthening list of basic industries for the first time in a number of years—paper, aluminum, some types of steel, virtually all types of consumer products, in fact, about everything except a few commodities directly tied in with government projects or machinery associated with the desperate attempt to install labor saving devices. We like to think we have evolved the "rolling adjustment." But this theory seems about to be severely tested. My guess is that as long as government credit holds out, and that will be quite some time yet, the theory will emerge from this test practically whole, and will be given a further period of grace.

### No Shortage of Stocks

In one field of particular interest to investors there now exists a condition, if not of adequate supply, at least a strong swing away from any possible condition of shortage. That is in the common stock market itself. These figures showing new common stock offerings are illustrative:

| | |
|---|---|
| 1939 | $87,000,000 |
| 1945 | 397,000,000 |
| 1950 | 811,000,000 |
| 1956 | 2,309,000,000 |
| January 1956 | 73,000,000 |
| January 1957 | 142,000,000 |

The potential supply is even greater when consideration is given to the large number of convertible bonds and preferred stocks which have been issued in recent months, as well as to the continuing stream of stock options.

In another area, however, we are moving from a condition of overcapacity to one of tightness. Such a circumstance usually carries a promise of good business, but in this instance the effect could be just the opposite. I refer to bank credit. We have been busy using up the long idle resources of our Banking System, and have arrived at least close to the point where more fuel must be added if the industrial machine is to continue to move forward.

(2) We are still in a labor squeeze due to the now familiar population "mix." The vast increase in national population has been concentrated in the extreme age groups, above or below the normal working age. The working group having remained relatively stationary, has had its bargaining position enormously strengthened. The resulting pressure on costs of production and distribution has assumed the name "inflation," but in reality it is only another form of profiteering, or charging all the traffic will bear. Within the next ten years, it is likely that entirely new pressure groups will appear, but in the meantime, the emphasis will continue on displacement of manual labor by direct installation of machinery, or by devising entirely new methods of operation. The war on waste may take strange forms in the years to come. Productivity will become a more and more pressing objective, especially in the service areas, where progress has been painfully slow by contrast with the field of production.

(3) There has been a vast increase in private borrowing. In contrast to the thirties, the past five years have seen an accumulation of debt, both personal and corporate, of record dimensions. It will be recalled that we named as one of the reasons for trust investing in common stocks, the shortage of corporate bonds. This shortage would seem to have been substantially corrected. Where corporate bonds offered in 1939 were less than $2,000,000,000, in 1956 more than $8,000,000,000 were placed, over half directly with the public. State and municipal financing also rose from $1,000,000,000 in 1939 to nearly $5½ billion in 1956, a figure which, in fact, was down from a peak of nearly $7,000,000,000 in 1954. As a consequence of all this activity, interest rates on high grade corporate bonds have inched upward from 1946's 2.51% to a current level around 3.7%; municipal bond yields have gone from a low of 1.64% to about 3.3%. Moreover, municipal yields are Federal tax exempt, and at today's tax levels, this feature is becoming attractive further and further down the income scale. These yields have apparently lured some funds away from the low yielding "growth" common stocks whose immediate earnings prospects have dimmed.

Of course the great flood of corporate bond issues may not continue at the recent rate. If the recessionary influences now at work, which even the Federal authorities seem to recognize, persist and spread, this type of demand for funds will taper off once more, and interest rates concomitantly recede. Some evidence of this has already been seen since the beginning of the year.

### Trustee Policies

Under the circumstances outlined, what policy should the trustee now pursue relative to common stocks? First of all, it is perfectly obvious that over the past 20 years our investments in commons have served us well. Over shorter periods, however, the experience has been filled with frustrations. It may be well if at this point we review our aforementioned original reasons for going into commons and examine their present validity. You may recall that there were six factors so assigned—four of which appeared actively motivating and two not so active in the early thirties. I think these factors will now break down just about three and three — the first group still perfectly valid, and the second no longer as commanding as formerly:

**First** — The short supply of senior investments. Some of the figures we have just been referring to indicate that this shortage has been very largely corrected. Recent years have seen a veritable flood of bonds, mortgages, and preferred stocks.

**Second**—As to the need for income. Of course this need is still acute — trustees have not been spared the "profit squeeze" any more than other groups. But the point here is, can the need for income be satisfied by common stocks as opposed to senior securities? With the average yield on commons down to 4.4%, and even lower on the best grades, while high-grade bonds now yield 3.7%, preferred stocks 4½%, and municipal bonds substantially higher when we take tax exemption into account, common stocks have certainly lost much of their attractiveness from a current income standpoint.

**Third**—Are stocks now cheap? It may well be that there are good values available in today's markets, and I hope to name a few before I conclude these remarks. But with the Standard & Poor averages having moved upward from 16.54 in 1949 to 44.95 on April 15, the burden of proof is on those who would insist that commons are today, as a whole, undervalued.

Now, on the other side of the fence, first— the disillusionment with bonds and other senior securities. Nothing has happened to cause us to modify our conviction that the only real security behind any investment is earning power. In fact, some of the new debt issues, both corporate and municipal, created in recent years may be facing an uncomfortable testing period.

**Fourth**—The fear of inflation. There is no guaranty against further currency inflation; in fact, we seem to be on the threshold of another wave of increase in the Federal debt after a virtual standstill for ten years. Moreover, we cannot feel assured about stability of long-term commodity price levels.

**Finally**—Growth. Here I think we must face up to the fact that we have arrived at an entirely new concept in trustee investing—good business dictates that we cannot retire to the storm cellars of yesteryear's concepts of estate preservation. We must think in terms of continued development of trust assets according to prudent investment principles.

**Moderation and Care Advocated**

This does not mean we should switch wholly to commons or substantially increase our commitments beyond, let us say, 50% of the average trust account. The trustee is in the business of taking calculated risks and must steer a sound middle course. Another thing — common stocks cannot be bought blindly just because they are believed to be *per se* inflation hedges, or by any similar blanket categorization. The use of commons will necessarily vary from time to time with (A) market conditions (that is, where the best bargain can be obtained) and (B) individual account requirements, but the following basic tests must be met for each issue:

(1) Dividend protection.

(2) Management aggressiveness as evidenced not only by building up the business but by building up the stockholders' equity.

(3) Ability of management to earn a fair return on invested capital consistently over the years.

(4) Reasonable price. I cannot emphasize the price factor too strongly. Remember that the common stock market is dominated by individual buyers and that prices fluctuate widely from time to time. In buying any stock, set up some kind of reasonable price range and stay with it. In my own institution we have found that there is a persistent long-term relationship between market price and asset value per share, and that this relationship in turn gravitates around the level of rate of return on capital. This, of course, is only one point of departure in setting "normal" price ranges, but at least some attempt should be made to set such standards.

Stocks should not be bought on the basis of fads or cliches. Fads come and go in investing, carrying earnings multiples up and down with easy grace. Magic words appear from time to time: "Management" is one example. It can usually be found that when things are going on well for awhile, for one reason or another, the organization has a "young, revitalized management." In such circumstances it is hardly surprising that management takes advantage of the situation by voting themselves handsome fringe benefits and liberal stock options. It is well not to confuse really good management, which can be identified by a consistently good past earnings record plus the required depth to continue the performance, with a glad handing public relations setup. Another word we often hear nowadays is "research." This is a very important subject and I am not discounting it for a moment, but it can be carried to some amusing extremes. Because certain industries have so thoroughly exploited research, everyone now seems to want to get on the band wagon. It is fairly well known that basic research is only a minor part of the total research effort of business corporations. Most of their work is in applied research as to products, processes, or market research. But when a food company tells us gravely that their "research department" has during the year evolved six new cookie shapes, or when a cigarette company informs shareholders that for 36 years their "research department" has been contemplating the c o m p o s i t i o n of cigarette smoke, it seems time to ring the bell on this round.

**Tests of "Growth"**

Then let's not forget our friend "growth." We have probably heard enough about this subject to last for a while. But before we decide whether a stock is a "growth" issue, it will be well to determine on what basis we define this sometimes elusive quality. The final test of growth is, of course, a persistent above average increase in net per common share and a consequent increase in shareholders equity, but distinction must be made between pure growth and a spurious or temporary bulge made possible by an increase in debt or a temporary period of capacity operation.

Stocks with obvious defects may be bought if the price seems to be fairly discounting the worst. Perhaps a good example of this was the bituminous coal industry in 1954. At that point, just about the worst had happened from the standpoint of loss of markets, but one strong factor was present—the rising use of bituminous in public utility operations. Subsequently this proved the basis for recovery of the industry, accompanied by a new surge of market enthusiasm for the leading stocks. It may be that similar considerations now characterize the insurance industry and the variety chain industry. While there is no clear cut change for the better in the troubles of either of these groups, prices, especially of variety chain stocks, have sunk so low that a really discernible improvement could provide the base for a more than proportionate price recovery.

Here I believe a word of caution should be inserted on the subject of convertible bonds and preferreds. Do not buy such issues unless (a) they are perfectly acceptable on their own merits without a conversion feature, (b) the common stock is one which you would not hesitate to buy directly, and (c) they are priced at not over a reasonable premium for the conversion privilege.

**Attractive Stocks**

Now, the question is: What stocks are attractive today for the average trust accounts? I think the best way to answer this is to set up an imaginary discretionary trust fund of, let us say $10,000,000. Here is how I would suggest investing such a fund currently:

10% U. S. Governments—the issue providing the best obtainable yield. This would be in the nature of a reserve or emergency fund.

20% Tax-Exempt Bonds, maturities up to 15 years, with emphasis on electric utility, water, or similar sound established projects.

20% Corporate Bonds or Preferred Stocks—highest grade.

50% Common Stocks.

Now as to the 50% common stock commitments:

20% Public utility stocks.

20% Other service companies, perhaps 15% insurance, balance in credit and retail trade issues.

20% Natural resource type companies—oil, gas, metal, timber, and the like.

15% Process and research. This would include chemical companies, drugs, electronic, and specialties in this general classification.

20% Capital goods.

5% Consumer goods.

(The distinction between capital goods and consumer goods companies may sometimes be somewhat difficult, since many of our leading capital goods producers are also substantially interested in various types of consumers' durable items. But here is a suggested list of individual issues which I consider appropriate for purchase at this time in accordance with the above outline.)

Philadelphia Electric
Wisconsin Electric Power
West Penn Electric
Central & Southwest Corp.
Consolidated Natural Gas
United Gas Corp.
Continental Insurance
Beneficial Finance
G. C. Murphy Co.
Federated Dept. Stores
Standard Oil of Indiana
Kimberly-Clark Corp.
U. S. Gypsum
DuPont
Abbott Laboratories
Sperry-Rand
Corning Glass Works
Anchor Hocking Glass Co.

To summarize:

(1) Our changed concept of the trustee's function demands that attention be given to preservation of purchasing power of trust income and reasonable rate of growth of trust assets. Good business practice demands this even if the law does not.

(2) Common stocks are still on trial. It seems a safe course to maintain a good balance between equities and senior securities. Continued success with commons demands careful and constant analysis.

(3) Best results are likely if a thorough-going search is made for real value rather than buying merely on reputation, or hope that past successes in corporate earnings can be indefinitely continued.

## Harris, Upham Opens New Park Ave. Office

Harris, Upham & Co., nationwide investment brokerage firm with 35 offices coast to coast and members of the New York Stock Exchange, announced Wednesday June 19 the opening of a new office at 445 Park Avenue, at the southeast corner of 57th St., featuring the "Market Meter," a 7-ft. illuminated sign facing Park Ave. at the corner of 57th Street showing, in black or red numbers signifying increase or decrease, hourly changes in the Dow Jones industrial average.

Occupying approximately 3,400 feet of space, the office, a relocation of the firm's 604 Fifth Ave. facilities, incorporates the latest communication equipment, Teleregister board, and complete financial news service. Each of the 18 registered representatives is able to communicate by direct wire with the quotation bureaus of the New York and American Stock Exchanges from the new office which, fully air-conditioned with filtered air, has a private conference room and a complete research library.

George U. Harris, Harris, Upham senior partner, stated that William A. Winslow, formerly of Merrill Lynch, Pierce, Fenner & Beane, has been appointed manager of the office. Mr. Harris said that "this office represents another important expansion of Harris, Upham services designed to fill every need of the uptown investor including, to a broad audience, market action as reported by the "Market Meter's hourly changes in the Dow Jones industrial average."

# Public Utility Securities

**By OWEN ELY**

## Western Union Telegraph Company

Western Union Telegraph is one of our oldest utilities, having incorporated in 1851 and paid dividends, with some interruption, since 1857. In the postwar period the company has made considerable progress in setting its house in order. Funded debt has been reduced from $85 million in 1947 to $36 million in 1956, and the equity ratio has increased to about 84% as compared with American Tel. & Tel.'s 66%.

The company has spent over $200 million to modernize and mechanize its plant and facilities so that now more than 95% of all telegrams are handled by high speed automatic and facsimile methods, although in earlier years almost everything had to go individually by Morse code. Today as many as 2,000 telegrams can be sent simultaneously over a radio beam system.

The company has been rapidly diversifying the character of the business. Until recent years revenues came almost entirely from sending messages. Now one-quarter come from other sources—private wire, data processing and other new services—which eventually may make up half the revenues. The "private wire" business means the leasing of closed circuit custom-built private communication systems to industry and government. Revenues from this source are expected to approach $40 million a year by the end of 1957 compared with $32.5 million at the end of 1956 and less than $5 million ten years ago.

The transfer by telegraph of hundreds of millions of dollars annually here and abroad now brings in over $17 billion a year. Other services, some of which contribute as much as $2 million a year, are as follows:

(1) Sale of money orders and travelers cheques.

(2) Errand and distribution service.

(3) Commercial news services (sports tickers, etc.).

(4) National time service.

(5) Market and opinion surveys.

(6) Supplying names of local dealers handling nationally advertiser products.

(7) Weather forecasting service.

(8) Hotel reservation service.

One of the company's major accomplishments in recent years has been reduction of its labor costs, which in times past have made it vulnerable to depression conditions. Formerly at least five, and as many as 15, people were involved in getting a wire from origin to destination; now only three persons are involved—one to type the message in tape form for automatic transmission; one at the message center to push a button; and one at destination to receive the message. By such mechanization the company now operates with 39,000 people compared with 65,000 a few years ago. While wage rates have more than doubled, the proportion of the income dollar going to labor has been reduced from 74c to 62c.

One of the important new labor saving "gadgets" is Desk-Fax, of which nearly 30,000 are now in customer service, with thousands more scheduled for installation. This "electronic messenger" has permitted the closing of over one thousand branch offices. The company has now only 7,245 messengers compared with a one-time total of 20,784. Printing telegraph machines are furnished to 23,000 other business offices.

Western Union also leases private facsimile systems called Intra-Fax which handle typed, written, printed or pictorial matter for intra-company communication. A Federal Reserve Bank is linked by Intra-Fax with 15 member banks, and over a billion dollars a day in fund transfers (formerly handled by bank messengers) now flow over this system. Ticket-Fax, another facsimile service used by the Pennsylvania Railroad, flashes Pullman and reserved seat coach tickets from a central ticket office to branch offices in eight seconds.

The world's largest private wire system was specially designed and installed by Western Union for the U. S. Air Force, serving over 200 bases in this country, and other government networks are being developed. The largest industrial network is that of General Electric, linking 407 plants and offices in 173 cities. The "bank wire" interconnects 202 banks throughout the country. E. F. Hutton & Company has set up a message center in Los Angeles to flash orders to the floor of the Exchange (through the firm's New York office) in 8 or 10 seconds.

Western Union private wire systems are also playing an important role in "integrated data processing." All types of statistical data can be sent over the wire (from branches to main office) for instant handling by business machines and electronic computers. Thus a sales order can be set up in tape form and sent to an office thousands of miles away, immediately providing each department—sales, accounting, shipping, etc. — with individual instructions.

Western Union put in operation the world's first commercial microwave beam system, which is now being extended to Cincinnati and Chicago. These extensions will add nearly one thousand circuits, most of them available for leasing. Eventually the company expects to have a nationwide network. The company has also developed the world's fastest facsimile facilities, with a speed of three thousand words a minute.

In former periods Western Union's share earnings record has been erratic, with deficits as recently as 1948-49. Labor contracts at two-year intervals have been troublesome, and earnings have been penalized by regulatory lag in getting higher rates. Intense competition with the Bell System has also been a factor. However, in recent years earnings have been somewhat more stable. Last year $2.28 was earned compared with $1.88 in 1955 and $1.27 in 1954. President Marshall estimates that while first half earnings may approximate $1 a share versus $1.07 last year (due to wage increases effective Jan. 1, delays in rate increases, etc.) net for the calendar year should approximate last year's. The stock has been selling recently around 19 to yield 6.3%, based on the recently increased dividend rate of $1.20.

### With Hines, Galvin

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John W. Leonard has become affiliated with Hines, Galvin Co., 53 State Street, members of the Boston Stock Exchange. He was formerly with Coffin & Burr, Incorporated, and Kidder, Peabody & Co.

### Joins Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Harvey Deutschman has joined the staff of Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

*Continued from first page*

# Public Folly and Private Greed And the Federal Reserve System

system are a debit, not a credit, and some may say that our failure to achieve par collection of all checks gravely mars the record. But these services, whatever their imperfections, are necessary adjuncts of a fluid money market in which the Central Banking System can operate most effectively in terms of national credit policy. They should not be forgotten when we talk about credit policy, merely because of their familiarity. If they work smoothly and well, they make an important contribution to the functioning of the money market and provide a base for the administration of credit policy, which has not taken care of itself. If they work jerkily and poorly, the already difficult tasks of executing credit policy are multiplied. Particularly in the field of check collection, it seems to me too bad that the banks of the country have not been more aware of the importance of this service in relation to credit policy, and less selfish and more zealous in seeking its improvement.

Because I feel strongly about this, I now have to remind myself that improvement of our check collection system falls somewhat outside the usual bounds of the subject which I have chosen to discuss. As you know, there are three main instruments of credit policy in this country—discount rates, reserve requirements, and open market operations—and the greatest of these in recent years has been open market operations. Open market operations have become the most useful tool of the monetary authorities, because they enable the Federal Reserve System to keep in daily and even hourly contact with the money market, and thus to come nearer to tailoring general credit policy to the changing, moving shape of actual conditions in the money market.

### Describes Money Market

"Money market" is a term which we all use pretty glibly, but not many people know what it really means, and no one of us can be too sure that we recognize all of the faces and forms the money market can assume, or may be given by a variety of economic writers and banking pundits. The trouble is, I suppose, that there is no set market place, no building, no constitution and by-laws, no list of members, by means of which we can recognize it. Nevertheless a money market exists. It is the place where we strike the ultimate balance of financial transactions of a variety of financial institutions. It has its primary being, both nationally and internationally in the financial district of New York City.

The description of the money market, which springs most readily to mind, is that it is the market which deals in all forms of short-term debt, as contrasted with the capital market which deals in long-term debt. The inter-relations between the two markets are many, however, and the dividing lines are fuzzy. Our money market has been better described, perhaps, as the market for money and close money substitutes, which financial institutions at home and abroad, as well as corporations, states, municipalities, and others, rely upon to provide liquidity when they need it.

The principal institutions or entities which, at present, make up the money market which I am discussing are:

The New York City banks.
Other banks outside New York which are closely linked to banks in New York, and to banks in their own and other regions, which often reconcile local accounts before using the final clearing center at New York.
Government security dealers.
Underwriting firms.
Major insurance companies.
Other large financial and non-financial corporations.
The stock exchanges.
Over-the-counter dealers.
The commodity markets.
The Federal Reserve Bank of New York.

The things in which the money market mostly deals are the active and fluctuating margins of bank reserves, which momentarily are not needed to meet the primary reserve requirements of the banks which hold them, and all outstanding credit instruments which can be readily and quickly converted into cash at not too great concessions in price. A list of these "things," these trading counters in the money market, would include:

Money, both "federal funds" available immediately in the form of balances at the Federal Reserve Banks, and New York clearing house funds available "next day" in the form of balances at banks which are members of the New York Clearing House.
Short-term United States Government securities.
Dealer loans and other dealer financing arrangements.
Interbank loans and balances.
Commercial paper and bankers acceptances.
Issues of United States Government agencies, of short-term.

### Heart of Money Market

I have mentioned variety of institutions which are, at present, the most important participants in the money market, and a variety of instruments which are, at present, the most important "things" dealt with in the money market. For our purpose, however, we can concentrate on the banks and on bank reserves or "cash money." The banks are both at the heart of the money market and its principal users, trading in primary reserves and converting secondary reserves into cash, and vice-versa, to meet wide swings in their deposits—and in their reserve requirements — daily, weekly, monthly and seasonally.

The money market, therefore, is the natural meeting ground of the Federal Reserve System and the commercial banks, because it is there that the central bank, on its own initiative, can most quickly, and effectively, and sensitively, reach the reserve position of the whole banking system. Credit policy, as you know, primarily takes the form of varying the quantity of reserves available to the member banks, and their cost, in order to promote or restrain the use of bank credit. This has been accomplished in the past, and is still accomplished in an important way, at the discount window of the Federal Reserve Banks, where individual member banks may borrow reserve funds at the discount rate. It is somewhere near the truth, however, to say that borrowing at the discount window has become more and more a function of the open market operations of the Federal Reserve System, as these operations are now conducted; that individual banks are, in effect, forced into borrowing at the discount window, or relieved of the necessity of such borrowing, by open market operations.

So far as open market operations are concerned, the immediate and direct point of contact of the Federal Reserve System with private financial institutions, and with the money market, is with the government security dealers. These specialized dealers have come to be a sort of buffer between the Federal Reserve Banks and the member banks. They stand ready to buy or to sell short-term government securities in some volume, at somewhere near the going price, when banks or others want to buy or to sell. And they scour the country for buyers and sellers, and also for funds with which to carry their portfolios, or their position, when they can't strike a balance between purchases and sales in New York, or get profitable accommodation there. The Federal Reserve Banks buy government securities from or sell them to these dealers (at present usually Treasury Bills), when it suits the purposes of the Federal Reserve System in terms of credit policy, putting reserves into the banking system when it buys and taking them out when it sells.

### Crucial Open Market Operations

Whether or not the Federal Reserve will buy or sell, or do nothing, is determined by the Federal Open Market Committee in the light of the existing business and credit situation, including the financing needs of the Treasury, and in accord with the responsibilities which have been placed upon the system, explicitly or implicitly, to foster and promote high levels of production and employment and stability of the purchasing power of the dollar. This determination is not an easy one, and the men who make it have never claimed infallibility, or powers of divination beyond those of ordinary mortals. As you know, they are not supermen. They are the seven members of the Board of Governors of the Federal Reserve System and five of the 12 presidents of Federal Reserve Banks. (The presidents of the Federal Reserve Banks serve on the Committee in rotation, except the President of the Federal Reserve Bank of New York who is a statutory member. The presidents who are not currently members of the Committee regularly attend its meetings, however, and participate in its discussions, though without vote.) But they spend most of their time on this job, they are served by one of the really great economic and statistical organizations of the country, and they are largely free from the political and private pressures which can so easily warp judgment in economic matters.

Every two or three weeks these men meet at Washington, and there they determine the open market policy of the Federal Reserve System, which usually carries with it the other arms of credit policy. You cannot have a discount rate policy, or a policy with respect to reserve requirements, which is not integrated with open market policy. Policy seldom is self-executing, however; and in this field it seldom can be stated in such precise terms as to meet all of the contingencies which may arise, let alone reflect the exact and individual views of each of the 12 men who are responsible for it. The job of fitting open market policy to the market is delegated to the Federal Reserve Bank of New York, the Reserve Bank situated in the principal money market of the country, and the principal market for trading in government securities.

In carrying out its assignment, the Federal Reserve Bank of New York, through its "trading desk," has to bring together as early as possible each day every kind of available information on the current state of bank reserves and the money market, so that the Manager of the System Open Market Account can decide what steps need to be taken to implement credit policy, as determined by the Federal Open Market Committee.

This means bringing together, each workday morning, the available figures on bank reserves and on the principal factors affecting these reserves, such as the reserve requirements of the member banks, "float," currency in circulation, treasury balance at the Federal Reserve Banks, foreign balances at the Reserve Banks, and other occasional and minor factors. Since the figures are usually a day or two old, their use in deciding what needs to be done today, or tomorrow, means projecting them into the immediate future on the basis of past experience. And some of the variables involved can swing so widely and suddenly, without warning, as to make it necessary for the Manager of the System Open Market Account to rely to some extent on the "feel" of the market, even with the best of figures and the keenest interpretation of their movements. The signals which he and his associates get from the market itself, almost minute by minute, indicate whether the figures and the propections are working through to sentiment and action in the market. It is on the basis of fact, figures, and "feel," then that the Federal Reserve Bank of New York decides whether to buy or sell securities, or to do nothing, or to put reserve funds into the market "with a string on them" in the form of so-called repurchase agreements with government security dealers, in order to give effect to current credit policy, as determined by the Federal Open Market Committee.

### Ascertaining Federal Reserve Policy

The usual interpretation of Open Market operations is that the Federal Reserve buys securities in order to ease the market, and sells them in order to tighten the market. As you can see, this is only broadly and partially true. All the other factors working on the reserve position of the banks, such as reserve requirements, currency in circulation, "float," and treasury deposits with the Federal Reserve Banks, can and do exert a tremendous influence. Sometimes the Federal Reserve may be buying government securities merely to offset the effect on bank reserves of these others factors, when its policy is one of credit restraint. Sometimes it may be selling securities to offset these other factors, when its policy is one of credit ease. And sometimes it may do nothing, allowing these other factors to do its work for it. You have to watch the Open Market operation of the Federal Reserve System over a period of weeks, and in relation to these other factors affecting the reserve position of the member banks, if you want to have a reasonably good idea of current Federal Reserve policy.

Obviously, operations carried on in the way I have described, and in the kind of a market I have attempted to picture, cannot be carried on with scientific precision. Fallible human judgment enters into the determination of policy by the Federal Open Market Committee, and into the execution of policy by the Federal Reserve Bank of New York. Nor are the reactions of the market altogether predictable; and they occur with leads and lags which cannot be set down with mathematical exactness. Nevertheless, in the present state of our knowledge and ability, Open Market operations are the best means available to the Federal Reserve System for carrying on a continuous, fluid, responsive, flexible credit policy, which will quickly reach out through the country. It is fortunate that we have a money market which has developed the institutions and the instruments which have made possible this evolution of central banking technique, and it is important that the performance of the market be further improved, if open market operations are to continue to be the principal reliance of the Federal Reserve System in discharging its responsibility for national credit policy.

### Underwriting Greed and Folly

It has always seemed to me to be too bad, therefore, that so few people, relatively, know anything about the open market operations of the Federal Reserve System, or about the money market in which they take place. Maybe it is better that way, but I would feel happier if more people were more interested. Then not only might the workings of the money market and the administration of credit policy be improved; it is just barely possible that we might not rely so heavily on credit policy to be the economic policeman of the whole community. It is just barely possible that we would then demand fiscal policies which would be consistent with the credit policies we seem to expect, and that we would seek more actively to evolve a system and a climate of industrial relations in which the continuing danger of increased costs outrunning increased productivity would not be so great. As it is, there are times when the central banking system — your Federal Reserve System—has to validate public folly and private greed, by supporting increased costs and prices with an increased money supply, no matter how reluctant it may be to do so, and no matter how independent it may be of political or private pressures.

It is easy to speak of public folly and private greed in this editorial way. It is harder to point the finger and to say who is foolish and who is greedy. I can only make an attempt to illustrate what I mean, unsupported by the extended argument which would be necessary to a fuller presentation.

### Contradictory Demands

I think that the public is being foolish in demanding, at one and the same time, the greatest possible measure of national security, a full quota of the material and social advances which our enormous productive capacity should enable us to realize, a smaller Federal budget, and a lighter burden of taxation. These are all legitimate aims, and the best possible combination of them should be pursued with vigor.

If this combination is to be pursued with intelligence as well as vigor, however, we must remind ourselves continually that we do not have real peace in the world. In time of war we recognize that, when we are shooting away a large part of our national product, social and material advances come more slowly, if at all, government budgets are swollen, and high taxes are required if the worst inflationary consequences of war finance are to be avoided. In the present period of armed vigilance, we are still devoting something over one-tenth of our national product to direct or indirect defense expenditures. We are still tithing the God of war, and we can't expect to have, as quickly as would otherwise be possible, all of the roads, and schools, and hospitals, and houses, and gadgets, and leisure and everything else we want and need to provide a better, a more abundant life. We have to make some more fundamental decisions than are required in order to lop a few million dollars off the Federal budget, if we are really going to understand what we are doing. We have been trying to do too much, too fast, and it has shown up in a renewed rise in prices, in a resumption of the war-bred decline in the purchasing power of the dollar, and in budgetary inflammation and taxpayer irritation.

**Blames Industrial Unions**

The matter of private greed I can also try to illustrate in the large. My illustration begins with the power of great industrial unions, strategically placed economically, to demand and obtain increases in wages and in other terms of employment, which appear to raise costs faster than productivity can be raised by the substitution of capital for labor, by improved managerial performance, by the findings of research, and by greater effort on the part of labor itself. This use of union power has often been accompanied by the relatively easy acquiescence of management in meeting union demands, comforted by the fact that the increased costs could probably be passed on to the consumer in the form of higher prices.

But the cost-price spiral does not stop there. In fact, taking into account the trickiness of estimates of productivity, it may well be that the direct effect of these developments in the industrial sector of the economy has been less important than the indirect effects. It is quite likely that when these wage increases and fringe benefits, obtained by the powerful industrial unions, work their way through to the trade and service sectors of the economy, as they inevitably do, the gap between rewards and productivity widens, to the detriment of the whole economy and to the extreme disadvantage of unprotected groups of our people. Both historical evidence and current observation suggest that it is here that increased costs may work their deepest treason.

The Federal Reserve System, for some time, has been trying to avoid compounding the economic difficulties, arising from these and other imbalances in our economy, by keeping a governor on the expansion of credit and on the money supply. It has had a considerable measure of success but daily its task becomes more difficult as public and private demands continue to press upon our credit facilities, and capital expenditures tend to outrun current savings. I do not want to see its record spoiled by what I have termed private greed or public folly; by a lack of general understanding of the workings of a money economy.

## With Evans, McCormack

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James H. Wilson has become connected with Evans, McCormack & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange.

## With A. C. Allyn Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Roy G. Parry, Jr. has become connected with A. C. Allyn & Co., 122 South La Salle Street. He was previously with Bache & Co.

## Two With Bache Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Arnold A. North and Martin Presler have become associated with Bache & Co., 445 North Roxbury Drive. Mr. North, who has been in the investment business for many years, was formerly with William R. Staats & Co. Mr. Presler was with E. F. Hutton & Co.

## Louis F. Rothschild

Louis F. Rothschild, limited partner in L. F. Rothschild & Co., New York City, passed away June 15th at the age of 87.

## Claude K. Boettcher

Claude K. Boettcher, limited partner in Boettcher and Company, Denver, passed away June 9.

*Continued from first page*

# Credit Requirements And Economic Growth

capital. Rather, both the physical assets of the business world, and the financial instruments issued against them, have lives of varying length, ranging from days to decades. Nor are assets and liabilities in our economy necessarily of matching maturity. Business concerns may for a time finance long-term projects by way of short-term borrowings, and vice versa. Commercial banks may hold medium-term securities against demand deposit liabilities, while other institutions with relatively fixed liabilities will nonetheless hold sizable amounts of short-term obligations. Thus, the markets for short-term credit, for medium-term funds and for long-term capital are rather closely interrelated.

However, meeting short-term financing requirements involves questions and decisions of the highest importance to the welfare of the economy as a whole. The volume of bank credit is subject to considerable control by way of Federal Reserve policy and is significantly affected by Treasury financing practices. Thus, the amount of short-term funds available to support business activity, and the terms at which they are supplied, relate closely to problems of economic policy and, consequently, to the prospects for economic growth.

## Business Needs for Short-Term Funds

For most of the past two decades, the American economy has experienced a surfeit of liquidity. Large idle funds accumulated in the Great Depression, when foreign capital sought shelter here and investment opportunities were sparse. The money supply increased further, and substantially, in World War II, when much of the government's credit deficit was financed through an enormous expansion of bank credit. In the postwar era, however, this trend was reversed as the Federal Reserve strove to restrain the expansion of the money supply while the economy continued to advance and the commodity price level rose materially. As a result, liquidity has gradually been eroded to a point where it is no longer excessive in relation to the volume of business.

**Current Pressures on Liquidity**

The experience of the past 12 months, both in the capital and the credit markets, has demonstrated the fallacy of the comfortable assumption that the financing requirements of a growing economy will invariably be met without stress and strain, and that borrowers can raise practically unlimited funds at easy terms.

Business found its liquidity position under pressure from various sources. Financing requirements from rapidly rising inventories and receivables were compounded by advances in prices. Higher payrolls added to the need for working capital, as did the upsurge in plant and equipment outlays. Finally, corporate working capital was drained by the acceleration of tax payments. At the same time, the amount of internal financing in many instances fell short of expectations as profits failed to keep pace with sales while dividend payments were increased.

As a result, the liquidity of American business deteriorated significantly through 1956, and the trend has continued into 1957. Although the ratio of current assets to current liabilities eased only slightly, the ratio of liquid assets (that is, cash and government obligations) to current liabilities dropped sharply to 47½% at the end of last year, compared with almost 54% 12 months earlier, and descended to an estimated 45½% in early 1957. Present levels can hardly be described as low by prewar standards, but the decline from the peak of 93½% reached in 1945 is indicative of the sweeping change that has come about with the passage of time. Furthermore, prospects are that business needs for working capital will continue to grow as our economy expands over the long-term.

**Gross Working Capital Requirements**

There is an obvious and discernible relationship between general economic conditions and the amount of short-term assets required by business. Cash requirements for material purchases, payrolls, and other operating expenses vary with production. Inventories and receivables likewise may be expected to fluctuate with the amount of goods sold. Moreover, funds need to be accumulated regularly to cover income tax payments, which in turn depend largely upon profits and thus indirectly—and within very broad margins — upon the business trend.

Conditions will obviously differ from industry to industry and from company to company, but in general terms it may be concluded that working capital requirements are closely affected by the volume of output and sales, by the behavior of wages, other costs and prices, and by the level of employment. Thus, appraising the outlook for the gross working capital requirements of American business in the years ahead necessitates formulating some notions concerning the major trends in the American economy.

A secular rise in economic activity has been under way since the start of our industrial history. In recent years, the physical volume of the gross national product has increased at an average rate of about 3% annually. At present, there are no grounds for doubting that this secular rise will persist over the long term at a rate at least as high as in the past. If allowance is made for the possible effects of the many growth forces at work today, such as the greater emphasis upon industrial research and new product development, the growth rate could possibly turn out to be slightly higher.

In addition, despite conspicuous price corrections for a few basic raw materials in recent months, there is no evidence that the forces promoting a rise in costs and prices have been brought under effective control. On the contrary, the record of 1954-56 demonstrates that even in a relatively peaceful world and in the face of balanced budgets and credit restraint, good business and full employment generate powerful inflationary pressures. For the present, therefore, it seems necessary to assume that the long-term trend of costs, and consequently of prices, will be upward. The combination of physical growth and rising prices could well increase gross working capital requirements of corporate business at an average rate of perhaps 5% a year over the long-term. At current levels, this would imply average annual additions to business inventories of some $4 billion and to cash assets and receivables of possibly $6 billion.

Over the next few years, furthermore, working capital needs will continue to be boosted by the current acceleration of corporate income tax payments. In 1949, enactment of the Mills plan led to a concentration of tax payments in the first half of the year. Under the provisions of the 1954 Revenue Code, moreover, large corporations were required for the following five years to pay in each taxable year 110% of their tax liabilities in order to arrive at a partial pay-as-you-go basis. At current levels of profits, this acceleration of tax payments is siphoning about $1½ billion annually from corporate working capital, and this drain is scheduled to continue through 1959.

Assuredly, not all the forces at work are operating uniformly toward higher requirements for short-term assets. Prior to World War II, for instance, the trend seemed to be toward a lower ratio of business inventories to sales, reflecting growing efficiencies in production and transportation. Developments in the postwar period have been too varied to determine whether or not this trend is continuing, but it is reasonable to expect that further economies in inventory keeping will be possible over the years, although perhaps moderated by the need to carry a greater variety of goods in stock to meet a growing diversity of consumer wants and keener competition. Likewise, improvements in accounting methods resulting from the use of modern recording and communication equipment may help cut back significantly the required holdings of inventories and cash balances over the long-term. Finally, receivables today are unusually high relative to the volume of sales, and the pace of their growth may slacken over the next several years.

After taking all considerations into account, it seems reasonable to estimate that corporate business faces a secular increase in gross working capital requirements, on the average, of some $10 billion a year. However, while a rising trend is in prospect over the long run, wide fluctuations are to be expected from year to year.

**Internal Financing**

Financial practices of business vary so widely among industries and companies that generalization is difficult and may indeed be misleading. Nonetheless, the virtue of aggregate data on the sources and uses of corporate funds is that they help in appraising the dimensions of the problem that confronts business in financing its future working capital requirements. These statistics suggest that, by and large, business may find it increasingly difficult to finance additions to working capital out of internal funds, namely, noncash expenses —mainly depreciation—and reinvested profits. Much internal financing is being absorbed by large business outlays on plant and equipment, which have risen sharply during the past two years and give no sign of early or protracted weakness. At the same time, it seems that the increase in internal funds may not fully match the expansion in financial needs.

In recent years, depreciation charges have been enhanced materially by the government's policy of permitting rapid amortization for tax purposes of new facilities certified as essential for defense. This policy was adopted at the time of the Korean War and certificates of approval have been granted to new projects aggregating above $38 billion, of which almost $23 billion is subject to rapid amortization. As a consequence of the rapid write-offs, depreciation charges are estimated to be running about $2 billion above normal, with the result that large amounts of cash are being generated currently.

Recently, however, the approval of application for accelerated amortization has been substantially curtailed. Consequently, despite the record level of business outlays on business plant and equipment and the more liberal depreciation provisions of the 1954 tax code, it seems reasonable to surmise that the increase in depreciation charges will slow down in the course of the next half-decade. This will carry with it a corresponding increase in the growth of tax payments and a slackening in the provision of cash from internal sources.

Retained profits, the other major source of internal funds, constituted a relatively large share of corporate earnings in the early postwar years. This percentage has tended to decline in recent years with higher dividends. Furthermore, not only has the proportion of retained earnings declined, but total corporate profits for years have failed to keep pace with the growth of the economy. Thus, reinvested earnings have come to lag significantly behind the expansion in the dollar volume of the nation's business.

There is little to indicate that this trend will improve substantially in the near future. Taxes seem destined to remain heavy and many industries report that their profit margins are being squeezed by constantly rising costs of labor and materials. Higher productivity may provide intermittent relief but the record in recent years clearly suggests persistent pressures upon profits over the longer term. In addition, despite their rise, dividend payout ratios are still relatively low—55% in 1956—and corporate managements generally feel an obligation to maintain and moderately increase the level of dividend payments if earnings permit. Also, the need to raise additional funds through new stock issues may stimulate more liberal dividend policies. Consequently, reinvested profits are likely to feel the compound effect of less favorable profit margins and a more generous payout ratio.

**Borrowing Requirements**

The prospect that internal funds may supply a lesser share of total financing needs in the years ahead underscores the expectation of continuing large and possibly growing borrowing requirements by American business.

Corporate debt has expanded rapidly since the end of World War II from a total of $85 billion at the start of 1946 to $208 billion at the start of the current year (exclusive of banks and insurance companies). To a large extent, this advance was the obvious corollary to the great rise in business assets, especially plant, equipment and inventories, as well as to higher activity, prices, and costs. Also, the tax advantage of borrowing as against equity financing provides a powerful incentive to new debt issues. In addition, the postwar environment has been most favorable to new debt financing, since credit through most of the period was easy and interest rates, relative to other periods of active business, were low. Finally, the flow of funds from internal operations, supplemented by a relatively small but recently rising volume of equity issues, enabled corporations in general to increase their debt without jeopardizing the stability of their capital structures.

Now, however, the financial climate has become less advantageous to debt financing. With total demands for long-term financing by business, real estate and public bodies high and rising over the years, the flow of savings has proved insufficient to meet all needs for investment funds in

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# Credit Requirements And Economic Growth

years of active business. Long-term interest rates have been climbing for the past 2½ years and the trend accelerated rapidly after mid-1956. The rise has been particularly sharp for corporate new issues. Also, call provisions have become considerably less favorable to issues of new securities.

When signs of pressure began to develop in the capital markets in 1955 and 1956, some long-term borrowers tried to circumvent the shortage of new savings by shifting their requirements to the commercial banking system. Apparently part of the permanent working capital needs of business were met with the help of bank credit rather than out of savings, and corporate liquidity declined sharply as a result.

Unless cost and price inflation can be restrained more successfully in the future than has been the case in the recent economic upsurge, business is almost certain to require further large additions to permanent working capital while new savings are likely to fall short of demands for funds, at least in years of economic expansion. Should long-term growth in business demands for bank loans be augmented by persistent inflationary pressures, these demands in the years ahead might advance, on the average, by amounts fully as large as the approximately $6 billion annual increase in business loans in the boom years 1955 and 1956. This suggests that the availability of bank credit on the one hand, and the course of inflation on the other, will be of decisive importance to the problems of business financing.

## The Availability of Bank Credit

In meeting the financing requirements of our economy, the commercial banking system plays a crucial role. Not all bank loans outstanding, of course, represent working capital needs of business, nor does business meet its residual requirements for short-term funds exclusively from the banking system. Nevertheless, it is no historical accident that the development of the industrial economy has proceeded almost hand in hand with the growth of commercial banking. The need of businesses and individuals to hold liquid assets would be unimaginably greater — and the drain on economic resources substantially larger—were it not for the existence of a highly developed financial system, ready and able to provide short-term funds whenever required for proper and sound transactions.

The contribution of bank credit toward meeting the increasing short-term capital requirements of an expanding economy depends upon several major considerations. One is the financial condition of the banking system itself—that is, the degree to which the size of capital funds and the distribution of bank assets encourage or discourage bank managements in their lending operations. Another question relates to the supply of monetary reserves upon which the expansion of bank credit, and hence of the money supply, is based—in other words, are reserves sufficient to permit credit to grow as required? Finally, but perhaps most critically, there is the question of credit policy, which determines whether credit is easy or tight and thus the pace at which the money supply may expand.

### Banking Conditions

The business boom of the past two years, superimposed upon a decade of broad and almost uninterrupted loan expansion, has materially affected the condition of the commercial banking system. Loans have become the largest single class of bank asset in the system, comprising about 44% of the total. Moreover, the banks have become hard pressed to maintain the reserves which they are required to hold against their deposit liabilities. As a result, loan expansion has been accompanied not only by sizable reductions in government security portfolios, especially of the shorter maturities, but also by sustained member bank borrowings from the Federal Reserve banks. In addition, the upsurge in loans in recent years has been far more rapid than the gradual growth in capital funds, so that the ratio of capital funds to risk assets, which had been declining throughout much of the postwar era, has registered a further significant drop.

Pressures of this kind are not only a symptom of but a prerequisite to an effective policy of credit restraint, and some of these pressures can be relieved by a reversal of credit policy. The strain upon reserve positions, for instance, is subject to the operations of the Federal Reserve authorities, who can if they so choose provide substantial additional reserves to member banks over the years through open-market purchases of government securities. As an alternative, the Federal Reserve has it in its power to reduce the amount of reserves which member banks are currently required to hold against their deposit liabilities, thus permitting each dollar of reserves to support a larger amount of deposits.

Reserve requirements, despite cutbacks in 1953 and 1954, are still about two-thirds above the statutory minimum. Moreover, member banks in the United States, and especially in the larger cities, must now keep a considerably greater percentage of reserves against deposits than is either customary or required in Canada, Britain and other important countries. Thus, further reductions in reserve requirements in the United States appear feasible over the years to meet the secular rise in credit needs without jeopardy to the health of the banking system or the soundness of the credit structure.

Other consequences of loan expansion, however, such as the increased proportion of loans in total assets and the resulting decline in capital ratios, are less readily subject to reversal by way of credit policy. Assuredly, these changes have not been such as to impair the ability of the banking system to continue its contribution toward the financing requirements of a growing economy, and neither loan ratios nor capital ratios appear out of line in historical perspective. Some banks are still actively seeking loans. However, soaring bank loans in the past two years have made most banks, especially in the larger centers, less eager to expand their lending operations and more interested in rebuilding liquidity by adding to holdings of short- and intermediate-term government securities—a trend already under way since the latter part of last year.

Furthermore, while credit policy can readily help improve bank liquidity if the authorities find such a step to be appropriate, it would require substantial additions to bank capital out of retained earnings or sale of stock to bolster materially the amount of capital funds relative to the loan portfolio of the commercial banks in the aggregate. The buildup of bank capital is likely to continue, but at the fairly gradual rate of the past decade, and this adds to the likelihood that the commercial banks may be less aggressive in their lending policies, at least for some time to come.

### Gold Reserves and the Money Supply

Ultimately, of course, the expansion of bank credit and hence of bank deposits — or, in other words, the money supply—is limited by the size of the gold reserve avaiable to the central banking system. However, all indications are that the present gold reserve is more than adequate to support a secular rise of bank credit for many years to come. Under the statute in effect since 1945, the Federal Reserve banks are required to maintain a gold certificate reserve equivalent to 25% of their Federal Reserve note and deposit liabilities. At the end of last month, these reserves, aggregating $22 billion, provided a coverage of 47%. Therefore, at least as far as the arithmetic of the matter is concerned, the present gold reserve could support nearly a 90% increase in Federal Reserve notes and member bank reserve balances.

These calculations bolster the conclusion that existing gold reserves are adequate to provide for an expansion in member bank balances, which recently have averaged around $19 billion, by an additional $18 billion or so—more, if currency in circulation should rise more slowly than bank reserves. This expansion alone, on the basis of present reserve requirements, might serve as the base for an increase in bank deposits by about $125 billion, which would nearly double the present level. Moreover, the discretionary power of the Federal Reserve authorities to reduce reserve requirements within existing legal limits would make it possible to expand bank deposits by a further amount which might approach the $200 billion mark. Thus, present reserves and statutory provisions would seem adequate to allow for an approximate tripling of bank deposits.

These broad estimates, obviously, are here presented simply to illustrate the mathematical dimensions. Credit expansion of the size here indicated, unless achieved gradually and over a long period of time, would involve a host of problems in every sector of the economy. Nevertheless, these speculations do indicate that the present reserves of the American banking system, properly managed, are adequate to meet the secular increase in bank credit and the money supply for many decades ahead. The real problem, thus, is not to cope with a shortage of reserves but rather to keep the vast expansive potential of our monetary base under proper control.

Gold reserves may fluctuate, and sound management of our banking and economic affairs is a fundamental prerequisite if reserves are to be kept from declining below the levels adequate to support the expansion of bank deposits in prospect over the long term. So far, the progress of inflation has not been a menace to our gold reserves, possibly because inflation is a worldwide problem and is even more pronounced in many leading foreign countries than in the United States. However, continued strength of our monetary situation should not be taken for granted. On the contrary, should the United States dollar continue to lose its purchasing power and should widespread apprehension develop over further inflation or a possible devaluation of the currency—that is, an increase in the price of gold—our monetary reserves might well become exposed to a substantial drain on the part of foreign holders of dollars seeking to withdraw their funds, and possibly also of Americans shifting balances abroad. This is but another instance of the way in which inflationary pressures, if permitted to proceed unchecked, could hinder the long-range growth of the American economy.

## Credit Policy and Inflation

These considerations underscore the strategic importance of credit policy in determining the availability of bank credit as well as in restraining the progress of inflation. Unfortunately, there is no ready touchstone to ascertain the size of the money supply that is appropriate to a given level of business activity or to the general state of the economy, especially since fluctuations in the turnover of money, which are beyond the control of the credit authorities, may materially increase or reduce the effective supply of funds at work. However, while the day-to-day decisions of the Federal Reserve obviously must be keyed to developments in business and finance, it is quite evident that if bank credit and the money supply are permitted to expand more rapidly over the years than can be validated by a rising physical volume of goods and services, the inflationary potentials prevalent in our economy will be greatly strengthened and will be readily translated into ever higher prices. By the same token, naturally, too sparse an expansion of credit over the long run could hold the growth of the economy below its attainable possibilities. Thus, the credit authorities face the delicate task of facilitating an increase in the money supply fully adequate to sustain the long-run physical expansion of the economy but not so great as to countenance the financing of price inflation.

### Liquidity and Credit Restraint

In the past two years of booming business, soaring loan demands, and acute inflationary pressures, the Federal Reserve has endeavored to restrain credit expansion by doling out bank reserves gingerly and reluctantly. The result has been to curb the growth in the total amount of bank credit outstanding, and thus in the money supply.

Since there is no effective way to control the velocity, or turnover, of money, the restrictive effects of current credit policy have been moderated by a rapid advance in the rate at which cash balances are being utilized. However, it would probably be misleading to regard this rise in velocity as completely offsetting the effects of credit restraint. The very necessity to use cash resources more economically and more efficiently would appear to operate as a restraint upon overly ambitious expansion plans; it would tend to check, for instance, the speculative accumulation of idle inventories, or the generous expenditure of liquid assets for investment in fixed capital. Moreover, pressures upon the supply of cash assets clearly make for greater selectivity in lending and investing decisions. In the current environment, therefore, credit policy, probably for the first time since the depression years, has been able to make itself felt without being frustrated by the presence of excessive liquidity in the business and financial system.

### The Treasury's Problems

While recent declines in the liquidity of business and banking thus appear to have enhanced the efficacy of credit policy, its use as a weapon against inflation now seems about to be blunted by the growing financing requirements of the Treasury.

In recent months, a rapid increase in the Treasury's cash requirements has made it necessary for the Treasury to raise unexpectedly large amounts through the commercial banking system. Underlying this sharp deterioration in the Treasury's position is the persistent pressure of inflation, which has boosted the cost of government and has led to a material increase recently in Treasury expenditures. Moreover, the inroads made by inflation upon business and financial liquidity, coupled with the abundance of attractive investment outlets in an inflationary environment, have contributed materially to large cash redemptions of nonmarketable savings bonds as well as of maturing marketable obligations.

At the same time, the Treasury's difficulties have been enhanced by current fiscal and debt management problems. Much of the Treasury's debt is of short term, requiring frequent financing. An additional large portion consists of nonmarketable savings bonds, which are redeemable upon demand, and since their yields are fixed at levels substantially lower than prevail today, there is a strong inducement to redeem such holdings and to shift funds into more attractive securities. Finally, but perhaps most importantly the Treasury budget is showing only a small surplus for the year despite peak employment and output; as a result, budget operations are not producing sufficient cash to enable large debt retirements.

Under these conditions the Treasury finds it expedient and necessary to rely heavily upon the commercial banking system to provide a market for its financing, which means, in effect, offering securities of short or, at best, intermediate maturity. The Federal Reserve, in turn, has no real alternative but to supply the banks with additional reserves in support of the Treasury's operations, even though this may lead to a more rapid growth in bank credit and the money supply than the authorities deem appropriate in an economy exposed to inflationary pressures.

These problems of Treasury financing and credit policy may not be of a transitory nature. Rather, they point to a basic and chronic difficulty which may well inhibit credit policy throughout the years ahead. Experience has demonstrated that in periods of business prosperity, such as the present, the competition of other borrowers markedly curtails investment interest in long- or even medium-term Treasury securities, thereby effectively limiting the Treasury's opportunities to extend the maturity of the debt except at serious risk to the stability of the market place. When business is slack, however, refunding the debt into long-term bonds has appeared equally impractical for fear of absorbing investment funds which might otherwise stimulate a renewed economic upturn. This suggests that only rarely will economic conditions be favorable to funding operations. The consequent prospect of a further rise in the already huge short- and medium-term government debt could well give an upward bias to the money supply for years to come.

## Implications for Economic Growth

This review of some of the major factors affecting the supply of bank credit suggests that recent trends have not diminished the ability of the credit system to grow with the economy. The country's gold stock is adequate even for a rapidly growing economy; reserves of the commercial banking system are substantially higher, relative to deposits, than in other countries and could readily support additional credit expansion as required. The strong and sustained rise of bank loans has made commercial banks more reluctant to engage in further large loan expansion and has to this extent facilitated the task of credit restraint. However, the banking system is neither over-loaned nor undercapitalized.

Consequently, if inflationary pressures are successfully curbed, business management should have no difficulty in obtaining the bank credit needed to support the rising short-term capital requirements of an expanding economy. Loan applications for fixed capital purposes and for the acquisition of assets may be received less favorably, but the banks may be expected to continue to give high priority to loans designed to meet the legitimate working capital needs for business as well as to instalment loans and, in some cases, to loans for home financing. If, however, the normal secular expansion of working capital requirements continues to be inflated by the wage-cost-price spiral, business managements may find themselves confronted with a growing squeeze upon liquidity positions and, possibly, with more serious problems of financing than they have encountered so far in the postwar era. In a very real sense, therefore, continuing inflation could significantly reduce the growth prospects of the economy over the long term.

**Implications for Business**

Business in the past two years has come to learn with increasing emphasis that inflation is not the unmixed blessing superficially indicated by rising dollar figures for sales and, occasionally, for profits. Business has found its requirements for funds enhanced substantially by mounting costs of plant and equipment, larger investment in inventories, and growing receivables. While substantial additional requirements have been met by borrowings from the commercial banks, these borrowings have contributed to a general decline in business liquidity. Unless the sustained rise of costs and prices can be brought under control, the pressures on savings, on credit and on business liquidity could well become chronic.

There is obviously no easy way to check the wage-cost-price spiral. Gradually, however, business may find itself compelled in its own self-interest to become less tolerant of rising costs and prices than in recent years. This would seem to require taking a firmer stand than heretofore against the practice of large annual wage increases which in many industries have been running well in excess of gains in productivity. The cost of such a stand is not to be underrated; however, the assumption that rapidly rising production costs can be constantly passed on to the consumer in form of higher prices is not only likely to prove even more expensive to business over the years, but may place serious obstacles in the path of our long-run economic progress as well.

**Implications for Credit Policy**

Business probably cannot halt the inflationary spiral through its own efforts alone. In a period of economic expansion, a shortage of savings, and sustained inflationary pressures, a policy of credit restraint is essential to keep the economy on an even keel. Needless to say, such a policy is viewed critically by those borrowers, including business borrowers, who are disturbed at the higher cost and lesser availability of credit at a time when a booming economy makes expansion programs appear particularly rewarding. Frequently, as today, such criticism is echoed in political circles, thereby further complicating the task of the Federal Reserve.

Much of the current opposition to a restrictive credit policy reflects a reluctance to face up to the financial implications of our great investment boom. These implications are not limited to the United States but are apparent throughout the world; they are reflected in an international shortage of savings in relation to the tremendous demands for investment funds. Under such conditions, rising interest rates are a natural result. Clearly, efforts to prevent interest rates from responding to the forces of demand in the capital and credit markets would require the adoption of an easy credit policy, which in the present environment would open the floodgates of inflationary credit expansion.

**Implications for Fiscal Policy**

The financing problems of the Treasury may well become a growing encumbrance upon credit restraint. The problems are too huge to be rapidly dispatched but their impact can be moderated substantially by determined efforts to build a larger budget surplus and by persistently whittling away at the short-term debt.

After some contraction in recent years, Federal spending is once again taking an increasing share of the economy's output. Much of the renewed expansion in government outlays is obviously traceable to the unsettled state of world affairs, but outlays for such civilian purposes as public works, price supports and veterans' benefits are also on the uptrend. At the same time, there are strong demands for tax relief. Achieving a budget surplus of sufficient size to be an effective instrument of counter-cyclical fiscal policy would thus involve some hard decisions, and the nature of the debate suggests that the decisions will reflect mainly political rather than economic considerations.

Nor is any spectacular solution in sight for the Treasury's debt problems. Clearing the way for more effective use of credit policy will require continuous efforts to extend the debt and to reduce the frequency of Treasury financings. Perhaps the most feasible approach would be to undertake small but regular offerings of long-term Treasury securities, with amounts tailored to market conditions. A flexible but constant program of this kind, carried out modestly during a boom and pursued with greater vigor whenever business activity slackens, could be followed without curbing a business upturn. In fact, if investors were assured of a steady outlet for funds, their planning could proceed in orderly fashion with less concern over the possible vagaries of the business cycle. This would in all likelihood enhance our prospects for achieving a reasonably stable rate of economic growth.

**Appraising Our Prospects**

The forces affecting short-term credit conditions in our economy are not only varied but have been operating in diverse directions. During the recent rapid business expansion, the forces making for tighter liquidity positions have had the upper hand. Credit policy has been restrictive, the increase of the money supply has been moderate, and economic expansion and inflation have made inroads upon liquidity. These pressures have undoubtedly helped to prevent a runaway boom and have contributed to a flattening out in the economic trend. The results so far achieved may thus set a precedent for policy during business booms in the future.

However, the menace posed by a persistent inflationary trend is too real to be dismissed out of hand. On the contrary, we seem to be approaching a time—if we have not already passed it—when crucial decisions regarding the future course of our economy can no longer be deferred. If, either out of complacency or concurrence, we continue to accept the repeated turns of the inflationary spiral, there is every probability that inflationary pressures will gain cumulative strength. In that event, we shall have exchanged the promise of sustained economic growth in the years ahead for a highly dubious and insecure future.

## *Our Reporter on Governments*

By JOHN T. CHIPPENDALE, JR.

The Government market is still on the uncertain side and new all time lows are being made in many of these issues because they are not yet competitive with the higher yielding corporate and municipal securities. The tight money market is having its effect on the new issues of bonds that are coming into the market in that they are being offered at higher interest rates. This upward trend of interest rates in the capital market is keeping the pressure on long-term Government bonds.

The short-term Government market is still the large and liquid one even though the new money financing by the Treasury is having some influence on it. The demand for funds to meet income tax payments has tended to increase the pressure on the money market. Another increase in the commercial paper rate last week just accentuates the very tight money conditions. The August refunding of the Treasury is still a factor in the picture, although it will be a few weeks before the terms of it will be known.

### Combatting Inflationary Psychology

The strong inflationary psychology, plus the belief that business will continue to improve, along with the rush to sell new issues of securities, is keeping the pressure on the money markets. The monetary authorities still have to fight the battle of prosperity and this means that money is going to be tight and interest rates will most likely continue to follow the current pattern, which is upward.

The increasing cost of obtaining needed funds has not yet slowed down the flotation of new securities, especially corporate bonds, because of the very high income tax rates. Even though the interest rates on new issues of bonds continues to move up, this is not yet too significant as far as most borrowers are concerned, since at least 50% of the interest cost is borne by the Government. Accordingly, it is not too much of a burden to those that are selling new issues of corporate bonds, whether the interest rate is 4½%, 5% or even 6%, when the issuer is subject to the income tax rate of 52%, as practically all of them are.

### Bearish Outlook for Treasury Bonds

Because of the very favorable yields that are available in the new offerings of corporate and tax-exempt bonds, there is continued liquidation of the lower coupon older issues of non-Government and Treasury bonds. To be sure, the market for most of the older outstanding bonds is very thin and limited, and it takes in some instances considerable time to dispose of these securities. They are, nonetheless, being sold, so that the higher coupon new issues can be bought.

It is indicated that Government bonds are still the ones in which most of this switch liquidation is being done and, because of this selling, it does not seem as though the downtrend in the longer-term Treasury bonds will come to an end until they approach levels which will put them more in line with the yields that are available in corporate and tax-exempt bonds.

### Pension Funds Liquidating Treasury Bills

The upswing in yields of corporate bonds has brought new buyers into the market for these bonds, and reports indicate that private and public pension funds have sold or are allowing Treasury bills to run off. The non-callable or non-refundable feature in new flotations is not so important to this class of buyers of non-Government bonds because they do not, as a rule, have to liquidate bonds at a loss in order to make commitments in the newly offered bonds.

### Intermediate Bonds in Demand

The intermediate-term Government bonds, according to advices, are being bought in fair-sized amounts by some of the out-of-town commercial banks. The yield is considered to be in line with their needs, and at the same time they are able to fill in maturities schedules which have been pretty much neglected of late. Certain of these banks have also been buyers of Treasury bills in greater size than was the case not so long ago. The new money financing by the Government will most likely have an appeal to these institutions also.

### No Rise in Discount Rate Indicated

Advices from those that are considered to be experts on the money market is to the effect that the discount rate will not be raised in the near future. It is being pointed out that as long as discounts at the Central Banks do not go up, there will not be an increase in the discount rate. They do not, however, hesitate to note that if there should be a sharp upturn in the loan demand this fall, and the prime rate should be upped, then they would expect the Central Bank borrowing rate also to be raised.

### Capital Expenditures to Remain Heavy

Capital expenditure, according to the latest reports, will continue to be heavy and the annual seasonally adjusted rate for the third quarter is $37.9 billion. This means that one of the very important elements of strength in the business picture is showing no sign of weakening. Even though a slight summer lull may be experienced in new money raising, the Fall is expected to start the rush all over again.

## Smith, Burris & Co. 30th Anniversary

**CHICAGO, Ill.—Smith, Burris and Company, 120 South La Salle Street, celebrate their 30th year in the investment business today (June 20). Principals of the firm are Elmer W. Erzberger, President; Vincent T. Kane and R. Donald Jacobson, Vice-Presidents, and Charles F. Suhling, Secretary.**

**Smith, Burris and Company specialize in mutual funds, industrial and public utility Over-the-Counter stocks and bonds with investors and investment dealers throughout the United States, Canada and foreign countries.**

## Goodbody Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

**CHICAGO, Ill.—James T. Larkin has been added to the staff of Goodbody & Co., 1 North La Salle Street. He was previously with Fahnestock & Co.**

## With Illinois Co.

(Special to THE FINANCIAL CHRONICLE)

**CHICAGO, Ill.—Daniel H. Brush has become connected with The Illinois Company, Incorporated, 231 South La Salle Street, members of the New York and Midwest Stock Exchanges.**

## With Irving Weis

(Special to THE FINANCIAL CHRONICLE)

**CHICAGO, Ill.—Richard Hamlish is now with Irving Weis & Co., 141 West Jackson Blvd.**

## Kentucky Co. Adds

(Special to THE FINANCIAL CHRONICLE)

**LOUISVILLE, Ky.—Robert S. Gleason is now affiliated with The Kentucky Company, Fifth at Liberty, members of the Midwest Stock Exchange.**

## Keller Bros. Add

(Special to THE FINANCIAL CHRONICLE)

**BOSTON, Mass.—Arthur Knonwitz has been added to the staff of Keller Brothers Securities Co., Inc., Zero Court Street.**

## Cahill & Bloch Admit

**Cahill & Bloch, 11 Wall Street, New York City, members of the New York Stock Exchange on June 13 will admit to partnership Willard J. Silbernagel. Mr. Silbernagel will become a member of the New York Stock Exchange.**

# Securities Salesman's Corner

By JOHN DUTTON

## "You Never Fail If You Try"

There is a man in my town who has lived around here for just about all of his life. He's not an oldster, but people know him about as well as any man in this city of 600,000 people. For the past 25 years he's practiced law and worked on community projects, and he even got himself elected as mayor by the largest majority that anyone ever remembers in recent years. He worked so hard at it that he finally had to give it up in the middle of his term on the doctor's orders.

All of his life he has been known as a man who says what he believes. He came out with the facts as he saw them, and he called them as he saw them. You might sometimes disagree with him but you never could doubt his sincerity. He was a fellow that people sort of grew to like and to believe in. If there was a public issue that he thought should be aired for the good and benefit of the community, he went to it. He talked slowly, walked slowly, and if you saw him on a public forum you'd never think he was just about the most "believed in man in town." He didn't have a polished orator's delivery, a handsome face, or an athlete's physique. He just got up and said what he thought and backed it up with facts—and facts he usually had.

About a month ago there was an important local issue up before the voters and once again the ex-mayor took his stand. He addressed rallies, he made some talks on the radio, he tried to show the people why certain things would be good for them and why they would not. The vote was close but, despite his almost single-handed effort to turn the tide, his proposals were not followed. Just last week I was dining in a restaurant, and he was seated near me and since I know him as do thousands of other people in this place where I live, I went over and told him that I appreciated the effort he made, and that I was sorry his ideas were not accepted. He turned to me and in his slow drawl, said, "You only lose if you don't try."

### How True It Is

Possibly this is something that has been said before, but to me I think it summed up a lot of living that all of us can make a part of our everyday doings. Time and again I have seen men in every sort of endeavor keep on after rebuffs and failures and sooner or later they get their rewards. In sales work it is even more important that a man should keep his chin up and keep going.

Several months ago a good friend of mine lost a very large real estate sale because his client said "yes" just a few hours after someone else had sold the property upon which he had worked most diligently. If he could have obtained this agreement just a matter of hours before it was sold to someone else, he would have earned a most substantial year's income. He has had two more almost identical disappointments since then but, when we were at lunch the other day, he told me of three more large propositions upon which he is working. Sooner or later he is going to hit and, when he does, it will only be due to the fact that he keeps on giving his job his best. Every year he is one of the leading producers in his organization and the reason for it is that he *tries*.

This also is a typical example of how you can apply my friend's philosophy to your job—it happened to me last week. I had a client that I have not done business with for over a year. The last time we met he told me that he didn't have enough business for two securities men and that one of his oldest friends had been taking care of his account for years before we met. So I retired gracefully. There was a certain securitiy that came my way that I knew this man might wish to buy and I thought about it a minute and decided that I'd give it a try. So I called him and he was most cordial. Then I mentioned what I had to offer and he said, "Fine, I'd like to buy it, and by the way, don't feel that the door is closed just because I've been giving business to Henry. Sometimes when you have something you think I might like to buy, let me know."

The mayor is right—"You only lose when you don't try."

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# Can My Dollars Work Harder?

should do all of your purchasing through a single method, but it is more likely that a combination of methods and individual security purchases will work more satisfactorily.

### Bonds and Preferred Stocks

Before we touch on these various methods, I'd like to discuss one class of securities which is once again becoming attractive to all individual investors. All of the foregoing discussion has been concerned with common stock investment, and I feel that common stocks should continue to comprise your major investment interest. However, with the change in money rates in the past year, bonds and preferred stock are once again becoming attractive to individual investors. Rate of return on these securities has risen to levels which make them competitive with many equities. It is quite likely that these securities could properly be included for a portion of your income portfolio requirements. This is particularly true of convertible issues.

Bonds and preferred stocks represent an obligation of the company which rank prior to the common as to the payment of interest and/or dividends and in the distribution of assets. Offsetting this defensive advantage, however, is the fact that the dollar return is fixed and cannot vary no matter how well the company may do, and the liquidating value is similarly fixed and there is thus no hedge against inflation. Convertible obligations (the conversion is into the common stock at a fixed price for a stated number of years) reduce this hazard and permit the investor to enjoy the protection of a senior position plus the possibility of converting the security into common stock if such proves attractive. Municipal bonds are the obligations of governmental or quasi-governmental units which offer the additional advantage of income which is free from Federal income taxes. They have always been attractive to high income bracket investors, but the rise in rates of return is also creating new interest in them for many other investors as well. All of these securities may certainly be considered for conservative portfolios where the objective is income with a minimum of risk.

### Mutual Funds

Mutual funds offer a very popular method of investing for many programs. Even though the assets of the funds may be invested solely in common stocks, investment risks are minimized through the broad diversification a fund offers. A single fund may have representation in a hundred or more companies, comprising a crosssection of perhaps a dozen to 20 industries. Thus declines in one industry can be offset by gains in another, and relative investment position can be more readily maintained. This has been reflected in the market action of mutual funds with a less than average decline in periods of a general market decline. Similarly, of course, rises are at a slower rate than for individual securities or the market generally. Funds have the further advantage of professional management which for the investor who has little time is important. Investment in funds also makes it possible for the small investor to achieve much broader representation than he could through individual purchases. No matter how small your investment in a fund, you still own a proportionate share of all of its securities. Funds, too, offer the convenience of monthly purchase plans under which small regular purchases can be made and nearly all offer dividend and/or capital gain reinvestment privileges.

The record of funds as a class has been excellent. The reinvestment of income and/or capital gains has shown for the investor a very satisfactory long-term appreciation from a relatively modest initial investment. There are literally scores of mutual funds covering almost every investment interest. These include balanced funds (bonds, preferred and common), bond funds, preferred stock funds, and a myriad of common stocks, some of which are general, others for capital gains, others for individual industries, others for regional securities, and the like. Mutual funds are certainly a candidate for consideration in fulfilling your income portfolio requirements.

Another method of investing is the Monthly Investment Plan as sponsored by the New York Stock Exchange. Some potential investors are reluctant because they feel their available funds are not large enough to be worthwhile. It's a great mistake. You know, for example, how your savings account will grow if you make regular deposits, although it may seem a bit slow at first. Securities are no different. Admittedly, it would be wonderful to step up and buy 100 shares of ABC or XYZ whenever we liked. But if it isn't possible, you should seriously consider the monthly investment plan.

MIP as sponsored by the New York Stock Exchange permits the investment of as little as $40 (more if you like) per month or quarter in the stock or stocks (listed on the NYSE) of your choice. It offers the small buyer a simple method of accumulating securities and puts your available funds to work immediately. The MIP is not an instalment buying plan, and you do not contract to buy a given number of shares. You can stop it or change it as you wish. The important thing, in my opinion, is that you have made a beginning toward the realization of one more investment objective. If you can trust yourself to save the funds necessary for the 50 or 100 shares of ABC that you want, you probably don't need the MIP, but its use will get your money to work promptly and will eliminate the temptation of using saved funds for other purposes. As a purchaser of securities through the MIP, there are no added charges and your position is exactly the same as any other holder of securities if you need or wish to sell your holdings.

### Investment Clubs

Another popular method of investment is through investment clubs. These are basically associations of individuals who contribute funds for a common purchase of securities. The device, generally, is an excellent means of becoming acquainted with the market and securities, inasmuch as most clubs hold regular meetings to discuss the pros and cons of the market and individual securities. The results achieved by investment clubs have, in my opinion, been rather mixed, not because of any lack of merit in the idea, but rather because of the somewhat confused objective many such clubs have. A club set up for long-term capital gains and income would probably work very well, but many clubs seem to like "quick profit" situations. Unfortunately, a quick trading operation requires more agility than is usually possible with the rather unwieldy organization of an investment club.

If you are considering an investment club, be sure it is established in proper fashion. A great many future technical difficulties can be avoided. There is a national organization — National Association of Investment Clubs—which has published an excellent booklet on model organization. The broker with whom you do business can help you in this respect.

### Dollar Cost Averaging

One further investment practice should be mentioned. It can be of considerable importance if properly applied. The securities market, as we all know but few of us like to admit, is a two-way street. Recent years have seen a period of generally rising prices in securities with a relatively few short-lived bumps here and there. These periods of lower markets need not be viewed with dismay, but instead can be made to work for us. If you believe, as I do, in the future of our economy and the enterprises which comprise it, it seems reasonable to expect that the long-term trend in security prices is upward. If you own a security in which you have confidence, it is equally reasonable to take advantage of lower markets to buy more shares and thus reduce the average cost of your holding. This is dollar cost averaging. The chief requirement in any program of dollar cost averaging is continued regular investment throughout an entire market cycle. Dollar amounts might be varied somewhat if you feel that the market is unduly high or low, but some purchase must be made to achieve the desired result.

### Offers Suggestions

I think we could close with a few suggestions which may be helpful to new investors.

(1) Successful investment requires time and study. It is not automatic. This doesn't mean that you have to become a financial expert with an intimate knowledge of many companies, but it does mean that you should endeavor to acquaint yourself with financial events and trends. A good financial publication will help and so will occasional discussions with the broker with whom you plan to do business. A good beginning can be made with some of the nontechnical publications which various agencies in the securities industry publish. Two of these are this little booklet, "Understanding the Modern Securities Market," and the NYSE publication, "Your Company's Financial Reports." Investigate the securities you propose to buy and follow their progress through the excellent annual and other reports which you receive as a stockholder. The daily financial newspapers or a good financial page in a general newspaper will enable you to follow industry trends, so that you will know general areas in which likely candidates for your portfolio may be found. Your broker can suggest individual companies in these areas for your further study.

(2) Take your broker into your confidence as to your objectives. He can be helpful not only in determining those objectives but it will also serve to alert him for the type of securities suitable for your goals.

(3) Don't hesitate to ask questions about matters you don't understand. Many people seem reluctant to appear uninformed and so pass by many suitable investments. There is no mystery about securities; most security activity is merely buying and selling just as with any other commodity. There are, of course, technical market operations which do require rather specific knowledge, but these are not involved in the majority of ordinary purchases and sales of securities.

(4) You will make mistakes in the selection of securities or in timing. No one has a perfect record. If you have made a mistake, don't hang on tenaciously despite advice to the contrary, and if it appears that there is no real prospect of recovery. This does not necessarily apply to market changes but to securities which simply do not perform as you anticipated and hence have not contributed to your portfolio as you planned. Wholesale switching because of market swings seldom improves your position, but judicious switching of individual securities which have performed poorly can.

(5) If you must take tipsters seriously, at least ask your broker's advice and try to get some reliable information about the security before you proceed. An investment program is too important to your future to risk any part of it on an unknown.

(6) The securities industry is stringently regulated. All of this regulation is there for the protection of the investor and is administered by State and Federal agencies, the various exchanges, and industry regulatory bodies. These are real regulations, enforced and observed. They are your assurance, if you need it, that the dealer or broker with whom you do business will do the best possible job in handling your transactions and in assisting you in the realization of your investment aims. In any event, your broker's best business asset is a satisfied clientele, which is even further assurance he is going to do the best possible job for you.

Your investment program is a vital part of your future. It is worth considerable study and thought and planning. If it is properly set up and if you conscientiously follow a logical plan tailored to your requirements and limitations, I'm sure you will find investing a rewarding experience.

## Inv. Planning Services

HOUSTON, Tex. — Investment Planning Services, Inc. is engaging in a securities business from offices at 1811 Crawford Street. Officers are Harry Bornstein, President; William M. Rosenthal, Vice-President and Treasurer; and Bernard S. Stolbun, Secretary.

## Russell F. Macdonald

Russell F. Macdonald, associated with Wood, Struthers & Co., New York City, passed away June 13th at the age of 60.

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# Financing State and Municipal Debt

high-grade corporate bonds, are frequently made for other than true investment reasons—usually because of statutory prescription based on a desire to help provide a better market for the tax-exempt securities their governments issue. However, whether this source of investment funds for tax-exempt securities will increase even with the anticipated growth of such funds is open to question. An increasing number of State and municipal retirement systems is reportedly planning to join the Federal Social Security System. To the extent that this occurs, purchases of State and municipal securities by State and local retirement systems may be expected to be curtailed.

### Fire and Casualty Company Buying Hampered

Fire and casualty insurance companies are also substantial buyers of tax-exempt securities and will be as long as present tax laws are in force. However, this section of the insurance industry is currently struggling with heavy underwriting losses sustained during the previous two years, and consequently, their present need for tax-exempt investment income is not as pressing as it once was, and as it will be again.

Commercial banks could become more aggressive buyers of short to intermediate term tax-exempt bonds should loan demand decline or should their reserves be augmented by economic developments, or by Federal Reserve Board action. Right now both these possibilities appear to be remote.

A growing number of corporations is learning to use short-term municipals for the employment of temporarily available funds. However, this has little bearing on ways and means of providing long-term investment funds to finance the needs of State and local government.

All in all, right now major reliance for the financing of State and municipal government debt must be placed on trust funds and on individual investors. Even in this area the attraction of tax-exempt income has increasingly assumed a negative rather than a positive character. For tax-exempt income, while it does provide a tax shelter, affords no protection against the rising price level which has persistently plagued our postwar economy. Consequently even wealthy individuals may willingly forego the tax shelter afforded by municipal bonds in order to make investments designed to yield long-term capital gains, which, while taxable at the rate of 25%, still afford better protection against price erosion of the value of capital assets.

In the long run the best solution to the problems besetting municipal finance is the restoration of a sound dollar with stable purchasing power. Whether this can be done short of restoring both internally and externally, the gold standard currency which my generation was taught to deride, I do not know. In the meantime, the prudent course for all those concerned with the problem of marketing municipal securities is to husband the existing market for such obligations, and if possible to extend it.

What can be done in this direction? Well, endeavoring to keep State and local government retirement funds out of the Federal Social Security setup, and confining their investments to State and municipal debt, may, depending on one's personal political philosophy, be regarded as desirable. But that course could hardly be defended on grounds of the economic or investment benefits accruing to the beneficiaries of such funds. Anyway, the amount of investment funds so generated probably wouldn't be significant enough to hold the interest cost line.

A more logical and, perhaps, practical course of action would be to make whatever benefit can be derived from tax-exempt income more easily available to individual investors content to accept the risks attendant on static investment in an age of inflation. Moves in this direction have already been made. For example, the effect of certain bills now pending before Congress would be to enlarge the number of individual investors who may reap the benefit of tax-exempt income. By making tax exemption more easily available to them, it is hoped to enlarge the market for tax-exempt securities. One bill relates to regulated holding companies, that is to mutual funds whose shares are owned by large number of people, and the other, to unregulated investment companies. In each case permission is sought to allow investment companies which make investments in tax-exempt securities to pass along to their owners or shareholders the tax-exempt status of the interest paid on such investments.

### Opinion Divided

Opinion is divided on just how much the tax-exempt bond market might be broadened by the passage of these bills but one thing is certain, enactment would certainly help it. To the extent that it did it would ease the job of the exempt bond issuer in today's tight money market. Our firm's forecast envisioned gross new municipal flotations this year of $6.2 billion, and a net increase, after deducting retirements, repayments, etc. of $3.4 billion and it may actually be greater. Should present economic conditions continue, the tax-exempt market may well have to extend itself to absorb this amount and still remain within the range of tax exempt interest costs thus far established this year. I believe that anything that can reasonably be done to achieve this objective deserves the active support of all who are concerned with an admittedly tedious but very vital problem. Now let's take a look at the whole money market picture.

Money market conditions at any given time tend to reflect the prevailing economic climate, or at any rate, what the monetary authorities think the climate is. Right now the main point at issue still seems to be how best to control the general price level, or, to use a somewhat misleading word, inflation. Some economists view the prospect of more inflation with alarm, others with tolerance, and still others with skepticism. There are probably as many shades of opinion as there are economists. And, unfortunately for laymen, the opinions of the experts frequently appear to be contradictory.

Nineteen fifty-five and 1956 were, for most people, years of extra-ordinarily good business. In 1955 the economic emphasis was largely on consumers' durable goods and residential housing. Last year emphasis swung from the production of heavy consumers' goods and residential housing to capital goods and commercial and industrial construction. Since we have yet to devise an economic shift as smooth as our newest automotive shifts, there was some grinding of the economic gears in the process. Overall employment remained high but local unemployment developed to a minor extent in some areas. Sheet steel plant capacity was plentiful but the demand for heavy steel and structural steel could not be filled. Economic bottlenecks and labor wage demands conspired to push prices higher. Since the economy was already enjoying full employment when the capital goods boom began to roll, scarcities in producers' goods started to develop while in consumer's goods, the pace of business began to slow down.

This presented a knotty problem to the Federal Reserve Board. Had the Board tried to help the consumer's goods industries, it would have had to ease credit. Had it eased credit the prices of heavy goods in short supply would have moved even higher, for easing credit wouldn't have increased the supply of goods. More price mark-ups would have been the inevitable result.

During the last half of 1956 the bond market became very thin and the flow of investment funds into long-term capital investment became more difficult to achieve. Investment bankers found unsold portions of new issue inventory costly to carry. In the closing months of the year would-be borrowers began to withdraw from the market, or to defer offering their issues until such time as the bond market should develop an investment climate more favorable to their requirements. As the year drew to a close there was a waiting list of would-be borrowers. There was also a heavy backlog of new issues about to be marketed at new high yields in the first month of this year by those who couldn't wait.

### Stimulation of Voluntary Savings

The increase in interest rates during 1956 did appear to stimulate voluntary savings, the most desirable source of long-term capital, but still left a big gap between the demand for, and the supply of long-term funds, a gap which has not yet been closed.

However, at least in part as a consequence of these developments housing starts began to decline, and this, in turn, affected the demand for heavy consumers' goods and the volume of net new consumer credit. Thus the tight money policy of the Federal Reserve Board has been at least partially effective in reducing the demand for capital, and in promoting anti-inflationary economic conditions. In the final analysis the level of interest rates, and the direction which they take are directly influenced by the state of employment, production, income and savings. At best Federal Reserve policy can act only as a gyroscope to help maintain the balance ultimately imposed by the free play of economic forces in the market place.

So far this year there doesn't seem to be any single outstanding economic factor making for dynamic expansion as there was in the field of capital goods investment last year, and in the field of consumers' goods purchases in 1955. In fact, the over-all growth in physical volume of production in 1957 is likely to be smaller than the rate of growth of industrial capacity. This in itself, should tend to ease lingering economic shortages left over from last year. The rate of economic expansion in the months ahead is therefore probably going to be moderate. But business conditions are still very favorable, and the demand for capital and credit is likely to be well-maintained. In the month of May the monthly bulletin of the President's Council of Economic Advisers reported that the nation's gross national product was at a record annual rate of $427.1 billion for the first quarter of the year. Personal income in April rose to an all-time annual rate of $339.3 billion. Corporate profits, after taxes, were at a near record of $23 billion, and employment for April was almost 67 million. Even depressed farm income made an upturn.

However, despite the prevailing business optimism and what has been to me an astonishingly buoyant market in equities, the economic skies are not entirely free from clouds. Consumer purchases of automobiles and heavy appliances haven't fully regained their previous vigor, and retail trade hasn't quite measured up to expectations. Residential housing starts, while showing some seasonal pick-up, are still lagging and are projected at an annual rate of 925,000. This is a bit uncomfortable, economically speaking, for the housing industry is extremely influential in our economy.

Capital goods expenditures continue to be an important ingredient in sustained high level of business activity, and, historically, capital goods' booms are not long lived.

In addition, consumer expenditures hit peak levels in 1956 and, barring war scares, can probably sustain only moderate improvement this year. And wage demands this year, under the two and three-year labor contracts negotiated last year, are apt to be smaller than they were in 1956, the year of the first, and hence, under the terms usual in such contracts, the biggest increase. Considering the present high level of stock prices, personal income this year is not likely to be greatly augmented by capital gains from this source. This is also true of residential housing as a source of capital gains. Personal income, therefore, may over-all rise less rapidly than it did last year, despite the record results of the first quarter.

Despite these evidences of a possible slackening in the economic tempo later this year, many observers of the economic scene believe the present level of business activity, with some adjustments for seasonal variations, and barring a renewed outbreak of hostilities, may, at worst, taper off, but in terms of over-all full employment of men and facilities, not seriously.

For one thing there was still an unfilled demand for capital investment at the turn of the year, and capital outlays are probably going to continue to be an important factor in bolstering the economy for the balance of the year. This has been evident in public construction and municipal improvements, especially in school and road building which could increase fairly rapidly from this point on. An over-all increase of 12% in this category is indicated by Department of Commerce surveys, and the department's forecast is supported by the record of $2.5 billion of new bond issues sanctioned at the polls last November. To this amount may be added over a half a billion dollars of deferred municipal issues. In the field of private construction the moderate decline in residential building is expected to be offset by an increase in non-residential building.

So, under such circumstances, inflationary price pressures for the immediate future may become less threatening. Therefore even if business conditions continue to be highly favorable, there may be some economic justification for a shift in emphasis by the Federal Reserve Board from a policy of aggressive attack on an imminent inflationary outbreak, to one of defensive watchfulness if at least temporary relief from inflation appears to be in sight.

Capital formation is the vital force in an expanding economy and a high standard of living for an increasing population. Since 1950 our economy has been employing about 15% of gross national product annually in capital investment. Russia's rate of capital investment is reported to be higher. West Germany, a country not very well endowed with natural resources, has maintained a rate of capital investment of about 25% of gross national product even after largely making up the ravages of war. And that relatively small country's gross national product has been expanding at an annual rate of around 7% or, roughly, twice that of our own economy. In the light of this comparison our own rate of capital investment can hardly be termed excessive. I think it is reasonable to believe, therefore, that the Federal Reserve Board will be careful to preserve our present 3.5% annual rate of capital investment, and part of the job of doing this, is the restoration of a two-way bond market.

### Throttling Down the Money Supply

Moreover, in the course of pursuing a "tight" money policy to keep the economy from going on an inflationary spree, the increase in the money supply has been throttled down to 1½%, or only about a third of the normal increase the orderly growth of that economy is held by many economists to require. A growing economy requires, a growing money supply. Larger business transactions require larger cash balances. To a certain extent lack of large cash balances can be offset by greater efficiency in the use of money. Turnover of demand deposits rose 10% and more in our large money centers last year. Corporations sold securities holdings and drew down cash balances to finance capital outlays. Commercial banks sold governments and used the proceeds in business loans. United States Treasury non-marketable savings bonds were redeemed and the proceeds lent to private and public enterprise. But there is a limit to the effectiveness of such methods of increasing the velocity and supply of money and this limit is set by the liquidity requirements of corporate and banking enterprise. This limit probably ought not to be allowed to decline any further.

Hence, barring unforeseen political and economic developments the economic stage may already have been set for some mild easing of the money market later in the year. However, any easing which occurs will, probably, swing in a very narrow orbit. If it occurs it will, of course, be felt first in the short-term area of the market and eventually may spread out to the intermediate area. If it spreads to the long-term area at all its effect would probably be quite moderate.

Of course, many capable money market technicians believe that even mild ease in the rate of economic activity and the money market could touch off a money market reversal and a bond market upswing of some magnitude. They reason that, in any given market, the bulk of demand and supply of long-term funds is generally in balance, and that the small balance of excess demand or excess supply is the prime market motivator. They point out that, although business enterprise is less liquid now than a year ago even a minor let-up in the pace of business activity could result in a quick build-up of short-term funds, and at least a temporarily lessened demand for long-term funds.

While there is a certain logic in this point of view there are other technical bond market factors, and long-term economic trends which I believe will operate to put a fairly low ceiling on any possible mark-up of long-term bond prices, and I believe the ceiling would be especially low in the case of municipal bonds.

For one thing, there is still a pretty long waiting list of would-be private borrowers, and an even larger list of would-be public borrowers. For another, if the long-term bond market developed sufficient strength to generate a

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# Financing State and Municipal Debt

major price mark-up, then it is reasonable to expect that the Treasury would seize the opportunity thus afforded to extend the maturity of the Federal debt. The likely prospect of sizable flotations of long-term Federal debt could be expected to put a damper on any sharp upswing of long-term bond prices.

For many months the corporate and municipal bond markets have obtained considerable support from funds derived from the large-scale redemption of non-marketable Treasury Series F and G Savings Bonds. This is a process which runs counter to the Treasury's objective for it converts long-term claims on the Federal purse into cash demands. The Treasury is on record as desiring to do something to arrest the tide of these redemptions. Should it succeed one source of long-term funds for investment in municipal securities would be dried up. After trying for months to work out a solution to this knotty problem, the Treasury announced that it was postponing any action on it indefinitely.

So far this year during the months of January, February and March, bond prices rose and bond yields declined. During April and May bond prices declined and yields rose. The 1953-1954 bond market has been characterized as a roller coaster, and the 1956 market as a toboggan. What of the 1957 market? So far it's marched up the hill and down again. Right now bond prices, in general, are at or below the lowest levels of the year registered during the first week in January, and the tone of the market is about as poor as it was last fall. In the corporate area new issues of triple "A" rated public utility bonds are coming to market in the 4⅜%-4½% yield range, and single "A's" in the 4¾% to 5¼% range. Double "A" equipment trust certificates are in the 4¼% to 4½% bracket. Industrial bonds continue to be richer in price and lower in yield than other corporates. In the municipal area new triple "A's" yield around 3%, double "A's" 3¼%, and single "A's" 3½% to 3¾% in the 20-year maturity range.

Should the tempo of business activity quicken still further bond prices could be expected to work lower. Should the pace of business slow down materially bond prices could be expected to rise. But if the rate of economic activity remains steady and the Treasury market provides no rude shocks, I would expect bond prices to move in a narrow orbit around present levels. And despite current market conditions this last seems to me to be the most likely prospect. Maybe this is more of a prayer than a forecast!

Should this prove true, then, during the months ahead price movements are apt to be moderate, with corporate bond prices showing somewhat greater stability than municipals. I say this because the $1 billion deficit in the supply of long-term investment capital, which our supply-demand forecast indicated for the year, may be felt even more keenly in the municipal market than in the corporate bond market.

So much for the factors tending to maintain a stable level of bond prices in the immediate future. Now let us consider long-term economic trends which might not only curtail the extent of any general future rise in bond prices but which might limit the duration of such a movement as well.

Our population continues to grow at the rate of about 2.8 million persons a year even though family formation has begun to decline. In the mid-1960's, when the war babies come of age, population growth may be further intensified.

There is still a huge backlog of deferred public construction. Our growing population is likely to increase this backlog even more. In addition, gigantic public undertakings such as the St. Lawrence Seaway and the Federal road building program will not only require substantial sums for their own financing but will also stimulate other undertakings in their immediate area. These, in turn, may require an even larger total volume of financing than the original projects. Labor's power to set wage rates will probably insure its ability to continue to collect increases in pay which may be in excess, over-all, of increases in productivity. Hence, advancing prices and creeping inflation can be expected to continue.

Expanding Government social welfare and full employment programs will probably continue to foster more inflation.

Large-scale technological research by private enterprise will require a growing volume of funds to finance new product development and distribution and the acquisition of labor-saving machinery.

Military and foreign aid projects overseas will continue to bulk large in our Federal budget for the visible future.

### The Long-Term Prospect

So, full employment, a rapidly growing population, continued large non-economic government expenditures, and a world-wide demand for capital appear to be the long-term prospect. All this points up to a continued large demand for long-term investment capital. Considering the prolonged erosion of the purchasing power of the dollar, and the effect of high income taxes and full employment on the individual's ability and incentive to put by a nest egg for a rainy day, it is questionable whether voluntary savings of long-term capital will be able to keep pace with capital demand. All in all, the long-term trend would indicate no let-up in the economic pressures which tend to erode bond prices and increase bond yields. Unless these conditions change or the Senate Finance Committee comes up with an effective solution unknown to the Federal Reserve Board, today's interest costs may not look at all unreasonable in the light of hindsight.

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# The State of Trade and Industry

stated: "Economic conditions generally remained strong in May. Industrial production declined slightly further, but construction activity, non-farm employment, personal incomes, and retail sales were maintained at record levels. Industrial commodity prices continued stable in May and early June, and farm prices advanced somewhat. Bank credit increased slightly and interest rates rose substantially."

In the automotive industry last week all companies except Chrysler Corporation cut production as United States passenger car output was scheduled for a 2.5% drop, "Ward's Automotive Reports" declared on Friday last.

The statistical publication estimated automobile manufacture at 126,249 units the past week compared to 129,517 in the week preceding. Truck building fell 1.2% to 23,092 units from 23,370.

"Ward's" noted that Chrysler Corp., in reversal of overall industry scheduling, planned a 15.3% increase in car production. Saturday work at Detroit plants of Plymouth and Chrysler divisions helped boost the corporation total to 30,450 cars the past week from 26,412 the week before.

Ford Motor Co., with a 9.5% reduction, suffered the deepest cutback last week, said "Ward's." Although Ford division's San Jose, Calif., assembly plant was scheduled to operate Saturday, Mercury has curtailed production a sharp 47% by closing its Los Angeles, Calif., and Metuchen, N. J., plants the entire week and its St. Louis, Mo., facility on Friday last.

General Motors Corp. reduced its car building schedule 5.7% last week with the largest declines at Buick-Oldsmobile-Pontiac plants. Although Chevrolet output was set for a slight decline, its Tarrytown, N. Y., plant worked eight hours on Saturday last.

"Ward's" said that American Motors car production was expected to decline 3.1% the past week and Studebaker-Packard's 1.3%.

Despite the reduced industry program a week ago, "Ward's" noted that 1957 car output is running 5.4% ahead of 1956 through corresponding mid-June periods — 3,128,373 to 2,967,902. The statistical publication added that industry production of 1957 model cars, which began last Fall at most assembly sites, will reach 4,750,370 units by Saturday afternoon. "Ward's" said the 5,000,000 point will be passed the final week in June.

Personal income edged up to another record high in May, the United States Department of Commerce reported.

Initial payments of old age benefits to farmers and other groups accounted for most of the rise and more than offset a decline in manufacturing payrolls.

The department said total personal income moved up to a seasonally adjusted annual rate of $340,400,000,000 last month. This compared with annual rates of $339,300,000,000 for April and $322,800,000,000 for May of last year.

For the first five months of the year, the agency reported personal income stood at an annual rate of $337,900,000,000—well above the $319,400,000,000 annual rate of a year earlier.

The Administration's estimates of budget receipts in the fiscal year beginning July 1 are based partly on the expectation personal income would rise to $340,000,000,000 in calendar 1957 from $325,200,000,000 last year.

Most other forms of personal income showed little changed from April to May, the department said. Wages and salaries, which account for the largest portion of personal income, actually declined $200,000,000 from the April rate to an annual rate of $234,700,000,000 in May. The department said gains in non-manufacturing industries offset most of the declines in manufacturing payrolls.

For the year through May, the report said the annual rate of wages and salaries was $234,100,000,000, or $13,200,000,000 above the rate during the like period of last year.

### Steel Production This Week Set to Yield 87.5% of Ingot Capacity

In the steel industry business will continue its sidewise movement for at least two or three months in spite of the current flurry of new orders reported by many companies, "Steel" magazine stated on Monday last.

Not until late in the third quarter will there by any appreciable break in the straight-line economy, according to the weekly metalworking magazine. The end of vacations and preparations for new car introductions will turn the trend upward.

It said that with the exception of a few industries (notably appliances and others connected with home building), manufacturers are satisfied with present operating rates. Some of the costly overtime of last year's boom has been eliminated and machinery doesn't have to be pushed to the breaking point. It is likely that any sizable increase in new orders will result in an increase in bocklogs rather than a boost in production, it pointed out.

The metalworking authority said steelworks operations will probably continue at current or slightly lower rates through the summer months. An upturn in late summer or early fall is heralded by strengthening scrap prices.

Many look upon scrap, an important raw material is steelmaking, as a barometer of steel production. The break in scrap prices last December presaged the second quarter decline in steelmaking operations.

In the week ended June 12, the publication's scrap price composite rose for the seventh consecutive week from this year's low mark of $42.50 a gross ton. The composite was at $55.67, up $3.34 from the preceding week.

Steel production's reduced rate in March, April and May has been attributed to inventory reduction. In two other periods of similar reduction, scrap prices were far below those of today. "Steel's" composite in mid-June, 1949, was $21.59 a gross ton and in mid-June, 1954, $27.83. A year ago, it was $46.

The current upward movement in scrap prices will tend to keep blast furnaces at high operating rates, it added, stating that steelmakers will use as much hot metal as they can in lieu of scrap.

The turn upward in steel production that started three weeks ago carried the national operating rate to 88.5% of capacity in the week ended June 16. This is a gain of half a point over the preceding week and 4.5 points over the year's low mark. The yield is 2,265,149 net tons.

"Steel's" base price composite on finished steel remained at $140.24 a net ton.

**The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry will be an average of 87.5% of capacity for the week beginning June 17, 1957, equivalent to 2,240,000 tons of ingot and steel for castings, as compared with 86.5% of capacity, and 2,214,000 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 86.4% and production 2,212,000 tons. A year ago the actual weekly production was placed at 2,290,000 tons or 93.0%.**

**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 in Period Ended June 15 at Highest Level Since Week of Feb. 9

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, June 15, 1957, was estimated at 11,958,000,000 kwh., according to the Edison Electric Institute. Output the past week reached its highest point, since the week ended Feb. 9, last, when production stood at 12,019,000,000 kwh.

The past week's output increased 408,000,000 kwh. above that of the previous week; it rose 533,000,000 kwh. or 4.7% above the comparable 1956 week and 1,971,000,000 kwh. over the week ended June 18, 1955.

### Car Loadings Recovered in Latest Period From Memorial Day Holiday Week Rising 9.2%

Loadings of revenue freight for the week ended June 8, 1957, increased by 61,692 cars or 9.2% above the preceding holiday week the Association of American Railroads reports.

Loadings for the week ended June 8, 1957, totaled 733,477 cars, a decrease of 53,598 cars, or 6.8% below the corresponding 1956 week and a decrease of 48,461 cars, or 6.2% lower than the corresponding week in 1955.

### U. S. Automotive Output Set to Pass 5,000,000 Point In Closing Week in June

Automotive output for the latest week ended June 14, 1957, according to "Ward's Automotive Reports," registered a lower level the past week, although "Ward's" forecast that industry production will pass the 5,000,000 unit point in the final week of June.

Last week's car output totaled 126,249 units and compared with 129,517 (revised) in the previous week. The past week's production total of cars and trucks amounted to 149,341 units, or a loss of 3,546 units below that of the preceding week's output, states "Ward's."

Last week the agency reported there were 23,092 trucks made in the United States. This compared with 23,370 in the previous week and 20,687 a year ago.

Last week's output fell below that of the previous week by 3,368 cars, while truck output decreased by 278 vehicles during the week. In the corresponding week last year 100,689 cars and 20,687 trucks were assembled.

Canadian output last week was placed at 6,925 cars and 1,722 trucks. In the previous week Dominion plants built 8,505 cars and 2,046 trucks, and for the comparable 1956 week, 9,582 cars and 2,613 trucks.

### Business Failures Turned Downward the Past Week

Commercial and industrial failures declined to 265 in the week ended June 13, from 289 in the preceding week, Dun & Bradstreet, Inc., reports. While the toll fell below the 286 a year ago, it remained above the 214 in 1955 and exceeded by 6% the pre-war 249 in the comparable week of 1939.

Failures with liabilities of $5,000 or more decreased to 220 from 251 in the previous week and 243 last year. Small casualties under $5,000, rose to 45 from 38 a week ago and 43 in the similar week of 1956. Liabilities in excess of $100,000 were incurred by 34 of the failing businesses as against 25 in the preceding week.

The week's decline occurred in all industry and trade groups except manufacturing which advanced slightly. Commercial service casualties dropped most sharply to 19 from 31, while milder dips were experienced in retailing, construction and wholesaling. More retailers and construction contractors failed than a year ago, but tolls fell slightly below the 1956 level in other lines.

The South Atlantic and Pacific States accounted largely for the decrease in failures during the week, falling to 14 from 32 in the South Atlantic and to 61 from 83 in the Pacific States. In contrast, tolls were heavier in the East North Central, Middle Atlantic and the West South Central. Trends from 1956 were mixed and increases from last year appeared in five areas and declines in four. Casualties in the West South Central States climbed sharply from a year ago, but noticeable declines prevailed in the Middle Atlantic and Pacific States.

### Wholesale Food Price Index in Latest Week Equaled 1957 High Set on March 26

Continuing the upward trend of recent weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose to $6.22 as of June 11, from $6.20 a week earlier to equal the 1957 high recorded on March 26. The current level compares with $6.14 a year ago, or a rise of 1.3%.

Commodities advancing in wholesale price during the week included flour, corn, rye, bellies, sugar, cottonseed oil, eggs, rice and steers. On the down side were wheat, barley, lard, cocoa and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

### Wholesale Commodity Price Index Made Further Moderate Gains in the Latest Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose again the past week and closed at 289.10 on June 10. This was moderately above the 286.59 of the preceding week and slightly below the 288.21 a year ago.

**Price increases in steel scrap, rubber, coffee, sugar and cocoa offset declines in most grains, livestock, tin and zinc.**

Trading in grains fell again during week, as favorable weather conditions in growing areas prevailed. Transactions declined most noticeably and prices appreciably, in the corn and wheat markets. However, exports of wheat and flour were sustained at a high level with 500,000,000 bushels exported so far for the crop season as a whole. This considerably exceeded expectations. There was a moderate rise in Government selling of surplus corn.

Soybean purchases fell somewhat below those of the prior week and were noticeably less than a year ago. Although interest in rye and oats expanded substantially, prices sagged. Average daily purchases of grain and soybean futures on the Chicago Board of Trade last week stood at 36,000,000 bushels, almost unchanged from the previous week, but below the 51,000,000 bushels of the comparable period last year.

Sugar prices advanced slightly, despite a moderate decline in purchases. Flour bookings were sluggish, but prices climbed somewhat. Coffee trading was close to that of the preceding week as many buyers waited for reports on new crop plans of South American growers. There was a slight rise in coffee futures prices.

Cocoa trading expanded noticeably at the end of the week boosting prices somewhat. Warehouse stocks of cocoa stood at 255,866 bags, down moderately from the level of the previous week. Arrivals for the season to date amounted to 1,810,745 bags, compared with 2,298,135 bags in the similar period a year ago.

**Hog prices climbed to record high levels for the year at the beginning of the week, but they slipped somewhat at the end of the period.**

Hog receipts in Chicago were the highest for any week since early in February and trading was steady. There was a moderate increase in cattle receipts, but they were slightly less than a year ago. Cattle buying slackened and prices fell below those of a week earlier. Both supplies and trading in lambs decreased the past week, and prices dipped somewhat. Following the advance in hog prices, lard futures prices rose sharply. Domestic buyers noticeably increased their orders.

Continued unfavorable weather in the Cotton Belt and the anticipation of no new legislation on cotton this year resulted in a sharp rise in cotton prices a week ago. Cotton buying expanded considerably and supplies were noticeably reduced.

Increased bookings in broadcloths and print cloths held total cotton gray goods volume close to that of the preceding week. A slight rise occurred in transactions in cotton knitting yarns. Trading in man-made fibers improved, with principal gains in filament yarn acetate and rayon fabrics. While sales of woolens and worsteds advanced, interest in carpet wools was sluggish.

### Trade Volume Moved Slightly Ahead of Prior Week

There was a moderate rise in consumer buying of women's summer clothing last week, boosting the total volume of retail trade over that of the preceding week. Best-sellers were women's cotton dresses, sportswear and some fashion accessories. Cool weather in many areas discouraged purchases of men's lightweight suits and sportswear. Extensive sales promotions stimulated consumer interest in bedding and outdoor furniture, but sales of upholstered merchandise lagged. Total purchases of air conditioners continued noticeably below a year ago; the call for automatic laundry equipment equalled that of the previous week. While dealers reported a slight rise in sales of new and used passenger cars, volume was moderately below that of a year ago.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 2% below to 2% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England —6 to —2; Middle Atlantic —2 to +2; East North Central and West South Central —3 to +1; West North Central —4 to 0; South Atlantic, Mountain and Pacific Coast 0 to +4 and East South Central +1 to +5%.

Attracted by numerous fall openings in New York, apparel buyers considerably increased their orders for women's suits, better dresses and coats, and volume noticeably exceeded that of a year ago. While transactions in woolens improved, textile wholesalers reported slight declines in trading in worsteds and carpet wools. There was a slight rise in orders for furniture; wholesalers expect furniture shows in Chicago and Grand Rapids to boost volume in the coming week. Food buyers were primarily interested in frozen foods and canned fish.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended June 8, 1957, showed no change from the like period last year. In the preceding week, June 1, 1557, an increase of 1% was reported. For the four weeks ended June 8, 1957, no change was recorded. For the period Jan. 1, 1957 to June 8, 1957, an increase of 2% was registered above that of 1956.

**Retail trade sales volume last week in New York City was unchanged to 3% above the similar week of 1956. According to trade observers, cool temperatures prevailing in the forepart of the week tended to hold down sales volume.**

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended June 8, 1957, declined 2% below that of the like period of last year. In the preceding week, June 1, 1957, an increase of 5% (revised) was reported. For the four weeks ending June 8, 1957, a gain of 2% was registered. For the period of Jan. 1, 1957 to June 8, 1957, the index recorded a rise of 4% above that of the corresponding period in 1956.

### Spear, Leeds & Kellogg Adds General Brokerage

James Crane Kellogg, 3rd, senior partner of Spear, Leeds & Kellogg, member firm of the New York Stock Exchange, announces that the firm has added a general brokerage service to its activities as specialists in the securities of 36 American corporations.

The firm, specialists since 1931, will handle general brokerage transactions for individual and institutional investors.

Mr. Kellogg said: "Our experience gained in 26 years as specialists makes the offering of a brokerage service a natural extension of our activities."

### Baker Weeks Partner

Baker, Weeks & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, will admit James F. Keresey to partnership on July 1.

### McKelvy Co. to Admit

PITTSBURGH, Pa.—David W. Hunter on July 1 will be admitted to partnership in McKelvy & Co., Union Trust Building, members of the New York and Pittsburgh Stock Exchanges.

### Now Rogers & Rogers

PITTSBURGH, Pa.—The firm name of Rogers and Company, Law and Finance Building, has been changed to Rogers & Rogers, Inc.

## How Long, Oh Lord, How Long?

"The rich are getting richer and the poor are getting poorer.

"Big business is raising prices to higher and higher levels. Small increases in wages are used as the excuse for large increases in prices. These price increases are being reflected in a steadily increasing cost of living which has reached new all-time highs in each of the last five months.

"At the same time, the small business man and the farmer are suffering from falling prices and incomes. Profits of small producers have been going down and business failures have been rising. The farmer is suffering from low prices for the products which he raises and high prices for what he buys. He is receiving a declining share of the consumer's food dollar.

"Only the owners and managers of the big corporations which have been raising prices gain from this situation. Their workers lose when the big companies close down their plants to maintain and raise their prices. The housewife loses when she has to pay higher and higher prices. The small business man and the farmer lose as they are caught in a squeeze between having to pay more for what they buy and getting less for what they sell."—Advisory Council of the Democratic National Committee.

**This bit of lugubrious "viewing with alarm" is distressingly revealing. It is eloquent of bankruptcy of ideas and a slavish devotion to the usual political buncombe. The Eisenhower Administration is open to criticism at many points, but constructive influence upon national policy is hardly to be expected from those who waste time with such nonsense.**

## Outboard Marine Stock Offering Underwritten By Morgan Stanley

Outboard Marine Corp., the world's leading manufacturer of outboard motors, is offering to its stockholders rights to subscribe at $27 per share for 486,058 shares of additional common stock at the rate of one share for each 15 shares held of record on June 14, 1957. The subscription offer will expire at 3:30 p.m. (EDT) on July 1, 1957. The offering is being underwritten by a group of investment firms headed by Morgan Stanley & Co.

The company is the producer of Johnson, Evinrude, and Buccaneer outboard motors and Lawn-Boy power lawn mowers. It has two Canadian manufacturing subsidiaries, Outboard Marine Corp. of Canada, Ltd., which makes primarily the same products as the parent company, and Industrial Engineering Ltd., Canadian maker of Pioneer chain saws. On June 6, 1957, the company acquired Cushman Motor Works, Inc., of Lincoln, Neb., a leading U. S. Manufacturer of two-wheel and three-wheel powered vehicles, including light industrial carriers, scooters, golf carts, and other products.

Proceeds from the stock offering will be used for capital expenditures, estimated at $45,000,000 over the next several years, for working capital and for other purposes. Additional funds will be made available through the issuance by the company, not later than Sept. 30, 1957, of $4,000,000 principal amount of 4¼% notes due in 1976. Negotiations also are underway for the private sale within the next year of $10,000,000 of additional long-term debt.

Giving effect to the recent 3-for-1 split of the common stock, and to the sale of the 486,058 additional shares and the 4¼% notes (in September, 1957) the company will have outstanding 7,777,567 shares of common stock and $10,906,000 of funded debt.

During the five years ended Sept. 30, 1956, Outboard Marine's consolidated sales have increased from $30,552,000 to $122,044,000. During the same period, net earnings rose from $2,769,000 or 43c per share (adjusted for splits and stock dividends) to $12,098,000, or $1.69 per share. Sales for the six months ended March 31, 1957 were $68,629,000 with earnings for that period of $6,245,000. Quarterly dividends each equivalent to 16.67 cents per share were paid in January and April of this year.

### W. A. Trolan Opens

ROANOKE, Va. — William A. Trolan, Jr., is engaging in a securities business from offices on Route 5. Mr. Trolan was formerly with Waddell & Reed, Inc.

### W. D. Kempf Opens

FT. WAYNE, Ind.—William D. Kempf is engaging in a securities business from offices at 127 West Berry Street.

### Forms Erwin Lapp Co.

INDIANAPOLIS, Ind. — Erwin Lapp has formed Erwin Lapp & Company, Incorporated, with offices in the Illinois Building to engage in a securities business.

### Einer Paulsen Opens

SACRAMENTO, Calif. — Einer Paulsen is engaging in a securities business from offices on Route 2.

### With Taylor, Rogers

(Special to The Financial Chronicle)

CHICAGO, Ill.—James R. Janssen has become associated with Taylor, Rogers & Tracy, Inc., 105 South La Salle Street, members of the Midwest Stock Exchange. Mr. Janssen was previously with Barclay Investment Co.

# 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 three weeks.

**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.

**All America Expansion Corp., Pasadena, Calif.**
May 3 filed 184,000 shares of common stock, of which 92,000 shares are to be offered to public and 92,000 shares issued to promoters. **Price**—To public, $1 per share; no proceeds from sale to promoters. **Proceeds**—For general corporate purposes. **Business**—Purchase and resale of oil, fruits grown in Brazil and other countries. **Underwriter**—None. LeRoy R. Haynes, of Pasadena, Calif., is President.

● **Allied Products of Florida, Inc.**
May 1 filed 130,000 shares of class A common stock (par $1) to be offered to stockholders. **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. Statement to be withdrawn.

**American Guaranty Corp.**
May 13 (letter of notification) 38,651 shares of common stock (par $1) being offered to stockholders of record May 17, 1957 on a basis of one new share for each three shares held (with an oversubscription privilege); 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. **Proceeds**—For working capital. **Office**—49 Westminister 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 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.

★ **Anglo-Ecuadorian Oilfields Ltd. (England)**
June 12 filed 60,000 American depositary receipts for ordinary registered stock. **Depositary**—Guaranty Trust Co. of New York.

★ **Anthony (C. R.) Co.**
June 3 (letter of notification) 1,150 shares of class B non-voting common stock (par $100) to be offered to employees. **Price**—At book value (or $240 per share). 3% will be added if shares are purchased by the employees on the installment plan. **Proceeds**—To open and equip new stores and for capital improvements. **Office** — 701 North Broadway, Oklahoma City, Okla. **Underwriter**—None.

● **Associates Investment Co.**
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. **Offering**—Postponed indefinitely.

★ **Bank Building & Equipment Corp. of America (6/25)**
June 11 (letter of notification) 14,285 shares of common stock (par $2). **Price**—$21 per share. **Proceeds**—To two selling stockholders. **Underwriter** — Scherck, Richter Co., St. Louis, Mo.

**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.

**Barium Steel Corp., New York (6/27)**
June 6 filed $10,000,000 of 5½% convertible subordinated debentures due June 15, 1969. **Price**—To be supplied by amendment. **Proceeds**—For construction of new plant. **Underwriters**—Lee Higginson Corp. and Allen & Co., both of New York.

**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.

**Bridgeport (Conn.) Gas Co.**
May 17 filed 28,910 shares of common stock (no par) being offered for subscription by common stockholders of record June 4, 1957 on the basis of one new share for each seven shares held; rights to expire on June 24. **Price**—$26 per share. **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.

★ **Burton Picture Productions, Inc. (6/26)**
June 12 (letter of notification) $110,000 of 6% convertible senior debentures due Aug. 26, 1962. **Price**—At par. **Proceeds**—To produce "Violent Fate" and for working capital. **Office**—246 Fifth Ave., New York 1, N. Y. **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 being offered for subscription by holders of prior preferred stock of record May 20 on the basis of one new share for each 4.11 shares held; rights to expire on June 21. **Price**—At par ($25 per share). **Proceeds** — For the purchase of the Barnstable pipeline. **Office**—25 Iyanough 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.

**Cameron Industries, Inc., New York (6/27)**
June 7 filed 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development program. **Underwriter**—R. G. Worth & Co., Inc., New York.

● **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. Statement effective June 7.

**Carolina Mines, Inc., Kings Mountain, N. C.**
March 29 filed 679,469 shares of common stock, of which 283,676 shares are to be offered for subscription by stockholders at the rate of five additional shares for each four shares held; and the remainder will be offered to the public. **Price**—At par ($1 per share). **Proceeds**—To repay loans, for exploration and development work, construction and working capital. **Underwriter** — None. A. S. MacCulloch of Vancouver, B. C., Canada, is President and principal stockholder.

● **Central Illinois Light Co. (7/9)**
June 12 filed $15,000,000 of first mortgage bonds due 1987. **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). **Bids**—Expected to be received up to noon (EDT) on July 9 at 300 Park Ave., New York, N. Y.

**Chance Vought Aircraft, Inc. (6/26)**
June 5 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. **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.

**Comico Corp., Memphis, Tenn. (7/8-12)**
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.

**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 Mineral Resources, Inc.**
June 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—c/o Registrar & Transfer Agent, Nevada Agency & Trust Co., Cheney Bldg., Reno, Nev. **Underwriter**—Birkenmayer & Co., Denver, Colo.

**Continental Mines & Metals Corp., Paterson, N.J.**
April 24 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development of properties. **Underwriter** — Leward M. Lister & Co., Boston, Mass.

**Cougar Mine Development Corp.**
March 15 (letter of notification) 560,000 shares of common stock (par one cent). **Price** — 50 cents per share. **Proceeds** — For diamond drilling on company's lands, prospecting expenses, working capital and other corporate purposes. **Office**—83 Campfield St., Irvington, N. J. **Underwriter**—Roth & Co., Maplewood, N. J.

**Cowiche Telephone Co., Cowiche, Wash.**
May 23 (letter of notification) $63,000 of 20-year 5½% first mortgage sinking fund bonds, series "B," dated June 1, 1957, to be offered in denominations of $1,000 each. **Proceeds**—For expenses in increasing telephone service. **Underwriter** — Wm. P. Harper & Co., Seattle, Wash.

**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**—To be received up to 11:30 a.m. (EDT) on June 24 at 600 Market Street, Wilmington 99, Del.

★ **Devor Figurizing Club, Inc., Chicago, Ill.**
June 13 (letter of notification) 100 shares of 6% preferred stock and 3,500 shares of common stock (no par). **Price**—Of preferred, at par ($100 per share); of common stock, $10 per share. **Proceeds**—To prepare and offer franchise rights to establish figurizing clubs throughout the United States and for working capital. **Office**—558 W. Montana Ave., Chicago, Ill. **Underwriter**—None.

**★ Divanco, Inc.**
June 10 (letter of notification) 38,500 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—For developing and exploring of petroleum products. **Office**—First National Bank Bldg., 402 N. Carson St., Carson City, Nev. **Underwriter**—None.

**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.

**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.

**★ Emerson Electric Manufacturing Co. (7/9)**
June 18 filed $3,390,000 of convertible subordinated debentures due July 15, 1977 to be offered for subscription by common stockholders on the basis of $100 principal amount of debentures for each 20 shares of stock held. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures and working capital. **Underwriters**—Smith, Barney & Co. and Van Alstyne, Noel & Co., both of New York; and Newhard, Cook & Co., St. Louis, Mo.

**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.

**★ Epsco, Inc., Boston, Mass. (7/2)**
June 13 filed 60,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for working capital. **Underwriter**—W. C. Langley & Co., New York.

**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. (6/26)**
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.

**Federal Insurance Co. (6/26)**
June 7 filed 400,000 shares of capital stock (par $4) to be offered in exchange for 100,000 shares of Colonial Life Insurance Co. of America capital stock (par $10) on the basis of four Federal shares for each Colonial Share. Offer will become effective upon acceptance by holders of 90% of Colonial stock, or, at option of Federal, acceptance by not less than 80% of the Colonial shares. Offer will continue for 30 days, or to and including July 26, unless extended. **Dealer-Managers**—The First Boston Corp. and Spencer Trask & Co., both of New York.

**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.

**Fluorspar Corp. of America**
May 28 (letter of notification) 30,000 shares of common stock (par $1) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—$8.50 per share. **Proceeds**—For mining operations. **Office**—433 S. E. 74th Ave., Portland, Ore. **Underwriter**—None.

**★ Frigikar Corp.**
June 6 (letter of notification) 9,000 shares of common stock (par 50 cents). **Price** — At market (estimated $5.50 per share). **Proceeds**—To go to Daniel D. Dillingham. **Office**—1602 Cochran St., Dallas, Texas. **Underwriter**—Muir Investment Corp., San Antonio, Texas.

**General Aniline & Film Corp., New York**
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). **Bids** — Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

**General Credit, Inc., Washington, D. C.**
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers. Application is still pending with SEC.

**★ General Plant Protection Corp.**
June 5 (letter of notification) 60,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—6900 South Hoover St., Los Angeles, Calif. **Underwriter**—None.

**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

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# NEW ISSUE CALENDAR

**June 20 (Thursday)**
Erie RR. ____ Equip. Trust Ctfs.
(Bids noon EDT) $2,925,000

**June 21 (Friday)**
Philip Morris, Inc. ____ Common
(Offering in exchange for Milprint, Inc. common stock—Lehman Brothers acted as intermediary) 385,000 shares

**June 24 (Monday)**
Delaware Power & Light Co. ____ Bonds
(Bids 11:30 a.m. EDT) $15,000,000
Lake Lauzon Mines, Ltd. ____ Common
(Steven Randall & Co., Inc.) $300,000
Pacific Finance Corp. ____ Common
(Blyth & Co., Inc. and Hornblower & Weeks) 164,604 shares
Southeastern Fund ____ Debentures
(Smith, Clanton & Co., Powell & Co. and Frank S. Smith & Co.) $2,000,000
Zapata Petroleum Corp. ____ Debentures
(G. H. Walker & Co.) $3,000,000

**June 25 (Tuesday)**
Bank Building & Equipment Corp. ____ Common
(Scherck, Richter Co.) 14,265 shares
Chicago & Eastern Illinois RR. ____ Equip. Trust Ctfs.
(Bids noon CDT) $2,130,000
Household Finance Corp. ____ Debentures
(Lee Higginson Corp.; White, Weld & Co.; and William Blair & Co.) $40,000,000
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
Louisiana-Delta Offshore Corp. ____ Common
(Smith, Barney & Co.) 346,289 shares
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

**June 26 (Wednesday)**
Burton Picture Products, Inc. ____ Debentures
(Offering to public—no underwriting) $110,000
Chance Vought Aircraft, Inc. ____ Debentures
(Harriman Ripley & Co. Inc.) $12,500,000
Duquesne Light Co. ____ Common
(Bids 11 a.m. EDT) 265,000 shares
Erie Resistor Corp. ____ Preference
(Fulton, Reid & Co.) $1,250,000
Federal Insurance Co. ____ Common
(Offering in exchange for stock of Colonial Life Insurance—The First Boston Corp. and Spencer Trask & Co. will act as dealer-managers) 400,000 shares
Metropolitan Toronto (Municipality of) Debentures
(Harriman Ripley & Co. Inc.; Dominion Securities Corp.; The First Boston Corp.; Smith, Barney & Co.; Wood, Gundy & Co., Inc.; A. E. Ames & Co., Inc.; and McLeod, Young, Weir, Inc.) $39,372,000
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)**
Barium Steel Corp. ____ Debentures
(Lee Higginson Corp. and Allen & Co.) $10,000,000
Cameron Industries, Inc. ____ Common
(R. G. Worth & Co., Inc.) $300,000
Chicago & North Western Ry. ____ Equip. Trust Cfts.
(Bids noon CDT) $2,235,000
Kaiser Aluminum & Chemical Corp. ____ Preferred
(The First Boston Corp. and Dean Witter & Co.) $30,000,000
New Cornelia Extension Copper Corp. ____ Common
(Willis E. Burnside & Co.) $300,000

**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
So[illegible] Products Co. ____ Common
(Offering to stockholders—underwritten by R. S. Dickson & Co., Inc., and G. H. Crawford & Co., Inc.) 60,000 shares
Southern California Edison Co. ____ Bonds
(Bids to be invited) $40,000,000

**July 2 (Tuesday)**
Epsco, Inc. ____ Common
(W. C. Langley & Co.) 60,000 shares
National Telefilm Associates, Inc. ____ Notes & Com.
(Cruttenden, Podesta & Co.; Cantor, Fitzgerald & Co.; and Westheimer & Co.) $5,000,000 notes and 350,000 common shares
Rochester Gas & Electric Corp. ____ Bonds
(Bids 11 a.m. EDT) $15,000,000

**July 8 (Monday)**
Comico Corp. ____ Common
(Southeastern Securities Corp.) $1,500,000
Mangel Stores Corp. ____ Debentures
(Lee Higginson Corp.) $3,000,000

**July 9 (Tuesday)**
Central Illinois Light Co. ____ Bonds
(Bids noon EDT) $15,000,000
Emerson Electric Mfg. Co. ____ Debentures
(Smith, Barney & Co.; Van Alstyne, Noel & Co.; and Newhard, Cook & Co.) $3,390,000
Texas Electric Service Co. ____ Preferred
(Merrill Lynch, Pierce, Fenner & Beane) $10,000,000
Wisconsin Telephone Co. ____ Debentures
(Bids 11 a.m. EDT) $30,000,000

**July 10 (Wednesday)**
Montreal (City of) ____ Debentures
(Bids to be invited) $25,000,000
Pacific Power & Light Co. ____ Common
(Offering to stockholders—bids 11 a.m. EDT) 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)**
Allied Paper Corp. ____ Debentures
(Glore, Forgan & Co.) $3,500,000
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

**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

**July 31 (Wednesday)**
Norfolk & Western Ry. ____ Equipment Trust Ctfs.
(Bids to be invited)

**August 13 (Tuesday)**
Northern States Power Co. (Minn.) ____ Bonds
(Bids 11 a.m. EDT) $15,000,000

**August 20 (Tuesday)**
Pacific Telephone & Telegraph Co. ____ Debentures
(Bids to be invited) $90,000,000

**September 4 (Wednesday)**
Louisville Gas & Electric Co. ____ Bonds
(Bids to be invited) $15,000,000

**September 10 (Tuesday)**
Duke Power Co. ____ Bonds
(Bids to be invited) $50,000,000

**September 11 (Wednesday)**
New Jersey Bell Telephone Co. ____ Debentures
(Bids to be invited) $30,000,000

**September 18 (Wednesday)**
Norfolk & Western Ry. ____ Equipment Trust Ctfs.
(Bids to be invited)

**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

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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**
May 24 filed 1,480,787 shares of common stock (par $10) and 170,000 shares of 5.28% convertible preferred stock (par $50) being 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 will expire on July 15. **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.

**★ Getty Oil Co., Wilmington, Del.**
June 17 filed 100,000 shares of common stock (par $4) to be offered for sale from time to time on the New York Stock Exchange. Certain private placements may be made. **Price**—Either at the market or at a price not lower than the bid price nor higher than the asking price quoted on the Exchange at time of such offering. **Proceeds**—To J. Paul Getty, President, who is the selling stockholder. **Underwriter**—None.

**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.

**● Government Employees Corp.**
May 24 filed $652,000 5% convertible capital debentures due June 30, 1967, being 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.

**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.

**★ Home-O-Nize Co.**
June 7 (letter of notification) 1,600 shares of common stock (par $10) and 100 shares of preferred stock (par $100). **Price**—Of common stock, $25 per share; and preferred stock, at par. **Proceeds** — For working capital. **Office**—701 East Third St., Muscatine, Ia. **Underwriter** —None.

**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.

**International Duplex Corp., San Francisco, Calif.**
Dec. 21, 1956 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.

**International Insurance Investments, Inc.**
June 10 filed 118,140 shares of common stock (par $1) and warrants to purchase 354,420 additional shares of common stock to be offered in units of one common share and three warrants to buy three common shares. **Price**—$3.75 per unit. Each warrant entitles holder to purchase one common share at $2.75 per share. **Proceeds** —To acquire stock of fire insurance unit and for general corporate purposes. **Office** — Englewood, Colo. **Underwriter**—American Underwriters, Inc., also of Englewood, Colo.

**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 Aluminum & Chemical Corp. (6/27)**
June 6 filed 300,000 shares of cumulative convertible preferred stock (par $100). **Price** — To be supplied by amendment. **Proceeds**—For expansion program and to retire bank loans. **Underwriters**—The First Boston Corp. and Dean Witter & Co., San Francisco. Calif.

**● Kerr-McGee Oil Industries, Inc. (6/25-26)**
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. (6/25-26)**
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.

**★ Klassen Enterprises, Inc., Hayward, Calif.**
May 29 (letter of notification) 300,000 shares of capital stock, of which 100,000 shares are being offered to outstanding shareholders in exchange for such outstanding shares and certain claims against the company; the remaining 200,000 shares are to be offered to the public. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—22105 Meekland Ave., Hayward, Calif. **Underwriter** — Stephenson, Leydecker & Co., Oakland, Calif.

**● Lake Lauzon Mines Ltd., Toronto, Can. (6/24)**
March 18 filed 750,000 shares of common stock (par $1). **Price**—40 cents per share. **Proceeds**—For drilling expenses, equipment, working capital and other corporate purposes. **Underwriter**—Steven Randall & Co., Inc., New York. Statement effective June 7.

**● Louisiana-Delta Offshore Corp. (6/25-26)**
June 5 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.

**Mascot Mines, Inc., Kellogg, Idaho**
June 3 (letter of notification) 800,000 shares of common stock. **Price**—At par (17½ cents per share). **Proceeds** —For mining expenses. **Office**—Sidney Bldg., Kellogg, Idaho. Malcolm C. Brown is President. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho.

**★ Merchants Co.**
June 10 (letter of notification) $300,000 of 6% convertible subordinate debentures due 1972 to be offered to common and preferred stockholders of record of July 11, 1957. (Debentures are convertible into common stock subsequent to July 31, 1962 and prior to Aug. 1, 1971, in limited amounts and freely thereafter as described). **Price**—At par in units of $125 each. **Proceeds**—For working capital. **Office**—300 East Pine St., Hattiesburg, Miss. **Underwriter**—Lewis & Co., Jackson, Miss.

**★ Metcalf (James I.) & Co., Inc.**
June 6 (letter of notification) 35 units, each unit consisting of: 100 shares of common stock (par $1); 4 shares of preferred stock (par $100) and $2,000 of 6% debenture bonds due 1984. **Price**—$2,500 per unit. **Proceeds**—For payment of a bank loan and other notes and for working capital. **Office** — 701 United Pacific Bldg., 1000 Second Ave., Seattle 4, Wash. **Underwriter** —None.

**Metropolitan Toronto (Municipality of) (Province of Ontario) (6/26)**
June 6 filed $39,372,000 of debentures to consist of (a) $34,919,000 sinking fund debentures due in varying amounts on July 1, 1962, 1967, 1972, 1977, 1982 and 1987, and (b) $4,453,000 instalment debentures due July 1, 1958-1977, inclusive. **Price** — To be supplied by amendment. **Proceeds** — For improvements and other capital expenditures. **Underwriters** — Harriman Ripley & Co. Inc.; Dominion Securities Corp.; The First Boston Corp.; Smith, Barney & Co.; Wood, Gundy & Co., Inc.; A. E. Ames & Co., Inc.; and McLeod, Young, Weir, Inc.; all of New York.

**Mississippi Valley Portland Cement Co.**
Dec. 26 filed 1,600,000 shares of capital stock (no par), of which 708,511 shares are subject to an offer of rescission. **Price**—$3 per share. **Proceeds**—For completion of plant, provide for general creditors and for working capital. **Office**—Jackson, Miss. **Underwriter**—None, offering to be made through company's own agents.

**Monticello Associates, Inc.**
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

**● Montreal (City of) (7/10)**
June 7 filed $7,200,000 of 5¼% sinking fund debentures due Feb. 15, 1977 and $17,800,000 of 5¼% sinking fund debentures due March 1, 1977. **Price** — To be supplied by amendment. **Proceeds**—For local improvement and public works. **Underwriter**—To be determined by competitive bidding. Shields & Co.; Halsey, Stuart & Co. Inc., Savard & Hart and Salomon Bros. & Hutzler, (jointly); Lehman Brothers, White, Weld & Co., Eastman Dillon, Union Securities & Co. and Blyth & Co., Inc. (jointly); The First Boston Corp. **Bids**—Expected to be received up to 2:30 p.m. (EDT) on July 10.

**★ Motorcity Credit Corp.**
June 10 (letter of notification) 321,000 shares of capital stock to be offered to directors, officers, promoters and insiders of the corporation. **Price**—At par (10 cents per share). **Proceeds**—To purchase property. **Office**—3440 South State St., Salt Lake City, Utah. **Underwriter**—None.

**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, which owns 86.74% of the presently outstanding shares. **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.

**● Nashua Corp.**
May 29 (letter of notification) approximately 9,000 shares of class B common stock (par $5). **Price** — At market (about $31 to $32 per share). **Proceeds**—To go to executors of Estate of Hubert L. Carter. **Office** — 44 Franklin St., Nashua, N. H. **Underwriter**—Kidder, Peabody & Co., Inc., Boston 1, Mass. **Offering**—Expected today (June 20).

**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. Statement expected to be amended.

**★ National Plumbing Stores Corp.**
June 10 (letter of notification) $250,000 of 20-year 3½% income notes to be offered in denominations of $500 each. **Price**—At par. **Proceeds**—For working capital. **Office**—305 North Front St., Columbus, Ohio. **Underwriter**—None.

**★ National Securities & Research Corp.**
June 13 filed (by amendment) an additional 10,000,000 shares in the following National Securities Series: Bond Series, Balanced Series, Preferred Stock Series, Income Series, Stock Series, Dividend Series and Growth Stocks Series.

**National Tea Co., Chicago, Ill.**
June 12 filed 48,720 shares of common stock (par $5) to be offered in exchange for common stock of Tolerton & Warfield Co. of Sioux City, Iowa, on the basis of 7½ shares of National Tea for each Tolerton share. The offer will expire on July 22, 1957, unless extended.

**● National Telefilm Associates, Inc. (7/2-3)**
June 11 filed $5,000,000 of 6% sinking fund subordinated notes due June 15, 1962, with common stock purchase warrants attached; and 350,000 shares of common stock (par 10 cents). Each $500 note will carry a warrant to purchase 50 shares of common stock. **Price** — For notes, 100% and accrued interest; for stock, to be supplied by amendment. **Proceeds**—To retire $5,000,000 of current indebtedness; and for working capital and general corporate purposes. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill.; Cantor, Fitzgerald & Co., Beverly Hills, Calif.; and Westheimer & Co., Cincinnati, Ohio.

**New Brunswick (Province of)**
Dec. 14, 1956, filed $12,000,000 of 25-year sinking fund debentures due Jan. 1, 1982. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to The New Brunswick Electric Power Commission to repay bank loans. **Underwriter**—Halsey, Stuart & Co. Inc., New York and Chicago. **Offering**—Indefinitely postponed.

**● New Cornelia Extension Copper Corp. (6/27)**
May 31 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining operations. **Office**—129 South State St., Dover, Del. **Underwriter**—Willis E. Burnside & Co., Inc., New York, N. Y.

**★ Northwest Refining & Chemical Co.**
June 5 (letter of notification) 200,000 shares of common stock (par two cents). **Price**—25 cents per share. **Proceeds** — For additional construction and working capital. **Office** — 125 North Park Road, Spokane 62, Wash. **Underwriter**—None.

**Northwest Telephone Co.**
March 28 (letter of notification) 7,200 shares of common stock (par $5) to be offered first to stockholders on a preemptive basis; unsubscribed to employees; and remainder to public. **Price**—$16 per share. **Proceeds**—For construction, payment of current liabilities and working capital. **Office**—1313 Sixth St., Redmond, Ore. **Underwriter**—None.

**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.**
May 24 filed 486,058 shares of common stock (par 30 cents) being 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**—$27 per share. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Stanley & Co., New York.

**Oxford County Telephone & Telegraph Co.**
April 18 (letter of notification) 6,000 shares of common stock to be offered to present stockholders on the basis of preemptive rights, thereafter to the public. **Price**—At par ($5 per share). **Proceeds** — For converting exchange at Turner from a manual service to a dial automatic exchange. **Office**—Buckfield, Me. **Underwriter**—None.

**● Pacific Finance Corp. (6/24)**
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 to be received up to 11 a.m. (EDT) on 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 (6/21)**
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.

**★ Phoenix Investment Co., Atlanta, Ga.**
June 14 filed 380,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be loaned to Peachtree Road Development Corp. and to Mimosa Corp. in order to permit these companies to pay the balance of contract prices and closing costs incident to the purchase of certain parcels of land. **Underwriters**—Clement A. Evans & Co., Inc., and The Robinson-Humphrey Co., Inc., both of Atlanta, Ga.

**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.**
May 22 filed 226,194 shares of common stock (par $9.50) being 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** — $16.25 per share. **Proceeds** — For construction program. **Underwriter**—Lehman Brothers, New York.

**★ Precision Transformer Corp., Chicago, Ill.**
June 12 (letter of notification) $294,000 of 6% 10-year convertible debentures due June 1, 1967 and 29,400 shares of common stock (par 20 cents) to be offered in units of $500 of debentures and 50 shares of stock at $510 per unit, or $100 of debentures and 10 shares of stock at $102 per unit. **Proceeds** — To repay outstanding indebtedness and for general corporate purposes. **Office**—2218 W. Lake St., Chicago, Ill. **Underwriter**—John R. Boland & Co., Inc., 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 Finance Service, Inc.**
June 10 (letter of notification) $300,000 of 6% cumulative debentures, 1955 series. **Price**—At par (in denominations of $100). **Proceeds**—For working capital. **Office**—11 West Chelton Ave., Philadelphia 44, Pa. **Underwriter**—None.

**● Public Service Electric & Gas Co.**
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. **Offering**—Temporarily delayed.

**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.

**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.

**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.

**★ Romanoff Restaurant Corp.**
June 10 (letter of notification) 10,360 shares of common stock (no par). **Price**—$25 per share. **Proceeds**—For operating expenses. **Office** — 140 South Rodeo Drive, Beverly Hills, Calif. **Underwriter**—None.

**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 in the near future.

**St. Regis Paper Co.**
April 1 filed 850,000 shares of common stock (par $5) to be offered in exchange for common stock of St. Paul & Tacoma Lumber Co. on the basis of 56⅔ shares of St. Regis stock for each share of Lumber company stock. The offer will be declared effective if 95% of the latter stock is deposited for exchange (and may be declared effective at option of St. Regis, if not less than 80% of the stock is deposited).

**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.

**● Sonoco Products Co., Hartsville, S. C. (7/1)**
June 10 filed 60,000 shares of common stock (par $5) to be offered for subscription by common stockholders of record June 10, 1957; rights to expire on July 10. Of the unsubscribed stock, certain employees may subscribe for up to 10,000 shares. **Price**—To stockholders and employees, $25.75 per share; to public, $26.75 per share. **Proceeds**—For working capital. **Underwriters**—R. S. Dickson & Co., Inc., Charlotte, N. C.; and G. H. Crawford Co., Inc., Columbia, S. C.

**Southeastern Fund, Columbia, S. C. (6/24-28)**
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. Rights will expire on July 15. **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 California Edison Co. (7/1)**
June 10 filed $40,000,000 of first and refunding mortgage bonds, series I, due July 1, 1982. **Proceeds** — To retire bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Dean Witter & Co. (jointly); Kuhn, Loeb & Co. **Bids**—Expected to be received up to 9 a.m. (PDT) on July 1 at 601 West 5th St., Los Angeles, Calif.

**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**—To be received up to 8:30 a.m. (PDT) on June 26, at 810 So. Flower St., Los Angeles, Calif.

**★ Standard Minerals, Inc.**
June 7 (letter of notification) 295,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—120 South 3rd St., Las Vegas, Nev. **Underwriter**—None.

**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. **Offering**—Expected early in July.

**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.

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**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.

**Strato-Missiles, Inc.**
June 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To develop Hatfield propulsion system, and other projects; for purchase of additional facilities and for working capital. **Business**—To produce machinery and equipment. **Office**—70 East 45th St., New York, N. Y. **Underwriter**—Kesselman & Co., Inc., New York.

**Summers Gyroscope Co.**
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. **Offering**—Expected in near future.

**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 share 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 Electric Service Co. (7/9)**
June 14 filed 100,000 shares of cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—About $10,000,000 to be used for construction program. **Underwriters**—Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Beane; all of New York.

**★ Texas Electric Service Co. (7/15)**
June 14 filed $10,000,000 of first mortgage bonds due July 1, 1987. **Proceeds**—To repay advances from Texas Utilities Co., the parent, and for construction program. **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.

**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.**
May 21 filed 484,276 shares of common stock (no par) being 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**—$40 per share. **Proceeds**—For capital improvement 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**
May 28 filed 3,337,036 shares of common stock (par $5) being 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**—$13 per share. **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.

**★ Washington Planning Corp. of Maryland**
June 6 (letter of notification) 17,000 shares of common class A capital stock (par 50 cents) and 45,000 shares of preferred stock (par $1) to which 10,000 shares of each class of stock are to be sold in units of one share of each at $6 per unit. Thereafter the corporation will offer 35,000 shares of preferred and 7,000 shares of common in 7,000 units of five preferred shares and one common share at $26 per unit. **Proceeds**—To start a securities business specializing in the distribution of shares of mutual funds. **Office** — 832 Warner Bldg., Washington, D. C. **Underwriter**—None.

**Washington Water Power Co. (7/10)**
June 11 filed $30,000,000 of first mortgage bonds due 1987. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co. and Laurence M. Marks & Co., all of 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 Hemisphere Petroleum Corp.**
June 19 filed 400,000 shares of common stock (par $1). **Price**—Expected to be around $5 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriters** — Sanders & Co. and Rauscher, Pierce & Co., Inc., both of Dallas, Tex.

**● Western Printing & Lithographing Co.**
May 15 filed $3,037,640 of 5% serial notes due Dec. 1, 1958 to 1967, inclusive being 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. Statement effective June 10.

**Wilson & Co., Inc.**
Aug. 28, 1956 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**

**★ Wisconsin Telephone Co., Milwaukee, Wis. (7/9)**
June 13 filed $30,000,000 of 35-year debentures due July 1, 1992. **Proceeds**—To repay approximately $28,500,000 of advances from American Telephone & Telegraph Co., the parent, and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received up to 11 a.m. (EDT) on July 9 at Room 2315, 195 Broadway, New York N. Y.

**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. (6/24-25)**
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., New York.

# Prospective Offerings

**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. (7/15-19)**
June 10 it was reported company now plans to issue and sell $3,500,000 of subordinated convertible debentures. **Proceeds**—To build new mill at Kalamazoo, Mich. **Underwriter** — Glore, Forgan & Co., Chicago, Ill., and New York, N. Y. **Offering**—Expected about the middle of July.

**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.

**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.

**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.

**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.

**★ Carter Products, Inc.**
June 17 it was reported early registration is expected of some common stock recently acquired by F. Eberstadt & Co. and Lazard, Freres & Co. **Underwriter**—Morgan Stanley & Co., New York.

**Central Hudson Gas & Electric Corp.**
April 22 it was announced company plans to issue and sell this year about $7,500,000 of unsecured debentures. **Proceeds**—To finance construction program. **Underwriter**—Probably Kidder, Peabody & Co., New York.

**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 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.

**Chesapeake Industries, Inc.**
June 3 it was reported company plans early registration of $3,500,000 of 5½% collateral trust sinking fund bonds due 1972 and 350,000 shares of common stock. Each $10 of bonds will carry a warrant to purchase one share of common stock. **Underwriter** — Van Alstyne, Noel & Co., New York.

**Chicago & Eastern Illinois RR. (6/25)**
Bids will be received by the company up to noon (CDT) on June 25 for the purchase from it of $2,130,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**Chicago & North Western Ry. (6/27)**
Bids will be received by the company up to noon (CDT) on June 27 for the purchase from it of $2,250,000 equipment trust certificates to mature annually from July 15, 1958 to 1972, inclusive. 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.**
June 6, company announced that it plans the issuance and sale of $25,000,000 debentures later in 1957. **Proceeds**—To help finance 1957 construction program, which is expected to cost approximately $84,000,000. **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.

**Commerce Oil & Refining Co.**
June 10 it was reported this company plans to raise about $64,000,000 to finance construction on a proposed refinery and for other corporate purposes. The major portion will consist of first mortgage bonds which would be placed privately, and the remainder will include debentures and common stock (attached or in units). **Underwriter**—Lehman Brothers, New York. **Offering**—Expected in August.

**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 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).

**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).

**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**
June 5, company offered 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 as of June 4; rights to expire on June 24. **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). **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.

**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.

**Idaho Power Co.**
May 16 it was reported company plans to issue and sell around 200,000 to 225,000 shares of common stock in the Fall in addition to between $10,000,000 to $15,000,000 first mortgage bonds after Nov. 1. **Underwriter**—To be determined by competitive bidding. probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co. Inc., Lazard Freres & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. (2) For stock—Kidder, Peabody & Co.; Blyth & Co., Inc., and Lazard Freres & Co. (jointly).

**Indiana & 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, 1956, H. T. Prichard, Pres., 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.

**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, 1956, Eugene H. Walte, Jr., announced company plans in the near future to sell an issue of convertible debentures. **Proceeds**—For expansion program.

**Lincoln National Bank & Trust Co., Fort Wayne, Ind.**
June 4 it was reported Bank plans to offer to its stockholders of record June 18, 1957 the right to subscribe on or before July 9, 1957 for 25,000 additional shares of capital stock (par $25) on the basis of one new share for each four shares held. **Underwriter**—Blyth & Co., Inc., Indianapolis, Ind.

**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.

**★ Mangel Stores Corp. (7/8-12)**
June 19 it was reported early registration statement is expected of an issue of $3,000,000 of convertible debentures due 1972. **Underwriter**—Lee Higginson Corp., New York.

**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).

**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, 1956, 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.

**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).

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**★ Norfolk & Western Ry. (7/31) (9/18)**
Bids are expected to be received by the company up to noon (EDT) on July 31 and Sept. 18 for the purchase from it of $8,580,000 additional equipment trust certificates in two installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**Northern States Power Co. (Minn.) (8/13)**
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. 13.

**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.

**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 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.**
May 8 it was announced company plans to issue and sell $18,000,000 of first mortgage bonds. Postponement of financing was announced on June 6. **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**—Had been expected to be received up to 11 a.m. (EDT) on July 17.

**Tampa Electric Co.**
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. Postponement of financing announced on June 6. **Underwriter**—Stone & Webster Securities Corp., New York.

**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 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 America Securities Corp. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; White, Weld & Co.

**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).

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# *Our Reporter's Report*

There is growing indication that corporate borrowers are growing less and less inclined to expect any early substantial easing in the money market. On the contrary, the conviction seems to be gaining that current firmness is destined to hold, judging by the weakening resistance of borrowers to the prevailing cost of borrowing.

**Southern Bell Telephone & Telegraph Co., this week accepted a bid for a net interest cost of 4.91% for its offering of $70 million of debentures, carrying a 5% coupon, highest price paid for money since 1929. Yet only a few years back this company rejected bids for one of its issues, declaring the cost at the time was too high.**

And this time the issuer moved to "sweeten" the offering a bit by making it non-callable for the first five years. Bell System units, up to here, have steered studiously away from such concessions always counting on being able to refinance a high cost loan on a more attractive basis.

**Evidently the belief is growing that things moneywise are different from four or five years ago when the last real period of stringency developed. This administration has not shown any tendency to ease its anti-inflation drive.**

And presumably potential borrowers, figuring the current regime is slated to be around, at least until 1960, have come to the conclusion that any chance for refinancing more cheaply in that period begins to look more and more remote. So, if the five-year clause is an attraction, what has the borrower to lose.

**Move to Premium**

Although the Southern Bell's operation was the costliest in almost 30 years, it had its good side in that the success of the deal served as a bit of a tonic for the general market.

The winning banking syndicate paid the company a price of 101.33 for the bonds, carrying a 5% interest rate, and proceeded to reoffer the issue publicly at 102.32 for a yield of 4.85%.

**Good general demand greeted the offering and paved the way for a real "out-of-the-window" operation, the first of its dimensions in quite a while. The bonds were bid up to a premium of more than a point.**

**Help General List**

The encouraging performance of this issue stirred up hope among market observers that it might be the forerunner of a somewhat firmer undertone in the corporate list.

Recent offerings, with few exceptions, have lagged badly and there has been a tendency of unsold stocks on shelves to grow a bit. This load, however, has been kept in a minimum by the disposition of sponsors to quickly cut loose most such issues.

**The brisk demand for the Southern Bell's found reflection in an expanding interest in recently offered New York Telephone $4\frac{1}{2}$s, which had dipped 4 points from the initial price, and Boston Edison $4\frac{3}{4}$s, which had hit a discount of about $2\frac{1}{2}$ points. Both these issues rallied half a point or more.**

**Big Week Ahead**

The approaching week holds promise of sustained activity in the capital markets, both in the form of new debt financing and projected equity offerings.

Corporations will seek approximately $157 million via the debt route, led by Household Finance Corp.'s $40 million of debentures, due out on Tuesday, and Southern California Gas' $35,000,000 of bonds up for bids on Wednesday. Delaware Power & Light has $15 million bonds on which it will take bids Monday.

Topping the week's equity offerings is First National City Bank of New York's two million shares of new stock being offered at the rate of one for five to holders of record June 24, with rights expiring July 22. Kaiser Aluminum & Chemical has $30 million preferred due out Thursday as the next in line.

## Two With Edenfield

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Melba P. Gibson and Gerald J. Keller have joined the staff of Frank L. Edenfield & Co., 8340 Northeast Second Ave.

## A. M. Kidder Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Mason J. Block has been added to the staff of A. M. Kidder & Co., 139 East Flagler Street.

## With Lincoln McRae

(Special to THE FINANCIAL CHRONICLE)

DELRAY BEACH, Fla.—Hugh R. Buchanan has become affiliated with Lincoln E. McRae, Inc., 122 Southeast Fifth Avenue.

## Join Harris Upham

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Philip E. Chew, Stephen V. Hall and John L. Rando have become associated with Harris, Upham & Co., 136 Federal Street. All were previously with B. C. Morton & Co.

*Continued from page 6*

# New Steps to Strengthen The Rights of Stockholders

not—and has not been — naive about the difficulties or even the dangers of an expanding shareownership along democratic lines. The democratic process is never easy or automatic. But within the area of our own responsibility we have made considerable progress. Indeed, the philosophy we have helped develop is a measure of how far 20th Century capitalism has progressed.

When it comes to the **ballot**, for example, the New York Stock Exchange has refused, since 1926, to list common shares not carrying the right to vote. Today, every common stock listed on our Exchange carries voting rights. Within the past few weeks our Board of Governors decided on two further steps. **First**, we will refuse to list the common voting shares of a company which also has non-voting common stock outstanding in the public's hands. **Second**, we will consider delisting the common stock of a company which creates non-voting shares. Our point of view here is clear and consistent. We believe that if the mass of our people are to risk their dollars on the nation's growth, there is no moral justification for depriving any shareowner in any publicly-held business of a corporate vote.

And it is not enough merely to extend the vote. It must be extended in a way that makes it easy for the shareowner to cast his ballot on a wider range of issues—without traveling half-way across the continent to vote at an annual meeting.

At the Stock Exchange we have, over the years, successfully taken two courses of action in this regard that make our position unmistakably clear. **First**, we have succeeded in broadening the number of vital corporate matters that must be submitted to shareowners for their approval. As a result, our listed companies now seek stockholder approval before issuing new securities in connection with executive compensation plans. They also must obtain stockholder approval before issuing substantial blocks of stock to acquire another company. And finally, a stockholder vote is necessary before issuing any stock to acquire another business in which officers, directors or large stockholders have an interest.

The **second** thing we have done is to persuade virtually all of our listed companies to **solicit proxies**. In 1955 we made compulsory proxy solicitation a part of our new listing agreements. At present, of the almost 1,100 corporations on our Board, only 43 active companies do not seek proxies. In a good many cases these companies point out that from 50 to over 90% of their shares are in concentrated holdings. Hence, they believe that proxy solicitation would serve no real purpose. The Exchange does not agree. We think minority stockholders are especially entitled to the convenience of voting by proxy. Accordingly, we shall continue to employ moral suasion to convince the balance of our listed companies that the public interest demands proxy solicitations.

### Suggest SEC Be Empowered to Bar Vote if Participant In Proxy Contest Does Not Meet Disclosure Rules; Ban on Sale of Proxies Also Urged

If we agree that shareowners are entitled to vote simply and easily, I believe we must also take a realistic look at the question of **proxy contests**. There are several specific proposals in this area I should like to make. But I want to preface them with two observations. The **first** is that our recommendations are weighed neither in favor of management nor in favor of those opposing management. Rather, our concern is that the individual shareowner receives the data he needs to express adequately a measured opinion. His freedom of choice is our most important consideration.

My **second** comment is that although the problems of proxy contests are very real indeed, they ought not to be magnified out of proportion. For example, among the New York Stock Exchange's approximately 1,100 listed companies there were only six contests in 1954, nine in 1955 and eight in 1956. Thus, while the changes we want to urge are in many ways sweeping, they are essentially designed to head off a relatively small number of future abuses.

In this connection, however, my own position is very much like that of the elderly gentleman who surprised his friends by suddenly taking off on a tiger-hunt. "You can't realize the excitement," he said later, "of walking through a thick jungle and never knowing when a tiger is going to leap out."

"How many tigers did you shoot?" he was asked.

"None," he said.

"Then the safari was a failure."

"Listen," came the reply. "When you're hunting tigers, **none** is plenty!" In like terms, no abuses are plenty when we're developing our particular form of corporate democracy.

Today, the rules of the Securities and Exchange Commission governing proxy contests for the election of directors of listed companies require disclosure of detailed information concerning the identity of participants in the contest, their stockholdings, and their commitments and agreements concerning the stock or the company. These are important pieces of information for each shareowner to have. Where domestic stockholdings are concerned the Commission can enforce these rules and insure the required disclosure by use of its power of subpoena and the penalties of perjury. But these enforcement powers end at our geographic boundaries. And we have seen a strange situation develop recently. Where shares are held in the name of foreign institutions, either for U. S. citizens or nationals of other countries, the SEC finds itself frustrated. It cannot get the facts, force their disclosure, or pierce the anonymity of accounts held by foreign institutions.

To overcome this barrier we believe that in proxy contests the SEC should be given the legal teeth to make sure all participants meet its disclosure requirements. Specifically, **we believe the SEC should be empowered to go to court and seek a temporary restraining order barring the vote of any stock in which it has reason to believe any proxy participant has an undisclosed interest, either direct or indirect.**

### Anonymity of Foreign Holdings

There are several merits to this suggestion. The first is that the difficulty of piercing the anonymity of foreign holdings—at least during proxy contests—would be eased measurably without directly involving the foreign institutions. It should be remembered, moreover, that foreign institutions are themselves often prohibited by law from revealing data the shareowning public should be aware of.

Another advantage to this suggestion is that it would place the burden of deciding whether to make full disclosure—or sacrifice the vote—directly where it belongs, on the true beneficial owner.

Finally, the proposal would not invade unnecessarily the privacy of investors who are not participants. There are those who prefer—for convenience, safekeeping, or other personal reasons — to have their shares registered in the names of banks or brokers. Their desires must be respected.

Let me acknowledge that the suggestion to restrict the corporate vote, even under the circumstances I have outlined, is not made easily. But there is no question, either, that investors have the right to know who contest **participants** are, **how much stock** they control, and how they acquired it.

There is another area in which we need equally forceful action. It concerns a practise which is unthinkable in the political arena —and against which there are no adequate safeguards in corporate elections: the sale of votes or proxies. Under present conditions such abuses are clearly possible.

Well, the buying or selling of proxies should be prohibited by law. And I believe this can be accomplished if the Congress were to pass legislation prohibiting the voting of any stock which, in effect, is involved in the purchase or sale of a proxy, and which was not financed in accordance with the Federal Reserve Board's margin requirements. To enforce this law, the SEC would have the power to go to court to seek an injunction blocking the vote of the stock in question. If the court found that such a purchase or sale had been made, the vote of that stock would be prohibited. In short order the ability to buy or sell the corporate vote would become remote.

### Fulbright Measure Needed to Insure Owners of Unlisted Securities They Will Receive Prompt Data They Need and Are Entitled To

A final question concerns us greatly. It involves the kind of timely data available to shareowners, and the ease with which they can obtain it.

The Exchange itself is no Johnny-come-lately to this problem. We do, in fact, take a kind of perverse pleasure in a letter in our archives dated 1866. In it, in answer to a general request the Exchange had made for copies of reports issued to stockholders, a corporate official had replied with simple dignity: "This company makes no reports and furnishes no statements."

I hardly need stress the extent to which our listed companies—and many others as well — have made timely disclosure a basic ingredient in our economic system. Since 1900 the Exchange has required all listed companies to furnish annual reports; for over 50 years we have urged issuance of quarterly reports as well. Over 90% of our companies comply. The exceptions, by and large, are engaged in seasonal businesses. In addition, since 1932 the Exchange has insisted that annual financial statements be prepared according to sound accounting procedures.

Over the years the cumulative effect of these measures has resulted in an informed and articulate group of shareowners. We believe that **all** shareowners are entitled to these safeguards. But they are guaranteed generally **only** to owners of securities registered on a national Exchange. For the millions owning shares in thousands of unlisted companies, however, there are no such assurances. Whether or not they receive regular financial reports and details about proxy contests . . . whether or not their vote is solicited or even allowed at all, are questions left to the discretion of individual companies.

If statistics are needed to dramatize the lack of data available about unlisted companies, consider the SEC's 1956 report on the practises of unlisted companies. Of 663 large unlisted corporations whose proxy solicitation material was studied, it was discovered that **73% did not even identify nominees for directors running for election. Moreover, in 52% of the cases where major proposals were to be voted on, the proxy form did not provide for a negative vote. Stockholders had the option of voting for the proposal, altering the proxy, not voting at all, or attending the meeting in person if they wanted to cast a negative ballot.**

The obvious conclusion to be drawn is that one standard exists for listed companies and a second standard for companies that are not listed. And inherent in this double standard are potential abuses that can only serve to disenchant the investing public.

Last March we moved to do something about this double standard—at least to the extent of our authority. Our Board ruled that when members of the Exchange community participate in proxy contests involving **unlisted** companies they must furnish information similar to that now required by the SEC of listed companies. In addition, our Board decided our members may not be associated with a non-member in an unlisted company proxy contest, unless the non - member agrees to supply the same material required of our members. By these actions we believe important strides can be made towards providing shareowners of **unlisted** companies with the data they are entitled to — **at least where our membership is involved.**

Only in Washington, however, can the issue be met head-on. And Senator Fulbright has come to grips with it in a proposed bill now being considered by the Senate Banking and Currency Committee. Under terms of his measure, unlisted companies with more than 750 shareowners and over $2 million in assets would have to file periodic financial reports. They would have to comply with the SEC's proxy rules. They would have to report stock transactions by company officers, directors and large stockholders. The Fulbright measure, in short, is a means of developing a set of disclosure standards which—while not as comprehensive as those of the New York Stock Exchange—will give all shareowners more of the data they have a right to receive.

### New Regulations Will Not Provide Automatic Cure-All; Burden of Making Corporate System More Democratic and Effective Will Rest on Shareowners

In the proposals I have outlined there is one thing, of course, we must recognize. It is that strengthening the rules that govern our corporate affairs won't automatically produce a cure-all for our problems. The burden of making a democratic system work must rest, as it always has, on the people most intimately involved—in this case on the nation's shareowners. It is an old story but true, that "bad officials are elected by good citizens who do not vote. . . ." Thus, building new safeguards will also mean new responsibilities for shareowners. They will have to cope with more information—much of it complicated. They will have to make hard decisions, cast their votes and know what they are voting for. None of these things, however, appears to be a matter that should deter us.

For, by and large, year in and year out, the average American has demonstrated he is a mighty resourceful and thoughtful person. Give him the facts, and the opportunity and the machinery to exercise his judgment and we don't have to worry about the end result.

### Summary

In summary, this is what I have been anxious to stress:

Using the yardstick of ownership, our great publicly-held companies have already gone democratic. They are owned today by over 8.6 million people. They must be owned tomorrow by additional millions able and willing to supply our extraordinary need for growth money. One of the great challenges we face is to keep our corporate machinery responsive to the will of these millions of owners. In a number of areas we have the opportunity today to demonstrate that we mean business when we say we are determined to strengthen the rights of shareowners.

We can take steps to obtain the right to vote for every owner of common stock.

We can insist that he is entitled to vote conveniently on important issues—through proxy solicitations.

We can help insure — during proxy contests—that participants make complete disclosure by giving the SEC the authority to ask a court to block votes unless the Commission is satisfied its rules are being met. We can also bar practises which amount to the purchase or sale of proxies.

We can see to it, apart from proxy contests, that investors get the full and prompt information necessary to sound decisions.

**And finally, we can provide that these necessary safeguards apply to all publicly-held companies and not just to those which happen to be listed on a national securities exchange.**

**By taking these steps we can do a great deal to underscore for our own people and for the world what we mean by the words, economic democracy or People's Capitalism. We can prove to my correspondent in Galloway, Ohio, that our corporate affairs are, in fact, influenced by the small, everyday acts of millions of unpretentious men and women. And we can show him that we are indeed concerned with his needs and with his rights as a stockholder.**

## With A. M. Kidder

MIAMI BEACH, Fla.—Graham N. Shaw is now affiliated with A. M. Kidder & Co., 216 Seventy-First Street. Mr. Shaw was formerly with **Alfred D. Laurence** & Co., and Whitehall Securities Corporation.

## First Albany Branch

SYRACUSE, N. Y.—First Albany Corporation has opened a branch office in the Seitz Building under the direction of Lee K. Simon.

## Daniel F. Rice Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Mary Ann Willow has become connected with Daniel F. Rice and Company, 317 Seventy-First St.

## With F. L. Putnam

HOULTON, Maine — George A. Hall is now affiliated with F. L. Putnam & Company, Inc., of Boston.

## With R. B. Sideckas

(Special to THE FINANCIAL CHRONICLE)

SHREWSBURY, Mass.—Joel W. Reed has joined the staff of R. B. Sideckas & Co., 47 North Quinsigamond Avenue. He was formerly with Keller & Co.

## With Waddell & Reed

BOSTON, Mass. — Harold H. Berkowitz is now with Waddell & Reed, Inc., 1 Court Street. He was formerly with Proctor, Cook & Co. and Keller & Co.

## Two With Stowers Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — George T. Edmiston and Ralph H. Goodell, Jr., have become associated with Stowers & Company, 312 West 46th Terrace.

## Form Buckley Enterprises

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—J. C. Buckley, Jr. is engaging in a securities business from offices at 310 West Liberty under the firm name of Buckley Enterprises.



# Mutual Funds

By ROBERT R. RICH

## $100 Million for 17th Straight Month

Assets of the 136 mutual fund members of the National Association of Investment Companies continued to rise last month and, at May 31, stood at $9,730,861,000, it was announced. This compares with $9,463,314,000 at the end of April and $8,337,526,000 a year ago.

Investor purchases of shares also were higher during May, reaching $116,354,000 at month-end and topping the $100,000,000 mark for the 17th consecutive month. Purchases for April were $112,989,000 and, in May a year ago, were $104,207,000.

New accumulation plans opened for the regular monthly or quarterly acquisition of mutual fund shares during the month totaled 19,503, compared with 17,492 for the month previous and 14,387 for May of 1956. The number of accumulation plans opened during the first five months of 1957 totaled 91,941, the Association reported.

Repurchases of fund shares (redemptions) were $40,306,000 for May and $37,181,000 for April. In May a year ago, the figure was $40,593,000.

Holdings of cash, U. S. Government securities and short-term corporate obligations by the 136 open-end companies at the end of May stood at $528,788,000 compared with $486,731,000 a month ago and $443,822,000 at the end of May, 1956. This represented 5.4% of total assets as of the end of May, 5.1% at the end of April and 5.3% at the end of May a year ago.

## Chemical Fund Assets Cross $150 Million

Total net assets of Chemical Fund, Inc., have hit a new record high and have exceeded $150,000,000 for the first time in the fund's 19-year history, according to an announcement made June 11 by F. Eberstadt, chairman of the board. The new record assets totaled $150,448,023, equal to $17.59 per share on 8,548,365 shares outstanding, and compare with net assets of $133,970,711 equal to $16.01 per share on 8,362,879 shares outstanding on Dec. 31, 1956.

**Phenomenal May sales** of $100,742,635, topping all one-month sales records in the 63 year history of Investors Diversified Services, Inc., were produced by the IDS sales force last month, Joseph M. Fitzsimmons, President, announced.

May is designated "Grady Clark month" during which 2,600 sales representatives make a special sales effort each year in honor of the IDS vice-president in charge of sales. Mr. Clark has been with the company for 23 years and has led the nationwide sales organization since 1947. Current May sales showed an increase of $9,740,169 over the comparable May 1956 total of $91,002,466.

Gross dollar volume of sales of shares in four mutual investment funds managed and distributed by Investors Diversified Services, Inc. totaled $35,220,600 for the month. The funds, all affiliates of IDS, are Investors Mutual, Inc., Investors Stock Fund, Inc., Investors Selective Fund, Inc. and Investors Group Canadian Fund Ltd.

Total maturity value of face-amount and participation certificates purchased by individual investors during May amounted to $65,522,035. These accumulation certificates were issued by Investors Syndicate of America, Inc. and Investors Syndicate Title & Guaranty Company, New York, both IDS subsidiaries.

### Atomic Assets Over $50 Million

Newton I. Steers, Jr., President of Atomic Development Mutual Fund, Inc., announced that net assets of Atomic Development Mutual Fund, Inc. are now more than $50 million. At the close of business on Tuesday, June 11, 1957, net assets were $50,309,299, according to Mr. Steers. The increase in the fund's assets is attributable to appreciation in the market price of many of the securities in the fund's portfolio as well as to a substantial increase in the sale of Atomic Fund shares to the public. Mr. Steers added that such sales during May were $2.3 million and were the largest since April, 1955.

Atomic Fund concurrently announced the acquisition of 2,000 shares of Aerojet-General Corporation which were purchased directly from the company for investment purposes. Aerojet-General, which is controlled by General Tire and Rubber, is a leading constructor of mass produced nuclear reactors as well as the leader in the development and production of liquid and solid propellant rocket engines.

**Sovereign Investors** reporting as of May 31, 1957 shows total net assets of $2,022,847.47 compared with $1,623,672.78 on May 31, 1956. This represents an increase of 20% for the period. Outstanding shares of the fund rose 22% during the same period. The net asset value per share was $12.75 on May 31, 1957 compared with $12.55 on May 31, 1956.







## Utility Parent Becomes New Abacus Fund

Stockholders of International Hydro-Electric System, former parent of New England Electric System, held a special meeting in Boston and elected the company's first regular board of directors in 15 years, thus clearing the way for conversion of the former public utility holding company into a closed-end investment company to be known as Abacus Fund.

Named were John L. Burns, President, Radio Corporation of America; Henry J. Friendly, Vice-President, Pan American World Airways, Inc., and a partner in the law firm of Cleary, Gottlieb, Friendly & Hamilton; Justin Haynes, a private investor and a director of Bristol-Myers Co.; William K. Jacobs, Jr., a financial consultant and a director of The Pennroad Corp.; Paul H. Todd, President, Farmers Chemical Co.; Joseph Klingenstein, partner, Wertheim & Co.; Christian A. Johnson, President, Central-Illinois Securities Corp.; Alfred A. Romney, a registered investment adviser; and David Schenker, a partner in the law firm of Schenker & Schenker.

International Hydro-Electric, founded in 1929, was formerly the parent company of several public utilities, including New England Electric. In 1942 it was ordered liquidated by the Securities and Exchange Commission under Section 11 of the Public Utility Holding Company Act. In 1944, on application of the SEC, the United States District Court for the District of Massachusetts took exclusive jurisdiction of the System and its assets, and the following year appointed Bartholomew A. Brickley as trustee. Subsequently, a four-part proposal was filed by the trustees which, among other steps, provided for an interim board of directors with limited authority to represent stockholders in proceedings before the SEC and the Court. The interim board was approved by the Court in 1954. A proposal known as the Interim Board Plan then was made whereby International Hydro-Electric System would be continued as a closed-end non-diversified investment company. The proposal was approved by the Court on April 23, 1956.

The elections paved the way for consummation of the Interim Board Plan, and it is expected that Abacus Fund will come into being following certification of the new board to the SEC and the Court and upon registration of an amendment of a Declaration of Trust of International Hydro-Electric System.

### Selected Dividend

Directors of Selected American Shares, Inc. recently declared a dividend of 7 cents a share from investment income, payable July 29 to shareholders of record June 28.

This payment brings the company's ordinary income dividends to a total of 31 cents a share in the past 12 months. In addition a capital gain distribution of 93 cents a share was made in January 1957, reported Edward P. Rubin, President. In conjunction with the dividend announcement, Mr. Rubin released the following figures:

| | Net Asset Value | Net Asset Val. per Sh. |
|---|---|---|
| June 13, '56 | $57,814,741 | $9.67 |
| June 13, '57 | 69,061,792 | $10.08* |

*Adjusted for reinvestment of capital gain distribution of $0.93 per share paid in January, 1957.

## Slayton Sees Rosy Business For This Fall

With the second half of the year likely to improve on the first, new high records for business activity, gross national product and personal incomes will be attained in 1957, the head of a $54 million nationally-distributed mutual fund declared.

He is Hilton H. Slayton, President of Managed Funds, Inc. of St. Louis.

He spoke at his Palmer House suite before a group of Mid-West investment executives, and sales supervisors of Slayton & Co., principal distributors of Managed Funds.

Predicting that these new highs will be "moderately above" 1956 levels, Slayton attributed the anticipated upward trend of the economy to the fact that its recent consolidation has been at a high level, with the soft spots being more than offset by the strong ones.

"Contrary to some people's earlier expectations," he said, "no general setback in business should occur in the near future and resumption of expansion at the average rate of 3% annually can be expected.

Some of the factors on which Slayton based his optimistic forecast were:

¶The likelihood that the coming seasonal summer peak of employment will exceed the previous high of 66.8 million set last year.

¶Continuing new monthly highs in personal income caused by high level employment and rising wages.

¶The continued upward trend of business volume, indicating record highs for 1957.

¶Anticipation of another new record in business spending, acting as a prop to overall business activity.

¶Continued expansion of government spending.

Slayton said many of the so-called "soft spots" in the economy are not only being cancelled-out by progress in other sectors, but are relatively short-term in nature.

Commenting on reduced production estimates in the automobile industry, he said: "After two years of disappointment, 1958 should be better. Many of the long-term instalment sales made in 1955 will be paid off this year."

Slayton noted that residential building has been one of the "weak sectors" of the economy, but predicted a turn from its current low level to a slow rate of advance toward the projected high volume in the 1960's.

He also predicted steel operations would "pick up" in the Fall, and perhaps even in June and July if there is a hike in steel prices in August, as expected.

He termed a "largely negative factor" in the economy the current reversal in business inventory policy, but added that this did not result from declining sales. He listed the factors in the reversal as the disappearance of shortages, improved delivery schedules, and the high interest cost of carrying large inventories.

"These weak spots in business have not precipitated a downward spiral," Slayton went on, "because they have been more than offset by other strong and sustaining forces. Final demand has been expanding steadily and should enable the resumption of inventory buying as sales continue to increase.

"The current cut-back in inventory buying is not indicative of weakness in the business picture since it lessens the danger of an inventory recession, and strengthens the outlook for the rest of 1957 by putting inventories in better balance." In terms of the business outlook, Slayton said, the prospects for investors are good.

"There are no indications that the stock market advance which began last February is over," he said. "The market, traditionally, has been looking to the future and ignoring adverse current events. The advance has occurred in the face of disappointing auto sales, further decline in housing starts, and a falling-off of steel operations, and is likely soon to reflect a pick-up in business during the second half of 1957."

He said the investor can "remain confident" about the long-term upward trend of stock prices, either from growth of the economy, population and productivity —or creeping inflation.

"The investor who takes this sound long-term view will consider set-backs in business activity as largely temporary interruptions," he said, "and take advantage of the buying opportunities they present to increase his holdings in equities.

"The stock market should reach the Dow-Jones 30 Industrials average of 551 this year," Slayton concluded.

## FIF Assets Now Over $75 Million

Net assets of Financial Industrial Fund passed the $75 million mark for the first time during the quarter ended May 31, gaining 18% above the total three months earlier and 44% over assets at the end of May a year ago, according to the quarterly report.

Total net assets on May 31 amounted to $76,679,632, compared with $65,062,420 last Feb. 28 and $53,091,563 on May 31, 1956.

Asset value per share on the same dates were $4.0399, $3.6974 and $3.9793.

Shares outstanding also rose sharply, from 13,341,882 on May 31, 1956, to 17,596,697 on Feb. 28, 1957, to 18,980,510 at last month's close.

FIF shareholders received with the reports checks representing their participation in the fund's 86th consecutive quarterly dividend, amounting to $0.035 per share from net investment income. The overall dividend total was $664,318.

According to FIF President Charles F. Smith, the fund has distributed $8,316,600 from investment income and $6,760,199 from investment profits since it began operations late in 1935.

"'America's economic future, as its past, is a legacy open for all to share," his message to fellow shareholders declared. "The continued increase in Financial Industrial Fund shares outstanding attests to the fact that a growing number of people are anxious to participate in this future."

Murray Shields, economic consultant to FIF Management Corp., told the shareholders that the long-range outlook for the next decade is for "record-breaking expansion."

Mr. Shields, senior partner of the economic consulting firm of MacKay-Shields Associates and President of Management Economists, Inc., said: "A glorious new America is on the drawing boards of our builders, in the pilot-plant stage in the laboratories of our research scientists, and in the solid planning of our aggressive business leaders."

### Joins Atwill Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Ira J. Klein has joined the staff of Atwill and Company, Inc., 605 Lincoln Road.

## Futures Fund Report Cites Uncertainties

Semi-annual report of Futures, Inc., commodities mutual fund, for the period ended March 31, 1957 shows net assets of $193,355, equal to $3.32 a share on 58,285 shares of capital stock. These compared with net assets of $173,293 or $2.84 a share on 61,067 shares on Dec. 31, 1956. On May 20, 1957, when the report was written, net assets were $201,558 or $3.50 a share.

Regarding dividend possibilities, Richard D. Donchian, fund Manager, states in the report that "while Futures, Inc. has no regular dividend policy, it has been the custom of the management to review results at irregular intervals and to pay moderate dividends based upon profit results. This year, if results continue to show profits, the board of directors will probably consider the declaration of a dividend in September."

Mr. Donchian said that the general economic outlook "is not very clear. With money getting increasingly tight, and sensitive business indices showing signs of softening, there is a possibility that the stock market may be in for some serious trouble later this year or in 1958. In such circumstances Futures, Inc., which is not dependent for its success of the continuation of general prosperity but can move up equally well in rising or falling price trends, should stand out in favorable contrast."

### Bullock Presents Directors

One of the greatest assets of any mutual fund is the caliber of the men who direct its policies and its investments. With this in mind, Calvin Bullock, Ltd., has prepared a booklet, "Under Calvin Bullock Management," in which it reports to the public concerning the men who direct its six investment companies, the total assets of which approximate $400,000,000. These men have wide experience in many diverse fields, business, finance, law, government, the services and elsewhere.

To implement the basic investment policies established by the board of directors, the Investment Management Department of Calvin Bullock, Ltd., constantly assesses economic, business and financial developments affecting securities values.

Careful studies by senior analysts who are specialists in a particular area of investment research are supplemented by conferences with corporate executives, economists and other experts. The results of these investigations and recommendations for purchase or sale of individual securities are presented to the directors for investment action.

### Form Lorraine Blair Inc.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Lorraine L. Blair, Inc. has been formed with offices at 30 North La Salle Street to engage in a securities business. Officers are Lorraine L. Blair, President and Treasurer; Jane Deal, Vice-President, and Camilla Coppin, Secretary. All were formerly with the Marshall Company.

### R. L. Ferman Co. Opens

MIAMI, Fla.—Robert L. Ferman & Co. has been formed with offices in the security building to engage in a securities business. Officers are Milton Ferman, President; Joan Gilmer, Vice-President; and Robert L. Ferman, Secretary - Treasurer. The latter was previously with Alfred D. Laurence & Co.

# *Railroad Securities*

By GERALD D. McKEEVER

## Estimated 1957 Rail Earnings

It takes not only a great deal of conviction to come up with estimates of full year's earnings results before the year is at the half-way point. It also requires careful study and much thought. This is why we feel greatly indebted to Standard & Poor's for permitting us to use their 1957 estimates contained in the following tabulation which also shows 1956 figures by way of comparison. These estimates are submitted for what they are, which may be said to represent studied conclusions based upon present evidence. A drastic change in conditions would naturally call off all bets.

There are also individual cases where relatively good indicated results for the year will require a rather sharp improvement in the trend of earnings over what has been reported thus far in the year. Two such instances are New York Central and Illinois Central. While the estimates of the full year's results indicate increases for both, the New York Central was able to show only $1.23 per share for the first four months as against $2.10 for the first four months of 1956, and the corresponding figures for the Illinois Central were $1.63 and $2.29 respectively. As a result of the disappointing performance of the latter thus far in 1957, it's president only last week placed the road's net for the first half of this year at $2.30 per share as against $3.47 for the corresponding 1956 period and also indicated that, in view of the decline in earnings, directors will scrutinize dividend policy closely at their August meeting.

The revenue estimate is arrived at only after careful consideration of traffic expectations for each road for the balance of the year and this has to be weighed in conjunction with the rate structure, giving effect both to known changes and to possible concessions here and there that may be necessary to hold traffic *in statu quo*. In order to arrive at the net result after this start, it is necessary to give careful study not only to the more readily calculable factors of trends in wage and material costs, both of which are on the way up, but also to Federal tax considerations which vary widely from road to road.

Except in the case of the Bangor & Aroostook which is subject to special circumstances centering around the potato crop and its movement, and which will not this year match the bulge of 1956, an increase in revenues is indicated in varying proportions throughout the list. This means that the freight rate increase of last Dec. 28, some part of the further rate increase applied for under ex Parte 206, and, to a lesser degree, the passenger fare increases, will generally act to offset the effect of the decline in traffic, although just barely so in the cases of the "Katy," the "Frisco," and the Southern Pacific.

Other things being equal, 1957 results could conceivably be better than the estimates indicate if the roads receive a larger part of the freight rate increases applied for under ex Parte 206 than the 5% allowed for in the estimates. This action is based upon the concept of a 6% rate of return and, in full would call for an additional 17% in the West, an additional 15% in the East, and an additional 10% in the South with the exception of the Southern Railway and the Piedmont & Northern. There is also the possibility, remote as it may presently seem to be, that there might not be another "cost of living" increase of three cents in hourly wages as there was on May 1. Both of these escalations have been allowed for in the preparation of the estimates shown below. The automatic increase of seven cents in the hourly wage rate on Nov. 1 is naturally included since this is a known factor, having been provided for as the second step in the three-stage wage increase arranged for under the 1956 wage settlement.

| | Revenues (000's omitted) Est. 1957 | 1956 | Change % | Net Income (000's omitted) Est. 1957 | 1956 | Change % | Net per Com. Sh. Est. 1957 | 1956 |
|---|---|---|---|---|---|---|---|---|
| Atchison, Topeka & Santa Fe | $615,000 | $590,183 | + 4.2 | $71,700 | $70,213 | + 2.1 | $2.70 | §$2.64 |
| Atlantic Coast Line | 170,000 | 166,630 | + 2.0 | 10,750 | 11,385 | — 9.2 | 4.35 | 4.79 |
| Baltimore & Ohio | 490,000 | 465,485 | + 5.3 | 31,000 | 30,038 | + 3.2 | 11.25 | 10.85 |
| Bangor & Aroostook | 15,500 | 15,801 | — 1.9 | 1,250 | 1,528 | —18.2 | 6.85 | 8.50 |
| Boston & Maine | 90,000 | 88,039 | + 2.2 | 1,775 | 741 | +139.5 | 0.75 | ¶1.13 |
| Central RR. of N. J. | 64,500 | 62,877 | + 2.6 | 1,100 | 1,132 | — 2.8 | 2.50 | 2.58 |
| Chesapeake & Ohio | 440,000 | 418,728 | + 5.1 | 68,800 | 66,700 | + 3.1 | 8.50 | 8.28 |
| Chicago & Eastern Ill. | 40,000 | 37,631 | + 6.3 | 2,200 | 2,697 | —18.4 | 4.85 | 6.15 |
| Chicago Great Western | 37,000 | 35,627 | + 3.9 | 3,700 | 3,403 | + 8.7 | 7.60 | 6.72 |
| Chicago, Milw., St. Paul & Pacific | 260,000 | 253,860 | + 2.4 | 8,400 | 8,486 | — 1.0 | 2.75 | 2.78 |
| Chicago & North Western | 235,000 | 193,140 | + 4.1 | 7,000 | ¶4,725 | * | 3.00 | ¶12.43 |
| Chicago, Rock Island & Pacific | 205,000 | 200,020 | + 2.5 | 15,000 | 15,722 | — 4.6 | 5.15 | §5.38 |
| Delaware & Hudson | 60,000 | 57,409 | + 4.5 | 8,500 | 8,349 | + 1.8 | 5.25 | 5.16 |
| Delaware, Lackawanna & Western | 91,000 | 88,786 | + 2.5 | 3,000 | 5,082 | —41.0 | 1.85 | 3.01 |
| Denver & Rio Grande W. | 86,000 | 81,355 | + 5.7 | 13,400 | 12,580 | + 6.5 | 6.25 | 5.79 |
| Erie Railroad | 180,000 | 175,900 | + 2.3 | 7,000 | 8,171 | —14.3 | 2.60 | 3.08 |
| Great Northern | 285,000 | 280,583 | + 1.6 | 32,700 | 32,239 | + 1.4 | 5.40 | 5.32 |
| Gulf, Mobile & Ohio | 80,500 | 84,092 | + 2.9 | 4,700 | 5,093 | — 7.7 | 3.60 | 4.01 |
| Illinois Central | 305,000 | 298,419 | + 2.2 | 24,000 | 23,759 | + 1.0 | 7.75 | 7.66 |
| Kansas City Southern (c) | 78,000 | 75,188 | + 3.7 | 11,950 | 11,591 | + 3.1 | 11.00 | 10.64 |
| Lehigh Valley | 73,000 | 71,581 | + 2.0 | 2,700 | 4,213 | —35.0 | 1.65 | 2.79 |
| Louisville & Nashville | 220,000 | 212,398 | + 3.6 | 25,700 | 25,027 | + 2.7 | 11.00 | 10.70 |
| Minn., St. Paul & Sault Ste. Marie | 50,000 | 47,991 | + 4.2 | 2,900 | 2,940 | — 1.4 | 4.00 | 4.09 |
| Missouri-Kansas-Texas | 75,000 | 74,451 | + 0.7 | 1,250 | 1,940 | —35.6 | ¶4.00 | ¶3.37 |
| Missouri Pacific | 310,000 | 304,507 | + 1.8 | 19,200 | 19,593 | — 2.0 | †10.25 | †10.47 |
| Monon Railroad | 23,000 | 22,680 | + 1.4 | 775 | 948 | —18.2 | ‡1.45 | ‡1.76 |
| New York Central | 795,000 | 780,435 | + 1.9 | 40,600 | 39,104 | + 3.8 | 6.25 | 6.02 |
| New York, Chicago & St. Louis | 180,000 | 174,578 | + 3.1 | 17,500 | 16,329 | + 7.2 | 4.25 | 3.97 |
| N. Y., N. H. & H. | 168,000 | 162,450 | + 3.4 | 3,550 | 262 | +1,335.5 | 1.00 | ¶2.01 |
| Norfolk & Western | 260,000 | 239,663 | + 8.5 | 45,000 | 42,487 | + 5.9 | 7.85 | 7.39 |
| Northern Pacific | 195,000 | 188,170 | + 3.6 | 23,600 | 20,983 | +12.5 | 4.75 | §4.25 |
| Pennsylvania RR. | 1,030,000 | 991,107 | + 3.9 | 40,800 | 41,545 | — 1.8 | 3.10 | 3.16 |
| Pittsburgh & West Virginia | 10,500 | 9,230 | +13.8 | 1,025 | 949 | + 8.0 | 3.35 | 3.11 |
| Reading Company | 144,000 | 138,280 | + 4.1 | 12,250 | 12,113 | + 1.1 | 6.75 | 6.65 |
| St. Louis-San Francisco | 138,000 | 137,251 | + 0.5 | 7,600 | 8,534 | —10.9 | 3.35 | 3.72 |
| Seaboard Air Line | 165,000 | 162,151 | + 1.8 | 21,600 | 20,145 | + 7.2 | 4.50 | 4.23 |
| Southern Pacific (cc) | 680,000 | 678,325 | + 0.2 | 52,900 | 54,373 | — 2.7 | 5.85 | 6.01 |
| Southern Railway | 280,000 | 275,385 | + 1.7 | 40,300 | 38,872 | + 3.7 | 5.75 | §5.53 |
| Union Pacific | 535,000 | 514,317 | + 4.0 | 81,800 | 78,569 | + 4.1 | 3.50 | §3.36 |
| Virginian Railway | 65,000 | 56,492 | +15.1 | 17,300 | 14,280 | +21.1 | §5.00 | §4.10 |
| Western Maryland | 57,500 | 52,445 | + 9.6 | 8,800 | 8,241 | + 6.8 | 12.50 | 10.22 |
| Western Pacific | 56,000 | 53,590 | + 4.5 | 4,600 | 3,639 | +26.4 | 8.00 | 6.29 |

* Not measurable due to 1956 deficit.
c Combined Kansas City Southern and Louisiana & Ark.
cc Consolidated.
¶ Deficit.
† Per Class A share.
‡ Per Class B share.
§ Adjusted for split.

## Wendt N. Y. Sales Mgr. For John Nuveen Co.

Appointment of Frank P. Wendt as a New York City sales manager of John Nuveen & Co., has been announced by C. W. Laing, Chicago, President. The firm's New York office is located at 40 Wall Street.

Mr. Wendt has been associated with John Nuveen & Co. since 1947, serving during recent years as a New York sales representative. He was with Harris, Hall & Co., following U. S. Marine Corps duty as a special service officer.

John Nuveen & Co., a 59-year-old investment banking organization underwriting and distributing municipal bonds exclusively, maintains offices in New York, Chicago, Boston, Cincinnati, St. Paul, Los Angeles, Detroit and Atlanta, the latter opening in 1957.

### First Mutual Secs. Opens

SAN FRANCISCO, Calif.—First Mutual Securities Co. has been formed with offices at 110 Sutter Street to engage in a securities business. Officers are Charles A. Gibson, President; Wiley S. Killingsworth, Vice-President and Secretary; and Norman Ogilvie, Executive Vice-President and Treasurer.

### First Southern Corp. Formed in Atlanta

ATLANTA, Ga. — The First Southern Corporation has been formed with offices at 64 Ponce de Leon Avenue. Officers are William Hays, Jr., President; Thomas G. Callaway, Jr., Vice-President. Mr. Hays was formerly an officer of Johnson, Lane, Space & Co., Inc.

# 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 23 | §87.5 | *86.5 | 86.4 | 93.0 |
| Equivalent to— | | | | | |
| Steel ingots and castings (net tons) | June 23 | §2,240,000 | *2,214,000 | 2,212,000 | 2,290,000 |
| **AMERICAN PETROLEUM INSTITUTE:** | | | | | |
| Crude oil and condensate output—daily average (bbls. of 42 gallons each) | June 7 | 7,337,950 | 7,418,450 | 7,433,800 | 6,997,650 |
| Crude runs to stills—daily average (bbls.) | June 7 | ¶8,080,000 | 8,132,000 | 8,050,000 | 8,029,000 |
| Gasoline output (bbls.) | June 7 | 27,966,000 | 27,476,000 | 26,019,000 | 27,142,000 |
| Kerosene output (bbls.) | June 7 | 2,003,000 | 2,119,000 | 2,080,000 | 2,140,000 |
| Distillate fuel oil output (bbls.) | June 7 | 12,460,000 | 13,055,000 | 12,772,000 | 12,092,000 |
| Residual fuel oil output (bbls.) | June 7 | 8,341,000 | 8,003,000 | 8,370,000 | 8,041,000 |
| Stocks at refineries, bulk terminals, in transit, in pipe lines— | | | | | |
| Finished and unfinished gasoline (bbls.) at | June 7 | 193,565,000 | 195,285,000 | 197,402,000 | 184,409,000 |
| Kerosene (bbls.) at | June 7 | 26,263,000 | 25,020,000 | 21,907,000 | 22,903,000 |
| Distillate fuel oil (bbls.) at | June 7 | 101,789,000 | *97,019,000 | 82,260,000 | 80,637,000 |
| Residual fuel oil (bbls.) at | June 7 | 41,246,000 | 40,067,000 | 38,745,000 | 36,742,000 |
| **ASSOCIATION OF AMERICAN RAILROADS:** | | | | | |
| Revenue freight loaded (number of cars) | June 8 | 733,477 | 671,785 | 723,392 | 787,075 |
| Revenue freight received from connections (no. of cars) | June 8 | 580,704 | 590,672 | 616,468 | 626,245 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:** | | | | | |
| Total U. S. construction | June 13 | $417,704,000 | $442,699,000 | $357,673,000 | $511,922,000 |
| Private construction | June 13 | 174,747,000 | 233,529,000 | 123,455,000 | 319,619,000 |
| Public construction | June 13 | 242,957,000 | 209,170,000 | 234,218,000 | 192,303,000 |
| State and municipal | June 13 | 207,924,000 | 186,655,000 | 168,020,000 | 161,151,000 |
| Federal | June 13 | 35,033,000 | 22,515,000 | 66,198,000 | 31,152,000 |
| **COAL OUTPUT (U. S. BUREAU OF MINES):** | | | | | |
| Bituminous coal and lignite (tons) | June 8 | 10,020,000 | 8,900,000 | 9,685,000 | 9,703,000 |
| Pennsylvania anthracite (tons) | June 8 | 602,000 | 545,000 | 479,000 | 529,000 |
| **DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100** | June 8 | 124 | 110 | 133 | 124 |
| **EDISON ELECTRIC INSTITUTE:** | | | | | |
| Electric output (in 000 kwh.) | June 15 | 11,958,000 | 11,550,000 | 11,519,000 | 11,425,000 |
| **FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.** | June 13 | 265 | 289 | 264 | 286 |
| **IRON AGE COMPOSITE PRICES:** | | | | | |
| Finished steel (per lb.) | June 11 | 5.670c | 5.670c | 5.670c | 5.179c |
| Pig iron (per gross ton) | June 11 | $64.56 | $64.56 | $64.56 | $60.29 |
| Scrap steel (per gross ton) | June 11 | $54.83 | $50.83 | $45.83 | $44.83 |
| **METAL PRICES (E. & M. J. QUOTATIONS):** | | | | | |
| Electrolytic copper— | | | | | |
| Domestic refinery at | June 12 | 31.200c | 31.525c | 31.150c | 45.000c |
| Export refinery at | June 12 | 29.000c | 29.300c | 29.425c | 40.000c |
| Lead (New York) at | June 12 | 14.000c | 15.000c | 15.500c | 16.000c |
| Lead (St. Louis) at | June 12 | 13.800c | 14.800c | 15.300c | 15.800c |
| ‡Zinc (delivered) at | June 12 | 11.500c | 11.500c | 12.500c | 14.000c |
| Zinc (East St. Louis) at | June 12 | 11.000c | 11.000c | 12.000c | 13.500c |
| Aluminum (primary pig, 99%) at | June 12 | 25.000c | 25.000c | 25.000c | 24.000c |
| Straits tin (New York) at | June 12 | 98.250c | 98.500c | 98.375c | 94.625c |
| **MOODY'S BOND PRICES DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | June 18 | 86.52 | 88.21 | 89.65 | 95.32 |
| Average corporate | June 18 | 93.52 | 94.12 | 95.77 | 104.83 |
| Aaa | June 18 | 97.16 | 97.94 | 100.16 | 108.34 |
| Aa | June 18 | 96.07 | 96.69 | 98.73 | 106.56 |
| A | June 18 | 94.56 | 95.01 | 96.23 | 104.48 |
| Baa | June 18 | 86.78 | 87.18 | 88.40 | 100.00 |
| Railroad Group | June 18 | 91.91 | 92.35 | 93.97 | 103.13 |
| Public Utilities Group | June 18 | 95.01 | 95.47 | 96.23 | 105.17 |
| Industrials Group | June 18 | 93.67 | 94.26 | 97.00 | 106.04 |
| **MOODY'S BOND YIELD DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | June 18 | 3.67 | 3.50 | 3.37 | 2.86 |
| Average corporate | June 18 | 4.17 | 4.13 | 4.02 | 3.46 |
| Aaa | June 18 | 3.93 | 3.88 | 3.74 | 3.26 |
| Aa | June 18 | 4.00 | 3.96 | 3.83 | 3.36 |
| A | June 18 | 4.10 | 4.07 | 3.99 | 3.48 |
| Baa | June 18 | 4.65 | 4.62 | 4.53 | 3.75 |
| Railroad Group | June 18 | 4.28 | 4.25 | 4.14 | 3.56 |
| Public Utilities Group | June 18 | 4.07 | 4.04 | 3.99 | 3.44 |
| Industrials Group | June 18 | 4.16 | 4.12 | 3.94 | 3.39 |
| **MOODY'S COMMODITY INDEX** | June 18 | 427.1 | 426.3 | 411.2 | 412.6 |
| **NATIONAL PAPERBOARD ASSOCIATION:** | | | | | |
| Orders received (tons) | June 8 | 323,485 | 261,409 | 257,884 | 284,576 |
| Production (tons) | June 8 | 263,469 | 261,684 | 291,074 | 290,477 |
| Percentage of activity | June 8 | 86 | 88 | 95 | 97 |
| Unfilled orders (tons) at end of period | June 8 | 455,338 | 384,116 | 456,700 | 556,099 |
| **OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100** | June 14 | 110.33 | 110.20 | 110.44 | 108.65 |
| **ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:** | | | | | |
| Transactions of specialists in stocks in which registered— | | | | | |
| Total purchases | May 25 | 1,522,200 | 1,700,920 | 1,694,880 | 1,713,070 |
| Short sales | May 25 | 302,960 | 323,020 | 330,700 | 227,370 |
| Other sales | May 25 | 1,227,510 | 1,457,520 | 1,400,690 | 1,370,040 |
| Total sales | May 25 | 1,530,470 | 1,780,540 | 1,731,390 | 1,597,410 |
| Other transactions initiated on the floor— | | | | | |
| Total purchases | May 25 | 271,780 | 389,380 | 392,230 | 308,660 |
| Short sales | May 25 | 14,700 | 23,000 | 34,300 | 14,300 |
| Other sales | May 25 | 296,880 | 376,960 | 427,860 | 287,710 |
| Total sales | May 25 | 311,580 | 399,960 | 462,160 | 302,010 |
| Other transactions initiated off the floor— | | | | | |
| Total purchases | May 25 | 543,230 | 658,420 | 594,739 | 654,655 |
| Short sales | May 25 | 104,960 | 132,590 | 139,650 | 38,570 |
| Other sales | May 25 | 510,680 | 584,170 | 886,548 | 612,884 |
| Total sales | May 25 | 615,640 | 716,760 | 1,026,198 | 651,454 |
| Total round-lot transactions for account of members— | | | | | |
| Total purchases | May 25 | 2,337,210 | 2,748,720 | 2,681,849 | 2,676,385 |
| Short sales | May 25 | 422,620 | 478,610 | 504,650 | 280,240 |
| Other sales | May 25 | 2,035,070 | 2,418,650 | 2,715,098 | 2,270,634 |
| Total sales | May 25 | 2,457,690 | 2,897,260 | 3,219,748 | 2,550,874 |
| **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 25 | 1,279,631 | 1,424,509 | 1,474,328 | 1,297,689 |
| Dollar value | May 25 | $67,445,684 | $76,726,917 | $74,561,794 | $68,176,848 |
| Odd-lot purchases by dealers (customers' sales)— | | | | | |
| Number of orders—Customers' total sales | May 25 | 1,184,497 | 1,313,262 | 1,303,949 | 1,135,277 |
| Customers' short sales | May 25 | 8,674 | 14,739 | 14,109 | 7,333 |
| Customers' other sales | May 25 | 1,175,823 | 1,298,523 | 1,289,840 | 1,127,944 |
| Dollar value | May 25 | $59,018,009 | $67,472,968 | $66,219,250 | $61,011,108 |
| Round-lot sales by dealers— | | | | | |
| Number of shares—Total sales | May 25 | 353,590 | 374,080 | 354,640 | 295,000 |
| Short sales | May 25 | | | | |
| Other sales | May 25 | 353,590 | 374,080 | 354,640 | 295,000 |
| Round-lot purchases by dealers— | | | | | |
| Number of shares | May 25 | 430,160 | 487,490 | 518,200 | 467,070 |
| **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 25 | 507,570 | 575,790 | 657,060 | 387,030 |
| Other sales | May 25 | 11,432,460 | 13,034,650 | 13,275,630 | 11,921,680 |
| Total sales | May 25 | 11,940,030 | 13,610,440 | 13,932,690 | 12,308,710 |
| **WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):** | | | | | |
| Commodity Group— | | | | | |
| All commodities | June 11 | 117.5 | 117.5 | 117.2 | 114.2 |
| Farm products | June 11 | 90.6 | *90.6 | 89.7 | 91.4 |
| Processed foods | June 11 | 106.8 | 106.5 | 105.0 | 102.5 |
| Meats | June 11 | 96.5 | 95.7 | 90.8 | 81.1 |
| All commodities other than farm and foods | June 11 | 125.3 | 125.3 | 125.3 | 121.4 |

*Revised figure. ¶Includes 1,053,000 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.

| | Month Latest | Month Previous | Ago Year |
|---|---|---|---|
| **BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of April 30:** | | | |
| Imports | $272,212,000 | $304,933,000 | $235,353,000 |
| Exports | 471,168,000 | 424,652,000 | 239,043,000 |
| Domestic shipments | 15,052,000 | 15,616,000 | 11,407,000 |
| Domestic warehouse credits | 73,913,000 | 100,271,000 | 32,018,000 |
| Dollar exchange | 3,988,000 | 2,000,000 | 9,987,000 |
| Based on goods stored and shipped between foreign countries | 181,547,000 | 171,039,000 | 99,757,000 |
| Total | $1,017,880,000 | $1,018,511,000 | $628,163,000 |
| **BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of April:** | | | |
| Manufacturing number | 190 | 239 | 186 |
| Wholesale number | 115 | 121 | 92 |
| Retail number | 580 | 672 | 463 |
| Construction number | 172 | 205 | 153 |
| Commercial service number | 118 | 99 | 91 |
| Total number | 1,175 | 1,336 | 985 |
| Manufacturers' liabilities | $16,286,000 | $17,760,000 | $17,142,000 |
| Wholesale liabilities | 11,855,000 | 6,000,000 | 4,090,000 |
| Retail liabilities | 15,994,000 | 17,816,000 | 10,772,000 |
| Construction liabilities | 9,090,000 | 10,424,000 | 6,967,000 |
| Commercial service liabilities | 3,878,000 | 3,833,000 | 2,900,000 |
| Total liabilities | $57,103,000 | $55,833,000 | $41,871,000 |
| **CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—**Estimated short and intermediate term credit in millions as of April 30: | | | |
| Total consumer credit | $41,015 | $40,503 | $38,222 |
| Instalment credit | 31,532 | 31,273 | 29,419 |
| Automobile | 14,659 | 14,501 | 13,892 |
| Other consumer goods | 7,671 | 7,698 | 7,337 |
| Repairs and modernization loans | 1,760 | 1,754 | 1,643 |
| Personal loans | 7,442 | 7,320 | 6,547 |
| Noninstalment credit | 9,483 | 9,230 | 8,803 |
| Single payment loans | 3,536 | 3,527 | 3,094 |
| Charge accounts | 3,687 | 3,500 | 3,531 |
| Service credit | 2,260 | 2,203 | 2,178 |
| **COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—**Month of April: | | | |
| Cotton Seed— | | | |
| Received at mills (tons) | 10,132 | 24,650 | 15,863 |
| Crushed (tons) | 278,391 | 399,699 | 387,296 |
| Stocks (tons) April 30 | 532,744 | 801,003 | 523,106 |
| Crude Oil— | | | |
| Stocks (pounds) April 30 | 116,696,000 | 102,267,000 | 123,785,000 |
| Produced (pounds) | 99,742,000 | 139,383,000 | 136,275,000 |
| Shipped (pounds) | 96,151,000 | 113,689,000 | 159,085,000 |
| Refined Oil— | | | |
| Stocks (pounds) April 30 | 277,876,000 | 285,071,000 | 416,113,000 |
| Produced (pounds) | 90,323,000 | 106,524,000 | 148,190,000 |
| Consumption (pounds) | 100,139,000 | 109,669,000 | 116,480,000 |
| Cake and Meal— | | | |
| Stocks (tons) April 30 | 279,436 | 263,956 | 258,381 |
| Produced (tons) | 135,735 | 192,415 | 179,398 |
| Shipped (tons) | 120,255 | 156,609 | 171,707 |
| Hulls— | | | |
| Stocks (tons) April 30 | 75,372 | 76,261 | 138,171 |
| Produced (tons) | 60,474 | 86,004 | 89,292 |
| Shipped (tons) | 61,363 | 74,372 | 91,496 |
| Linters (running bales)— | | | |
| Stocks April 30 | 216,921 | 220,461 | 197,793 |
| Produced | 84,940 | 123,833 | 111,065 |
| Shipped | 88,480 | 128,329 | 121,889 |
| Hull Fiber (1,000-lb. bales)— | | | |
| Stocks April 30 | 658 | 800 | 637 |
| Produced | 231 | 553 | 599 |
| Shipped | 373 | 574 | 657 |
| Motes, Grabbots, etc. (1,000 pounds)— | | | |
| Stocks April 30 | 2,738 | 2,886 | 4,713 |
| Produced | 835 | 1,089 | 856 |
| Shipped | 983 | 1,336 | 1,258 |
| **COTTON SPINNING (DEPT. OF COMMERCE):** | | | |
| Spinning spindles in place on May 4 | 21,539,000 | 21,516,000 | 21,960,000 |
| Spinning spindles active on May 4 | 19,365,000 | 18,457,000 | 19,290,000 |
| Active spindle hours (000's omitted) May 4 | 10,461,000 | 8,731,000 | 9,324,000 |
| Active spindle hours per spindle in place Apr. | 418.5 | 436.6 | 466.2 |
| **EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—**Month of April: | | | |
| All manufacturing (production workers) | 12,918,000 | *13,042,000 | 13,114,000 |
| Durable goods | 7,572,000 | *7,640,000 | 7,674,000 |
| Nondurable goods | 5,346,000 | *5,402,000 | 5,440,000 |
| Employment indexes (1947-49 Avge.=100)— | | | |
| All manufacturing | 104.4 | *105.4 | 106.1 |
| Payroll indexes (1947-49 Average=100)—All manufacturing | 161.4 | *163.7 | 157.9 |
| Estimated number of employees in manufacturing industries— | | | |
| All manufacturing | 16,767,000 | 16,897,000 | 16,769,000 |
| Durable goods | 9,842,000 | 9,916,000 | 9,795,000 |
| Nondurable goods | 6,925,000 | 6,981,000 | 6,974,000 |
| **INTERSTATE COMMERCE COMMISSION—** | | | |
| Index of Railway Employment at middle of April (1947-49=100) | 78.0 | 77.2 | 82.4 |
| **PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—**Month of April (in billions): | | | |
| Total personal income | $3,393 | *$3,381 | $3,186 |
| Wage and salary receipts, total | 235.0 | *234.5 | 220.3 |
| Commodity producing industries | 102.3 | *102.0 | 95.1 |
| Distributing industries | 61.9 | *62.0 | 58.4 |
| Service industries | 31.7 | 31.5 | 29.6 |
| Government | 39.1 | 39.0 | 37.2 |
| Less employees' contribution for special insurance | 6.7 | 6.7 | 5.7 |
| Other labor income | 7.5 | 7.5 | 7.2 |
| Proprietors and rental income | 51.5 | *51.6 | 49.5 |
| Personal interest income and dividends | 31.1 | 30.9 | 28.8 |
| Total transfer payments | 20.9 | *20.3 | 18.5 |
| Total nonagricultural income | 324.0 | *322.7 | 304.0 |
| **PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1911=100—**As of April 15: | | | |
| All farm products | 241 | 237 | 235 |
| Crops | 239 | 236 | 245 |
| Commercial vegetables, fresh | 261 | 236 | 260 |
| Cotton | 258 | 252 | 275 |
| Feed, grains and hay | 180 | 181 | 185 |
| Food grains | 231 | 235 | 229 |
| Fruit | 237 | 237 | 218 |
| Oil-bearing crops | 264 | 265 | 253 |
| Potatoes | 145 | 148 | 234 |
| Tobacco | 459 | 459 | 453 |
| Livestock | 242 | 238 | 227 |
| Dairy products | 253 | 260 | 246 |
| Meat animals | 275 | 263 | 237 |
| Poultry and eggs | 150 | 150 | 180 |
| Wool | 286 | 274 | 226 |

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# Dealer-Broker Investment Recommendations & Literature

**Package Machinery Company** — Analysis — Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

**Paramount Pictures**—Bulletin—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also available is a bulletin on **Columbia Pictures**

**Pure Oil Company—Discussion in Current Issue of "Gleanings"**—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of stocks for investment at mid-year.

**Rohr Aircraft**—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

**Scott & Williams, Incorporated**—Analysis—Blair & Co., Incorporated, 44 Wall Street, New York 5, N. Y.

**Signature Loan Company**—Report—Simon, Strauss & Himme, The Savoy Plaza, New York 22, N. Y.

**Sunray Mid Continent Oil Co.**—Analysis—Abraham & Co., 120 Broadway, New York 5, N. Y.

**Swift & Co.**—Data—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo. Also in the same bulletin are data on **May Department Stores, Wagner Electric Corp., Hussmann Refrigerator Co.** and **Anheuser Busch.**

**Union Oil of California**—Analysis—Metropolitan Dallas Corporation, Vaughn Building, Dallas 1, Texas.

**United States Life Insurance Company in the City of New York**—Report—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

**United States Trust Company of New York**—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

**Wheeling Steel Corporation** — Bulletin — Mellott, Thomsen, Pitney & Co., 29 Broadway, New York 6, N. Y.

**White River Propane Gas Company, Inc.**—Analysis—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

**Zapata Off Shore Co.**—Memorandum—Hill Brothers, 319 North Fourth Street, St. Louis 2, Mo.

Continued from page 2

# The Security I Like Best

preciated has been the improvement in bottler relationships. The company had always operated under a distribution set-up whereby Coca-Cola sub-divided its bottling rights into "parent" bottler regions, each of which is in turn sub-divided into individual bottling territories numbering about 1,100 at the present time. During the early years, the parent bottlers were all privately-owned as are now all but about 40 of the larger individual bottlers. Having the privately-owned parent bottlers between the Coca-Cola company and its independent franchised bottlers was not the most efficient way of effecting uniform sales and promotion policies. By acquiring all but one of the "parent" bottlers, the company has completed the reorientation of its sales departments and believes it is in a position to provide for more flexible and tangible merchandising and marketing assistance to the local bottlers. Results thus far achieved have been most encouraging.

The company's advertising policy was handled by one agency for almost 50 years with most of the emphasis placed on institutional type ads to stimulate on-premise consumption. Coca-Cola changed agencies about a year ago and is presently embarking on an extensive national program of full-page weekly color advertising in a large number of Sunday supplement magazines. The expensive television show has been dropped. More emphasis is being placed on dealer promotions and discounts at the local level to move Coke out into the consumers' homes.

Much attention has been given to the company's new King and Family-size bottles, which came into general use in 1955, as did the new Pre-Mix method of distribution. The larger sized bottles are sold almost exclusively for home consumption and have had a salutary effect on Coca-Cola's sales through food stores and supermarkets. At the present time, 850 of the 1,100 U. S. bottlers have embraced the program of the multiple sized bottles, a very satisfactory figure considering the short period of time they have been available. The Pre-Mix machine dispenses Coca-Cola in a paper cup from 100-drink unit stainless steel tanks which can be efficiently and economically serviced. This machine is of greatest value in high traffic areas such as theatre lobbies, offices, transportation centers, etc. Over 500 U. S. bottlers are now using Pre-Mix machines in their territories and the total is expected to show further growth this year.

For a long time Coca-Cola maintained the 5c retail price for the standard 6½-ounce bottle despite the ravages of inflation. This basic policy has been discontinued and the trend away from the 5c drink is accelerating. In mid-1953 59% of bottled Coca-Cola was sold for a nickel. This figure is now less than 30%.

Since 1921 the company has sold its syrup to bottlers at a fixed price adjusted only for fluctuations in the price of sugar. No near-term change in the sales contract is anticipated.

**Growing Sales Here and Abroad**

Coca-Cola's business is divided into three major parts, U. S. gallonage for bottlers, U. S. fountain gallonage and foreign sales, with the bottlers accounting for about ⅘ of the total domestic volume. The balance of U. S. business is contributed by more than 2,000 wholesalers, selling syrup to soda fountains, drug stores and similar outlets.

Sales of both these domestic divisions advanced to record highs last year but their proportionate increase was exceeded by the gains made overseas. At the present time, there are 594 Coca-Cola bottling plants operating in territories outside the continental limits, including some of the largest in the entire system. Only a very small percentage of the overseas bottlers are company-owned, the balance being entirely controlled by foreign nationals. Profit margins of the overseas operations are in excess of those of the domestic activities of the company. Generally speaking, about half of the profits earned are brought home to the United States in form of dividends, with the balance being retained for working capital, new plant and in some instances, to conform with currency restrictions. The company does not report foreign earnings; however, dividends actually paid to the company are included in its earning statements. As new plants are constantly being opened to meet burgeoning overseas demand, above average growth seems assured. The explosive situation in the Middle East has had little adverse effect on company operations thus far. Short of a general war, there seems to be little likelihood of a noticeable diminution of earnings from that area.

**Powerful Financial Position**

Coca-Cola entered 1957 with current assets of $127.5 million, of which $79.2 million was cash and equivalent, and current liabilities of only $30.3 million. Fundamentally a selling organization, the Coca-Cola Company does not require large amounts of cash for working capital. Thus, the very substantial liquid capital position provides management with a challenging opportunity for product diversification. The timing of such a move and the direction it will take are unknown at this time but the implications of increased earning power are obvious. Additional plus factors are the lack of any capitalization other than the 4,280,805 common shares outstanding and options for 141,578 shares in the hands of key management at prices scaled well above the current market.

**Selected Financial Statistics**

| | Net Sales (000,000) | Net Income (000,000) | Per Share: Reported Earnings | Per Share: Dividend | Per Share: Approximate Price Range | Average Yield | Average P/E Ratio |
|---|---|---|---|---|---|---|---|
| 1956 | $260.0(E) | $29.2 | $6.87+ | $5.00 | 132– 98 | 4.3% | 16.7X |
| 1955 | 252.9 | 27.5 | 6.44 | 5.00 | 145–111 | 3.9 | 20.0 |
| 1954 | 243.3 | 25.9 | 6.08 | 5.00 | 125–107 | 4.3 | 19.1 |
| 1950 | 215.2 | 31.8 | 7.41 | 5.00 | 165–113 | 3.6 | 18.7 |
| 1949 | 229.9 | 37.8 | 8.76 | 6.00 | 172–124 | 4.1 | 16.9 |
| 1948 | 234.9 | 35.6 | 8.22 | 5.00 | 183–134 | 3.2 | 19.3 |
| 1946 | 125.5 | 25.4 | 5.74 | 4.00 | 200–130 | 2.4 | 28.8 |

+Includes 34c a share tax settlement.

## Two With A. D. Laurence

(Special to The Financial Chronicle)

MIAMI, Fla.—Bennie Cinafrone and Arvo O. Paananen are now connected with Alfred D. Laurence & Co., 201 Southeast First Avenue.



## Joins R. F. Campeau

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—John A. Davis is now with R. F. Campeau Company, 110 Second Avenue, North.

## New Blair Branch

GREENWOOD, S. C.—Blair & Co. Incorporated has opened a branch in the Textile Building under the direction of William W. Vincent.

## Felder Opens Branch

DENVER, Colo.—Felder & Co. has opened a branch office at 2255 South Jackson Street, under the management of Murray Felder.

## New Invesco

TUCSON, Ariz.—The firm name of Louis Evans Investments, Inc., 1045 North Swan Road, has been changed to Invesco, Inc.

## With Smart, Clowes

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Ralph A. Westerfield has joined the staff of Smart, Clowes & Oswald, Inc., St. Paul Building. He was formerly with Clair S. Hall & Company.

## Vercoe to Admit

COLUMBUS, Ohio—On July 1 Fred M. Vercoe will be admitted to partnership in Vercoe & Co., Huntington Bank Building, members of the New York Stock Exchange.

## Benjamin Bampton

Benjamin E. Bampton, partner in B. W. Pizzini & Co., and a member of the New York Stock Exchange, passed away June 6.



## Quinn Opens Branch

SANTA FE, N. Mex.—Quinn & Co. has opened a branch office at 111 East Palace Avenue, under the management of Elizabeth Quinn, resident partner.

## Piper, Jaffray Branch

ROCHESTER, Minn. — Piper, Jaffray & Hopwood have opened a branch office in the First National Bank Building under the management of Richard H. Spurzem.

## With Bennett-Gladstone

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Rock F. Houle and Floyd W. Rickords are now affiliated with Bennett-Gladstone - Manning Company, 8417 Beverly Boulevard. Both were previously with J. Logan & Co.

## Join Nance Inc. Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Herman S. Guenther and James R. Haskin are now with Nance Investment Co., 417 South Hill St.

## Two With Logan Co.

(Special to The Financial Chronicle)

PASADENA, Calif.—Gordon S. Hanson and Milton R. Stapleton have been added to the staff of J. Logan & Co., 721 East Union St.

# Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Earlier this month, or so the daily press reported, the Senate struck a blow for economy. That was because in passing its version of the omnibus housing bill, the Senate proposed to nick the Treasury an aggregate of only $1.6 billion for housing aids, direct and indirect.

This, the press accurately pointed out, was a net reduction of $600 million under the $2.2 billion of aids voted in May by the House, even though it was $450 million more of aids than requested by the President.

Upon analysis, the Senate blow for economy looks like it is something quite different from what was advertised.

There is, for instance, what the Senate did with FHA Sec. 221 "urban renewal" insurance. This specialized type of insurance was legislated a few years ago to induce money to be loaned to build housing for persons who had to move out of their apartments or houses which were being torn down to beautify a city.

Such housing under the Senate bill would not be limited hereafter to those persons displaced by government action from their former dwellings. The Senate proposed that the following additional classes of occupants be made eligible for housing with Sec. 221 insurance: Persons with "moderate" (that is, substandard) income, persons with five or more dependents, elderly persons, and finally persons who averred they had been denied other housing because of their race, creed, or color.

**Whilst encompassing these economically marginal buying groups into the maw of beneficiaries for FHA insurance, the Senate at the same time decreed that these loans should run for 40 years, be insured to 100% of the value of the property, and that the interest rate be set at 4%. At present the interest rate is 5% but the housing officials by administrative action could raise the interest to 6%.**

**"Suspenders" Credit Policy**

The combined action of bringing in marginal beneficiaries and simultaneously lengthening out and reducing the return on the loan is reminiscent of the old ditty: "Suspenders, suspenders, the longer you wear them the stronger they get; you put 'em in water and they don't get wet."

However, the Senate recognized that the magic wand of the Federal Housing Administration insurance does not produce money. Theoretically the money would come from a bank, insurance company, or pension fund. But the Senate wisely comprehended that none such would touch these loans.

**So the Senate provided that these mortgages could have "special support" through the Federal National Mortgage Association window of the Treasury. In other words, they will be Treasury - financed via FNMA. Hence, they will be government-financed, with public money. The starting sum would be $75 million.**

**The net effect of what the Senate did was nothing more nor less than to create a new and second public housing program.**

**"College Housing" Additions**

As this column frequently has noted, the Housing and Home Finance Agency passes out two or three loan approvals a day to provide long-term money for colleges to build dormitories, student unions, cafeterias, and such other types of higher educational facilities as are approved by HHFA.

The Senate enriched with new powers the "college housing" lending activity. Hereafter, nonprofit hospitals operating nursing training schools, divinity schools, and state governmental agencies themselves financing housing and public educational institutions, may come and get the loans under the Senate bill.

**For good measure the Senate proposed to boost to $925 million from the present limit of $750 million, the kitty available for the super-charged, souped up version of "college housing" loans it proposes.**

**Revive Defense Housing**

For a few years beginning with the Korean emergency there was on the law books a Title IX for so-called "defense housing." Ten percent of the individual houses and 21% of the rental projects approved under the relatively loose Title IX, have bounced back on the government. Congress killed off that title about three years ago.

However, the Senate bill would revive this activity by an indirect power voted in its omnibus housing bill. The Secretary of Defense would be authorized to certify as necessary to the national defense any mortgage, and FHA would insure same. The basis for the government's liability would be that it is "an acceptable risk," rather than the economic soundness of the housing.

**Military Housing**

Again as this column has often reported, there now exists a system of 100% of value FHA insurance for housing at military installations, a complex scheme cooked up to take military housing outside the budget and put it in the unreported limbo of contingent liabilities of the government.

Under the Senate bill the maximum insurable per individual family unit would be raised from $16,500 to $25,000. At the same time the Senate adds $300 million for FNMA "support" (that is, Treasury funds to finance).

**With respect to public housing existing under 1949 legislation, the Senate liberalizes the rules under which the Public Housing Administration is supposed to shove out public housing clients when they have enough income to pay commercial rent. With the liberalized provisions, fewer persons would have to go back into the commercial market for rental housing. PHA is having a tough time keeping clients in its 100% government housing because the income of the time is so high, and also because of the "non-discrmination" clauses. Many families prefer to move out of this government housing even though it costs half or less than commercial rentals.**

**Price Fixing**

The Senate groped for an idea which would have FHA fix the prices of sales housing. Instead of trying as the boys were thinking of earlier to regulate discounts out of existence on the below market yields on FHA loans, the Senate authorized FHA (like VA) to set a price for a house, and not as at present merely give out its appraisal value and the maximum loan it will insure. If the FHA used this price-fixing power it would then be illegal as under VA for a buyer to pay more than the price of the House fixed by FHA.

**If this program were to stay in final law and FHA attempted to apply it, the taxpayer would benefit as the ultimate backer of all this housing. He would benefit because such a regulation would merely depress volume and hence the taxpayers' aggregate liability, for fewer FHA loans would be made.**

**"Compromise" Will Be Expensive**

Whatever comes in the way of an omnibus bill, if one is enacted, will be expensive. It will be a compromise in which total new obligational authority will run somewhere between the $2.2 billion of the House bill and the $1.6 billion of the Senate bill. The compromise, further, would seem likely to have to incorporate some of the above-mentioned features of the Senate legislation not included in the House bill.

However, by objecting to sending the House housing bill to conference with the Senate version, Rep. Charles W. Vursell (R., Ill.) delayed the reaching of a compromise. There is only the slimmest chance that the legislation as a whole will fail and thus save the taxpayer ultimately untold additional billions of liabilities as the new powers to lend, insure, and provide subsidies work their way on and upward throughout the coming years.

**Canada's Election**

Very few careful observers are going to be heated up with either enthusiasm or its opposite because the "Conservatives" ousted the "Liberals" from control of the government in Canada.

**Naturally, even if the "Conservatives" represented something different from their predecessors, without an absolute majority in Parliament, the government is hog-tied and couldn't make its own party policy felt in legislation even if it had a definite party policy.**

In 1930 the former Conservative party came into power in Canada, with the public anger over the depression sublimated into an anti-U. S. feeling over the 1930 Tariff Act's raising of duties on feeder cattle, dairy products, and maple syrup from Canada. The Liberals, whose economic philosophy is scarcely analogous with "liberalism" as the term is used in this country, had been friendly with the U. S.

By 1935 the 5-year statutory limit had expired on the life of the Conservative parliament, but the depression was still on and the people were unhappy still, and there was no USA issue as a scapegoat for this unhappiness. So the former genuine little and big "c" both Conservative government in a move of desperation adopted virtually all of Roosevelt's New Deal, lock, stock, and barrel.

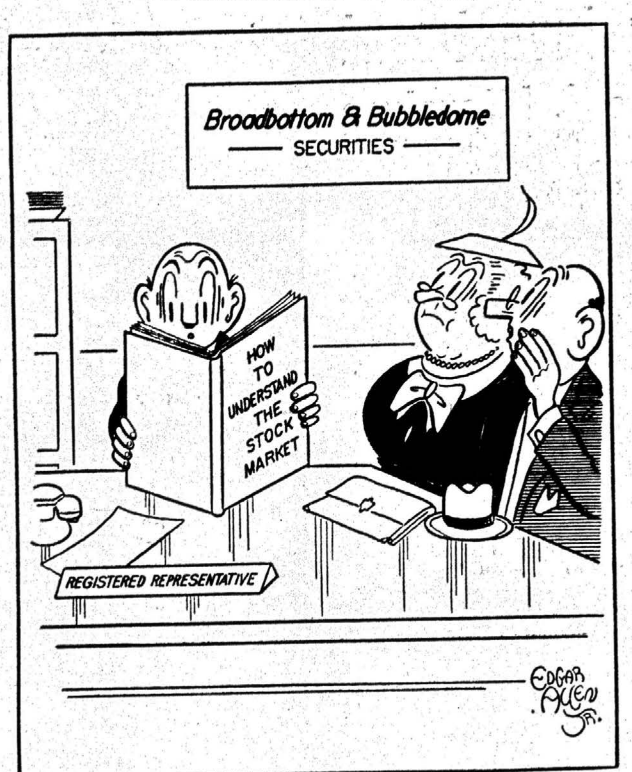
Subsequently, the Canadian Supreme Court threw out the Dominion New Deal, and the Liberals were in 1935 returned with huge majorities which they have generally held since until the latest election.

**To epitomize their altered election appeal, the "Conservatives" changed their name to that of the "Progressive-Conservative" party. So far as observers have been able to tell, the PC's have been neither consistently progressive nor conservative, but have wobbled all over the philosophical map.**

One thing is NOT expected—an attempt to hamper imports of U. S. capital. That was a lone shot in the dark in 1956 of the former PC leader, George Drew, who resigned since and has been replaced.

*[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




**"Couldn't you have found a registered representative who might inspire a bit more confidence?"**

# Municipal Bond Club of New York

Edmund C. Byrne, *Byrne and Phelps, Inc.;* Wilson D. Lee, *Stroud and Company, Incorporated;* John C. Fitterer, Jr., *Kuhn, Loeb & Co.;* Edmund G. O'Leary, *Eastman Dillon, Union Securities & Co.;* DeWitt Hornor, *First National City Bank of New York*

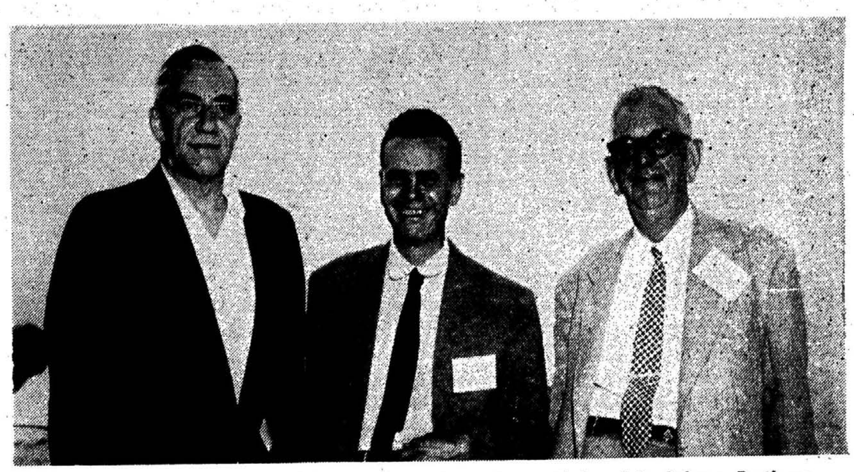
J. Arthur Porter, *Merrill Lynch, Pierce, Fenner & Beane;* Daniel Whitlock, *Ladenburg, Thalmann & Co.;* George Hall, *Wm. E. Pollock & Co., Inc.;* Jerome J. Burke, *Blyth & Co., Inc.;* Donald C. Stroud, *McDonnell & Co.*

Charles E. Weigold, *Charles E. Weigold & Co., Inc.,* newly elected President of *Municipal Bond Club*

Robert R. Krumm, *W. H. Morton & Co., Incorporated;* William H. Hibbard, *The Marine Trust Company of Western New York;* Leo A. McCarthy, *Reed, Hoyt, Taylor & Washburn*

L. Walter Dempsey, *B. J. Van Ingen & Co. Inc.;* Delmont K Pfeffer, *First National City Bank of New York*

Ludwell A. Strader, *Strader & Co., Inc.,* Lynchburg, Va.; W. Murray Lee, *Hannahs, Ballin & Lee;* Augustus W. Phelps, *Phelps, Fenn & Co.*



William G. Laemmel, *Chemical Corn Exchange Bank;* George T. Ragsdale, *Lehman Brothers;* John J. Rust, *Equitable Securities Corporation*

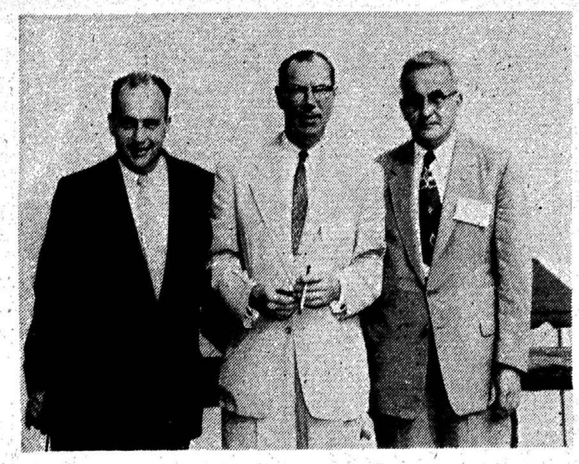
W. Neal Fulkerson, Jr., *Bankers Trust Company,* retiring President of *Municipal Bond Club;* Arthur S. Friend, *Folger, Nolan, Fleming-W. B. Hibbs & Co.,* Washington, D. C.; John W. De Milhau, *Chase Manhattan Bank*

John H. Stafford, *Lee Higginson Corporation;* David H. Callaway, Jr., *First of Michigan Corporation;* William G. Carrington, Jr., *Ira Haupt & Co.;* Thomas C. Cafone, *W. E. Hutton & Co.;* Norman S. Downey, *Eastman Dillon, Union Securities & Co.*

# Silver Anniversary Field Day

Reginald M. Schmidt, *Blyth & Co., Inc.*; James E. Roddy, *Scharff & Jones, Inc.*, New Orleans; David M. Wood, *Wood, King & Dawson*

Charles L. Churchill, Lynchburg, Va.; Malvern Hill, *Malvern Hill & Company, Incorporated*; Emil C. Williams, *A. M. Kidder & Co., Inc.*



Frank B. Sisk, *Salomon Bros. & Hutzler*; Russell McInnes, *Wood, King & Dawson*; William R. McGill, *Salomon Bros. & Hutzler*

Lou Gibbs, *Laird, Bissell & Meeds*; Charles F. Kavanagh, *Bacon, Stevenson & Co.*

Harvey S. Renton, Jr., *Freeman & Company*; C. M. Haight, Jr., *Tripp & Co., Inc.*; Harry J. Peiser, *Ira Haupt & Co.*

William A. Devlin, *Raynolds & Co.*; Merrill D. Freeman, *Salomon Bros. & Hutzler*; John J. Ward, *Chase Manhattan Bank*; David E. Ahearn, *Hornblower & Weeks*; O. H. Heighway, *Hornblower & Weeks*, Chicago

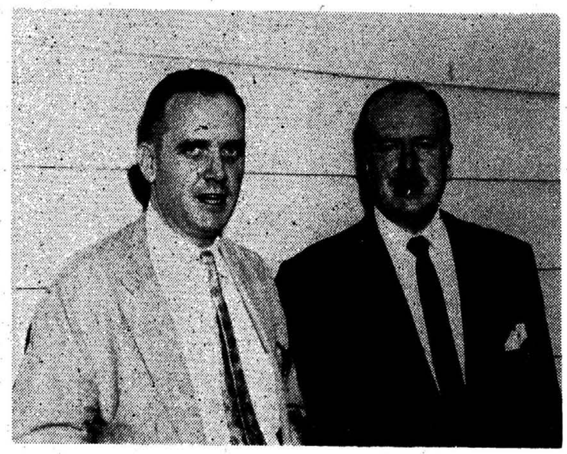
Henry L. Harris, *Goldman, Sachs & Co.*; Leonard R. Sullivan, *Phelps, Fenn & Co.*; Paul O. Frederick, *Baxter & Company*; William D. Byrne, *Byrne and Phelps, Inc.*; Arnold J. Kocurek, *Rauscher, Pierce & Co., Inc.*, San Antonio; Carl N. Stutz, *The White-Phillips Company, Inc.*, Davenport, Iowa

Frank R. Cole, *F. R. Cole & Co.*, Newark, N. J.; E. M. McLaughlin, *Paine, Webber, Jackson & Curtis*; Norbert H. Eaton, *Lincoln R. Young & Co.*, Hartford, Conn.; Karl J. Panke, *Lehman Brothers*

Charles S. Lipscomb, *W. H. Morton & Co., Incorporated*; Robert H. Blake, *Philadelphia National Bank*, Philadelphia; Marshall Schmidt, *Hornblower & Weeks*, Philadelphia

# Friday, June 14, 1957

Bill Burke, *Bacon, Stevenson & Co.;* Walter D. Fixter, *J. W. Sparks & Co.,* Philadelphia



John L. Ballin, *Hannahs, Ballin & Lee;* Francis X. Coleman, *Gregory & Sons*

George J. Thurnher, *Drexel & Co.;* Edwin L. Beck, *Commercial & Financial Chronicle*

Rene G. Foerster, *Goldman, Sachs & Co.;* Kenneth J. Sickler, *The Chase Manhattan Bank;* Anthony J. Miller, *Hirsch & Co.;* Fred D. Stone, Jr., *The Marine Trust Company of Western New York;* James J. Hitz, *B. J. Van Ingen & Co., Inc.*

Charles L. Skinner, *Coffin & Burr, Incorporated;* Charles S. Barrington, *Harry Downs & Co.;* Robert M Goodwin, *First National City Bank of New York;* Allen D. Sapp, *Schmidt, Poole, Roberts & Parke,* Philadelphia

James M. Heller, *Shearson, Hammill & Co.;* Frank J. Brophy, *R. S. Dickson & Co., Inc.;* Joseph Vostal, *Kidder, Peabody & Co.*

George Howe Wilder, *Smith, Barney & Co.;* Alfred S. Mante, *Smith, Barney & Co.;* William H. Moser, *Andrews & Wells, Inc.*

Ralph W. Ellwood; Winfield A. Scott, *American Securities Corporation;* Allan Blair, *Allan Blair & Company,* Chicago

David C. Packard, *Estabrook & Co.;* Andrew J. Brodie, *Estabrook & Co.;* Lloyd B. Hatcher, *White, Weld & Co.;* Harold J. Schluter, *First National Bank of Chicago,* New York

# At Westchester Country Club

William H. Clark, *Merrill, Turben & Co., Inc.*, Cleveland; Harold E. Leaf, *R. D. White & Company;* R. J. Cook, *Wm. J. Mericka & Co., Inc.*, Cleveland; J. David Everard, *John Nuveen & Co.*, Chicago

Richard N. Rand, *Rand & Co.;* P. Hurley Bogardus, *J. P. Morgan & Co. Incorporated;* Zack C. Taylor, *The Chase Manhattan Bank;* Carl Necker, *Schaffer, Necker & Co.*, Philadelphia

Arthur R. Robinson, *Wertheim & Co.;* Roger S. Phelps, *Byrne & Phelps, Inc.;* George Norman Scott, *Estabrook & Co.*

Monroe V. Poole, *Geo. B. Gibbons & Company, Inc.;* William A. Noonan, Jr., *Continental Illinois National Bank & Trust Company*, Chicago

Henry Milner, *R. S. Dickson & Co., Inc.;* Tom MacNiven, *Kuhn, Loeb & Co.;* William P. McKay, *Blue List Publishing Co.*

George R. Waldmann, *Mercantile Trust Company;* David C. Kratzer, *Stein Bros. & Boyce*, Baltimore; David A. Pincus, *D. A. Pincus & Co.;* Edwin P. Sunderland, *John C. Legg & Company*, Baltimore;

Edward L. Warren, *J. P. Morgan & Co. Incorporated;* Harry Downs, *Harry Downs & Co.* William P. King, *King, Quirk & Co., Incorporated*

Robert G. Gerrish, *G. H. Walker & Co.*, Providence, R. I.; John J. Pilkington, *G. H. Walker & Co.*, Providence, R. I.; Jerome C. L. Tripp, *Tripp & Co., Inc.;* Myles G. Walsh, *Blyth & Co., Inc.;* W. Wallace Payne, *First of Texas Corporation*, San Antonio

E. A. M. Cobden, *Kean, Taylor & Co.;* Karl J. Panke, *Lehman Brothers;* Charles Murray, *Drake & Company;* Frank L. Lucke, *Laidlaw & Co.*