ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 186 Number 5652 New York 7, N. Y., Thursday, July 4, 1957 Price 40 Cents a Copy

EDITORIAL

As We See It

Speaking the other day at Williamsburg to the 1957 Governors' Conference, the President did well to call sharp attention to the degree that power has of late years been concentrated in Washington, and to the related tendency of the central government to take over more and more of the functions previously and normally and wisely left to states and local governments. "Our governmental system, so carefully checked, so delicately balanced, with power fettered and the people free, has," he said, "survived longer than any other attempt to conduct group affairs by the authority of the group itself. Yet a distinguished scholar has only recently counseled us that in the measurable future, if present trends continue, the states are sure to degenerate into powerless satellites of the national government in Washington."

At another point the President warned that "being long accustomed to decentralized authority, we are all too inclined to accept it as a convenient, even ordinary, fact of life, to expect it as our right, and to presume that it will always endure. But in other lands over the centuries millions, helpless before concentrated power, have been born, have lived and have died in slavery, or have lost their lives and their liberty to despots."

We have on more than one occasion in this space felt it our duty to call attention to this overcentralization of power and of functions. It has been going on for several decades. The changes inaugurated by the New Deal are almost incredible. Congress and the courts have again and again and again assigned to the Federal Gov-

Continued on page 28

The Most Serious Situation Confronting This Country

By HONORABLE HARRY FLOOD BYRD*
U. S. Senator from Virginia
Chairman, Senate Committee on Finance

Asseverating there is nothing more destructive than the destruction of one's currency, distinguished Senator heading current monetary inquiry underscores the dangerous threat to our economy posed by a more serious inflation than that of 1940-1952, and ruinous public spending and debt. Recalling our last recession and contending a drop in national income to that of prosperous 1955 would result in a $12 billion deficit, Senator Byrd questions our reserve-capacity in view of Treasury's dilemmatical inability to borrow more at higher rates and to raise taxes. Praises first sincere economy-wave in 25 years, presents tax reduction program based upon excising $8 billion road spending increase, and denies Presidential budget-cutting co-operation.

Harry F. Byrd

It is my opinion that the most serious situation confronting this country today is the question of inflation and I do not believe that the public generally realizes the dangerous implications of this present situation that confronts us. And I think it's the obligation of all of us to inform the people as to the conditions that exist.

We lost in the period from 1940 ot 1952 48 cents of the purchasing power of the dollar. Never before in the history of our country has such a loss occurred. One year we lost nine cents, another year we lost eight cents, another year six cents. And then in 1953 the dollar was stabilized. It was stabilized for '53, '54, '55 and until the latter part of '56, and then it began to lose

Continued on page 33

*An address by Senator Byrd before the National Citizens Committee to Curb Inflation, Washington, D. C., June 24, 1957.

Global Stalemate

By DR. MELCHIOR PALYI

Current international economic and political events are analyzed by Dr. Palyi who finds that the many troubles besetting the Soviets serve to keep the peace and provide a propitious opportunity for aggressive Western diplomacy to take advantage of Russia's predicament. The author critiques the three assumptions of the Eisenhower Doctrine, and in examining Europe as a whole, decries our policy of anti-colonialism and boondoggling.

The foreign policy balance sheets of the Khrushchev and Eisenhower regimes are remarkably similar—both are negative. Both have lost ground. The remarkable thing is that neither of them is really responsible for the losses of the other; they occurred fortuitously, as it were. And so far, neither of them has succeeded in drawing much profit from the failures of the other.

Dr. Melchior Palyi

Russia's Diplomatic Isolation

At home and abroad, the rulers of Russia have gone in the last seven months from one humiliating defeat to another. Mr. Dulles can scarcely take credit for any of them. Surely not for the lightning at Poznan or for the Hungarian thunder storm, the two most spectacular landmarks in the unexpected turn of the Kremlin's prestige and power; still less for the economic troubles which have burst on it. In fact, the State Department's theory was represented as recently as in the summer of 1956 by Mr. Kennan's coexistentialist thesis that the satellites were irrevocably buried under Russia's might and had to be written off. Also, official Washington was ceaselessly promoting the thesis of her tremendous economic progress (with gullible American businessmen serving as eyewitnesses—usually after a two-to-three weeks "guided" tour of that vast country).

To the great embarrassment of Moscow, its diplomats have maneuvered themselves into almost total isolation. The change from the global "popularity" of Khrushchev and Co. to their present "doghouse" position is scarcely

Continued on page 26

PICTURES IN THIS ISSUE—Candid photos taken at the 11th Annual Outing of the Investment Association of New York appear in the 4-Page 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

Georgia-Pacific Corp.—Monte J. Gordon, Manager Research Dept., Bache & Co., New York City (Page 2)

Ling Electronics Inc.—M. Kypar, President, Kylar Research Associates, Inc., Forest Hills, New York. (Page 2)

MONTE J. GORDON
Manager Research Dept., Bache & Co., New York City
Members Leading Stock and Commodity Exchanges

Georgia-Pacific Corp.

The efforts of management to develop basic earning power for a corporation are among the most highly significant developments in examining the securities of any company. Such efforts can take the form of careful organization, diversification of product mix, development of new products and/or the acquisition of the basic resources of production.

Monte J. Gordon

The latter point is to me the story behind the improvement in the future outlook of Georgia-Pacific Corp. I regard the stock which represents a major producer in the U. S. of plywood, lumber, pulp chips for the paper industry and miscellaneous forest products such as hardwood and logs as attractive for substantial capital gain with calculated risk. The company is one of the largest holders of Douglas fir and owns 10% of the world's known remaining Redwood supply. Between now and 1958, prospects favor a sizable gain in earnings reflecting the timber cutting profits realizable from timber stands, the capital gains tax benefits on such profits and integration of recent acquisitions.

The element of speculative risk entering into this situation is a result of the manner in which two of its most recent acquisitions, namely Coos Bay and Hammond Lumber, were financed. These acquisitions were financed primarily through long term debt and, as a result, in 1957 interest requirements will be about $5.8 million and minimum sinking fund needs about $6 million. The company has available a high cash flow from depletion, depreciation and net income which should enable it, given a continued high level of business activity, to meet this debt requirement with relative ease. These two acquisitions have significantly increased the company's timber holdings from 1,650 board feet per common share in 1955 to 4,145 board feet per common share in 1956. The Redwood obviously is of particular value since the supply in quite limited.

Georgia-Pacific realizes an important tax advantage since it may take a depletion charge which is non-taxable on cuttings. What's more, the company takes a capital gain on the difference between the price at which the timber is on the books and the prevailing market price of trees to be cut.

In 1956, earnings based on the number of shares outstanding as of Dec. 31, 1956 were $2.36 per share compared with $1.95 per share in 1955, also adjusted for the number of shares outstanding at the end of 1956. In the first quarter of 1957, net income was up only slightly, being equal to about 60 cents a share compared with about 58 cents a share in the first quarter of 1956. Sales were up sharply reflecting the recent acquisitions but a significant increase in operating costs tended to trim the gain in net income. Considering the decline in plywood prices compared with 1956 and the lower rate of residential construction, the earnings reported in the first quarter are quite satisfactory.

In early 1958, a paper and pulp mill will come on the line at Toledo, Ore. In addition, the company holds a contingent timber award from the U. S. Forest Service covering 7½ billion feet of timber in Alaska. A pulp mill must be in operation by 1961 to make this award complete.

The yield on the shares at present levels (34⅛) is rather modest. It is not anticipated that cash dividends will be increased in the foreseeable future in view of the company's substantial cash requirements to expand and integrate and service the territory.

M. KYPAR
President
Kylar Research Associates, Inc.
Forest Hills 75, N. Y.

LING ELECTRONICS, INC.

I believe Ling Electronics, Inc., now trading around 7½ Over-the-Counter, has a good speculative potential to appreciate better than 50% within 12 months and would proffer it to this august forum, for this reason, as the Security I Like Best.

M. J. Kypar

Ling Electronics, Inc. is a rather unique combination of an electronics business and a conventional electrical contracting and supply business. About half of the company's $4.5 million sales (estimated for fiscal year ending July 31, 1957) and 55% of its profits stem from electronics and the remainder accrues from electrical engineering, contracting and sale of specialized supplies. The company expects to earn 60 cents per share on the 800,000 common shares outstanding for the July 1957 year, and projects a better than 70% increase in both sales and income for the 1957-58 year.

The principal products of the *electronics business* are sine-wave vibration testing systems and electronically driven random noise and complex wave vibration systems. These "vibrators" are used by the aircraft and missile industries to stimulate various operational stresses, for testing purposes, as well as in the production line, for quality control purposes. Ling has proprietary rights on the design and on several key components of these systems which range in price from $8,000 to $80,000 apiece. The electronics part of the business was originally founded in 1953 as L. M. Electronics. During the first three years of its existence, while perfecting the design of the vibration systems, the company became financially extended and was acquired by Ling Electric, Inc. in 1956. Ling Electric then changed its name to Ling Industries, separated the electronics part which became Ling Electronics, and subsequently pumped in $1.3 million new capital into this separate company by way of a public offering of the securities (common stock and convertible debentures) of Ling Electronics, Inc. in December 1956. Ling Industries, the parent-affiliate, continues to own about 400,000 shares of Ling Electronics common.

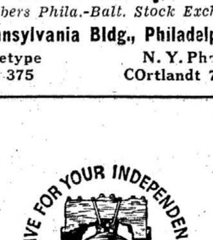
For the July, 1957 year the electronics division of Ling Electronics should gross about $2 million and net approximately 30 cents per share. Its order backlog is currently above $2 million with quotations outstanding on nearly $3 million worth of additional business. A 35,000 square foot plant addition (to present 19,000 square feet) is being readied in Los Angeles and should become available late in 1957. Based on business booked and new order trends, the electronics division is anticipated to gross $4 million and net close to 60 cents per share during the 1957-58 fiscal year. What multiple should an investor apply to such earnings and projections?

I believe there are several reasons why the vibrator business is deserving of a high multiple. First, Ling has a *strong trade position* and is estimated to account for about 35% of the vibration equipment market. It is also practically the sole West Coast manufacturer of electronic vibration systems as its two principal competitors are located on the East Coast. Secondly, Ling's *management is young and aggressive*. Mr. C. G. Pierce, President, formerly Chief Engineer of the West Coast division of American Broadcasting Co., is a well-known 39-year-old engineer who originally developed the systems; Mr. R. F. Martin, in charge of production, is 36 years old, and Mr. J. A. Ross, chief engineer, is 29 years old. Like several similar groups of youthful engineers, rich in ideas and technological talent, these young men and their associates are intent on giving the lie to the popular dictum that present-day tax rates render it impossible to create new millionaires. If they make it, the investor should benefit.

Thirdly, Ling's *product has barely started carving out a market for itself*. It is estimated that industry volume in vibration systems and components may reach $30 million in about two years when various missile and supersonic aircraft programs will step up. If Ling does no better than maintain its proportion of one-third of this business, the company could show sales of $10 million on vibrators alone. Finally, Ling's *research can open up entirely new areas of business*. The company is now conducting research in sonar and ultra low frequency sound transmission on R&D contracts with the Navy and others. It is far too early to estimate the business potential of such work, but management does expect that some production orders in these lines will materialize before the end of 1957. Incidentally, the above 1957-58 earnings forecast does not include any income from this source.

The other parts of Ling Electronics, Inc. consist of a *contracting division* (Grady) and a *wire and cable assembly division* (Elwico). Grady was acquired in January 1957 for 75,000 shares of Ling Electronics. The Grady division will show gross of about $2.5 million for the July 1957 year and earn around 30 cents per share. Note that this acquisition doubled the company's sales and

Continued on page 43



Revenue Bond Financing And Interest Rate Trends

By GEORGE T. RAGSDALE*
Municipal Bond Department, Lehman Brothers

Well known municipal bond manager advises public officials on coping with present bond market; affirms the impropriety of commercial bank bond-underwriting; and describes five fundamental factors affecting interest rates after determining that revenue and municipal bonds are influenced by exactly the same factors. Mr. Ragsdale believes it might be more profitable for public officials to: (1) use long-term, sinking fund king-sized issues, when possible, to tap a broader market; (2) follow, generally, best available advice on improving quality and security of their issues; (3) cultivate customers and dealers, and try to achieve a situation whereby bonds will go up in price after issue—to create a money-making precedent for future issues; and (4) limit not too pressing bond issues for short periods and stretch out financing of construction projects over as long a period as cash will permit. Denies bidding by bank bond departments would improve interest rate structure, and demonstrates that investors determine markets.

Reporting on the recent conference of the Municipal Finance Officers Association in St. Paul, George Wanders, Editor of "The Daily Bond Buyer," observed: "In the lobbies of the hotels there has been a good deal of informal grumbling about the relatively high cost of long-term borrowing by the States and municipalities. Some of the officials feel that postponement of their bond sales might be advisable. Others are convinced that rates may go still higher, and that it is best to float bond issues without delay."

Among municipal bond dealers, there is also a good deal of informal grumbling about the relatively low prices of municipal bonds and also a wide difference of opinion as to whether to postpone buying bonds or to buy them without delay. In a recent bulletin of the Institute of International Finance, six reasons are discussed for expecting present tight money conditions to be temporary and eight reasons are discussed for expecting tight money conditions to be of long-term duration. Since there seems to be no agreement among municipal finance officers, nor among municipal bond dealers, nor among economists about the probable future trend of the municipal bond market, we will make no attempt to gaze into the crystal ball and predict the future.

However, we will examine the present municipal bond market situation and enough of the recent market history to try to understand where we are now, how we got here and what, if anything, we can do about it.

I would not like for my failure to predict the future to cause my being characterized as a dodo bird who flies backwards because he doesn't care where he is going but only wants to see where he has been. Maybe, a look at where we have been, and why we have been there, will help one to draw his own conclusions about where we are going.

Converts Yield to Price

For a telescopic, long-range view of where we have been and where we are now, may we look at a simplified chart of the municipal bond market trend over the last 30 years since 1927 (Chart 1). Source material for this chart comes from "The Daily Bond Buyer" index of twenty, 20-year municipal bonds. This index, as published, is expressed in terms of "yield" to the investor on bonds maturing in about 20 years. However, since many electric revenue bonds stretch out to a final maturity of 40 years or more, I have converted the index to a 40-year maturity basis, using a good deal of statistical freedom. Also, since "yield" is not so well generally understood as "price," such as we see quoted in the daily papers for stocks, or wheat or hogs, I have converted the index to "price" for a 3% 40-year bond, again using a good deal of statistical freedom.

It may be a shock to see that municipal bond prices (converted from "The Daily Bond Buyer" index to 3% 40-year bonds) have in the last 30 years gone from 80 to 58, from 58 to 143 and 143 back to 86. In terms of interest rate, this is from about 4% to about 5¾%; from that high point to about 1¾%; and from that low point about 3¾%.

For purposes of illustrating points later to be discussed unusual space has been given to Chart No. 1 to certain years and also straight lines have been drawn from high points to low points, although actually price trends do not follow such straight lines, but instead follow wavy and irregular courses. (See Chart No. 1.)

Before trying to examine what caused us to go over this roller-coaster market of the last 30 years, as seen in the telescopic Chart No. 1, let's get a close-up portrait of where we have been in the last year and a half, during 1956 and 1957. For this purpose, may we look at Chart No. 2, also simplified and adjusted in relation to "The Daily Bond Buyer" index, as previously explained, so that, with statistical freedom, dollar

Continued on page 22

*An address by Mr. Ragsdale before the American Public Power Association, New York City, June 26, 1957.

INDEX

Articles and News Page

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, July 4, 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

WHO BUY THE FUNDS?

The younger the investor and the newer his estate accumulation, the greater is his dependence on the investment company. The typical *Accumulation Plan* holder in mutual funds is 42 years old, has built up total assets of $5,400: and has one-third of those assets or $1,750 in mutual funds.

A. Wilfred May

On the other hand, the typical "lump sum" buyer who is 54 years old, with fund holdings of $4,920, has only 22% of his assets invested in fund shares.

The typical "venerable" stockholder of the *closed-end* companies, 55 years of age, owns holdings of such shares worth $4,685, or only 17½% of his total assets of $26,500. The typical *open-end* shareholder has $4,920 in fund shares which is 23% of his total assets of $21,470.

These data, revealing the comparative preponderance of the funds among the financial assets of younger and less-developed estates, is shown in current compilations by the National Association of Investment Companies.

Incidentally, increasing public recognition of the value of the closed-end company is revealed by the 42% growth in their number being used under the New York Stock Exchange's Monthly Investment Plan (MIP) during the past 12 months. This exceeded the 36% net gain in the open-end accumulation accounts.

* * *

COMING REGULATORY PROPOSALS

The Securities and Exchange Commission's imminent proposals for amending the Investment Companies Act of 1940 will be stimulating increasing interest on the part of both company managements and the investor. This will be largely concentrated on two changes in two sections. As the law presently stands, (under Section 8) managements must enumerate specific items of policy regarding their intentions concerning such matters as leverage, borrowing money, underwriting activities, operations in real estate and commodity **contracts**, loans to others, and portfolio turnover.

But on matters having to do with the investment objectives with emphasis on portfolio management as—whether it is to be run as a specialty, fully administered or common stock fund, or income or capital appreciation fund—they now have the discretion whether to treat these matters as items of fundamental policy or not (although they have to be stated in the prospectus). If management does not elect to call these items fundamental policy, they do not have to get a permissive stockholders' vote for a change; stockholder assent is required only if they so elect and hence is, in practice discretionary.

Under the change now proposed by the SEC managements would have to declare themselves also on these investment policies as a matter of fundamental policy; and thus the making of any important change will definitely be subject to stockholder approval. Whether a change in policy is approved is to be decided by an affirmative vote of 50% of the amount of stock outstanding (or by such amount of the outstanding voting securities as entitles the holder or holders thereof to cast a majority of the aggregate votes which the holders of all the outstanding voting securities of the company are entitled to cast).

An exception is provided in a clause reserving to management freedom of action to switch to [illegible]ve securities.

Proponents of the change justify it on the contention that it is equally important in regard to both of the categories of policy, to insure for the investor that the rug will not be pulled out from under him.

SEC Interference Seen

Critics of this proposal emphasize that the SEC will be enabled to move in on management; and in the case of disagreement over performance, could second-guess management in value judgments as to whether the company has lived up to its stated aim, as for example, between income and capital gain objectives.

Further Tightening of Director Provisions

The second major change contemplates changes in director provisions, as contained in Section 10. Under the exiting statute, 40% of directors must be independent of management; that is, they must not be affiliated with the investment advisers of the company, nor be an officer or employer of the company (with 60% so permitted to function).

The SEC feels that this restriction does not go far enough; and that permitting affiliated brokers, principal underwriters and controlling persons, and stockholders of the investment adviser to be directors, is inconsistent with the spirit of the Act furthering management's complete freedom and independence.

Objectors to this proposal point out the degree to which the potential supply of directors has already been narrowed down; citing the Federal Reserve ruling whereunder a bank director is forbidden to accept directorship in an investment company.

Diluting Privilege to Remain

The balance of the suggested changes are minor. This, by way of glaring omission, includes the failure to provide against inequitable dilution of the shareholder's interest via the sale of additional shares below asset and market value, where the only change in the pertinent section is contained in a mere correction of wording.

If an outright prohibition against the sale of stock below asset value is considered too inflexible, then at least it could be provided that the consent of a majority of the common stock shall be a prerequisite, instead of, as now, an alternative. This would be in line with the philosophy exhibited in the Commission's first described proposal above, holding that management policy is properly subject to stockholder review.

As it is, the Commission in continuing to leave the sale of stock-below-asset-value unhindered provided that it is offered to its stockholders, gives its blessing to their virtual assessment through forced subscription to the rights to avoid dilution, and entails the dilution of every new dollar the moment it comes in. And this is now particularly inexcusable under the new tax law, which removing the penalty on the nonpayment of capital gains dividends, eliminates the justification offered on the ground of overcoming funds' "unwinding."

Joins Garrett-Bromfield

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Wayne F. Morrison has joined the staff of Garrett-Bromfield & Co., 650 South 17th Street, members of the Midwest Stock Exchange. Mr. Morrison was previously with Mountain States Securities Corp.

Carrigan With Allyn

(Special to THE FINANCIAL CHRONICLE)

LEWISTON, Maine—William F. Carrigan, Jr. has become associated with A. C. Allyn & Co. Incorporated. Mr. Carrigan was formerly Lewiston representative for White, Weld & Co.

The State of Trade and Industry

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

Overall industrial production for the country at large continued to follow much the same pattern as in previous weeks with output in some industries registering modest improvement, while declines were the rule in others. In the case of the automotive companies, production the past week reached the second highest January to June level in auto history and at the same time was 4.8% above the week before.

Soft coal production in the week ended June 22 totaled 10,275,000 tons compared with 10,300,000 the week before and 10,138,000 a year earlier, according to the National Coal Association.

For the year to date, the Association estimated bituminous output came to 242,285,000 tons or slightly below the 246,701,000 tons in the year-ago period.

Claims for unemployment insurance by newly laid-off workers went down by 11,800 to a total of 202,600 during the week ended June 22, the Bureau of Employment Security disclosed.

The agency said this was slightly below the previous low for the year of 204,800 reported June 1, but it was still above the total of 193,500 reported for the like week of 1956.

Insured unemployment, the bureau added, declined by 53,800 to a new 1957 low of 1,263,700 during the week ended June 15. However, this was slightly above the 1,193,300 total for the like week of last year.

Most steel users plan to pass along higher steel costs to their customers, "The Iron Age," national metalworking weekly, states this week. An "Iron Age" survey discloses that wherever competition will allow, prices of products made of steel will go up as soon as the added costs can be figured. Since many steel users also face higher labor costs in new contracts, the resultant squeeze may force some companies to settle for a narrower profit margin, it adds.

Meanwhile, the long awaited breakthrough in steel demand may be just around the corner, says "The Iron Age." Indications are that July steel output may not be as low as had been feared earlier. In fact, the month may contain the seeds of an upturn that could carry through the fourth quarter. The national metalworking weekly adds that July production among the larger companies could be anywhere from 3 to 8 points higher than expected as recently as a month ago. It will depend on individual company product mix and how hard salesmen push for new business.

July is still expected to be the low point for the year, this trade weekly declares, but the improved outlook has encouraged the mills. Some of the pickup is due to increased ordering from Detroit. Part of this represents trial orders for new models, but part could be due to need for tonnages to fill in depleted inventories.

The "Iron Age" looks for a last-half spurt in automotive steel buying for several reasons, including a probable pickup in new car sales when 1958 models are introduced. Some of the factors that could spur automotive steel buying are low inventories, rugged competition among the automotive Big Three, and the fact that General Motors will go all-out to make a good showing in its 50th anniversary year. Then too, Ford and Chrysler will be out to hold onto their increased share of the overall market and auto companies will be building up dealer inventories toward year-end and in first half of 1958 as a hedge against labor trouble should new contract negotiations break down.

Another bright spot on the horizon is the improved outlook for television production in the next six months. The "Iron Age" reports that TV will be a hot market for metalworking products through second half. TV set makers cut back production by 25% in the first five months of 1957. As a result, inventories are low. Yet sales are running only slightly below the same period a year ago, concludes this trade magazine.

In the automotive industry the second-highest January to June car output in auto history, and a 5.6% increase over the year-ago period was recorded last week as the industry ended its first-half operations.

"Ward's Automotive Reports" stated that with Saturday operations virtually extinct the past week, United States auto plants built 3,370,100 passenger cars in the January to June period.

The volume was 5.6% over the 3,192,597 assembled in last

Continued on page 42

Undercapitalization of Banks In a Free Enterprise Economy

By H. EARL COOK*

Chairman, Federal Deposit Insurance Corporation

After expressing disapproval concerning the continuing and growing state of bank undercapitalization and the failure of banks to fulfill their immeasurable public responsibility to justify a free enterprise banking system, the well known FDIC head strongly recommends as a solution to these and other problems harassing banking today the extension of public participation in bank shares. The time has come, Mr. Cook maintains, for supervisory authorities to change dividend policy to permit higher percentage of net earnings to be paid out, and for bankers to reassess the prospects for tapping investors' equity capital in view of little realized restored bank earnings performance and prospects. Deplores maximization of bank earnings on dangerous, minimum capital margins; and urges return to conventional financing.

Bank capital is a subject which I am convinced continues to require our most serious consideration. It is my purpose in this analysis to suggest a new approach to the bank capital problem.

H. Earl Cook

Observe that I have referred to the "capital problem," notwithstanding that a considerable segment of the banking - financial community now feels that this problem has been solved. For several years there has been a reasonable stability of the aggregate capital margin as measured by the relationship of total capital accounts to total assets. Likewise, the more definitive measures of bank capital adequacies—such as the capital to risk assets ratio—have been ranging within narrow limits. Finally the banks themselves, for tax reasons or otherwise, have accumulated some substantial valuation reserves that would go far to absorb shrinkages resulting from losses on loans or market values of bank assets.

These apparently favorable signs have resulted in a tendency to rationalize the existing situation as quite satisfactory, thereby overlooking the fact that there is a continuing problem of undercapitalization of many banks, a problem which is growing more serious year-by-year. There has also developed a tendency to devote attention to the more technical aspects of the capital question, such as advantages of one type of capital ratio over another, or the desirability of having preferred stock in the capital structure. This preoccupation with technical considerations unfortunately detracts from the central core of the problem.

I desire to discuss what I deem to be the essence of the problem, which is simply this: A sufficient volume of bank capital is essential if we are to retain a free enterprise banking system. Let us never forget that the commercial banking system occupies the central and the most sensitive position in our economic system, because it provides by far the largest portion of the nation's money supply. This is a public responsibility of immeasurable importance, and it is being carried out by individuals whose equity in relation to the total investment of their respective institutions averages only about 7%, and in some instances is as low as 2% or 3%. It is true that at the moment this fact seems to be raising no outcry, but bankers must look to the future. For if banking is to continue as a free enterprise institution—as it must and should — the equity of its owners must be commensurate with the responsibility they have undertaken.

I might observe in this connection that this responsibility for the circulating medium becomes of greater quantitative importance with each passing year. We live in a dynamic, growing economy, a fact that is reflected in a continuing expansion of the volume of bank assets. This means that the amount of bank capital must not only be sufficiently large to justify a free enterprise banking system, but it also means that sources of additional capital must be developed in order to assure that the total volume of capital grows by at least the same rate as bank assets.

Reviews Recent History

The importance of the bank capital problem today can best be appreciated by reviewing briefly some highlights in recent banking history. Everyone will agree, I believe, that our banks as they recovered from the troubles of the early 1930's, were in no position to launch a capital rebuilding program. Losses had been heavy, business was at low ebb, and earning power was poor. Furthermore, there was much to be done in rebuilding confidence of depositors in the banking business and in convincing bank shareholders that investment in this type of enterprise was warranted.

With the outbreak of World War II, the banks in this country were confronted by a new situation. To be sure, they had made some progress from the depressed condition of the 1930's. Depositors as well as shareholders, with the help of the Federal Deposit Insurance Corporation, had begun to feel that banking was a sound business. But for the war, the banking community might very well have gone to the investment market for new capital. However, war demands not only closed the door on this opportunity but, in addition, led to a progressive shrinkage in the capital margin. At the time there was little concern over the relative decline in bank capital from about 10% to 5% of total assets, since Federal obligations were assuming a larger and larger position in the asset structure, reaching about 60% of total bank assets at the end of the war.

The cessation of hostilities ushered in a new epoch in banking. No longer was it necessary for the Federal Government to call upon banks to finance a costly war. At the same time it was evident that the resumption of peacetime activities would bring about an expansion in the loan portfolios of banks. From the viewpoint of both bankers and their supervisory authorities it was evident that asset structures would take on a more risky character as holdings of Federal obligations were displaced by a complex of business loans. Thus, the stage was set for a situation that called into question bank capital margins then prevailing.

There were, however, two factors which prevented the inauguration of an immediate, all-out, program to raise capital. First, the transition years from a wartime to peacetime economy did not appear to offer a favorable climate of investment for the sale of new bank shares. Second, it was recognized that, from a technical point of view, the rate of bank earnings can be maximized most readily by employing only a minimum of capital. This follows because the gross income of banks is derived principally from the earning power of invested assets, the acquisition of which depends upon the banks' ability to attract deposits. An increment to the capital account in the form of new stock tends to add only its pro rata portion to gross operating income but may seriously diminish the per-share return. So the owners of banks find it advantageous to operate with narrow capital margins.

Earnings' Retention Policy

With these two factors in mind, the banking authorities adopted a policy which was consistent with the wartime conceptions regarding the availability of funds for investment in bank shares and, at the same time, was acceptable to the special interests of bank shareholders. Banks were encouraged to bolster their capital accounts by retention of a substantial amount of earnings.

Certainly in the early stages of the transition period after the war ended it would have been difficult to build capital accounts by any means other than the one adopted at that time. There were bank earnings and it was possible to insist upon a retention of a portion in the capital structure. From my own experience, I know that it would not have been easy to sell bank shares to new investors in those years. Nevertheless, it is my sincere belief today that a policy that was primarily useful during the period of transition should have long since been relegated to a minor role. For the plain fact is that more than a decade has passed since the end of World War II but the relative level of bank capital is still much below the pre-war standard of 10%.

Bank capitalization should be viewed more broadly than in terms of its adequacy as appraised by bank supervisors. Nor is it sufficient to be primarily concerned with the narrow interests of a few bank shareholders who are seeking the advantages of trading on a thin equity and thereby maximizing the rate of return on net worth. Beyond these technical considerations there is the fundamental question: How can we so arrange capitalization of our banks as to preserve the best qualities of our system of free enterprise banking? That is the question towards which I will devote the remainder of this discussion.

Former Ownership Diffusion

There was a time when ownership of bank shares was not only desirable as an investment but in addition it symbolized to the community the owner's stake in a type of enterprise that contributed much to the economic welfare of the area. When I look back upon banking as I knew it years ago, participation in bank ownership appeared to rest on a much broader base than it does today. Admittedly, it is not easy to measure participation in bank ownership, especially when we are talking about situations widely separated in point of time. Communities were much different then than now. They were smaller and there were not many bank shareholders but it seems to me that the group comprised a much larger portion of our capable and substantial citizens. People were sincerely interested in their local affairs, and I think one will agree with me that to some extent at least this interest stemmed from the diffusion of ownership in the equities of the local banks.

Why were bank shares looked upon as good investments years ago? The answer to this question is relatively simple. Over the decades earnings in banking compared favorably with other types of enterprise and the dividend rate on the investment was satisfactory. The volume of business was responsive to the growth of the community and investors observed that one of the best ways to share in the growth was through participation in the ownership of bank shares. Taking into consideration the alternative opportunities and the degree of stability in the banking business, with its reasonable assurance of steady growth and earnings, it was not easy to find a better investment vehicle. Finally, the public generally appreciated that it was important for them to invest some of their resources in the shares of their local banks to assure that the community would have the bank credit and services so vital to its economic life.

Many, I am confident, have observed the stimulating effect to a community of a bank that is locally owned, particularly when the distribution of the equity is reasonably widespread. This diffusion of ownership goes a long way to break down the barriers that otherwise can alienate a bank management from the area it serves. It is well to remind ourselves that a bank is a service institution and the earnings derived from its activities can best be disbursed in the form of dividends to shareholders who also are its customers.

The banking troubles of the 1930s did much to undermine investor confidence in bank shares. As a consequence, the healthy relationship that stemmed from widespread local ownership in bank shares tended to vanish. However, the confidence of investors in other types of enterprise also was shaken during this period. To a great extent investors have now passed beyond this period of doubt and misgivings for most classes of securities. It is my conviction that this can be made also true of banking.

Changed Bank Financing

Sometimes I wonder if we appreciate the extent to which banks have turned away from the conventional sources of capital to finance expansion. Let me call your attention to a few points of reference. Generally speaking, bank assets account for about a quarter of the resources of all corporations in this nation. Notwithstanding the magnitude of banking resources, the records show that banks accounted for less than 5% of all the capital raised for corporate purposes in our financial markets over the period 1954-1956. These statistics reinforce the general feeling that banks have made virtually no effort to enlist the capital of investors in recent years. To be sure, bank capitalizations have increased but the major increment has been secured through the reinvestment of earnings. As a consequence, there has been virtually no diffusion of bank ownership.

There are many ready answers to the question: Why do not banks compete with other corporate enterprises for equity funds in the capital market? You know the generally accepted answers to this question and so do I. We are told that bank shares are unattractive from an investment viewpoint. Figures are cited to prove that dividends are abnormally low and that earning power is weak. The investment prospects immediately and over the long term for the bank shareholder are painted in dismal colors as compared with the future in store for investors who hold shares in other types of enterprise.

Time Has Come to Sell Equities

The time has come when we should reassess the prospects for tapping the capital market by the selling of bank shares. As a matter of fact, bank earnings have been pointing upward for the last few years and forces are at work in the direction of further improvement. Interest rates on loans and securities have moved to levels more or less consistent with

Continued on page 32

*An address by Mr. Cook before the 66th Annual Convention of The Illinois Bankers Association, St. Louis, Mo.

Tax Exempt Federal Bonds And Today's Financial Picture

By BEN H. WOOTEN*
President, First National Bank in Dallas

Espousing tax free U. S. Government bonds, in exchange for current issues as they mature, as the solution to our national debt problem, distinguished Texas banker presents and answers arguments against this proposal and maintains there is "no reason why an ordinary creek or river levy district bond should have a tax advantage over a U. S. Government bond." Besides discussing the crucial condition of the Federal debt, Mr. Wooten decries the labor-business ladder of inflation and such other major issues as taxation, inflation, and tight money in terms of their determinate effect upon the dollar's value and the nation's fate. Terms Autumn general business outlook as good and expects nothing more than the levelling off of the major indexes during 1957.

Forecasting is now a passive art, not engaged in stating definite positions for the future. Some people fear deflation, but the most of us fear inflation. Business leaders watch the monetary authorities and the monetary authorities watch the business leaders. A new word has been coined, intending to describe our present financial status, namely, "expansionarea." I do not know just what it means, but I like to think of it as a growth in plant expansion with a watchful eye on inventories.

Ben H. Wooten

It is well to remember in our great plant expansion program that inventories are the breeding grounds of recession. With all the market data at our command today, there should be no great accumulation of unsold goods in any one commodity to the extent that large numbers of people may be unemployed over a long period of time.

Most of us managers of corporations that come within the 52% income tax bracket, 52% of the days of the year will have expired at midnight July 7. Figuratively, if not actually speaking, we can be comforted by the fact that on the morning of July 8, insofar as income for distribution to our shareholders is concerned, we can begin working for them, keeping in mind that up until that time Uncle Sam has been our employer. Yet, even so, we would not trade our old Uncle for any other type of governmental relative known to man. Although we hold him in the highest esteem, we should not be blinded to his faults. As business leaders, we have a responsibility every day of our lives to do what we can to induce our Uncle to continuously gaze upon the rewarding shores of private enterprise.

Barometer Readings

The business barometer of various segments of our economy appeared to stand as of June 17 as follows:

(1) High grade utility bonds were selling at the highest yield in 25 years and a "AA" issue sold at 4.84%.

(2) Confidence in business is strong and growing, as shown by the advance in the prices of stocks and industrial planning for plant expansion.

(3) New car sales had in May the best 10-day selling period since 1955. 532,000 units were sold, which is 3% above that of April and slightly above May of last year.

(4) Outlays of construction in May were $4 billion, setting a new high for the month, and the plant expansion estimate for 1957 now stands at $46 billion.

(5) New homes were started at an annual rate of 990,000 in May.

(6) Retail sales volumes ran 1% in the month of May over April and were 4% above May, 1956.

(7) Wholesale prices advanced approximately 0.3 of 1% in the week of June 15, bringing the 1947-49 average to 117.5.

(8) 65,200,000 people were working in May.

(9) The Farm Price Index rose 0.4 of 1% from mid-April to mid-May.

The weak spots that we have heard so much about during the last few months seem to be showing signs of firming. The evidence of improvement is still mild, but encouraging.

Good Autumn Outlook

From the above, we feel justified in saying that the outlook for autumn business is good, and is helping to keep money tight. Money is tighter today than a lot of people have ever seen it. Confidence is high, as evidenced by the fact that plant expansion is going ahead in a most substantial way, and not many businesses are worrying about their inventories. The Federal Reserve Board, under present conditions, is not willing to release credit controls — yet there are some qualms, especially in political circles, about the ultimate results of tight credit. Long and short term interest rates are the highest in 25 years, and there is still a strong demand for loans.

Another new word has been coined recently: Namely, "plateauish." The term is used to indicate a high level of business activity for the months ahead and we believe that such activity will come about. It has recently been estimated that the gross national product may climb to $435 billion —much of the increase is expected to be caused by creeping inflation.

Every study indicates that there are enough supporting economic forces to offset the weak spots, and we have no reason during 1957 to expect anything more than the levelling off of the major indexes.

Attacks Inflationary Ladder

Recession and deflation would be both intolerable and destructive. Yet further inflation is bound to generate forces of reaction some day. The only sensible course to follow from here is one aimed to achieve reasonable stability in our financial structure at or near the level we now are. In every business, including mine, we have heard many complaints about tight money. Tight money, with its resulting higher interest rates, is inevitable if we are to have financial soundness in America. It is part of the price we must pay for a sound dollar.

Efforts to shut off inflation often run head-on into opposition. All of us strongly favor the curbing of inflation until we ourselves want some money for speculative purposes—and then it seems that we are inclined to feel that the rule should apply to everyone except ourselves. I like to think that this is a just human nature at work.

Wise businessmen and astute politicians should earnestly and seriously ask themselves: "How long can the value of the American dollar stand an annual living cost increase of from 3% to 4% each year?"

We are on an inflationary ladder and this ladder was built jointly by business and labor. Some years ago, contracts between big industries and labor began to provide that increased living costs would automatically call for higher wages. If I remember correctly, these agreements were reached concurrently with wage increases. These increases were passed on to the consumer and living costs automatically became higher. Under the contracts, higher living costs called for higher wages, thus again calling for high living costs. So, we are climbing the inflationary ladder, round by round, and each step up reduces the value of every insurance policy and every bond.

It seems to me that it is high time that credit agencies, in and out of the government, be joined by others—budget makers, political leaders, policy makers, labor leaders and business executives, in really combating inflation. In spite of tight money during 1956, living costs rose 3.4%. This is conclusive evidence that it is exceedingly difficult, if not impossible, for lending agencies alone to successfully combat inflation while government, labor and business continue to shovel fuel under the inflation boiler.

We have always had tight money in times of balanced budget, unless there was, hanging over the economy, a surplus of funds accumulated through deficit financing during a time of crisis. Balanced budget, expansion of capital investments and tight money are always fellow travelers.

Tight money did not stop plant expansion:

$20 billion in 1954
26 billion in 1955
36 billion in 1956
46 billion estimated for 1957

$128 billion in all four years

Under normal conditions, the tightness of money will ease under a balanced budget when savings equal plant expansion. There is no evidence at this time that this condition will soon come about, under an estimated $46 billion plant expansion program for 1957 and savings of $24 billion. Plant depreciation cannot make up the difference. As of June 14, the "Wall Street Journal's" weekly report stated that a rise in the discount rate by the Federal Reserve Boards may come in early summer.

Prices of stock have been going up and down with the least provocation for almost a year. Due to the fact that stock ownership is practically free of debt, I do not feel that a break in the price of stocks would have a very serious effect on the general level of business. I do not expect anything spectacular to happen in the stock market at any time in the remainder of this year unless world events are of such explosive nature as to cause great periods of anxiety.

Ponders National Debt's Size

Our national debt is our big problem. Senator Byrd of Virginia recently said: "History records that many nations destroyed their world positions by assuming burdens beyond their capacity. The direct Federal debt is equivalent to the full assessed value of all the land, all the buildings, machinery, livestock, and everything of tangible value in the United States. In addition to the Federal debt, state and local governments owe $50 billion, individuals and corporations owe $466 billion, making a grand total debt of the people of the United tates of $800 billion." This statement is based upon the fact that we, the people, owe the Federal and municipal debt as well as our own.

The national debt is of great concern and the manner in which it is handled vitally affects every American.

At the end of February 1957 the national debt was distributed as follows:

ESTIMATED OWNERSHIP

		Billion
Commercial Banks		$58.5
Federal Reserve Banks		23.4
U. S. Government accounts		53.9
Individuals:		
Savings Bonds	$49.9	
Other	17.0	
		66.9
Insurance Companies		12.9
Mutual Savings Banks		8.1
Corporations		20.6
State and Local Governments		15.8
Miscellaneous		16.3
Total		$276.3

Of the above national debt, approximately $75 billion matures within one year; in addition, the demand factor of savings bonds is extremely heavy due to changes in interest rates. This holds true in spite of recent adjustment on some issues of savings bonds.

Every student of finance knows that it is unhealthy for the government to have so many short term securities outstanding, and that maturities should be lengthened. It may be argued that the Federal Reserve ought to come into the market and support the prices of government bonds beyond their present economic value. I do not subscribe to this theory. Such a procedure would be highly inflationary and in no sense could be a permanent cure to the depressed bond market.

Proposes Tax Exempt Federal Bonds

I propose the issuance of a tax-free U. S. Government bond, to be exchanged for current issues as they mature. By following this method, no new money would come off the printing presses directly or indirectly, and the economy would be strengthened by the mobility of bonds held by those persons needing the funds. The maturity date now on short-term bonds under tax exemption could be materially extended.

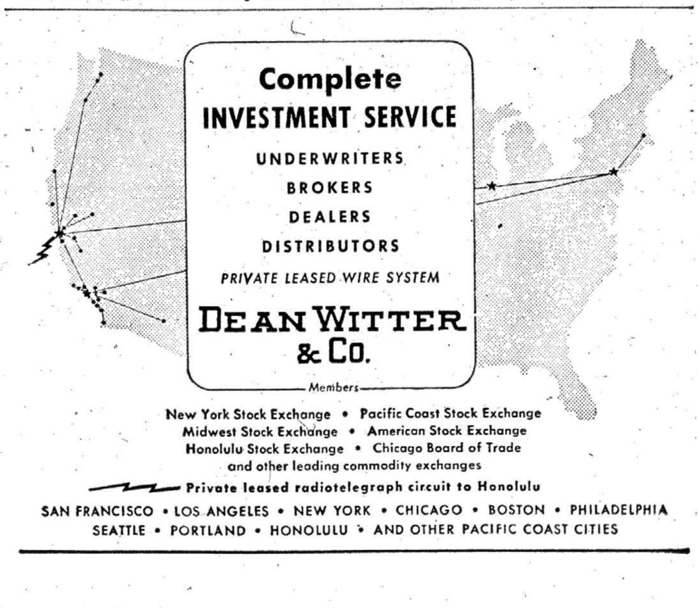
In times of crises, every financial agency of the government and the finances of corporations and individuals are properly marshalled for the purpose of supplying the needs of the Treasury Department. At this time, there is no war, business is at an all-time economic high, tax collections are the greatest in the history of our country, and yet the bonds of the U. S. Government are selling more than $5 billion below face value. There is, in my thinking, no reason why an ordinary creek or river levy district bond should have a tax advantage over a U. S. Government bond.

Every person with any money to save, invest or spend has a personal stake in the way the national debt is managed. And when we think about business today, we immediately encounter the five major issues:

(A) The Federal budget.
(B) The national debt.
(C) Taxation.
(D) Inflation.
(E) Tight money.

Continued on page 47

*An address by Mr. Wooten before the Triple Supply Convention, San Francisco, Calif., June 18, 1957.



From Washington Ahead of the News

By CARLISLE BARGERON

From my correspondence I get the impression that there are a lot of frustrated, yet highly successful men in this country. They are powers in industry, members of exclusive clubs, men who have no trouble getting entree to any place they may desire. But they can't get to play golf with President Eisenhower. I have bestirred myself in behalf of a couple of highly worthwhile citizens who have written me without any success.

Carlisle Bargeron

Similarly, the President has three cronies at the famous Burning Tree Club and they are always being harassed. But either because they are afraid to try to bring anybody else into a foursome, or because they don't want to widen the exclusive group, they turn deaf ears to all appeals. I have a friend, an excellent golfer, who is, indeed, now on his way abroad to play in international tournaments in both Britain and France, and who is a close friend of one of the President's golf cronies. One day driving along a road alongside a fairway at Burning Tree he spied the Presidential foursome and stopped to watch the play. His friend in the foursome saw him and beckoned him over to the group. My friend walked across the fairway where his friend greeted him but made no effort whatsoever to introduce him to the President. The others did not even notice his presence. The friend in the foursome later explained it would have been impossible for him to introduce the man he had called over.

I read sometime ago what it meant for a young man to have a date with Britain's Princess Margaret. He doesn't just call up Buckingham Palace and ask for a date. He puts in sort of a formal application. He is notified by a functionary and a couple of weeks after he has had his date he receives a letter from this functionary saying Her Highness has directed him to say she enjoyed herself.

The President doesn't take to newcomers and he doesn't like any of his cronies trying to bring in a friend. For one thing, the newcomer feels it incumbent upon him to try to make conversation and the President doesn't like conversation on the golf course. As a matter of fact, his games are pretty grim affairs. Very seldom does anybody say "that's a good shot, Mr. President," or when he goes into a trap, "Too bad." Even the ebullient George Allen whom the President likes as a companion as much as he likes anybody, is very quiet, if not glum when he is playing with Mr. Eisenhower. And if anyone should ever make the mistake of trying to plant an idea with the President, of trying to get a favor, it would likely be the end of the friendship.

Frankly, it is not the most pleasant experience to play with him, though I can appreciate it is an honor that few men would shy away from. After all, while the afternoon may not have been so delightful, you can have a lot of fun telling about it later.

The President is not a garrulous man and he is not very successful at small talk. It is a cinch that while he is on the golf course he doesn't want to talk about anything serious. He feels mostly at ease with Jim Haggerty, his press secretary, a relatively young man who has, to use the expression, come up in the world.

Up until he acquired the office, the press secretaryship, although it paid well as compared with the pay for newspapermen, was not an outstanding one. The press secretaries were seldom, if ever quoted in the newspapers. Newspapermen wanted to know what the President thought, not what his press secretary thought. This was true even in the close relationship of Roosevelt and Steve Early.

Mr. Haggerty has gained the stature of a cabinet officer, with more authority than the majority of these officers have. He advises Mr. Dulles and Mr. Dulles seeks his advice. A call by Mr. Haggerty to any of the official family is responded to as quickly as if it were from the President. Unquestionably Mr. Eisenhower places great dependence upon him. And it is safe to say that Mr. Haggerty is more at ease with the President than anybody around him. When the Presidential buzzer rings around town the man whom the buzzer summons jumps as if he had been touched with a hot iron. Mr. Haggerty seems to take the buzzes more in stride than any other man. Maybe this is because he was associated for years with a very cold cucumber, Tom Dewey.

With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Henry A. Donahue is now with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. He was formerly with Jackson & Company, Inc.

Smith, Barney Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward H. Tuton has become connected with Smith, Barney & Co., 140 Federal Street.

Jack Wielar Joins McManus & Walker

McManus & Walker, 39 Broadway, New York City, members of New York Stock Exchange, announce that Jack B. Wielar has joined the firm's trading department and that Mrs. Daisy Strasser has become a limited partner. Mr. Wielar was formerly in the trading department of Starkweather & Co.

The firm also announces the establishment of direct private wires to Muir Investment Corp. of San Antonio and Dallas and to Quinn & Co., Santa Fe.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Energy Review—Discussing latest developments in the industry—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Atomic Letter (No. 28)—Comments on University of Michigan Report about the beneficial use of atomic energy in medicine, reports increased earnings and dividends on its shares of South African uranium companies and comments on Aerojet-General Corp., Daystrom, Inc., N. V. Phillips and Topp Industries, Inc.—Atomic Development Mutual Fund, Inc., Dept. C., 1033—30th Street, N. W., Washington 7, D. C.

Bank Earnings—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Bank Stocks—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 brief analysis of **J. C. Penney Co.** and a list of selected stocks "in the 'Teens."

Banking Industry—Study—R. W. Pressprich & Co., 48 Wall Street, New York 5, N. Y.

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

Cement Industry of Canada—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, and Royal Bank Building, Toronto, Canada.

Chemical & Pharmaceutical Industry—Bulletin—Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.

Economic Review—At mid-year—National Securities & Research Corporation, 120 Broadway, 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—Study—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Mid-Year Market Appraisal—Bulletin—Amos Treat & Co., Inc., 79 Wall Street, New York 5, N. Y.

More Research . . . or Else — Highlights No. 33 — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

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

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

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

Southwest Business Review—For the 11th Federal Reserve District—Federal Reserve Bank of Dallas, Dallas, Texas.

Stock Science—Commodities for profits—sample copy on request—Stock Science, Dept. 14, 144 Beacon Avenue, Jersey City, N. J.

Swing Trading—Donald W. Martin, 3354 Granada Avenue, San Diego 4, Calif.—$4.75.

* * *

American Beryl Corp. — Memorandum — Columbia Securities Co., Johnson Building, Denver 2, Colo.

American Tidelands, Inc.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Continental Can Co.**

American Vitrified Products Co. — Memorandum — Richard Bruce & Co., 26 Broadway, New York 4, N. Y.

Arizona Public Service Co.—Memorandum—Estabrook & Co., 40 Wall Street, New York 5, N. Y.

Bethlehem Steel Corp.—Memorandum—Schirmer, Atherton & Co., 50 Congress Street, Boston 9, Mass.

Borg-Warner Corp.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y. Also available is a memorandum on **Filtrol Corp.**

Braniff Airways Inc.—Review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Bristol-Myers—Survey—Abraham & Co., 120 Broadway, New York 5, N. Y.

Burroughs Corp.—Discussion in "Monthly Investment Letter"—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also in the same letter are discussions of **Pennsalt Chemicals, Consolidated Natural Gas,** and **Cutler-Hammer.**

J. P. Burroughs & Son, Inc.—Bulletin—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y. Also available is a bulltin on **Viclad Industries, Inc.**

Cog Minerals Corp.—Analysis—Leason & Co. Incorporated, 39 South La Salle Street, Chicago 3, Ill.

Canadian Pacific Railway Company — Data — Oppenheimer, Vanden Broeck & Co., 120 Broadway, New York 5, N. Y. Also in the same bulletin are data on **Columbia Broadcasting System, Inc., Jones & Laughlin Steel Corp., Monsanto Chemical Co.** and **Sperry Rand Corp.**

Carpenter Steel Co.—Memorandum—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Chamberlin Co. of America—Memorandum—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich. Also available are memoranda on **Crampton Manufacturing Co., Detroit Aluminum & Brass Corp., Douglas & Lomason Co., Port Huron Sulphite & Paper Co.** and **Kent Moore Organization.**

Chicago, Rock Island & Pacific—Analysis—Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Clayton Mark and Company—Bulletin—A. C. Allyn and Company, Inc., 122 South La Salle Street, Chicago 3, Ill.

Colorado Interstate Gas Co.—Memorandum—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y.

Combined Locks Paper Co.—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Crane County Texas Bonds—Circular—Rauscher, Pierce & Co., Inc., Milam Building, San Antonio 5, Texas.

Curtis Wright—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are analyses of **Dayton Rubber** and **Burlington Industries.**

Denver & Rio Grande Western—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are bulletins on **Yale & Towne, Pittsburgh Steel Co., Rockwell Spring & Axle, Bucyrus-Erie, Hevi Duty Electric** and **Harnischfeger.**

Fischer & Porter Co.—Memorandum—Saunders, Stiver & Co., Terminal Tower, Cleveland 13, Ohio.

Florida Steel Corp.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available are **Analyses of Florida Telephone Corporation** and **Greyhound Corp.**

Grand Union Company—Analysis—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Hugoton Gas Trust—Memorandum—First Trust Co. of Lincoln, Trust Building, Lincoln 8, Neb.

Inspiration Consolidated Copper Co. — Memorandum — Newburger & Co., 1401 Walnut Street, Philadelphia 2, Pa.

International Textbook Company—Report—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available are reports on **A. O. Smith Corp.** and **Meredith Publishing Company.**

Kaiser Aluminum & Chemical Corporation—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Morgan Engineering Co.—Analysis—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y.

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.**

Ohio Oil Company—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Petroleum Corp. of America—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Pittston Co.—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Public Service Company of New Hampshire—Analysis—A. G. Becker & Co., Incorporated, 60 Broadway, New York 4, N. Y.

Richardson Company—Card memorandum—May & Gannon, Incorporated, 140 Federal Street, Boston 10, Mass.

Safeway Stores, Inc.—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also available in the same bulletin are data on **Merrill Petroleum.**

United States Trust Company of New York—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Varian Associates—Study—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available is a study of the **Aircraft Industry,** and a memorandum on **California Packing Co.**

Wyoming Uranium Corp.—Analysis—Link, Gorman, Peck & Co., 208 South La Salle Street, Chicago 4, Ill.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Walter B. Hall is now with Paine, Webber, Jackson & Curtis, Huntington Bank Building. He was formerly with Bache & Co.

Joins D. T. Midyette

(Special to THE FINANCIAL CHRONICLE)

NEW BERN, N. C. — Bisho Rivers has joined the staff of Donald T. Midyette, Dunn Bldg.

Harris, Upham Adds

(Special to THE FINANCIAL CHRONICLE)

WINSTON SALEM, N. C.—J. A. Conway, Jr. has been added to the staff of Harris, Upham & Company, Pepper Building.

Joins Remmele-Johannes

(Special to THE FINANCIAL CHRONICLE)

GRANVILLE, Ohio — Bartshe Miller is now connected with Remmele-Johannes & Co., 118 East Broadway.

American Tobacco Turns Over a New Leaf

By IRA U. COBLEIGH

Enterprise Economist

A filtering of topical information about a company whose common stock, for over half a century, has ranked high on the Hit Parade of those who invest for income.

Ever since Sir Walter Raleigh returned to England 300 years ago and started the custom of blowing smoke rings in Buckingham Palace, tobacco has been an important and expanding world industry. Sir Walter never did get "hep" to tobacco tars or filter tips and never even heard of "king size" (though he did get a Queen-size prison sentence). But he was the acknowledged pioneer of puffing, and, as such, we salute him here, and pause for a moment to reflect upon the segment of the industry he is credited with creating — cigarettes in general, and the leading company producing same, in particular, The American Tobacco Company.

Ira U. Cobleigh

For background, just a few not too burdensome statistics are offered. Last year Americans smoked 391.6 billion cigarettes, a bit less than the record total of 394.1 billion hit in 1952; and also below a new high of above 395 billion expected for this year. Actual production, in 1956, was 424.2 billion, the amount over consumption being allocated to overseas sales, and inventory carry-over (6.2 billion cigars were consumed).

Having thus painted the picture with a broad brush, let us look at a few details and trends. Medical research and reports (actually more statistical than clinical) have twice this year tended to link cigarette smoking with the incidence of certain maladies. These rather disconcerting reports do create market flutters in tobacco shares. Over the long run, however, no satisfactory substitute for tobacco has yet been found, and, in the main, those who smoke, continue to do so. There is no doubt, however, that the dissemination of knowledge about the existence of tars in cigarettes has prompted a heavy swing to filters —so much so that 30% of cigarette consumption was filtered in 1956 and this segment of output is expected to rise to 40% this year. All of which will serve to introduce our topic company for today, The American Tobacco Company which, in 1956, sold 30% of all our cigarettes, although it was the last major producer to enter large scale filter-tip production.

The American Tobacco Company is indeed a distinguished one. Ever since 1951 its annual sales have exceeded $1 billion, and last year AT was able to convert gross income into its largest net on record, $52 million, equal to $7.51 for each common share. The present dividend rate is $5 and cash dividends on the common have been continuously paid for 52 years in a row.

A current look at AT common takes quite for granted the historic excellence of this company, and the proven durability of its earning power. Our stint today is to appraise such possibilities as may exist for AT to expand its sales, earning power and dividends in the short-range future. Further, if we find evidence to suggest such an expansion, then we should, in logic, be able to conclude that AT common is a worth-while purchase at present levels.

We noted that AT attained peak earning power in 1956 without any significant penetration into the most dynamic segment of the cigarette business today—filter tips. True, American Tobacco did launch the Herbert Tareyton filter brand in 1954 but this never became a big item (perhaps because it stressed activated charcoal). The big profitability of AT, up to now, has come from regular size Lucky Strike (14% of the overall cigarette market in 1956) and king-size Pall Mall (also doing 14% of the 1956 business).

Since introduction of filters to the industry in 1952, American Tobacco watched their sales and popularity trend carefully, and in late 1956 launched its own highly competitive and heavily advertised Hit Parade filter tip brand. By February of this year Hit Parades were being nationally distributed, and they appear to have really caught on. This is, of course, highly meaningful to AT stockholders for the reasons that it denotes a much broader future market and brings higher profit margins. This better profit factor for filters derives not so much from the slightly lesser amount of tobacco required for each unit, as from the higher wholesale price, $8.82 per 1,000 for filters against $8.29 (including the recent price rise) for regulars. This price advance, by the way, applied generally only to regular size brands and amounted to 35c per 1,000 or a bit less than 1c a pack.

So assuming no significant abatement, due to medical or other reasons, in the satisfying, stimulating and sociable custom of smoking cigarettes, American Tobacco can anticipate an interesting enlargement in earning power for 1957. Since cigarette demand is what the economists call "inelastic" (that is people will continue to buy at about the same rate even if the price rises) the aforementioned price increase on Luckies might add as much as 30c a share to the net for AT. Add to this earnings from Pall Mall (which increased its share of the king-size market last year), and the rising profitability of Hit Parades and it's possible reasonably to project a $1 a share improvement in 1957 net on the 6,500,000 common shares. (This would assume no important increase in raw tobacco prices.) On earnings of $8.50, a higher cash dividend would be both possible and probable, and the common selling at 72 to yield presently 6.94% on the $5 payout, would appear to be cheap.

A certain amount of leverage exists in AT due to $193 million in debt securities, and $53 million in $6 preferred (selling now at 114) standing ahead of the common.

For years AT has been regarded as a steady and dependable income type equity. Its working capital of above $550 million is the highest in its history; its net worth is now nearly $450 million and its projected net earnings for 1957 at an all time high. The smoking public has become quite resilient, if not rebounding, in the face of recurrent and adverse medical comment, and apparently has decided to continue smoking in any event, although placing increasing reliance on filtration. (As a thought for today, what would happen if cigarettes came out, not only fully filtered against all impurities, but laced with health building ingredients such as vitamins; or even containing tranquilizing drugs?)

In any event, granting that those who smoke cigarettes seem likely to persist in the habit, what sort of growth can you expect in this industry? Well, young people have always been the most avid puffers, and we have a bumper crop of postwar babies coming along. While 80% of the male population now smokes, the ratio for women is only one out of four. This lady's market has obviously great capacity for growth and it's quite apparent that much current advertising is being beamed toward it. If the industry grows, AT seems certain to get its share.

So we wind up this report on a rather optimistic note. AT common today yields almost 7%, with earnings rising. It has a long and honorable history as a quality equity for the income minded. And its stockholders have been entirely undaunted by any adverse criticism of company products, since they (the stockholders, not the criticism) have grown in number from 72,964 in 1953 to 84,250 at the 1956 year-end. If you want a tip on a good investment stock, then take a look at AT. This is, of course, not the ordinary sort of boardroom tip, but a filter tip, based on Hit Parade!

Billy Graham to Address Wall St.

Billy Graham will speak on the Sub-Treasury steps at 1 p.m. Wednesday, July 10.

Joins Glore, Forgan

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Donald F. Nietzel is now with Glore, Forgan & Co., 135 South La Salle Street.

We Must Seek the Savings Dollar To Serve the Nation's Growth

By S. CLARK BEISE*

President, Bank of America National Trust & Savings Association, San Francisco, Calif.

Commercial bankers who are indifferent to developing savings deposits are reproved by head of world's largest commercial bank for: (1) failing to rectify present inadequate liquid savings, necessary for economic growth; (2) thwarting monetary policy and lessening profitability of banks; (3) encouraging by default specialized institutions which create uneconomic costs and offer unequal competition; and (4) neglecting to provide full banking services. In enucleating these repercussions which are shown to transcend far beyond the doors of those banks that are remiss in their responsibilities, Mr. Beise stresses that the trichotomy of savings, investment and rising business activity require an increase in liquid savings which commercial banks should help bring about and, thereby, aid the individual, society and themselves.

From a national viewpoint we do find a great deal of variation in the breadth and intensiveness of services rendered by commercial banks. One of these is the relative interest shown in the savings deposit business. In some areas savings deposits are not accepted; in others they are tolerated; and in still others they are aggressively sought. I am convinced that it is necessary and desirable for all bankers to be exponents of thrift and to make the savings business an important segment of their banking activities. I am also convinced that all can do more in the further development of this type of business.

S. C. Beise

And here in lies an opportunity for bankers to help themselves by helping others, to increase bank profits by serving communities better, and by contributing more to the soundness of our national economy. It is my contention that this can be done by more aggressively seeking and more effectively employing savings deposits.

Bankers understand, perhaps more than most others, the basic contribution of savings to business activity. To keep the trichotomy of savings, investment and business activity moving upward necessitates, in the first instance, an increase in liquid savings. This is especially true in periods of high level economic activity. Under conditions of full employment, the more of our national product which is devoted to consumption, the less there is available for capital formation. The encouragement of thrift, under these conditions, is good for the individual as well as for society.

We have seen, in recent months, that the burden of financing our nation's total building program has increased in complexity as a result of the imbalance between the supply and demand of loanable funds. Looking ahead over the entirety of the next decade, I see a continuation of the high demand for savings funds. The truth is that the current level of liquid savings is not now adequate to meet the full requirements of our dynamic economy; nor would this same amount of dollar savings be adequate to meet future demands. Raising the volume of savings is the only practical alternative and the commercial banker should play a vitalizing role in bringing about this change.

The development of the savings deposit business by commercial banks should then have the double virtue of actively encouraging thrift on the one hand and, on the other, helping to meet the expanding capital requirements of our growing nation. The initiation of such activity rests with us and the positive results thereof should carry over into the entire complex of our banking activities.

Bankers Must Assume Responsibility

My comments are confined to this latter point, and I begin by noting that it is a little surprising to find among our banking colleagues those who are apparently not prepared to assume this portion of their responsibility.

You have heard it said on more than one occasion that the interest in developing the savings deposit business depends upon the individual banker and that this is a private decision affecting a private institution.

I propose to dispute this point of view.

It is my contention that the indifference on the part of some commercial bankers to developing savings deposits carries repercussions far beyond their own institutions. Indeed, the aggregate of these decisions adversely affect the entire structure of commercial banking in the United States. This causes me concern for several reasons, some of which I wish to discuss briefly.

Let me clearly state my thesis: It is my belief that the failure of some commercial bankers to recognize the importance of, and aggressively seek the savings deposit business in their areas impedes the total progress of commercial banks in the entire United States. It prevents the nation's commercial banks from performing all of the functions which they should fulfill in developing the economy of their service area. It is conducive to the thwarting of our national monetary policy. It retards the growth and profitability of these banks. It fosters a type of competition which enjoys inequitable legal advantages.

I recognize that there are many ramifications to this strong statement. Let me, however, explore only five of its facets.

Thwarts Economic Growth

My first point relates to the implicit obligation which commercial banks have assumed relative to their participation in the development of the area they serve. We in the west know how inextricably the success of our own institution is tied to the success of the local economy. The availability of full financial services at commercial banks represents, as you know, a significant factor in the creation of new businesses and the attendant widening of job opportunities for a growing population. We must not only finance the construction and operation of the business firms; but we must, at the same time, help provide suitable dwellings for our people.

As our local areas expand, we must transform raw undeveloped land into attractive residential secion with pleasant, warm, well kept homes. To accomplish this, commercial banks should play their part. In addition, we must be ready to provide credit to assist purchasers in comfortably furnishing their homes and to acquire goods and services that make possible a full community life. A commercial bank which can provide only part of these services is doing only part of the job.

I might also note that the western movement of industry can be foreclosed to the areas that provide only a portion of the financial services which businessmen believe to be necessary in order to insure the success of their own expansionary movements. I need not belabor this point. A commercial bank with sizable time deposits is better able to do the full job. I cannot help but believe that strong banks with substantial savings activity throughout the State of Washington, or any other state, add significantly to each section's attractiveness as to out-of-state business. This would assist almost every portion of the state in raising its level of economic activity.

Does Not Aid Monetary Policy

My second point relates to the efficacy of our nation's monetary policy. As we all know only too well, the monetary authorities implement our nation's financial policy by operating through the country's commercial banks. I have previously discussed this issue which is familiar to all of you. Let me just briefly summarize the arguments relating to this point.

Our monetary authorities can operate effectively only through the commercial banking system. They attempt to control the volume of money and the availability and cost of credit by regulating the supply of bank reserves. If the commercial banks in our country voluntarily restrict their own operations they are, at the same time, narrowing the base upon which our nation's monetary policy can be effectively applied. As this base is narrowed relative to the size of our entire financial structure, the burden of adjustment becomes more severe for banks or the response of the economy to Federal Reserve action becomes subject to much greater time lags which increase the danger of policy miscalculations. The results of actions taken affect each of us as citizens as well as bankers.

All of us know how effective our nation's monetary policy can be as it applies to the operations of our own institutions. But the financial intermediaries that have filled the void which we ourselves may have created by failing to actively seek and aggressively develop time deposits are not subject to this same type of regulation and may, in fact, find it individually advisable to operate without regard to national policy. This is the situation which I believe is in effect today. On the other hand, if commercial banks throughout the country were to provide full banking services to the communities they serve, we greater sensitivity to our nation's monetary policy to everyone's ultimate gain.

Lessens Service

My third point relates more directly to our day-to-day operations, our growth in business. I am now referring to the expansion of bank services to our present as well as to our potential customers. Over the years, just during our own lifetime, we have witnessed a significant change in the philosophy underlying bank services. Commercial banks have broadened their aim from "service to a few" to "service to the many." Several institutions I know of helped pioneer this change in philosophy and all of us are indebted to them for their courage in blazing this new trail.

Many of the commercial banks in our nation today pride themselves on being a "department store of banking." My own institution is included among them. We are constantly on the alert for methods of improving our current services, as well as exploring and developing new services which our customers need and desire. Such action cannot be classified as being entirely altruistic. Surely, many have discovered that the providing of auxiliary services has been instrumental in adding to the list of customers for the primary services you offer. But the reverse is more often true.

The bank which arbitrarily limits its operations to only one or a few of the basic services is at the same time reducing its attractiveness to potential customers. It is evident that a commercial bank cannot expect to gain the full patronage of individuals unless it provides complete and adequate services. The expansion of services to existing customers, as well as the swelling of our customer list, as a result of the expansion of services, has its final impact upon my fourth point, namely, the profitability of operations.

Adds to Profits

From time to time we have heard of commercial bankers who attempt to rationalize their reluctance to enter the savings deposit field aggressively by referring to its lack of profitability. Such a statement does not square with the facts. For my evidence I can cite several studies which have been made, the most recent of which was that reported recently by the New York State Bankers Association and the Country Bank Operations Commission of the American Bankers Association. One hundred and seventy-three commercial banks participated in that study, practically all having total resources of less than $10 million. To the apparent surprise of some bankers, the participants reported that the net profit from savings deposits averaged 1%. When we consider that the net profit of a commercial bank typically averages less than 1% on deposits, we can see that there is little basis for the contention that the savings deposit business generally is unprofitable.

This New York study does not stand by itself. A few years ago

Continued on page 32

*An address by Mr. Beise before the 61st Annual Convention of the Washington Bankers Association, Yakima, Wash., June 17, 1957.

The Outlook for Private Investment

By ROBERT P. ULIN*
Department of Economics
McGraw-Hill Publishing Company, Inc.

Investment outlook provided by McGraw-Hill economist anticipates increase from annual rate of $63-$64 billion in first half of 1957 to $67-$68 billion in first half of 1958, capable of supporting a high and moderately rising level of business activity and providing a moderate additional demand for investment goods without itself generating renewed inflation. Convinced that new products from markedly increased research and development will provide many new opportunities for capital investments and may require investments exceeding that invested for increased capacity in the early postwar years, Mr. Ulin does not fear downward shift in Federal spending or the rise of adequate capacity taking place. Notes investments now are increasing mostly in power, fuel and raw material basic industries and are not increasing as much in light manufacturing, and opines shift from new expansion means more funds for upgrading products and processes, assuring a non-bottleneck, relaxed economy of newer and better products at reasonable costs.

I am grateful for the opportunity to appear before this Committee and contribute to this panel discussion on the economic outlook. My contribution will be chiefly on the outlook for private investment in plant and equipment, since on this subject I am able to report some important facts about the prospects for 1957 and 1958. The McGraw-Hill Department of Economics, with which I am associated, recently conducted a survey—covering a very wide sample of American industry—of business plans for new plants and equipment in 1957, and in 1958 to 1960. So far as I know, this is the only data now available on plans beyond 1957. I will summarize in this opening statement the main findings of our survey and the main conclusions I draw from them.

Robert P. Ulin

Main Findings

The main findings on the investment outlook are these:

(1) **Investment Will Rise in 1957.** Our recent survey indicates that total business investment in new plant and equipment will be about 12% higher than in 1956. We have not surveyed intentions on a quarterly basis. But it seems probable that, to achieve present goals, investment will have to increase gradually all during this calendar year.

(2) **Investment Will Be Stable in 1958.** Our survey shows that business already plans to invest almost as much (within 6%) in 1958 as in 1957. Additional projects are sure to be added as the year approaches. So even if some companies invest less than now planned, the overall level will be close to 1957—which is high by any standard. With so much new investment already scheduled, the chances of a serious decline next year seem quite remote.

(3) **One important reason for continued high investment in new plant and equipment is the increase in spending on research and development.** We find that business is spending 20% more on research in 1957 than in 1956, to develop a wide range of new products and new processes. These new developments will account for a significant share of the new investment planned for 1957 and 1958 — and will offer additional opportunities for investment in the years ahead.

(4) **Another important reason for large outlays on plant and equipment has been to increase manufacturing capacity.** If present plans are carried out, our total manufacturing capacity will increase 6% in 1957. But in 1958 and subsequent years, most companies plan to add less capacity and spend more on new products and new processes.

Conclusions Suggested

What conclusions can we draw from these facts? I suggest the following:

(1) **A high level of investment will be a support to the economy in 1957 and 1958.** However, we cannot look for much additional **stimulus,** because changes will be small from now on. Plans for capital expenditures in 1958 are **close** to 1957, but they do not indicate any further rise. This picture of a relatively stable trend in capital investment is supported by data we collect on new orders for industrial machinery and new contracts for industrial construction. In recent months, there has been little change in the McGraw-Hill index of new orders for machinery and some decline in our index of contracts awarded for industrial construction (which is based on data reported by our magazine "Engineering News-Record.") Backlogs of planned work are still large but are no longer increasing.

(2) **The large capital investment programs of 1956 and 1957 are providing us with substantial protection against future shortages of goods, and against cost increases that might result from such shortages.** Manufacturing industry has now achieved sufficient reserve producing capacity to meet a considerable upswing in demand for goods — without the rise in costs that generally occurs when plants are forced to work near capacity.

At the end of 1956, manufacturing companies—on the average — were operating at 86% of capacity; i.e. they had a 14% reserve. Additional capacity to be installed in 1957 will increase this reserve to perhaps 17% or 18%. This does not mean that industry is badly over-expanded; some reserve of capacity is desirable to anticipate future growth and to meet defense or other emergencies. But it does mean that our productive capacity is much more ample than it was a year ago or two years ago — when inflation began to pick up steam.

Sees High and Stable Investment Level

In its early stages, a large capital investment program may accentuate shortages in the economy by absorbing skilled labor and scarce materials. But in the later stage—what might be called the payoff stage—which we have now reached, the requirement for labor and materials levels off. And we begin to get results from the investment. The result is new capacity that can substantially increase our supply of goods. So at this point, the effect of a high and stable level of investment is to reduce inflationary pressures.

In general therefore, the outlook for investment in new plant and equipment is such as to support a high and moderately rising level of business activity during the next 12 months—but not such as to support, or at least not to contribute to, renewed inflation. We have not made detailed studies of the other types of fixed investment — housing and inventories—which I presume will be covered by other competent experts. I will simply say that, in general, we do not expect marked changes in these sectors either. Since homebuilding has been relatively depressed, and since there was not addition to business inventories in the first quarter, it seems logical that some increase may take place in both types of investment. But very large increases do not appear likely, based on the general economic situation or on such reports as we have received from business firms with whom we are in contact.

To sum up, in statistical terms, our projections call for gross private domestic investment (which is a total figure for plant and equipment, housing and inventories) to increase from an annual rate of $63-64 billion in the first half of 1957 to $67-68 billion in the first half of 1958. This will provide a moderate additional demand for investment goods, but it is a demand that can easily be met by the new productive capacity of the capital goods industries. Also, it is reasonable in relation to a normal growth trend for the over-all economy.

Affect of Federal Spending

Would changes in Federal appropriations or spending for fiscal 1958 change this picture for private investment? In the field of new plant and equipment, with which I am most familiar, the answer is: Probably not. As I have indicated previously, most of the plans for 1957 and early 1958 are already made. A substantial amount of equipment and

Continued on page 31

*A statement by Mr. Ulin before the Subcommittee on Fiscal Policy, Joint Economic Committee of Congress, Washington, D. C., June 3, 1957.

Answering Businessmen's Queries On Today and Tomorrow

By JOHN E. RYERSON*
Associate Editor, Kiplinger Washington Agency

A host of questions important to the business outlook is answered by Kiplinger editor dealing with the possibility of peace to the prospects for Nixon's nomination in 1960. Unless world tensions lessen, armament costs decline, or business reversal occurs, Mr. Ryerson contemplates no *substantial* tax reduction for this session or next Congressional year, but does foresee equity-adjustments made on the top individual and corporate rates with compensating tightening on other provisions. The business prognosticator views negatively chances for governmental economy-wave, despite headlines, and finds that Federal spending will exceed $73 billion this year and will be higher in the succeeding years so long as existing Federal laws remain and spending pressures continue. Believes "tightish money" will continue in line with improved business outlook and doubts major tax law overhaul is likely.

I would like to draw some conclusions on what the government is going to spend, the dollars actually to be paid out. For it is this that directly affects the business outlook and the prospects for lower or higher taxes. Headlines that read "Congress Cuts" will, in in my opinion, have no effect on these conclusions.

John E. Ryerson

What Congress will be cutting will be the appropriation of money to be spent at some future time, perhaps next fiscal year, perhaps later. The total of appropriations voted at this session will be in the neighborhood of $70 billion. Add this to the roughly $70 billion which the government already has on hand from previous appropriations and this gives the government $140 billion at the start of the next fiscal year. You can see that the so-called budget cuts are quite unreal, for most of the big agencies of government have money from the past still unspent. What's more, many of the cuts will be restored next session by way of supplemental appropriations.

The President's **spending** estimate, the actual outlay of cash by the government that flows largely into channels of business, is $71.8 billion. I am confident, based on talks with a wide variety of official sources, that this figure will turn out to be in excess of $73 billion for the 12 months starting July 1.

Now that's not all of it. Quietly inside the government, estimates are being prepared to show what the government will spend annually for the next five years . . . through the fiscal year 1962.

The details aren't yet completed, but we have been able to get a general outline as to the direction. It shows pretty definitely that government spending will increase for at least the next three years, and probably even longer. The roughish estimate is that it will reach an annual rate of around $80 billion by 1962. The basis for these estimates are the Federal laws already on the books. And so long as these laws stay on the books they are virtually a mandate on the Congress to spend. The only out would be for Congress to repeal or curtail a lot of Federal programs such as Veterans, Farm Aid, Slum Clearance, Housing, Rivers and Harbors, Airports, Dams, and a whole horde of other things. These are things which Congress **could** do something about if it chose, but the political repercussions would be tremendous at every turn. So Congress will take no major steps in this direction.

Spending Pressures

But again, that's not all. Congress is under greater pressure to add things that will cost even more than the amount it is cutting off. School buildings. Health insurance. Aid to fight juvenile delinquency. College scholarships. All sorts of pet schemes from this or that group. You can see that this budget battle is a two-edged sword. And remember, too, that as the population grows there are benefits to be paid to more people . . . and more people to turn on the heat for more benefits.

At this point, I can sense many asking "what gives, what in heaven's name is all this stir down in Washington about, if what you say is true." It's a good question. And having put together what we consider to be the facts, I sometimes find myself asking the question. I feel that the truth is this. Many people **would** like to see government stop getting so big. And we believe that this current to do has had the effect of slowing down the trend. But . . . and this is a big but . . . most of those who want to see the government practice economy want it practiced on the other fellow.

I was out in Oklahoma recently, and naturally became involved in an argument over this very question. A prominent western businessman was lambasting Washington for spending too much money. Washington **had** to cut down. I listened, agreed . . . and finally said to him I thought that a good place to start was on a series of dams planned for his area. I met with a shouting "no, those dams are the lifeblood of our area." I need go no further. As long as people react that way you are not going to get any real cuts in government spending. And human beings in mass being what they are, I see no signs at this time that they will change their spots. And politicians being what they are, they are bound to vote for the things they believe the people want. Don't criticize them, that's their job.

Again I suggest that you keep these views in mind as you read the news. The talk of cuts will be misleading.

Dismisses Tax Cut Prospects

Now let's shift to the other side of the Washington Budget Story, and perhaps the more sensitive side . . . taxes.

The atmosphere for the past couple of months has, in our opinion, led to a good deal of kidding of the taxpayer, both as to the when of lower taxes and the how much. Some of this has been washed out within the past week or so, for some of the loudest voices for tax cuts, buoying up the expectations of the taxpayers, have now shifted their thinking.

We have repeatedly reported that all the talk of a tax cut bill at this session, effective next January, was no more than talk. There are a variety of reasons why this was impractical. There is no chance for any such action, even at the last minute.

But we get a great many queries asking us to project ahead, what about tax prospects for next year. Businesses have all sorts of advance plans to decide on now which might well be affected by the kind of taxes that will be on the books for next year.

First, let's clear up one thing. There will be no **substantial** tax reductions next year for either corporations or individuals. That is practically certain. Anything that might be done then will be moderate. To be perfectly frank, it is difficult for me to foresee any really sharp tax cuts in the indefinite future. Sad, perhaps, but true.

(Of course, if world tensions lessened and progress were to be made toward a curtailment of armament (I shall discuss this later) the outlook for tax relief could be materially changed.)

To get a balanced perspective on the tax outlook, you should know that the thinking in Congress is split.

One group thinks only of lower taxes in terms of simple changes such as lower rates or higher exemption for individuals. And if there's enough to go round, then some cut in corporation rates.

The other group thinks that a more thorough revision of the law is essential to bring about more equity (by their standards at least) among various classes of taxpayers. It is this group, which had a hand in stalling off any tax action at this Session of Congress.

Without getting hopes too high, let's take a look at some of the things that are, for the present, being quietly considered:

Equity Changes

The conviction seems to be growing that top individual rates are too high. The significant point is that this view is now being backed by a number of key Democrats, something of a change in position. There is talk that the top rate should be no higher than 65% instead of 91%, as at present. It is obvious that this would necessitate a complete re-doing of the rate schedules, a direct cut in income taxes.

This same group takes a similar view of corporation rates; talks about a top rate of perhaps 45% as against 52% now.

To minimize or avoid any loss of revenue to the Government, the proponents of those plans want to tighten up on other provisions which they regard as special treatment parts of the law.

Another go-round on depreciation provisions will be suggested, it's not entirely clear just how, but there's more talk about putting depreciation on a replacement-cost basis. It looks as if depreciation is destined to continue in a state of flux for years. No one ever seems quite satisfied with the way it is handled. The so-called faster methods of depreciation will get another going over, too, for there are still a good many who feel that these are not quite fair.

Depletion, of course, will also get another once over. It is still a sore spot, for many Congressmen think it has been extended too far — covers a wide variety of items that has, as they put it, snuck in over the years. And the rates, too, will be scrutinized. My hunch is, that so long as many key Democrats are from States which are benefited by these provisions, Congress will do nothing of a drastic nature to depletion.

Capital Gains

On capital gains, there's quite a stew abrewing. Not over the old-time questions of holding period, or rates, or other things. This time it will be over the application of the capital gains principle to such things as sales of livestock, timber rights, coal royalties, pension and profit sharing plans. We think Congress may try to minimize what it feels is a growing loophole, one never intended. To try to get support you'll hear talk that if the application is tighter, perhaps the rate could be lower. Could happen, but as of now we think not, at least not at the next Session of Congress.

You should be prepared for attacks on existing estate and gift taxes. There is a strong feeling that over the years the development of life-income trusts, multiple trusts and other devices (perfectly legal) has made something of a farce of the high rates. This is an area where Congress probably will find ways to tighten.

Along with these things that I have mentioned, Congress will take a fresh look-see at tax-exempt organizations, tax-exempt income such as health and welfare benefits, five-year amortization, and many others.

What's going to happen? Will there be a far-reaching overhaul of the tax laws? Well, it's a bit too early to make any flat statement. And yet, based on the nearly 35 years' experience of our organization, and looking at all the factors, we think a major overhaul is unlikely. We think that the most that is likely to happen next year is some tinkering with the rates, and individuals are, of course, number one on the list. They will take precedence over either excise or corporation tax cuts.

But even the cuts on individuals will be modest, perhaps averaging out at around 5%. This assumes that the budget will have a big enough surplus to permit such action. Congress, in an election year, is likely to be more pro-tax-cut minded than normally. But we are convinced that if Congress votes a tax cut of such proportions to put the government in the red for the next fiscal year, that the President will veto such a proposal. He has made it clear that he will not go along with tax cuts that bring on deficit spending so long as business remains at high levels.

Will Business Turn?

The one thing other than progress toward disarmament that **could** bring on bigger tax cuts

Continued on page 34

*An address by Mr. Ryerson before the East Coast General Management Conference of The American Management Association, New York City.

Immediate and Long Run Outlook For Consumer Durables and Credit

By DR. ERNST A. DAUER*
Director of Consumer Credit Studies
Household Finance Corporation, Chicago, Ill.

Predictions of continued consumer spending at a high rate and an increase of $2.2 billion in total instalment credit for 1957, as compared to $5.4 billion in 1955, are set forth by consumer credit expert economist who finds consumer debt and repayments are consistent with the nature and size of the economy and do not deter a high level of purchase of consumer durable goods. Dr. Dauer states shift by cash and not credit auto buyers account for drop in auto sales, and notes there has been a shift from autos to other consumer durables. Looking into the future, the author maintains consumer credit must keep pace with future economic growth to sustain and expand mass demand.

I. Short Term Outlook

First, what is the immediate outlook for consumer durables? I am sure most will agree that there will be no lack of supply of consumer durable goods. The big question, of course, is consumer demand. Basically that depends on two factors: consumer incomes, and the attitudes of consumers which influence their expenditures and their willingness to assume debt. It is generally accepted that business activity throughout the rest of this year will not deviate much from present levels. Some economists forecast a modest downturn. It is my own opinion that we will continue to have a gradual rise in the total output of goods and services. As a result, consumer income after taxes—$293 billion in the fourth quarter of 1956 and $295 billion in the first quarter of 1957—will probably rise 3 or 4% above present high levels, to about $303 billion or $305 billion by the end of the year.

Dr. Ernst A. Dauer

Consumer income is the most important single factor in determining consumer expenditures—in the absence of a change in consumer attitudes.

The "Survey of Consumer Finances" made by the Survey Research Center of the University of Michigan for the Federal Reserve Board in January-February 1957, showed that consumer incomes had increased significantly in the last year, that consumers had improved their cash or liquid asset position, that they considered themselves better off than a year ago, and that they were optimistic with respect to their own future.

Sees Continued Consumer Spending

Thus, it is reasonable to assume that consumers will continue to spend their income at a rate comparable to the current rate. In each year since 1950—except 1955—consumer expenditures amounted to between 92.0% and 93.0% of their income after taxes. In 1955 they went up to 93.9% and returned to 92.7% in 1956. For 1957 as a whole, total consumer expenditures will probably be modestly less than 93.0% of consumer income after taxes.

Although total consumer expenditures are very stable, the various categories of personal consumption expenditures have varied from time to time. The *amount* of consumer expenditures for services has increased quarter by quarter as far back as the estimates go, namely 1939. Consumer expenditures for services *as a percentage of consumer income after taxes* have grown constantly since the end of World War II, from 28% in 1946 to 34.5% in 1956. The percentage for 1957 can be expected to increase fractionally, to not above 35.0%.

*An address by Dr. Dauer before the American Marketing Congress, Chicago, Ill., June 17, 1957.

Consumer Durables

Consumer expenditures for durable goods have fluctuated more, but they, too, have been remarkably stable. They have been between 11% and 13% of consumer income after taxes in eight of the 11 years since World War II. They reached a peak of 13.6% in the third quarter of 1955. Then for four successive quarters they declined, reaching 11.45% in the third quarter of 1956. For 1957 as a whole, I anticipate a figure in excess of 12.0%—namely within the range typical of the postwar period and in the upper half of that range!

That conclusion is based on the answer to three questions: "Will the consumer fail to buy durable goods because he has an adequate stock of usable equipment now on hand?", "Will he defer buying because he has misgivings with respect to his own future?" Thirdly, "Will he fail to buy consumer durable goods because he has more obligations now than he can handle?"

"Has the consumer an adequate stock of usable equipment now on hand?" Admittedly his stock of family equipment is sufficiently large so that he can live off his fat if a shock to his outlook prompts him to do so. But you know that those articles which are theoretically closests to the saturation point attain the largest output, year after year, and the largest sales. In other words, it is the manufacturer's and the seller's job to give such values in the current year's model as to create a demand for it even though present equipment is performing satisfactorily.

Consumer's View of the Future

"Does the consumer have misgivings with respect to his own future?" Except for the all important factor of actual income, confidence in one's own future security is the next most important factor in the outlook for consumer durables — certainly for those transactions which involve the use of credit. Consumers by and large do not make large purchases, nor do they incur obligations at a time of widespread unemployment or when they have misgivings as to their own employment or future income. The "Survey of Consumer Finances," made by the Federal Reserve Board each spring since the end of World War II shows that in February of 1949, 17% of the families expected their income [illegible] as [illegible] year ahead. In February of 1954, 15% expected such a decrease in their income. It was, therefore, reasonable to expect a degree of curtailment in the use of credit to purchase durable goods at those times. And that occurred. In February of 1955, however, only 6% expected their income to decrease in the year head, the smallest percentage of any year since World War II. The highest percentage of any year since 1945, 40%, expected their income to increase in the year ahead. This certainly sheds some light on the booming durable goods sales which we had in that year. In 1956 and 1957 attitudes have been quite favorable, even though not as "bullish" as in 1955. They could not be construed as pessimistic, by any standards.

Consumer Debt

That brings us to the third question, "Will the amount of consumer debt deter the purchase of consumer durable goods?" Currently total short-term consumer debt is about 13.9% of consumer income after taxes and consumer instalment debt is about 10.7% of consumer income after taxes. To use a different measure, repayments of instalment debt currently are absorbing 12.6% of consumer income after taxes. These ratios have been rising almost constantly since the abnormally low level to which they fell during the war period. They are also higher than they were in the prewar period.

In my opinion, these ratios are not too high. Their modest increase over the prewar period reflects long-term changes in our national economy. It is becoming more and more generally accepted that the aggregate consumer debt and the amount of consumer repayments are consistent with the nature and size of our economy.

Of course, the consumer who buys durable goods and who increases his debt does not look at national aggregates. He is not affected either by national dollar totals or ratios based on them. His decisions are made on the basis of his individual situation, on the basis of his debt and his income.

Now what was, and is, the situation with respect to the mass of consumers in this country? Have they incurred such an amount of debt as to deter them from buying consumer durable goods? The evidence does not justify such a conclusion.

The Federal Reserve "Survey of Consumer Finances" made early in 1956 provides the latest information available. It showed that 45% of the 55 million spending units in the United States then had some short-term instalment consumer debt. Three-fifths of those with consumer debt owed less than $500. Generally speaking, among those with debt, the higher the income of the family, the higher the amount of consumer debt. The 'Survey' also showed that nearly one-third of those with short-term consumer debt held liquid assets in excess of their debt.

The bulk of the instalment debt was concentrated in the middle income groups. In fact, if we set up four characteristics we can pretty well describe those with short-term instalment debt. The typical debtor is the head of a family; he is between 25 and 34 years of age; he has an income of $3,000 to $7,500 a year; and he has one or more children below the age of 18. Among this group, four out of every five families had short-term instalment debt. This is the period in life when family responsibilities grow more rapidly than income. It is the period in life in which incomes are increasing. This is the group which was

Continued on page 29

Current Administration of The Securities Laws

By ANDREW DOWNEY ORRICK*

Acting Chairman, Securities and Exchange Commission

Commissioner Orrick discloses SEC's decisions are guided by following fundamental principles: vigilance in requiring disclosure of all material investment facts regarding securities offered to the public or traded on exchanges, and prosecuting fraud; scrupulous respect for the constitutional rights and privileges of all persons regulated; and punctiliousness in rendering administrative interpretations that are consistent with the statutory standards intended by the Congress. States Commission bases its administration of the laws to accord with the ultimate purpose of maintaining a healthy climate for capital formation.

One of the important services that the American people expect their Federal Government to perform is requiring adequate and fair disclosure in the public sale of corporate securities and regulation of the trading of securities on national securities exchanges and in the over-the-counter markets. The Securities and Exchange Commission has been entrusted with these responsibilities. In its administration of the various securities laws, the Commission is responsible, and reports directly, to two permanent Congressional committees, namely, the Banking and Currency Committee of the Senate and the Interstate and Foreign Commerce Committee of the House of Representatives. To these two standing committees having the responsibility of watchfulness over this Commission, the House of Representatives in the 85th Congress recently created a third committee, known as the Committee on Legislative Oversight. This committee has been vested with authority to review, study and examine the execution of the laws entrusted to approximately 20 independent agencies—one of which is the Securities and Exchange Commission. The stated purpose of this investigation, which will proceed during the ensuing year and a half, is "to see whether or not the laws as intended by the Congress were being carried out or whether they were being repealed or revamped by those who administer them."

A. D. Orrick, Jr.

Differences of opinion, of course, exist respecting interpretations by the Commission of the stautory standards prescribed in the securities laws. Evaluation of the Commission's administration of these statutes by members of the Congress, by various groups in the regulated industries, by lawyers and accountants practicing before the Commission and other interested critics is not always consistent. However, the day-to-day record of the Commission, reflecting a multiplicity of decisions in the administrative, quasi-judicial, and rule-making areas, sustains the reasonable conclusion that the laws committed to its trust have been vigorously and fairly administered in the interest of the investing public.

Three Guiding Principles

In the performance of its statutory responsibilities under the securities laws, the decisions of the Commission are guided by three fundamental principles. First, it must be vigilant in requiring timely and adequate disclosures of all material investment facts regarding securities being offered to the public or traded on national securities exchanges and, vigorous in prosecuting wrongdoers when fraud in the purchase, sale or trading of securities has occurred. Second, it must be scrupulous in respecting the constitutional rights and privileges of all persons subject to its enforcement and regulatory powers. Third, it must be punctilious in rendering administrative interpretations that are consistent with the statutory standards intended by the Congress.

*An address by Commissioner Downey before the American Society of Corporate Securities, Hot Springs, Virginia, June 7, 1957.

Disclosure and Enforcement

The appraisal of the record of the Commission in applying the principle of vigorous enforcement should be considered in the context of current market conditions. As a result of the high level activity in the securities markets during the past few years, certain questionable practices have germinated to avoid the registration and reporting requirements of the securities laws.

One stratagem involves the illegal use of the Commission's rule interpreting the statutory definition of "sale." Rule 133 excludes from the defintion, and makes the registration provisions inapplicable to, certain mergers and consolidations effected under state laws. This interpretation has been abused by some promoters to make public distributions of securities without the disclosure of essential business and financial facts concerning the issuer. By using the merger technique the securities of the surviving company are transferred to the shareholders of the disappearing company who do not take the securities for investment but rather with the purpose of making a public distribution. The shareholders of both the surviving and disappearing companies are often the same persons, the disappearing company having been formed simply to serve as a conduit for the distribution of the securities of the surviving company. In certain instances involving listed companies, the true nature of these transactions has been concealed by filing incomplete and misleading reports with the national securities exchanges and with the Commission.

Another artifice for avoiding registration is the misuse of the private offering exemption. Issuers of securities and controlling persons have relied without justification upon representations made by offerees in transactions purporting to be private to hold the securities for investment when, in fact, their real intent is to make a public distribution of the securities.

A third practice that is employed to avoid the disclosure requirements involves the use of foreign financial institutions. There have been cases where controlling persons of an issuer have transferred large blocks of its securities through foreign banks and trusts to boiler-room brokers and dealers for resale to the public. The anonymous, numbered accounts of these institutions shield the identities of the controlling persons and make it more difficult for the Commission to detect those responsible for violations of the registration and anti-fraud provisions of the securities laws.

In order to achieve more effective control over these illegal activities by fringe operators, the Commission is attempting to clarify the situations where the "no sale" theory embodied in Rule 133 may appropriately be used. It is certainly not applicable to merger transactions which constitute a subterfuge for distributing securities without adequate disclosure. The Commission has also intensified its enforcement program by using the following techniques.

First, it has used its power to suspend trading in, or to withdraw the registration of, securities listed on national securities exchanges where it has reason to believe that an issuer has filed false, misleading or incomplete reports with the exchanges and with the Commission or has violated the registration requirements. The Commission has also summarily suspended trading in such securities for successive periods of 10 days both on the listed and in the over-the-counter markets pending final determination of the proceeding on withdrawal or suspension.

Second, the Commission has been immediately instituting stop order proceedings against issuers of new securities to prevent registration statements from becoming effective where is has reason to believe that a registration statement is instinct with fraud or was not filed in good faith compliance with the disclosure provisions of the Securities Act.

Third, the Commission has employed its denial and suspension powers against issuers filing under Regulation A, which exempts offerings of $300,000 or less from the full registration requirements, where it appears that the issuer has falsely represented material facts or has not fully complied with the terms and conditions of the Regulation.

Fourth, the Commission has greatly accelerated the tempo of its inspections of brokers and dealers, and has substantially increased the number of judicial and administrative proceedings against brokers and dealers. This aspect of the enforcement program is particularly important due to the attraction into the securities industry of a law-breaking element which has engaged in the practice of distributing to the public large blocks of securities in violation of the registration requirements.

Fifth, the Commission has adopted a streamlined procedure for preparing and referring to the Department of Justice for prosecution certain types of criminal actions.

Respect for Constitutional Rights And Privileges

The second fundamental principle that underlies the decisions of the Commission is to respect the rights and privileges of all persons subject to its regulatory jurisdiction. The Commission has always been keenly sensitive to observe the constitutional guarantees of due process in exercising its prosecutory, quasi-judicial, rule-making and administrative functions.

Prior to issuing formal orders of investigation, which create the authority to subpoena witnesses and to take testimony under oath, the Commission carefully considers the facts obtained by its staff in the course of a preliminary examination of a matter that point to possible violations of the securities laws. The function of the Commission in instituting formal investigations is similar to the action of a United States District Court Judge or United States Commissioner in determining that there is probable cause to hold a defendant for grand jury action.

When a quasi-judicial proceeding is instituted by its order noticing an administrative hearing before one of its hearing examiners, the Commission is careful to treat all parties to the proceeding in exactly the same manner. It does not consult ex parte on any phase of the proceeding with the members of its staff who are handling the case, nor does it associate itself with any of the prosecutory functions once an administrative proceeding has been commenced. After the evidentiary hearing is completed, the record is referred to the Commission. On the basis of an independent review of the entire record, including proposed findings and conclusions, exceptions to the recommended decision and briefs in support thereof, and oral argument, the Commission makes its decision. Its decisions, of course, are subject to review by the Federal Appellate courts.

In the exercise of its broad rule-making powers under the statutes committed to its jurisidiction, the Commission promulgates its proposed rules for public comment prior to their adoption. A liberal time period of at least 30 days is usually afforded to interested parties to prepare and submit to the Commission their written comments on the proposals. Frequently, where proposals are controversial, the Commission may give interested parties a further opportunity to express their views on the subject in a public hearing before the Commission. If the proposal is materially revised in the light of these comments, the Commission may again circulate it for additional consideration by the public.

Two administrative procedures of the Commission have occasionally been criticized. One procedure is prescribed in Regulation A. Under this Regulation the Commission has the power to issue a temporary order, prior to holding a hearing, to deny or suspend the use of the exemption, where it has reason to believe that the terms and conditions of the Regulation have not been complied with or where fraud appears to be involved in the offering. These temporary orders, which are issued ex parte, are similar to restraining orders that have historically been used by courts of equity to stop summarily further alleged violations of law pending a hearing on the merits. The Commission issues these temporary orders only after appropriate investigation by its staff has indicated that there is reasonable basis to believe that the provisions of the exemptive regulation have been or are about to be abused. An order does not become permanent if the issuer requests a hearing and the Commission fails to establish the existence of a violation of the statute and the regulation. The remedy of issuing temporary orders, so that the commencement or continuance of illegal offerings may be immediately restrained serves the paramount interest of the investing public. If the Commission had to wait until the completion of a formal administrative hearing before it could prevent an offering from being made, the securities could, in the meantime, be sold and investors could be injured.

The second procedure involves an admministrative practice where the Commission has instituted a stop order proceeding to prevent a registration statement from becoming effective. The Commission has been criticized for refusing in some instances to consider amendments to the registration statement filed after the commencement of the proceeding. Instead

Continued on page 30

Economic Growth and Implications For Public and Private Policies

By DR. GROVER W. ENSLEY*
Executive Vice-President,
National Association of Mutual Savings Banks
Former Executive Director,
Joint Economic Committee of Congress

Dr. Ensley maintains available statistics justify modest optimism for balance of year, but with inflation causing misgivings. Over ten-year period, forecasts attainment of $600 billion annual national production, stimulated by consumer, business and government demand. Decries popular reconciliation to "inevitability" of creeping price increases, maintaining they are preventable by self-restraint over short-term and ultimately by increased productivity and competitive markets.

Misgivings with respect to the economic outlook for the balance of 1957 which prevailed in many quarters earlier now have largely disappeared. You are doubtless aware of the seasonal wave of pessimism each March and April coincident with tax payment deadlines and Congressional action on key economic measures. It is interesting to compare the various news letters and press stories during the late winter with those of the preceding year. They have a surprisingly similar pessimistic tone. But with Easter there is usually a new burst of optimism and this year was no exception although Easter came a little later!

Grover W. Ensley

Modest optimism with respect to economic activity for the balance of the year is justified today on the basis of available statistics. Somebody has said that statistics are to the economist what the lamp-post is to the drunk—more for support than illumination. I will try to use statistics this evening to illuminate rather than merely to support my perennial optimistic bias. Let me make clear, however, that my optimism is with respect to employment, production and general economic activity. I have decided misgivings about creeping inflation, and I want to say a few words about this problem later.

Total national product is now running at an annual rate of about $430 billion. Unfortunately at least half of the recent rise has been due to price advances. Consumer prices have increased 3.8% in the last 12 months.

Although total output in constant prices has been increasing only slightly since the turn of the year the economy has not and is not now standing still. Aside from price increases, two significant developments are taking place. First, a rise in real demand is occurring. Consumer expenditures for goods and services, business investment in plant and equipment, and government outlays have continued their steady growth, even after taking out price increases.

If you analyze consumer expenditure patterns on the basis of population growth and increases in income that are now under way, you must conclude that consumer expenditures in the aggregate will continue to increase in the second half of the year. About 1.4 million workers are receiving escalator wage increases as a result of recent rises in consumer prices. At least 5 million workers will receive wage increases in 1957 on the basis of contracts concluded the last two years.

*An address by Dr. Ensley at the 27th Annual Trustees Day of ye Savings Banks Association of Massachusetts, Boston, June 11, 1957.

If you look at programmed investment in plant and equipment, one can be optimistic about the current high level continuing or inching upward at least this year. The Federal Reserve Bank of Boston reported last week that total capital expenditures in Massachusetts will be up modestly in 1957, and that outlays for expansion purposes will rise 8%.

Government Spending to Go On

Government expenditures are clearly rising and nothing that the Congress may do by way of cutting appropriations for fiscal 1958 will stop substantial increase in actual expenditure this year and next. The January budget estimates of the President are proving too low, both for the current year and for fiscal 1958. The effects of recent and current price increases are largely to blame for this underestimate. Defense comes high. But in addition to Federal expenditures, State and local outlays are increasing at an annual rate of $3 billion.

The second significant recent economic development has been the reversal of inventory accumulation. Between the fourth quarter of 1956 and the first quarter of 1957 total business inventories have shifted from an accumulation of $4 billion to a decline of $1 billion. This $5 billion inventory turn-around has been accomplished without an increase in unemployment, though hours of work have been shortened. Business today is in a much sounder inventory position than a few months ago. In view of rising trends in incomes, in final purchases, and in prices of finished goods, prolonged inventory liquidation seems unlikely. There is reason to believe, therefore, that this liquidation has about run its course. An upturn in real output would result as soon as such liquidation ends. Since there isn't much slack in the economy at this time, inflationary pressures could again dominate the economy.

On the basis of the present outlook I would not anticipate significant changes in Federal monetary and fiscal programs. Money will continue relatively tight and taxes will continue high. There is room for improvement in the structure of these programs, particularly taxes, in the interest of economic stability, growth and equity, but such changes are not likely under present circumstances. They will probably have to await an occasion when general revenue loss is permissible.

So much for the short-run outlook. In brief, the second half should be above the first half and prices will probably creep upward. From the standpoint of savings banks, potential savings will be greater than ever. From a national stabilization standpoint, let us hope that individuals will choose to increase their rate of savings in the months ahead.

The Longer-Run Outlook

For several years now, we have painted glowing pictures of longer-run economic growth prospects. You are aware of the population growth which is expected to continue with its significant economic implications. In another decade, by 1967, we now anticipate nearly 200 million persons in this country, as compared with just over 170 million today. But the change in age composition of the population during this period is even more noteworthy. For example, while total population will increase about 17%, the number of teen-agers between the ages of 10 and 18 is to be up 47% and the number over 65 will increase nearly 25%. The labor force, however, is expected to increase only 15%. Labor shortage will characterize the economy into the 1960's.

We must expect a continued growth in government payrolls, primarily at the State and local level, to service the growing population. The number of people primarily engaged in agriculture, however, should continue to decline, in line with long-term trends.

We will have some unemployment, too, even under the most favorable economic conditions. When I was in Moscow last September and the Soviet economists reviewed our published projections for the next decade they spied the item of 3 million unemployed and said: "Ah, we knew it, capitalism is based on planned unemployment." It took me several minutes to explain to them, and I am sure I never convinced them, that unlike their forced labor and make-work economy, some temporary and frictional unemployment is unavoidable in an industrially efficient system where people are free to choose when they wish to work and where they wish to work.

We will undoubtedly witness a decline in the length of the workweek, particularly in the mid-1960's. This is a long-run trend, reflecting a choice of the people for more leisure. Several years ago I ventured what was then considered a revolutionary guess that in the mid-1960's many industries would be on a 3-day week-end basis. I mentioned this on a television program one evening and an irate viewer telephoned: "Don't give me three days at home, the present two days are killing me."

This trend toward a shorter work-week has significant implications for business as well as for consumers and government. We must improve our ability to make use of leisure time. New England and its vast educational, cultural, vacation and week-end resort areas should benefit greatly from the shortened work-week of the future.

A most significant force in the coming years, of course, will be the spectacular increase in productivity, or output per man-hour worked. New technological methods—automation, if you please—in virtually every field of activity should greatly increase our ability to produce goods and services. Improved technology is not something affecting only the production of steel, the organization of a factory, or something else remote to the average individual. As consumers we are all aware of these advances. The tired husband used to come into the house at night with his first words, "What's cooking?" Nowadays he says, "What's thawing?"

To make a long story short, in another decade this nation should be enjoying $600 billion of annual national production measured by today's prices. Careful projections on conservative assumptions point to adequate consumer, business and government demand to stimulate this growth.

Implications for Public and Private Policies

What are some of the implications of this expected economic growth for public and private policies? I will mention two which need emphasis today.

First, there should be no de-

Continued on page 23

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks got off to a good start in the normally favored month of July this week with the strength still highly selective although fairly general in the petroleum section.

* * *

July advances have been the rule two out of every three times over the last 60 years, making some sort of summer rally a definite market tradition. Whether it can mount enough strength this year for a new high in the industrials brought about a divided opinion since tight money conditions show no signs of abating and the business outlook was still spotty with auto sales lagging.

Overhanging Obstacles

In addition to the concrete fact that the supply of stock is certain to increase as the industrials near the old peak set in April a year ago at 524, there are also psychological obstacles to be overcome. Repeated efforts to forge to new peaks have been turned back unsuccessfully. The July rally last summer came within a small fraction of reaching the all-time high but ran out of steam. The early June recovery this year was foiled when it was some half dozen points short of the mark.

Wild-Acting Issue

Haveg Industries, the old Continental Diamond Fibre, which was the wonder stock of the first half of the year—up some 178%—was the wild-acting issue, bouncing from a daily gain of more than 14 points to a 10-point dip the following day. In the process it jumped from a 1957 low of below $24 to above $80 and incurred the second ban of the year over certain types of orders.

* * *

Earlier this year when Lukens Steel was the wild sprinter, "stop" orders for automatic execution above and below the market were ruled out and the issue went in for milder behavior. This week a similar taboo on "stop" orders was applied to Haveg but whether it will curb the gyrations remains to be seen. For one thing, Haveg has very few shares left since it sold a good portion of its assets to Budd Co. and exchanged the shares of Budd for its own. Only 362,500 shares are authorized and the first quarter report indicated only 112,500 of these were outstanding then. How much of this is in "floating" supply and available to the traders is moot.

New Sprinter

The evidence indicated that traders were inclined to follow strength blindly without regard for basic statistics. Amerace Corp., a three-way merger of Bachmann Uxbridge Worsted, American Hard Rubber and Wardell, scarcely has had time to demonstrate anything sensational since it was all put together only about a month ago. Yet the stock was able to break out of the four-point range it carved out in June including posting a one-day six-point sprint.

* * *

Bell & Howell, the old line camera concern, was also able to step into the limelight, including soaring half a dozen points at a clip. Although auto sales and those of major appliances have been lagging, the businesses serving hobbies and leisure-time activities have been faring well. Moreover, Bell & Howell is an important factor in sound systems for school use — and school building is and will continue at a high pace—and enters into the office machine field through its microfilm machines.

Even Bell & Howell is far from cheap by the usual measuring sticks. Its 2½% yield even before the latest outburst of strength is on the low side and on a times-earnings basis it is far from a bargain. Moreover, there is little expectation of any more liberal dividend treatment since the company recently had to sell additional shares and borrow to finance its expanding sales and maintain its research activities.

Steels Getting Attention

Steels continued to feature prominently in market discussions but without any fanfare marketwise despite the price increases posted as the second half of the year began. As a result, some of the better yields are available in this section, notably the 5% return in Bethlehem Steel.

Also edging back into popularity again are some of the issues that stand to gain most from the highway construction program, such as Clark Equipment, Caterpillar Tractor and Chicago Pneumatic Tool. The cement companies, too, have been the subject of considerable analysis because of the inescapable benefit they will realize from highway work but which, so far, has done little except produce a momentary flurry here and there in the group.

Rails continue laggard despite some handsome yields in the group which are expected to be bolstered by rate increases. Canadian Pacific, for instance, with a 5% yield, is less a railroad than an industrial combine what with airline, mining properties, hotels, steamships, etc., all wrapped up in its fold. In short, Canadian Pacific is right in the middle of the vast expansion going on north of the border but marketwise has been held back by the general disinterest in carriers generally.

Coppers Standing Up

Copper shares have shown a better ability to shrug off the easiness in prices of the red metal lately and to a good number of market spectators, the opinion is growing that they are better to buy on weakness than to sell. Cerro de Pasco, one of the most important producers of nonferrous metals in the world, in nudging to new lows around 42—after reacting from nearly 78 at its peak in 1956—is regarded as at or approaching the bargain status. Earnings admittedly will be affected by lower prices of the metals at least for this year but offset materially by its long-range growth prospects.

* * *

Oil supply companies have not had any sustained market strength for sometime and all the attention abroad plus disappointing drilling results domestically have been a weight on the issues, so that the dominant National Supply has been available at a yield of above 5%. Business has been good, however, and release of natural gas producers from the restraints of the government authorities would spur gas well drilling and brighten the prospects in the supply field generally.

[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.]

With du Pont, Homsey

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John K. Torosian has become associated with du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. Mr. Torosian was formerly with Jackson & Company, Inc.

Retires From Firm

Mitchell & Co., 120 Broadway, New York City, has announced that Irving L. Feltman has retired from general partnership in their firm.

J. A. Hogle Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Louis M. Willis has been added to the staff of J. A. Hogle & Co., 507 West Sixth Street. He was previously with California Investors.

Two With J. Logan

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Sy Craydman and Sidney M. Zipperman are now with J. Logan & Co., 2115 Beverly Boulevard.

R. W. Pressprich Co. Admits R. Smutny

R. W. Pressprich & Co., 48 Wall Street, New York City, members of the New York Stock Exchange,

Rudolf Smutny

announce that Rudolf Smutny has been admitted to the firm as a general partner.

Mr. Smutny's admission to the firm was previously reported in the "Chronicle" of June 27.

Finch, Wilson Co. In New Location

Finch, Wilson & Co., members of the New York Stock Exchange, announce the removal of their office to 1 Wall Street, New York City; telephone Hanover 2-9113. Finch, Wilson & Co. was founded in 1916.

Walter Hintz With A. G. Becker & Co.

CHICAGO, Ill. — Walter A. Hintz, formerly with Stone & Webster Securities Corporation, is now associated with the Municipal Department of A. G. Becker & Co. Incorporated, 120 South La Salle Street. Members of the New York and Midwest Stock Exchanges. Mr. Hintz had previously been with McDougal & Condon, Inc., and City National Bank and Trust Company of Chicago.

Walter A. Hintz

Charles Andrews With Rowles, Winston Co.

HOUSTON, Texas — Charles E. Andrews has become associated with Rowles, Winston & Co., Bank of the Southwest Building, members of the Midwest Stock Exchange. Mr. Andrews was formerly divisional manager for Waddell & Reed, Inc.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

William N. Enstrom, Chairman of the Executive Committee and a Director of the **Irving Trust Company, New York**, died on June 30 at the age of 68.

Mr. Enstrom last September celebrated his 50th anniversary with the bank.

Mr. Enstrom joined the old **National Exchange Bank**, now the Irving Trust Company, as a clerk. He became Assistant Cashier in 1917 a Vice-President in 1919 and First Vice-President in 1940. Meanwhile he had become a director in 1939.

Mr. Enstrom served as President of Irving Trust from 1942 to 1949, when he became Chairman of the Board. He announced his retirement from the latter post last Jan. 31 and became Executive Committee Chairman.

* * *

John J. Clooney has been promoted on June 26 to Treasurer of **Fiduciary Trust Co. of New York** from Vice-President and has been with the bank since 1931.

* * *

The Bank for Savings is celebrating its 138th anniversary.

On July 3, 1819 the bank opened in a basement room in the Old Adams House in City Hall Park to help the thrifty. Through all these years it has paid uninterrupted dividends. Today, the assets of The Bank for Savings are nearly one-half billion dollars. Four Manhattan offices safeguards the savings of 200,000 depositors.

As its 331st consecutive dividend the bank anticipates paying an increased dividend at the rate of 3¼% a year, the regular 3% plus an additional ¼% for the quarterly period starting July 1, based on the continuance of favorable earnings.

* * *

The appointment of Edward K. Block as Comptroller of the **United States Trust Company of New York** was announced on July 1 by Benjamin Strong, President.

Mr. Block joined the company in 1937 and has been associated with the office of the Comptroller since that time. He was appointed Auditor in 1950 and Assistant Comptroller in 1952.

* * *

The First National City Bank of New York announced the appointment of three Assistant Vice-Presidents and three Assistant Cashiers, all in the bank's Domestic Division.

The new Assistant Vice-Presidents are Hugh C. Brewer, Jr., Robert P. Graham and William P. Nagle. The Assistant Cashiers are William J. Harvey, Jr., Robert H. Shaw and Robert H. Temple.

THE FIRST NATIONAL CITY BANK OF NEW YORK

	June 30, '57	Mar. 31, '57
	$	$
Total resources	7,434,145,976	7,485,882,769
Deposits	6,614,182,518	6,691,860,149
Cash and due from banks	1,843,930,533	1,808,148,997
U. S. Govt. security holdgs.	1,028,143,263	1,195,588,283
Loans & discts.	3,879,892,120	3,758,083,937
Undivid. profits	76,009,251	72,599,459

* * *

Joseph H. Compton, who retired last Aug. 31 as a Vice-President of the **Chemical Corn Exchange Bank, New York,** died June 30 at the age of 65.

Mr. Compton had spent virtually all his career with the **Corn Exchange Bank and Trust Company,** which was merged with the **Chemical Bank and Trust Co.** in 1954.

He started 46 years ago as a bookkeeper in the Greenpoint, Brooklyn, branch of the Corn Exchange. He became an Assistant Manager, and subsequently Manager of the Lincoln Square branch in Manhattan. In 1929 he returned to the Greenpoint-branch as Manager, and continued in that position for 17 years.

Elected to a Vice-Presidency in 1946, Mr. Compton was assigned to the main office of the bank, where he remained until his retirement.

* * *

Oscar S. Straus, II, has been elected a director of **The New York Trust Company, New York** it was announced on July 3 by Adrian M. Massie, Chairman of the Board, and Hulbert S. Aldrich, President.

Born in New York City, Mr. Straus is a graduate of St. Paul's School, Concord, New Hampshire, and Princeton University. He attended the University of Dijon in France and the Harvard School of Business Administration.

Mr. Straus was associated with the **First National Bank, Kansas City, Missouri.**

CHEMICAL CORN EXCHANGE BANK OF NEW YORK

	June 30,'57	Mar. 31,'57
	$	$
Total resources	3,095,521,522	3,013,186,784
Deposits	2,728,544,120	2,693,727,839
Cash and due from banks	752,925,459	790,789,422
U. S. Govt. security holdgs.	434,355,769	417,719,257
Loans & discts.	1,559,240,638	1,447,130,909
Undiv. profits	36,088,353	33,497,510

* * *

IRVING TRUST COMPANY, NEW YORK

	June 30,'57	Mar. 31,'57
	$	$
Total resources	1,734,874,435	1,736,527,270
Deposits	1,496,661,681	1,492,221,280
Cash and due from banks	434,225,708	432,824,170
U. S. Govt. security holdgs.	329,424,845	336,146,523
Loans & discts.	829,764,690	823,530,567
Undiv. profits	24,975,522	23,656,341

THE NEW YORK TRUST CO., NEW YORK

	June 30,'57	Mar. 31,'57
	$	$
Total resources	785,578,727	793,580,417
Deposits	681,909,470	695,201,748
Cash and due from banks	180,401,102	174,015,828
U. S. Govt. security holdings	149,730,698	159,463,627
Loans & discounts	411,783,193	417,903,726
Undivided profits	10,404,639	9,171,564

* * *

THE MARINE MIDLAND TRUST CO., N. Y.

	June 30,'57	Mar. 31,'57
	$	$
Total resources	573,397,155	538,716,689
Deposits	509,191,088	476,754,909
Cash and due from banks	178,402,449	148,046,597
U. S. Govt. security holdings	97,384,764	96,323,920
Loans & discounts	268,485,602	263,374,870
Undivided profits	10,411,314	9,820,062

* * *

THE BANK OF NEW YORK

	June 30,'57	Mar. 31,'57
	$	$
Total resources	525,415,403	504,666,337
Deposits	466,588,839	438,723,571
Cash and due from banks	159,340,393	117,278,851
U. S. Govt. security holdings	83,147,230	93,189,747
Loans & discounts	255,440,083	257,357,543
Undivided profits	9,056,754	8,735,854

* * *

GRACE NATIONAL BANK OF NEW YORK

	June 30,'57	Mar. 31,'57
	$	$
Total resources	189,057,049	191,048,961
Deposits	169,946,294	173,687,750
Cash and due from banks	49,068,344	49,615,410
U. S. Govt. security holdings	45,396,162	50,405,354
Loans & discounts	77,856,194	73,860,484
Undivided profits	1,824,408	1,525,414

* * *

J. HENRY SCHRODER BANKING CORP., NEW YORK

	June 30,'57	Dec. 31,'56
	$	$
Total resources	135,735,211	131,745,306
Deposits	98,126,316	98,025,248
Cash and due from banks	12,646,412	15,093,329
U. S. Govt. security holdings	62,113,677	61,940,538
Loans & discounts	30,899,249	29,103,498
Surplus and undivided profits	5,300,000	5,250,000

* * *

SCHRODER TRUST CO., NEW YORK

	June 30,'57	Dec. 31,'56
Total resources	$75,529,594	$68,477,278
Deposits	68,256,227	61,230,535
Cash and due from banks	14,789,822	14,855,224
U. S. Govt. security holdings	43,784,802	37,614,029
Loans & discounts	15,947,634	14,760,542
Surplus and undivided profits	2,720,000	2,700,000

* * *

CITY BANK FARMERS TRUST CO., N. Y.

	June 30,'57	Mar. 31,'57
	$	$
Total resources	139,518,025	158,115,080
Deposits	98,788,867	118,358,205
Cash and due from banks	25,484,540	36,387,227
U. S. Govt. security holdings	76,954,477	87,143,644
Loans & discounts	4,643,021	3,318,600
Undivided profits	13,592,460	12,987,372

* * *

MANUFACTURERS TRUST CO., N. Y.

	June 30, '57	Mar. 31, '57
	$	$
Total resources	2,971,616,474	3,019,860,014
Deposits	2,662,879,735	2,721,434,417
Cash and due from banks	755,488,292	800,813,118
U. S. Govt. security holdgs.	648,701,549	672,786,918
Loans & discts.	1,190,485,926	1,151,935,811
Undivid profits	61,487,602	58,512,881

* * *

BANKERS TRUST COMPANY, NEW YORK

	June 30, '57	Mar. 31, '57
	$	$
Total resources	2,701,038,222	2,687,729,689
Deposits	2,384,073.763	2,363,906,001
Cash and due from banks	645,919.065	641,959,999
U. S. Govt. security holdgs.	380,817,707	460,315,450
Loans & discts.	1,573,254,587	1,462,394,216
Undivid. profits	57,530,880	55,220,545

* * *

THE HANOVER BANK, NEW YORK

	June 30, '57	Mar. 31, '57
	$	$
Total resources	1,840,607,347	1,818,215,534
Deposits	1,625,133,029	1,611,063,452
Cash and due from banks	526,514,733	475,482,817
U. S. Govt. security holdgs.	272,060,913	316,032,106
Loans & discts.	933,619,230	904,109,926
Undivid. profits	26,342,851	23,117,434

* * *

J. P. MORGAN & CO., INCORPORATED NEW YORK

	June 30,'57	Mar. 31,'57
	$	$
Total resources	878,766,036	850,252,089
Deposits	772,830,953	742,001,640
Cash and due from banks	223,445,129	218,806,069
U. S. Govt. security holdings	165,461,789	160,594,742
Loans & discounts	412,174,678	379,009,126
Undivided profits	20,186,294	19,141,742

THE CLINTON TRUST CO., NEW YORK

	June 28,'57	Mar. 29,'57
Total resources	$40,887,347	$36,197,928
Deposits	37,872,470	33,208,741
Cash and due from banks	11,466,938	8,696,769
U. S. Govt. security holdings	12,545,628	10,510,827
Loans & discounts	13,867,276	13,913,420
Undivided profits	1,355,944	1,337,746

* * *

BROWN BROTHERS HARRIMAN & CO. NEW YORK

	June 30,'57	Dec. 31,'56
	$	$
Total resources	225,571,001	253,989,679
Deposits	193,376,935	220,358,263
Cash and due from banks	47,362,413	72,205,005
U. S. Govt. security holdings	39,421,086	43,857,949
Loans & discounts	81,436,101	75,701,136
Capital and surplus	14,605,284	14,565,284

* * *

THE STERLING NATIONAL BANK & TRUST COMPANY, NEW YORK

	June 30,'57	Mar. 31,'57
	$	$
Total resources	148,586,579	152,227,014
Deposits	132,450,763	138,617,637
Cash and due from banks	33,730,673	34,668,942
U. S. Govt. security holdings	35,606,470	35,684,306
Loans & discounts	75,635,381	72,912,717
Undivided profits	1,572,902	1,539,255

* * *

CHASE MANHATTAN BANK, NEW YORK

	June 30,'57	Mar. 31,'57
	$	$
Total resources	7,524,331,448	7,529,490,137
Deposits	6,693,721,587	6,585,785,264
Cash and due from banks	1,802,236,680	1,795,003,635
U. S. Govt. security holdgs.	1,032,831,773	1,027,406,571
Loans & discts.	3,863,328,881	3,793,239,277
Undiv. profits	86,695,623	82,222,489

* * *

Favorable action by the stockholders of the **Long Island Trust Company, Garden City, N. Y.** and **The Freeport Bank of Freeport, N. Y.** and approval of banking authorities, has confirmed earlier action by the Boards of Directors in merging the two banks, it was announced here on July 1 by Frederick Hainfeld, Jr., President of the trust company.

Ratification of the merger plans includes the election of Ralph W. Taylor, President of The Freeport Bank, as a Vice-President of the trust company, and Manager of the Freeport office.

Four board members of The Freeport Bank who have been elected to the Board of Directors of the trust company are Charles F. Buckley, Jr., William F. Glacken, David Levy and John J. Randall.

Elected as Assistant Vice-Presidents were John I. Lacy, Hubert L. Wells and John F. Muller, and as Assistant Secretary, Raymond B. Lockwood. Other personnel will continue in their present responsibilities.

Operation of the merged institutions begins with deposits of more than $62,000,000, and resources of approximately $69,000,000.

Stockholders of the former Freeport institution are receiving 1.6 shares of Long Island Trust Company stock for each share held in The Freeport Bank. This will increase the number of shares in the enlarged bank by 56,000, and bring the total outstanding to 184,240 shares.

* * *

The New York State Banking Department gave approval on June 25 to the **Genesee Valley Union Trust Company, Rochester, N. Y.**, to increase its capital stock from $6,000,000, consisting of 200,000 shares of the par value of $30 each, to $6,375,000, consisting of

Continued on page 35

The Tremendously Expanding Business Activities of Women

By MARY G. ROEBLING*
President and Chairman of the Board, Trenton Trust Co., Trenton, New Jersey

Woman banking leader asserts women's rise in business and professional fields over past decade has been phenomenal, exceeding all forecasts. Stresses the great number of new job opportunities for women in all phases of its operations in contrast to former limitations, with their assumption of important executive positions in Wall Street financing, merchandising, chemicals, utilities, railroads, airlines, and insurance. Also cites doubling of their official positions in banks, to present number of 9,000, with some salaries exceeding ten thousand dollars.

Women's progress in the last ten years has been phenomenal, her rise in the business and professional fields has exceeded the most optimistic of all forecasters.

Mary G. Roebling

If I may be indulged a personal comment—twenty years of the study of men and women in the employ of the Trenton Trust Company has led me to certain conclusions, I must say that I am not in full concurrence with the views of Dr. Francis Ashley Montagu, associated with the New School for Social Research, New York City, who says that women are naturally superior to men. I have not done research work in the field of anthropology or social biology in which studies Dr. Montagu excels and by which he attempts to prove his theories. I do feel strongly, however, that given time and the opportunity, women will give a good account of themselves without the aid of any "Johnny-Come-Lately."

As far as men being called a "defective chemical package" as Dr. Montagu did recently in this city — the extravagant use of words does not do credit to the author. We all are "chemical packages," but not necessarily all defective.

Women in offices and industry learn quickly and are more satisfied with monotonous work. In industry, the mass production lines operated by women are cared for by patient operators who are not dissatisfied with the repetitious work involved. At typewriters, billing machines, calculators, etc., women in banks and other offices are excellent employees. They are careful, patient and industrious. Women are cooperative and when once they are informed of their duties, they adhere to the book of rules and are not antagonistic to their superiors. They are mindful of their responsibilities.

The attitude of women in the field of customer relations is excellent. Women naturally make friends. They are courteous without effort, are easily sold on the value of public relations and their spirit of pride in the business is contagious. There is little pettiness among women employees, contact with the world of business having largely taken that out of women. Their jealousies are not more of a nuisance than the whimsies of so-called "big men with little minds," who strive to support their egos and eventually disappear like the Indians, the "vanishing American."

More Responsibility Ahead

There is a multitude of fine women who given time and experience, are excellent material for executive promotions. Upon their shoulders more and more problems of business will fall as smart men recognize their worth and divide the responsibility. Just one look at my own business—The Trenton Trust Company—only one of over 14,000 banks in the United States and over the nation where women have been promoted to presidents, chairmen of boards, vice-presidents, cashiers, tellers, trust officers. A chart that I have looks like a "who's who in the banking business" and those listed are all women who rose from clerkships, stenography or bookkeeping. They are successful. They handle management duties in an orderly manner — they are not officious, and do not have to rid themselves of abnormal ego inherited with the job. They work well with men subordinates, confine themselves largely to the job at hand and do not give way to hysteria or fits of disposition and idiosyncrasies.

The combination of domestic and office or shop work is being tried successfully by women by the millions. The need for a double income has abetted the experiment which has been nationwide. We see on every hand the fruits of this team working out very well. Domestic duties are shared by fine men and women of understanding and the home life worked out with liberal-minded parents and sensible children.

Advancement of Bank Women

Speaking, again, of the advancement of bank women, we find there that women have become increasingly valuable as executives and executives' assistants. May I quote some exciting and interesting figures—in 1944 there were an estimated 4,500 women in official positions in banks; 6,000 in 1951; and 9,000 in 1956. These figures are from a report made by the National Association of Bank Women in cooperation with the United States Department of Labor. Some of these bank officers earned $10,000 a year or more.

A composite picture of a woman bank officer is likely to be a high school graduate working in a fairly small bank as an assistant cashier. She is in her forties and more often a Mrs. than a Miss. While I have the honor of being, perhaps the only President and Chairman of the Board of Directors of a large bank, there are 41 that have women presidents.

About 200 have women vice-presidents; about 1,300 women are serving as directors in banks. One such is my good friend, Claire Giannini Hoffman, who serves on the board of the great Bank of America. About 150 job classifications from president to assistant vice-president and secretary of the board of directors are listed as women's field. The list is impressive in that it appears that no position in the banking field is closed to women who are capable and where openings are available.

What is true of banking is also true of most professions and businesses. I wish I had time to analyze the fields which women have fitted themselves to enter. A century ago, the profession of law was supposed to be a man's exclusive club. I have a clipping that mentions that over 5,000 lawyers licensed to practice in this nation are women—the number no doubt has increased materially since the article was published.

What is true of the progress of women in these fields no doubt is true, proportionately of women in the vast insurance business.

Question of College Education

One of the outstanding facts developed in the survey of women in the higher level positions was that it was desirable, but not necessary, to have a college education to succeed. For instance, women who had been promoted to good positions in the underwriting departments of insurance companies owed their success to the knowledge and skills they had acquired while working for the companies.

For instance, a woman underwriter in health and accident insurance with a high school education and six months business training felt that her ability to handle detail had helped her to advance. Actuarial work above certain level depends upon years of specialized training. However, one woman actuary with official status was a college graduate with six or seven years of special study in the actuary field and she was the only woman actuary in her city. Another woman was cited who was in charge of over 500 persons, and doing an outstanding job as supervisor in group underwriting in one of the largest companies. The survey, by the way, was made with the assistance of Freda S. Miller and another work by Mrs. Alice K. Leopold, both government labor experts.

My reference to women attorneys did not enlarge upon the fact that insurance companies do not by and large exclude women lawyers and they were found working on various assignments.

One who reached officer status in her company dealt with legal questions connected with handling and distribution of trust funds. Another was executive secretary to the general counsel and acting for him in his absence. In some companies, women were found holding positions as security and investment analysts — a highly technical area dealing with the placement of huge funds. One case involved a woman who was an investment analyst for an insurance company and had been employed after majoring in economics in college and later taking university courses at night in corporation finance. She was in charge of the company's financial and engineering reports on all public utilities, analyzing the reports and making comparative studies.

Included in the survey referred to were 860 women in several cities and many businesses. Were they to be questioned—"Women Where Goest Thou?" — perhaps, their answers would be: "I Go to Fill My Destiny in the Field of Labor Where My Industry and Talent Will—Earn for Me the Recognition It Deserves."

Before I leave this excellent study of women, I wish to quote a paragraph which stated: "One third of the women interviewed in insurance companies felt that their own limitations in education, training and experience would prevent them from receiving further promotions."

I believe this viewpoint is not truly representative of today's findings. Women in small offices with a few associates, those in large agencies and brokerage offices, those in the home offices of life and fire and casualty and allied companies are being promoted just as fast as the opportunity permits.

The Vast Opportunities in the Ranks

The word "Opportunity" furnished my cue to the most important thought that I would bring you. The future holds vast opportunities for all of us, but particularly those in the ranks. At no time in the history of insurance business were there so many potentialities for those who are engaged in it.

Statistics bewilder us with the population estimates for 1965, the new homes, the automobiles, the furnishings of families, industry—values far beyond the comprehension of just plain everyday people. Value—a word to conjure with—insurance to value, a trio of words that should be on the tip of the tongue of every em-

Continued on page 25

*An address by Mrs. Roebling before the National Association of Insurance Women, Philadelphia, Pa., June 11, 1957.

British Banks' Liquidity Problem

By PAUL EINZIG

Banking and non-banking demand for Treasury Bills, caused by commercial bank's switch from cash ratio to liquidity ratio consisting primarily of Treasury Bills, and by industrial and commercial firms from demand deposits to Treasury Bills, is expected by British economist to present a major banking and monetary policy problem. Dr. Einzig points to the contradictory inflationary-deflationary aspects of this, and proposes, as a simple solution, a rule allowing all short term Government Loans to be eligible for calculating a bank's liquidity ratio.

LONDON, Eng. — The British people are by tradition reluctant to submit to rigid statutory regulations and prefer to depend, whenever possible, on informal self-imposed rules. This is particularly true in respect of banking. There are no legal restrictions whatever on the proportion between deposits and other sight liabilities and cash and other liquid assets. In practice, however, a cash ratio of 8% has for many years been regarded as the minimum limit among commercial banks.

Paul Einzig

In more recent years the importance of the cash ratio has been overshadowed by that of the liquidity ratio representing the proportion between liquid assets to total assets. The figure of 30% has come to be regarded as the minimum limit, even though in this respect there is more flexibility than in respect of the cash ratio. The reason why the importance of the liquidity ratio has overshadowed that of the cash ratio is that in possession of liquid assets in excess of 30% banks are always in a position to increase their cash ratio by realizing some of their liquid assets. It is for this reason that financial commentators nowadays hardly mention the cash ratio and concentrate on the liquid ratio. The latter has indeed received a good deal of attention in recent years.

It became fashionable to attribute inflation mainly to the excessive issue of Treasury Bills by the Government, because the increased holdings of Treasury Bills of the banks tended to raise their liquidity ratio well above the minimum. This provided much temptation and much opoprtunity for expanding credit, regardless of the official policy of credit squeeze during the last two years. More recently, however, liquidity ratio tended to give rise to different kinds of problems. In order to be able to meet growing demands for credit the banks endeavored to maintain and increase their liquidity ratio by selling out their holdings of medium-term and long-term Government loans at a time when the absorbing capacity of the gilt-edged market for such sales was far from adequate.

Non-Banking Rush for Treasury Bills

Banks were not alone in selling out Government Loans for the sake of increasing their holdings of Treasury Bills. Since the increase of the bank rate at the beginning of 1955 industrial and commercial firms too have acquired a taste for holding Treasury Bills. Hitherto little interest was taken in such bills outside the financial community. During the last two years, however, many firms came to realize that there is nothing mysterious or complicated about the acquisition and holding of Treasury Bills.

The annual reports and accounts of a number of important firms show a striking increase in their holdings of Treasury Bills. The British Petroleum Company showed for the first time a holding of over £5 million at the end of 1956. Unilever increased its holding of Treasury Bills from £4 million to £17 million during 1955, and this latter figure was maintained during 1956. The holding of Associated Portland Cement increased almost fourfold in 1955, even though it declined somewhat in 1956. The instances could be multiplied, but those quoted above should suffice to indicate the extent of this entirely new demand for Treasury Bills.

Causes a Major Problem

Some of these increases were made through corresponding reductions of deposits and balances held by these companies with their banks. To the extent to which this was done the Treasury Bill requirements of banks for the purposes of maintaining their liquidity ratio also declined. On the other hand, the amount of Treasury Bills available for the banks has also declined. Should the private acquisition of Treasury Bills continue to increase it would present a major problem both from the point of view of the management of commercial banks and also of monetary policy.

The reason for the switch from deposit to Treasury Bills is that while Treasury Bill rates are usually only slightly lower than the Bank rate, deposit rates are usually 2% below the Bank rate. The banks feel that they cannot afford to pay much higher rates owing to their increasing overhead charges. On the other hand, a large and increasing number of depositors see no reason why they should be content with the deposit rates if they can earn much more holdings of Treasury Bills.

From the point of view of monetary policy the new practice gives rise to contradictory tendencies. On the one hand it tends to keep down the liquid ratio of the banks. If a deposit of say, £300,000,000 is converted into Treasury Bills, the banks being unable to maintain their holdings of Treasury Bills owing to the inadequacy of their supply, have to curtail credit to something like £1,000,000,000 in order to maintain a liquidity ratio of 30%. So long as the supply of Treasury Bills remains limited this is a factor making for deflation.

On the other hand, competitive demand for Treasury Bills by banks and outside buyers tends to lower Bill rates. At the time of writing the Treasury Bill rate is 3¾% which is 1¾% below the bank rate. Should the practice of non-banking buying become intensified the gap between Bill rate and Bank rate would widen further. Even though the rates on bank loans are determined by the bank rate and not by Treasury Bill rates, a stage may be reached at which the authorities may feel obliged to adjust the Bank rate to the Bill rate which would make for inflation. The new practice has not been proceeding long enough to enable the authorities to make up their minds whether the inflationary aspect of the practice tend to exceed its deflationary aspects or vice versa.

Solution to Problem

What is a much more important problem is the effect of the self-imposed rules of liquidity ratio on the price of Government stocks. There would of course be a simple solution both to this problem and the problems arising from the new practice of private demand for Treasury Bills. A rule should be established under which Government Loans of every kind, or at any rate those with relatively short maturities should be eligible for the purpose of calculating the liquidity ratio. There is no reason why the authorities should not be able to persuade the banks to adopt this rule of their own free will seeing that this is to the interest of every one of them. On the other hand, if this is not done on a voluntary basis the Government should be prepared, in the interest of the stability of the gilt-edged market, impose regulations on the banks concerning their practice of liquidity ratio. This would be a drastic departure from the informal ways dear to British tradition, but it might become inevitable.

Joins Dean Witter

LOS ANGELES, Calif. — Thomas H. Dobson has joined the staff of Dean Witter & Co., 632 South Spring Street.

James P. Doherty 50 Years in Business

James P. Doherty, an account executive at E. F. Hutton & Company's Chicago Office at 338 Board of Trade Building on June 28 marked his 50th year in the profession and at the same time his 66th birthday.

This double-milestone day found him at his desk checking market prices for his clients.

Celebration of Mr. Doherty's half century as a stockbroker came as a complete surprise to him. Franklin G. Clement, partner of E. F. Hutton & Co., presented him with a bronze plaque in recognition of his long, devoted service. Attending the ceremony were three generations of James P. Dohertys, the youngest being two years old.

Mr. Doherty was also cited for his two decades of membership in the Chicago Board of Trade. He also is a member of the Midwest Stock Exchange.

His ticker tape association began in 1907 when he joined the stock brokerage firm of S. B. Chapin & Co. as an office boy. After having served in the U. S. Navy during World War I he returned to the company as head of the grain department. In 1930 he became a partner until the firm merged with Clement Curtis & Co., and soon afterward he was admitted as a partner to the new organization. Finally, when Clement Curtis & Co. joined forces with E. F. Hutton & Co., Mr. Doherty and son both became members of the new concern.

Wainwright-Ramsey Appointed by Phoenix

Mayor Jack Williams has announced the appointment of Wainwright & Ramsey Inc., consulting firm on municipal finance, of 70 Pine Street, New York City, as financial consultant to the City of Phoenix, Ariz., in connection with the city's proposed $70 million public improvement program.

The financing plan, including both general obligation and revenue bonds, is expected to require from five to seven years. Proceeds from the bond sale will be used for various municipal improvements.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Paul E. Stevenson, Jr. has been added to the staff of Paine, Webber, Jackson & Curtis, 626 South Spring Street.

Business Today and Tomorrow—As Prominent Economists See It

Authorities on economic trends project the future course of business and offer suggestions ranging from increase in money supply, by National Industrial Conference Board's chief economist, to "watch your step," by "Journal of Commerce" Associate Editor.

Four questions placed before a panel of eminent economists adduced concise, meaningful insight into the possible oncoming trend of economic events.

The participants in the panel discussion, presented before the National Association of Purchasing Agents' 42nd Annual International Convention, held in Atlantic City, N. J., were: Martin R. Gainsbrugh. Chief Economist and Director, Division of Business Economics, National Industrial Conference Board, Inc., New York, N. Y.; J. A. Livingston, Financial Editor, "The Evening & Sunday Bulletin," Philadelphia, Pa.; George A. Renard, Associate Editor for Purchasing Economics, "Journal of Commerce," New York, N. Y.; and Dr. Leo Wolman, Professor of Economics, Columbia University.

The questions placed before the panel, as formulated by the Moderator, Dr. H. E. Luedicke, Editor and Economist, "Journal of Commerce," New York City, are reproduced below, along with the responses made by the members of the panel and the Moderator's summary:

THE QUESTIONS

(1) *Will the current "lull" lead into a resumption of the upturn in the second half of 1957—and if so, will such an advance indicate that needed adjustments have been satisfactorily concluded or that the need for further adjustments has been merely postponed to a later date, perhaps 1958?*

(2) *Will the wage-price spiral continue and ultimately push the developing profit squeeze to the point where it will jeopardize the high level of prosperity and employment? And can such a danger point be timed, at least approximately?*

(3) *How serious is the economy's drop in liquidity and will a change in monetary and credit policy be needed to neutralize it? Moreover, is easier credit needed to stimulate demand in an effort to bridge the gap between rising capacity and consumption?*

(4) *Will the developing profit-squeeze and lower liquidity bring about a drop in capital outlays in 1958, if not this year? And if so, how long can consumer spending be expected to keep rising in the face of any protracted drop in business spending?*

By MARTIN R. GAINSBRUGH

Chief Economist, The National Industrial Conference Board

Mr. Gainsbrugh terms the emerging outlook at midyear one of underlying strength. Sees high end product demand, coupled with slight dip in production, taking heat off inventory position, and points to moderate production rise in second half. Holds capital spending outlook appears stronger; cites letup in inflationary pressures, with need to stimulate demand seen favoring increase in money supply.

The opening half of 1957 has been characterized by surprising strength in end product demand. This has been more than sufficient to offset the loss of demand for inventory purposes so that employment and personal incomes were left unaffected. True, manufacturing output, particularly of durable goods, has been modestly below the peak levels of late 1956 as orders have been filled more from shelf and warehouse stocks than from new production.

M. R. Gainsbrugh

Production for inventory purposes is lower than at any time in the past two years. Meanwhile, consumer expenditures, particularly for soft goods and even more for services, have continued to expand, as have public outlays of all units of government, Federal, state and local.

As a result, it appears that more goods will have been taken off the market place than were entering it during the opening half of the year. This in turn is bringing inventories into better balance and suggests that the rate of production may have to be stepped upward during the closing half of 1957.

Total business activity in the opening half of this year is considerably stronger than would appear from a quick glance at the figures for aggregate economic activity. Such broad measures as personal income, employment and retail trade have more than held their ground. Gross national product—the nation's total expenditures for goods and services—was already at a record rate of $427 billion in the first quarter, and appears to be moving even higher in the second quarter.

The demand for inventories was reversed sharply in the first quarter. A healthy inventory correction occurred under controlled and planned conditions, following the large inventory accumulations of the past two years with prices in general holding firm. Meanwhile final demand—that is, dollar outlays by consumers, by government, by foreigners, and by business (ex-inventories) — continued to rise almost as much as in the booming fourth quarter of 1956 and is still well in excess of current output.

As we near the second half of the year, it now appears that business demand for plant and equipment will provide essential support for a high-level economy. The Conference Board's quarterly survey of capital appropriations of the 1,000 largest manufacturing corporations was the first, last November, to foreshadow the leveling out of capital expenditures. Our latest returns now suggest continued strength in business spending for new plant and equipment during the second half of this year.

The most recent survey, taken at the close of the first quarter of 1957, reveals that business appropriated more money for expansion than it expended in that quarter. This differs sharply from the weak pattern of capital appropriations in the closing months of 1956. In fact, new appropriations are now about at the same level as a year ago. Appropriations continue to decline in the automotive industry and for nonferrous metals and steel; but they were up sharply for oil, chemicals and other soft goods.

In the aggregate, the expectations series now imply that business investment in new plant and equipment should be maintained at a high level throughout the year rather than dip sharply as had been feared earlier.

While the backlogs of unspent appropriations also reached a new high, the increase over a year ago has narrowed for the third successive quarter. This changed trend in the appropriations backlog means that capital spending is far more dependent on the rate of current decisions to spend than in many past years. Current business developments, particularly profits and profit margins, have now become a key determinant in near-term planning of plant and equipment outlays.

We are, moreover, entering a period when a basic economic problem now confronting us is that of bringing total market demand up to the greatly enlarged capacity brought into being by these record capital outlays. In industry after industry current capacity now seems to be running ahead of market demand. In sharp contrast, throughout much of the past decade, market demand was well in excess of the capacity to produce. A slight slack in the labor force and a modest sag in hours of work have also emerged.

Prices at the wholesale level show little of the inflationary fever of 1956, while spot commodity prices are lower than they were a year ago.

The question may well be raised, therefore, whether an increase in the money supply is not now warranted. The nation's money supply is virtually no larger currently than it was 18 months ago. The prospective market for goods and services is substantially greater. Less restraint in money and credit than we have had in the most recent past could serve to facilitate the entrance of additional new demand in the second half of the year.

Even more in point, such an expansion could help us in the longer term task of adjusting our supply to meet the rapidly changing pattern of market demand in the difficult and challenging decade that lies ahead before we reap the golden harvest of the mid-60's.

By DR. LEO WOLMAN

Professor of Economics, Columbia University

Prominent labor economist traces sharp increase in labor costs per unit of output since 1946 and is doubtful that monetary and fiscal policy can act as effective brake on rising wages under current high employment policies. Expects continuance of wage-price spiral.

One of the basic issues of our postwar business history is whether or not union wage policy has been an important contributor to inflation or the decline in the value of the dollar. One might think that this is a queer question to ask for a period in which wage costs have risen steadily and without interruption at a very rapid rate. It does not, however, seem a queer question to many business and labor observers who regard whatever organized labor does as a neutral factor in the business situation.

Prof. Leo Wolman

The facts do not support this view. Wages and the wage costs of fringe benefits have risen; productivity has also risen but at a much slower rate than total wage cost; and, in consequence, labor costs per unit of output has also gone up. Thor Hultgren of the National Bureau of Economic Research has estimated that labor cost per unit of output in manufactures increased 21% from 1946 to 1955.

Such a rise in labor cost will reflect itself in rising prices unless monetary and fiscal policy is not available to support higher prices and unless business conditions are inhospitable to rising prices. With a public policy dedicated to high levels of employment it is a mistake to expect monetary and fiscal policy to act as an effective brake on the pattern of wage cost increases with which we are all familiar.

As for business conditions calculated to halt this pattern of wage advances, they can hardly be said to exist in 1957. Without attempting to look too far ahead, the continuance of a wage-price spiral is the most reasonable expectation.

By J. A. LIVINGSTON

Financial Editor, The Evening & Sunday Bulletin, Philadelphia, Pa.

Terming present lull as calm before an upturn, Author-Economist stresses management's freedom from financial pressures because of strong working capital position; doubts near-term slackening in business expenditures; and expects new expansion phase in consumer spending.

The "Livingston Law of Sleeplessness for Discerning Depressions" indicates that the present lull in prosperity is the calm before an upturn. Workers aren't losing sleep nights for the reason that jobs are readily available. The slowdown in home building and the general lull in production has not cut down the total number of jobs available. Unemployment fell 200,000 to 2,690,000 in April.

J. A. Livingston

Even more important, business men are not taking sleeping pills to get away from financial trobles. It's not like it was in 1929 when interest rates had soared to over 6% and many businessmen were in the stock market—overbought and undermargined. The slightest drop in stock prices provoked margin calls. The executive was more concerned with the stock ticker than with getting new business.

Now, in spite of a record volume of business, most corporations are comfortably fixed with cash and other current assets. They're not overloaned. They're not in danger of running out of money.

Working capital of all corporations has risen from $90,000,000,000 in 1952 to $108,000,000,000, which makes it comfortably easy for businessmen to handle the increased dollar volume of goods and services in the U. S.—$345,000,000,000 in 1952 and $424,000,000,000 last year. Net working capital represented 26.1% of GNP in 1952. It's 25.5% now. Not much change. The ratio of current assets to GNP is down from 54% to 51.6%. This is offset by a lower current liabilities ratio — from 27.8% to 26.1%.

That goes far to explain why higher interest rates have not forced a reduction in the total volume of plant and equipment expenditures. Roger Blough, of U. S. Steel, for example, points out that his company expects to add a million tons of capacity a year for the next two decades. He says the entire industry will have to increase capacity 37½% by 1975. That, in the face of recent declines in steel production, notably sheet and strip. The problem, argues Blough, is not "temporary drops," but relentless long-term demand.

That freedom from financial pressure also explains the expansive attitude of industry generally. The SEC Department of Commerce survey on plant and equipment expenditures indicates that 1957 outlays will be greater than 1956, though at a slackening rate. However, once again the figures may be an under prediction. The Federal Reserve Bank of Philadelphia made a survey of companies in the Greater Philadelphia area last Fall—in October. They indicated their capital investments would be up 13%. In March, the survey was repeated—for a quick recheck. This time, the expectation was that outlays would be up 20%.

Money is looser than at the beginning of the year. The Reserve Board will certainly keep it loose enough for business to be able to maneuver. Consumer pressure for goods and services seems likely to enter a new phase of expansion later in the year. Hence, my conclusion that the conditions for prosperity are present—available money, money for business and available income for consumers. Hence, too, there will be no near-term slackening in business expenditures.

What's more, expanding government spending — Federal, state, and local—gradually will uptilt the economy, gradually will work it out of its present production lull.

By GEORGE A. RENARD

Associate Editor for Purchasing Economics, The Journal of Commerce, N. Y. City

Mr. Renard sees close balance in current economic picture; believes rigid cost components bar sharp price declines while competition bars sharp price advances, and welcomes "rolling adjustments" as improvement over perpetual boom - and - bust pattern. Stresses need for flexible and adjustable purchasing policies.

An amateur finding himself tangled with such acknowledged experts, in this four-star presentation of their future forecasts and former failures, should plead the fifth amendment.

G. A. Renard

In my ear-to-the-ground research, I find considerable difference of opinion as to whether business is good but not buoyant . . . or buoyant but not good.

The economic extrapolators find only minor storm warnings in the statistics. The statistical interpreters expound on the maladjustments and, in general, conclude that the over-all economic conditions are too robust to be rapped.

The average businessman is probably like the fellow on a picnic in the woods with a dreamboat. The day was perfect, and the gal had everything . . . but, he spent all his time fanning flies off the potato salad.

Business, if anything, has been **too good** . . . too long . . . for its own good. A slowdown in business expansion, and in the galloping costs and prices that have accompanied it, should be welcomed. Much of the expansion in business and the escalation in prices was sparked by war emergencies and defense preparations. I believe those hazards and tensions are actually tapering off, with the Russian planners realizing they have bitten off more than they can chew.

I believe that some rigid cost components will keep prices from **declining** too much . . . too soon. I believe that the trend of production and competition will keep prices from **advancing** very far . . . very soon—and that the longer trend will be downward.

The rolling adjustments that we have experienced in our economy are certainly an improvement over the former feast-and-famine rhythm of boom-and-bust; but, if we insist on perpetual boom-and-expansion — must of it built on artificial demands—we can hardly fail to get our hair curled.

I would say it is foolish to worry too much about the long-term trends that are probable or possible, but certainly unknowable. With few exceptions, inventory and purchasing policies are short-term, local problems . . . closely related to budgets and balance sheets. If you can call the turns six months in advance, you can become a purchasing whiz on the management team.

But, watch your step. Under the present pattern of rolling adjustments with an overall sidewise movement, the recognition accorded to and responsibility imposed upon Purchasing on the Management team are expanding.

Purchasing is the interchange between the money of the company and the materials and supplies required in its operations. So, prices become the rate of exchange.

One knows from experience that prices are not moving uniformly. In fact, the rolling adjustments in prices and inventories are a major factor in these widely-publicized rolling adjustments in our economy. That means purchasing policies for various materials must be flexible and adjustable to rock with the rolls. That responsibility is one that cannot be turned over to electronic computers and it can't be handled by automation. It calls for up-to-the-minute factual information on supply-demand-price relationships on the commodities YOUR company uses, so that you can feed current purchasing advice to the management team.

By H. E. LUEDICKE

(Panel Moderator)

Editor and Economist, Journal of Commerce, New York City

Moderator Luedicke finds panel in agreement that near-term outlook is promising, with opinions varying merely in degree of optimism. Longer-range outlook held clouded because of uncertainties surrounding future inflationary trends. Acknowledges panel's concern over profit-squeeze danger, but concludes there is still no unanimity over advisability of early change in credit policies.

The most difficult part of a moderator's job, in summarizing a star-studded meeting like this one, is to determine whether something like a consensus, on the outlook, emerged from the proceedings that is valid and specific enough to serve as a guidepost for those who come to the meeting not only to be entertained, but looking for assistance in crystallizing their own views.

Heinz E. Luedicke

The differences of opinion among the panelists, it seems to me, were in the degree of bullishness rather than between bullishness and bearishness.

The views on the second half of 1957 ranged from marked confidence, to a wait-and-see approach; but there was significant unanimity in the belief that no accelerated decline is likely from current levels because the current "lull" has brought about some significant corrections in the imbalances that were the inevitable result of the 1955-1956 phase of the postwar boom.

No similar unanimity unfolded in the panelists' views on the likely pattern for 1958-1959, however. Actually, there was a marked reluctance to look that far ahead at this time which left me, for one, with the uncomfortable feeling the panel does not believe that there will be anything like a straight line from the current level of business to the "golden harvest of the mid-sixties" about which Martin Gainsbrugh spoke so eloquently.

That intervening decade is going to be a period marked by great "challenges." Perhaps the most significant of all will be the fate of inflation. Much will depend on the outcome of, or the vascillations in, the current controversies over the trend in government spending, the next major move in credit policies and the wage-price spiral.

Professor Wolman thinks that continuance of the wage-price spiral is to be expected. Even George Renard and Martin Gainsbrugh, who both stressed the current "lull" in inflation, shared Dr. Wolman's apprehension over the basic inflationary trend.

Mr. Livingston's belief that American industry now enjoys "freedom from financial pressure" did not hide growing concern over a progressive profit-squeeze. If trouble comes, it is likely to come from that front. Consequently, there was not too much elation over recent upward revisions in corporate profit estimates by the Council of Economic Advisers although any slowdown in the profit-squeeze may well postpone the day when temporary cutbacks in capital outlays are deemed advisable. The Conference Board's quarterly series on new appropriations for capital outlays is rapidly becoming one of the key economic indicators although its foreshadowing accuracy still is in the experimental stage.

When economists talk, it is to be expected that part of their time will be devoted to considerations of what "ought to be done" in the field of economics.

At the moment, the big controversial item is what ought to be done about tight money, or to put it more accurately, whether there should now be a change in the credit policies pursued by the Federal Reserve system in order to facilitate an increase in money supply.

Martin Gainsbrugh thinks so; Joe Livingston feels that monetary conditions for prosperity already exist.

If Professor Wolman is right in expecting further wage-price inflation—as I believe, he is—and if the general confidence on the near-term business outlook expressed by the panel is right—as I believe, it is—it would seem that this is not yet the time for a basic change in credit policy—even if there is a growing feeling that some action may be advisable to stem further declines in the field of housing.

Many problems remain that demand your continued attention. George Renard has expressed this with great forcefulness and to the point. But, over-all, this certainly is no time for pulling in one's horns in despair.

New Cornelia Copper Stock Offer Completed

The recent stock offering made through Willis E. Burnside & Co., Inc. of New York City of 300,000 shares of New Cornelia Extension Copper Corp. common stock (par 10 cents) at $1 per share was quickly completed.

The purpose of the present offering is to secure funds to do a minimum of 9,000 feet of diamond drilling on the company's property in the hope of finding a commercial ore body of copper ore, and to pay instalments of the purchase price which will become due in June, 1958, 1959 and 1960. Should an ore body be determined, the results would provide the basis on which to plan further work on the property.

Following the sale of the new stock there will be outstanding 630.000 shares, out of 5,000,000 shares authorized.

The New Cornelia company, organized in Delaware on May 10, 1957, has entered into an agreement to purchase a 75% undivided interest in three patented claims situated about 1½ miles from Ajo in the Ajo Mining District, Pima County, Ariz., commonly known as the Firefly, Firefly No. 1 and Firefly No. 2 claims. The property is in the exploratory stage.

The New Cornelia Mine, owned by the Phelps Dodge Corp., is adjacent to the northeast border of the property of New Cornelia Extension Copper Corp.

With Eastman Dillon

PHILADELPHIA, Pa.—Eastman Dillon, Union Securities & Co., members of the New York Stock Exchange and other leading exchanges, announce that John L. Fearey has become associated with them as a registered representative in their Philadelphia office, 225 South Fifteenth Street.

Mr. Fearey was formerly associated with James H. Oliphant & Co., New York.

Buying Turnpike Bonds

By ROGER W. BABSON

Denying any material distinction between revenue Turnpike bonds and corporation bonds, since both depend upon earnings, noted financial analyst refers to Turnpike bonds' low price and claims their non-tax feature far exceeds the slight risk of declining earnings. Terms investors of taxable automobile stock inconsistent if they refuse to buy non-taxable Turnpike bonds.

Non-taxable bonds are around their lowest prices for a long number of years. As an illustration, State of Massachusetts highly rated bonds carrying the full faith and credit of the State, free of all Federal and State taxes, which sold at par in 1950 can now be bought around 65. This is the lowest price in their history.

Roger W. Babson

This decline is due to the constantly increasing interest rates of the past several years. There is no other logical reason. While the stock market has been climbing since 1949 (when the Dow-Jones Industrial Average was around 165, in contrast to today's level of around 500), bonds have been declining. Yet the bond market is just as susceptible to the Law of Action and Reaction as the stock market. When stocks are clearly in a bear movement and money rates decline, bonds will again go up in price. Therefore, non-taxable bonds may be in the position today that the blue chips were eight years ago when they were selling at a third of their present prices.

Certain banks and other institutions which are large bond buyers state that there are reasons other than increased interest rates why municipal bonds are selling so low. Due to the possibility of World War III, some of the savings institutions have been selling the bonds of large cities, especially industrial cities which could be targets for bombing. At the same time, these institutions have found it very difficult to sell the unlisted bonds of small cities and towns, even though they are perfectly safe and yield around 4% income-tax-free.

What About Turnpike Bonds?

I believe Turnpike Bonds should be a logical exception to the above situation. They have both security and marketability. The conservative financial institutions say they do not like them because they are revenue bonds, dependent upon the earnings of the turnpike. **Yet, every corporation bond is a revenue bond,** depending upon earnings. The non-taxable feature of turnpike bonds, however, far exceeds the slight risk of declining earnings. I admit that with rationing of gasoline in the event of World War III, turnpikes would **temporarily** be in trouble; but so would almost everything else. No bombing, however, could materially damage a modern turnpike.

Recently, the Boston & Maine Railroad canceled all its commuter business because of a strike by the maintenance men. It would take a strike of several months' duration by Turnpike maintenance men before their services would be missed. Practically the only necessary employees of a Turnpike Authority are those who collect the tolls. And I cannot imagine these men striking. Turnpikes are therefore less liable than most investments to suffer from labor troubles.

The Automobile Industry

One of today's fastest growing industries is the Automobile Industry, and our turnpikes must prosper along with it. Not only are new cars put out by the millions each year, but boys in a very old Ford must pay the same toll as those riding in new Cadillacs! Everyone wants to save time, and also it is very much safer driving on a six-lane modern turnpike.

These turnpikes can never be built for less than their present cost. Therefore, the government in its new Road-Building Program, should be glad to take over any of these turnpikes and then pay the bondholders in full. I am also told that the present thought in Washington is to spend funds on widening and straightening present two-lane highways to make them four-lane and six-lane roads, rather than putting all the money into new turnpikes. Eighty per cent of the accidents today occur on the ordinary two-lane highways. Furthermore, most of the these accidents occur on unnecessary hills and curves. The most inconsistent investors today are those who are buying taxable General Motors stock and refusing to buy non-taxable Turnpike Bonds!

Continued from page 3

Revenue Bond Financing And Interest Rate Trends

prices for 3% 40-year bonds are shown.

During this period prices for 40-year 3% bonds (based on "Bond Buyer" index) have gone down from about 103 to about 86. This 17-point drop is not an isolated example of violent changes in municipal bond prices within a brief span of time. Witness, for example, drops of 16, 17 and 16 points, respectively, in 1946, 1947 and 1951; also witness rises of 11, 13 and 11 points, respectively, in 1940, 1943 and 1950. (See Chart No. 2.)

Sees Same Influences at Work

So far we have been looking at where we have been in terms of the general municipal bond market. You may wonder whether we have traveled the same or a different route in the revenue bond market. To find this out, let's again rely on "Bond Buyer," which publishes daily the bid and asked prices of a number of revenue term bonds. Recently, we put together in our office an index of the average offering prices of 13 of these bonds, having an average maturity of almost 40 years and an average interest rate of about 3.35%. The index is over-weighted by toll-revenue bonds, because the list of issues quoted by the "Bond Buyer" contains a preponderance of such bonds. However, we all know that the general operating experience with electric revenue bonds has been more favorable than with toll revenue bonds, so, surely, we can concede that this revenue bond index is more exaggerated on the bearish side than would be an index, if available, strictly of electric revenue bonds. Let's plot this revenue bond index on to Chart No. 2, thus making Chart No. 3, and watch how parallel the lines are. It seems to me, from Chart No. 3, to be a reasonable observation that the revenue bond market has been influenced by exactly the same factors as has the general municipal bond market.

From the beginning point to ending point, both indices dropped about 17 points. Whenever one index got off the beam to widen the differential between it and the other index, it was soon radioed back onto the course. (See Chart No. 3.)

By now, I believe, we have done enough looking backward to see where we have been and to observe where we are now. So let's discuss why we went where we did and how we got here where we are.

Discusses Five Influencing Factors

There are, in my opinion, just five fundamental factors, which affect the relative prices, from time to time or as between one bond and another, of municipal general or revenue bonds. These are:

(1) Federal income tax exemption.
(2) Maturity.
(3) Quality and security.
(4) Management and salesmanship; and
(5) Supply and demand.

I do not list above money management by the Federal Government or the Federal Reserve as a separate factor, because it seems to me that money management by the Government or the Federal Reserve has, for some years, been directed toward influencing the fundamental law of supply and demand. Granted, the Government and the Federal Reserve can, and do, exert a powerful influence on that old, unpopular, natural law. However, since the Government stopped pegging U. S. bond prices and except for certain qualitative measures designed to direct money into, or away from, certain channels, governmental money management may be considered from the quantitative standpoint, for our purposes today, I believe, as an important element of the larger subject of supply and demand.

Tax Exemption

As to the first of the five factors, tax exemption, may I cite a few illustrations of its value to issuers of electric revenue bonds. Look back at Chart No. 1 to the years from 1937 to 1945 and recall that during that period income tax rates rose to a distressing extent, corporate rates going from 17% to 40%. Also consider 1950 when rates were raised again, the corporate rate from 38% to 47%, and also 1951 when another increase put corporate rates up to 52%. Just so that you won't think that the 1950 and 1951 tax-exempt bond market changes were caused by over-all interest rate trends, let's look at Chart No. 4 to see what happened to municipal and U. S. Government longest-term bond prices at the time of those tax increases. Municipal bonds went up in price in both cases, while Government bonds were going down. (See Chart No. 4.)

If you were to ask what Federal income tax exemption is worth to municipal officers as issuers of tax-exempt general or revenue municipal bonds, I could not give you a closer answer than "plenty." Trying to isolate and bottle up any one of five fundamental factors is like trying to isolate and bottle up the germ which causes colds. Suffice it to say that, as of June 15, 1957, the general municipal tax-exempt bond market index of "Bond Buyer," as compared to the taxable corporate bond index of Moody's, indicated that tax-exempt municipals might be worth an interest rate about ¾ of 1% lower than the corporate bond rate. Converted to dollar price on 40-year bonds this would be more than 15 points. In 1945 the difference was 1½%, or over 30 points, on a 40-year bond. As supply and demand changes its balance, tax exemption changes its value. What can state and local public officials do about this most important factor of tax exemption which greatly influences the interest rates on their bonds? They can keep constantly alert to any attacks, as they have in the past. I doubt, however, whether any of us want to oppose Federal income tax rate reductions.

Advises Long Term Issues

As to the second of the five factors, maturity, I am sure that you are all familiar with the maturity yield curve whereby, for many years, you have had to pay a higher interest rate on long-term bonds than on short-term bonds and you know that this curve changes its steepness and even its direction from time to time. However, since municipal borrowing has to be patterned to the life of the projects and the revenue potentialities, rather than to the maturity yield curve, we will not try to discuss this factor at length. Suffice it to say that the difference in interest rate today between a 10-year and a 40-year municipal bond maturity is about 4/10ths of 1%, which difference is the least difference during many years. In addition, may I point out that, for king-size issues, public officials might today profit by using long-term, sinking fund bonds, when possible, to tap a broader market. This broader market exists, not only because of the shortage of short-term bank money today, but also because king-size term bond issues can be quoted in the daily newspapers and acquire better liquidity and marketability than serial bonds can ever achieve.

As to the third of the five factors, quality or security, let's rely on Moody's Investors Service which rates municipal bonds Aaa, Aa, A and Baa for degrees of quality and publishes an index of municipal bond yields according to such ratings. Standard & Poor's renders a similar fine service. The difference today between Aaa and Baa is about ¾ of 1% in interest rate, which is about 15 points on 40-year bonds. Over the years this difference has varied widely. Back in 1929, the difference, among 20 large cities, between top prices and lowest prices, was only about ½ of 1% in interest rate. In 1933, when many municipalities were experiencing financial difficulties, the difference, among the same 20 large cities, was 5% in yield. By 1937, when most municipalities had demonstrated their ability to overcome their depression difficulties, the difference closed to 1.2% in yield among the same 20 large cities.

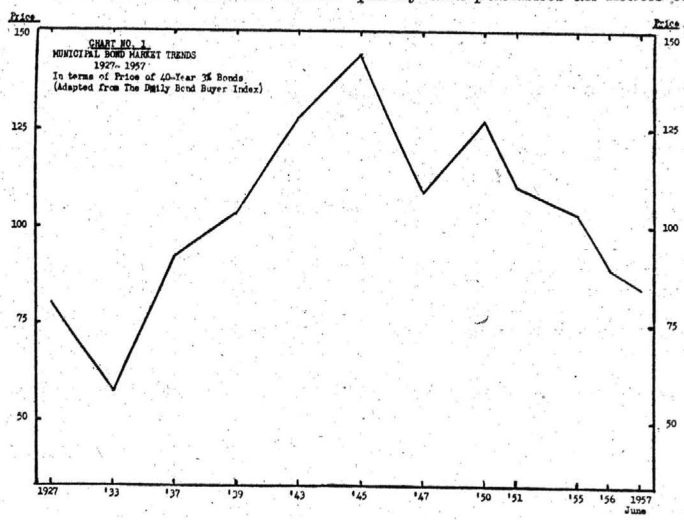
While there are many other elements of municipal revenue bond quality, it seems to me to be proper to state here that public officials issuing revenue bonds can profit in obtaining lower interest rates on, and higher prices for, their bonds, by following the best available advice and copying the most outstanding examples to build quality and security into their bond issues. While cutting the corners to outwit experienced banking and legal advisers may appeal to some bargain hunters, or publicity seekers, it should be characterized as penny-wise and pound foolish.

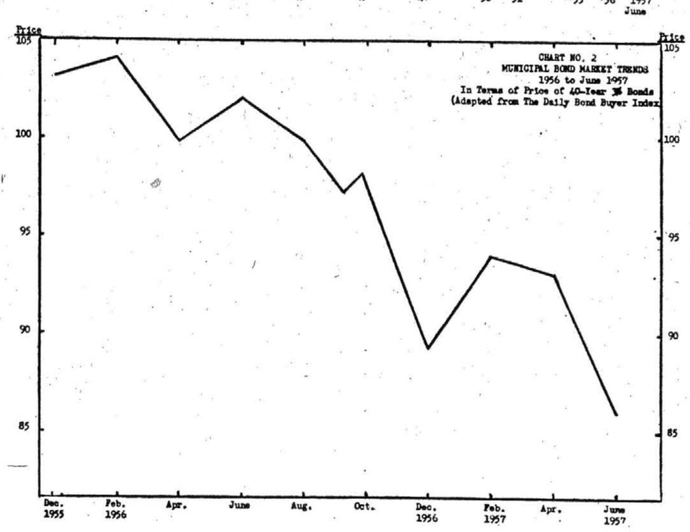
Cultivate Customers and Dealers

The fourth of the five factors, management and salesmanship, probably should be classified as an element of quality or security. The progress made in the last 10 or 15 years by public officials in financial management and financial salesmanship of electric revenue and other revenue bond enterprises has been most heartening to investors and dealers. Just as they take great pains to serve their local electric customers, just as they promote the local sale of electric appliances and just as they have great concern about the problems of their local electricians and appliance dealers, so should they serve and promote their local and national bond customers and have concern for their local and national bond dealers. It will profit them proportionately.

Bond investors and dealers require frequent, complete and easy-to-read reports; also they need copies of news releases and customer-sales literature. Officials should build up their financial mailing lists; call on their bondholders and their bond dealers; be accessible for their inquiries; give them service and salesmanship with a smile.

When they have a new bond issue problem, they should call in financial, legal and engineering experts, accept their professional advice, after making sure of their integrity, ability and lack of self-interest, and pay them for their help. Publish accurate, complete and business-like Official Statements describing new bond issues. Spend a little money on bond sale promotion, just as on Kwh sales promotion, and get an even better run for one's money. Try to achieve a situation whereby bonds





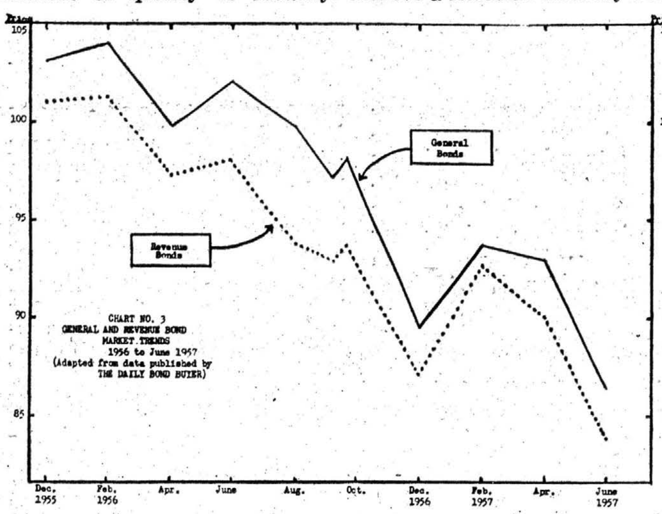
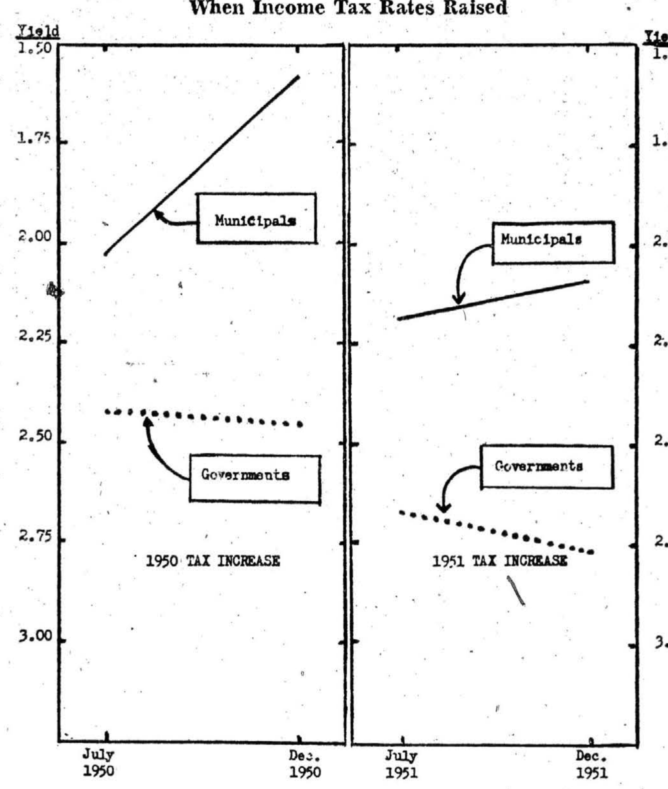


CHART IV
Contrary Trends of Municipal and Government Bond Markets When Income Tax Rates Raised



will go up in price after issuance, an achievement which will pay big dividends on future issues. This factor of management and salesmanship can not be bottled up and price-tagged, but it is the one of the five factors which is most under issuer's control to do something about and many are already doing a very fine job.

The fifth and most violent of the five factors is supply and demand, including the influence thereon of money management. Back in 1937 to 1939, the municipal bond market, it seems to us today by hindsight, was sailing along with the breeze, pitching and rolling moderately with the tide and the waves of temporary unbalance of supply and demand and comparatively moderate tax increases, but returning to a reasonably consistent keel. During these same 1937 to 1939 years, longest-term U. S. Government bonds, after adjustment for the 17% to 19% corporate income tax rates then in effect, yielded about ½ of 1% less than municipal bonds. The approximate annual volume of issuance of municipal tax-exempt bonds then was $1 billion.

But along came World War II and the drying up of the municipal tax-exempt bond supply to about one-half billion dollars per year, a large part of which was for refunding purposes met by replacement demand. At the same time U. S. Government debt was being enormously increased. Despite all money management, which kept Government bond prices rising, the short supply of, and great demand for, tax-exempt bonds, when the corporate tax rate had gone from 17% to 40%, caused a picture which, by hindsight, seems ridiculous today. During the period 1943 to 1945, longest-term U. S. Government bonds, on average over the period, after adjustment for the 40% corporate income tax rate then in effect, yielded about 1/10th of 1% more than municipal bonds.

Pent-Up Municipal Spending

Then came, after World War II, necessity for local governments to recognize the demands of local citizens for public improvements long delayed by the depression and the war, a demand made overwhelming by the rapid increase in family units, new housing, new ideas for better living and increasing ability to pay taxes and service charges. This demand for public improvements, coupled with rapid advances in construction costs, caused the one-half billion dollar annual supply of tax-exempt municipal bonds prevailing in 1945 to rise in six years to $3 billion in 1951 and to rise further in six more years, apparently, to $7 billion in 1957. U. S. Government bonds of longest maturity, after adjustment for the 52% corporate income tax rate now in effect, yield about 1½% less than municipal bonds. The "Daily Bond Buyer" index is the source of above municipal bond price data.

This history may be summarized as follows:

1937-39—1 billion supply—Municipals=tax-adjusted Governments plus ½ of 1%.

1943-45—½ billion supply—Municipals=tax-adjusted Governments minus 1/10th of 1%.

1957 —7 billion supply—Municipals=tax-adjusted Governments plus 1½%.

As the supply of municipal bonds has vastly multiplied in recent years, so has the supply of other types of need for long-term credit. The total demand for long-term credit versus the total supply of money available for long-term loans, of course, is a part of the story of the effect on municipal bond prices of that old, unpopular, natural law of supply and demand. Early in 1957, an estimate was made by Girard L. Spencer of Salomon Bros. & Hutzler, which I am taking the liberty of summarizing as follows:

	Billions
Demand for Long-Term Investment Funds—	
Municipals	$6.2
Corporate	10.3
Mortgage	24.5
Total Demand	$41.0
Supply of Long-Term Investment Funds—	
Replacement Money	$15.2
New Money	24.7
Total Supply	$39.9
Deficiency of Funds	$1.1

I wish I had a suggestion as to what issuers of electric revenue bonds might do to alleviate this supply and demand situation, so as to obtain higher prices and lower interest rates for your bonds, but I don't. Perhaps, it would be conservative in this state of the market for them to limit bond issuance, when possible, to cash requirements for a relatively short period—say, six months—and to stretch out the financing of construction projects over as long a period as cash needs will permit.

We have now discussed factors which have affected prices of bonds by many points, resulting in interest rates being more than cut in half between 1935 and 1945 and then more than doubled between 1945 and 1957.

Charges False Propaganda

Now to comment on an alleged factor which would not affect bond prices or interest rates in the slightest.

Forty-eight commercial banks, or rather the men who have jobs in the bond departments of those banks, have been representing that, by granting them permission to bid on revenue bonds, such interest rates would be improved. This allegation is completely innocent of the economic facts of life. Regretfully, however, some public officials have been taken in by this propaganda, including last year's convention of this association.

Dealers, or bond departments of banks acting in the capacity of dealers, do not make the market for bonds—investors make the market and fix the interest rates. Dealers only try to gauge what the market is. On the 100 municipal bond issues for which Lehman Brothers has most recently bid competitively up to June 13, the average difference between the first bid and the second bid has been less than 3/100 of 1%. Maybe the men in the banks can gauge the market better, so that they can cover the second bid by less than 3/100 of 1%, but you can be sure that they are not going to cover the second bid by 4/100, at least not on purpose.

When there is an over-supply of hogs, the price of hogs will not be affected by putting banks in the packing-house business. Packing houses do not make the market for hogs, because they don't eat the meat. The housewife makes the market, because she buys the pork chops.

What's the difference in principle with bonds? None. Dealers and bond departments of banks do not make the market for bonds, because they don't keep the bonds. The investor makes the market, because he locks up the bonds in the safety deposit vault.

Finds Conflict of Interests

Since the bond departments of banks are not giving reasons based on the economic facts of life for their going into the revenue bond business, the question should be decided on the basis of public policy as to the propriety of banks of deposit taking underwriting risks in the roller-coaster market described today, as to the conflict of interest between bond department activities and trust department activities and other such considerations of general public benefit, all decided against the bond departments of banks by Congress in 1933.

Going back to the subject of supply and demand and further illustrating who makes the market, let's consider the relationship of dealer inventory to bond market trends. During the last year and a half, inventory of municipal bonds carried on dealers' shelves has four times reached a peak of about $300,000,000 to $350,000,000 and four times dropped to a low of about $125,000,000 to $150,000,000. These figures are taken from "The Blue List" of current municipal offerings. During this same year and a half, the municipal bond market has trended downward severely. However, during this period, the market has had four rallies lasting for between three and six weeks and four slides lasting for between 10 and 16 weeks.

How have the peaks and valleys of dealer inventory and the peaks and valleys of the market coincided or criss-crossed. This is shown in Chart No. 5. Notice on the chart that each rally was soon followed by an increase in dealer inventory. This portrays the fact that investors slowed up their buying of bonds as prices were marked up. Also notice that dealer inventory did not decline until sometime after prices were marked down. This portrays the fact that investors did not step up their buying of bonds until prices got down to a level satisfactory to them.

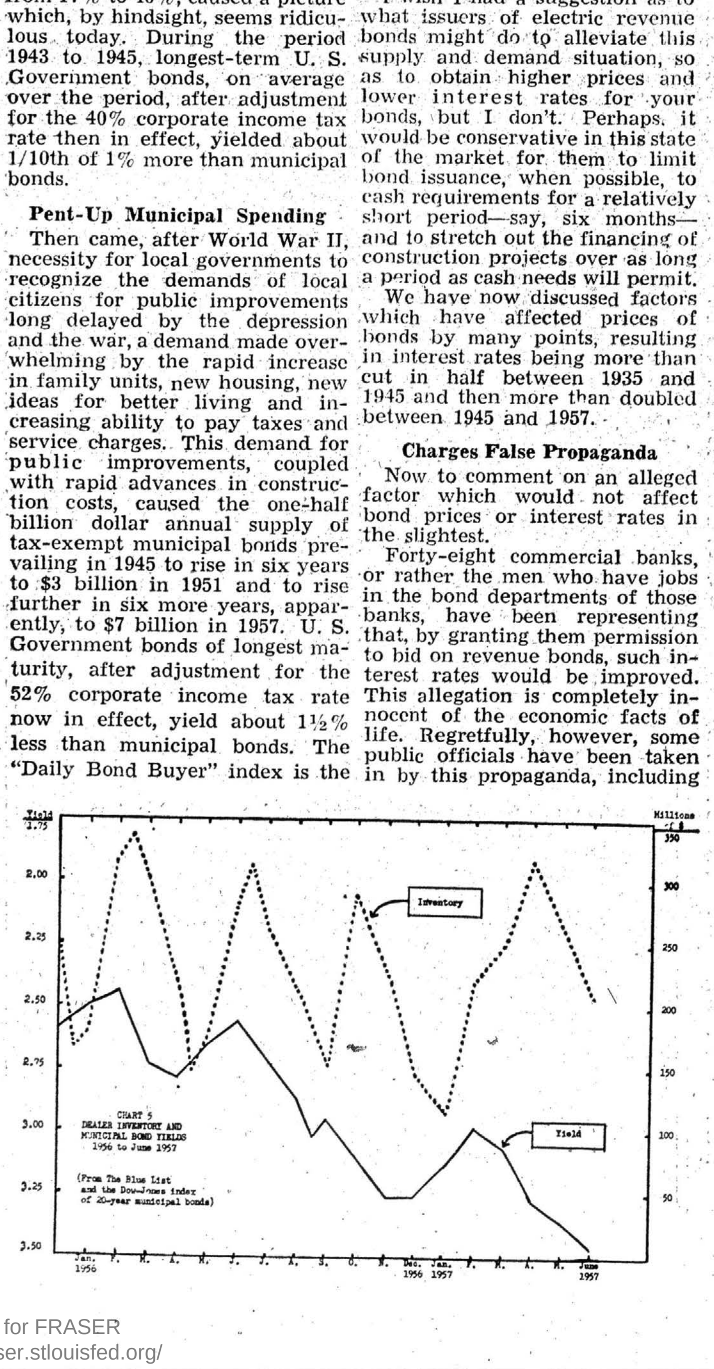
Investors Determine the Market

As a whole, the chart demonstrates that investor demand rules the market and that dealers are only trying to find the price level at which investors will buy.

Bond issuers, by closely watching the short-term cycle; illustrated by the chart, can sometimes catch the market when it is temporarily on the rise, but many feel that they should not gamble on the market by postponing bond sales when they need the money.

To summarize, five fundamental factors affect interest rates and the best answers I know for each are as follows:

(1) Tax exemption: Be vigilant.
(2) Maturity: Be accommodating.
(3) Quality: Don't cut corners.
(4) Salesmanship: Stay on the ball.
(5) Supply and demand: Be conservative and try to pick your spots.



Are We Trying To Do Too Much, Too Fast?

By WILLIAM A. McDONNELL*

Chairman of the Board, First National Bank in St. Louis, St. Louis, Missouri

Prominent St. Louis banking head questions the speed of our economic growth rate in pondering our persistent failure to solve the country's number one problem of price inflation. Mr. McDonnell contends credit is "available to finance the economy at its present high plateau" but suggests the need to slow down the expansion rate until savings catch up with long-term capital demand.

The economy of this country is at a very high level. We have practically full employment of the labor force, and we are turning out a gross national product on an annual basis of some $430-$440 billion. In my opinion, there will be a sufficient supply of loan funds available from banks, insurance companies, and other lending institutions and pension funds to continue to finance the economy at this high level.

W. A. McDonnell

During all this period of so-called "tight money" that has developed in the last 18-24 months, there has been no shortage of credit for consumer loans and the ordinary current operations of business and agriculture. The shortage or tightness has been in the area of credit for capital expansion, especially plant expansion and to some extent in the field of housing. The demand for capital loans has outrun the accumulation of savings. This is not because savings have fallen off, but rather that the demand for them to finance expansion has skyrocketed. As a matter of fact, the American people are saving at an unprecedented rate. If you define savings as the amount by which Disposable Personal Income exceeds Personal Consumption Expenditures, savings are currently running at an annual rate exceeding $21 billion (7% of Disposable Personal Income) which is $1 billion more than last year and $9 million or 75% more than that in 1950.

That amount of savings will finance a great amount of capital expansion and is doing so. The demand for savings, however, is increasing faster than they are being accumulated. New corporate securities offered in the first quarter of 1957 total $3.6 billion. This exceeded last year's offering for the same period by 60%. Municipal bond offerings for the same period were $1.7 billion, up $200 million over 1956.

Preserving the Dollar's Integrity

With this excessively heavy demand for capital funds, interest rates have naturally been steadily creeping up as a result of the law of supply and demand. The Federal Reserve Board did not cause this increase in interest rates and the present tight money situation as some politicians, labor leaders, and even some businessmen have charged. The shortage of funds is the result of nation-wide overspending in relation to savings. Federal Reserve monetary policy has been primarily concerned with preventing an undue amount of commercial bank reserves from forming the base for non-liquid capital loans in our banks. The policy of the Board is being called a *tight* money policy; a better term would be a *sound* money policy. It is trying to preserve the integrity—the purchasing power—of the dollar.

The number one economic problem of this decade—indeed, of this generation—is how we can live *with* prosperity *without* inflation. So far we have been losing this battle against inflation. Taking the dollar in 1933 as a base, by 1945, the end of World War II, the purchasing power had shrunk to 72 cents. By 1951 it was down to 50 cents where it remained virtually stable until last year when it started down again and is now 48 cents. Our basic problem is to prevent a further reduction in the purchasing power of the dollar without seriously reducing general business activity. Obviously, you can't do that by making credit ample to meet all demands at low interest rates.

Summary

In summary, while some lines of business are being hurt temporarily by a rolling inventory adjustment and a shift of consumer demand, total business is at close to record levels. Our economy is still in a dynamic growth trend. There is adequate credit available to finance the economy on its present high plateau, but we are probably going to have to slow down somewhat on our rate of expansion until the savings of our people catch up with the demand for long-term capital.

Our situation reminds me of a man on an automobile tour. When he first gets out on the highway he starts driving at 50 miles per hour. Then that begins to seem slow and he steps it up to 60. After a while that seems slow and he increases it up to 65 m.p.h., and so on until finally he is going at a dangerous speed. We have been riding this boom so long—we have become so accustomed to what we have — that we don't realize how fast we are traveling—in other words, how prosperous we really are.

Maybe it is time to level off for a while and quit increasing speed—not quit growing, but simply quit increasing the rate of growth. There is such a thing as trying to do too much, too fast.

*A statement by Mr. McDonnell at a Chamber of Commerce of the United States conference, St. Louis, June 14, 1957.

With Irving Lundborg

(Special to THE FINANCIAL CHRONICLE)

MENLO PARK, Calif. — William H. Doughty is now affiliated with Irving Lundborg & Co., 1134 Chestnut Street.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

NEWPORT BEACH, Calif. — Ralph L. Lingenberg is now associated with Shearson, Hammill & Co., 3363 Via Lido. He was formerly with Francis I. du Pont & Co.

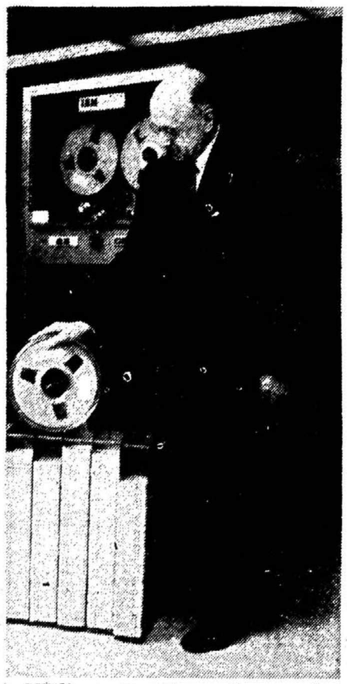
Leo MacLaughlin Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Kenneth M. Dudley has been added to the staff of Leo G. MacLaughlin Securities Company, 65 South Euclid Avenue.

Hornblower & Weeks Installs Magnetic Tape

The first tape-operated electronic data processing system to be installed in the investment banking and brokerage field has



William R. Rovensky, senior partner of Hornblower & Weeks, holds a reel of magnetic tape containing factual data which once required 27,000 punch cards to record.

been placed in operation at the offices of Hornblower & Weeks, 40 Wall Street, New York City. The new system, an IBM "Tape 650" data processing machine, is being used to prepare monthly statements of account for Hornblower & Weeks' customers. While well over 500 of IBM's punched card-operated 650's have been installed both here and abroad, only a small number of the new "Tape 650" systems have been placed in operation.

Hornblower & Weeks' new electronic accounting system features a prodigious memory in the form of magnetic tapes which makes it possible to store an almost unlimited volume of information from which customer statements and other data can be reproduced with great rapidity. As an example of the new "Tape 650's" speed, monthly customer statements that formerly took 60 hours to prepare by previous mechanized accounting methods are now turned out in only 16 hours on the new machine.

National Telefilm Associates Securities Publicly Offered

An underwriting group headed by Cruttenden, Podesta & Co., Cantor, Fitzgerald & Co., Inc., and Westheimer & Company on July 2 publicly offered a new issue of $5,000,000 National Telefilm Associates, Inc., 6% sinking fund subordinated notes with common stock purchase warrants. The offering also includes 350,000 shares of 10-cent par value common stock at $7.75 per share.

The notes, which will mature June 15, 1962, are priced at 100% plus accrued interest from June 15. The warrants are exercisable Sept. 2 and entitle the holder to purchase 100 shares of common stock for each $1,000 of notes held, at $6.75 per share through June 15, 1958, and at increasing prices through June 15, 1962.

Approximately $5,000,000 of the proceeds will be used to retire outstanding indebtedness. The balance of approximately $2,000,000 will be added to working capital for general corporate use, the company said.

National Telefilm Associates acquires and distributes motion pictures film for exhibition on television. Feature films, short subjects and film series are licensed to television stations, advertisers and TV networks. Principal offices are in New York City and seven regional offices are in major cities from coast to coast.

Net earnings in the nine months ended April 30 were $818,592, as against $191,397 in the first three quarters of fiscal 1956, and as compared with earnings of $441,877 in the full 12 months of fiscal 1956.

McKendrick, Haseltine & Wilson Formed

MINNEAPOLIS, Minn. — A merger of the investment firms of Johnson-McKendrick Co., Inc. and Haseltine, Gilbert & Wilson became effective July 1, 1957. The name of the new firm will be McKendrick, Haseltine & Wilson, with offices at 114 South Ninth Street.

The election of the following officers was announced by the directors: Edward J. McKendrick, President; Frank M. Haseltine, Vice-President and Treasurer; Raymond W. Wilson, Vice-President; Luther B. Gilbert, Vice-President and Secretary; Emil J. Johnson, Vice-President.

The company will maintain offices in Minneapolis, St. Paul and Faribault.

So. California Edison 4¾% Bonds Offered

Halsey, Stuart & Co. Inc. on July 2 headed a group of underwriters which offered $40,000,000 of Southern California Edison Co. first and refunding mortgage 4¾% bonds, series I, due 1982, at 100.73% and accrued interest. The group was awarded the bonds July 1 on its bid of 99.83%.

The company proposes to use the proceeds from the sale of the bonds in its construction program.

The series I bonds will not be redeemable from funds borrowed at a lower rate of interest until July 1, 1962, after which they may be redeemed at prices ranging from 104.54% to 100%.

Southern California Edison Co. provides electricity to a population estimated to be over 4,000,000 in portions of central and southern California.

Samuel E. Worms

Samuel E. Worms, partner in Ira Haupt & Co., passed away June 30.

N. Y. Inv. Association Golf Tourney Winners

At the Eleventh Annual Golf Tourney of the Investment Association of New York at the Apawamis Country Club, June 28,

Maitland Ijams

1957, winners of the team competition were Richard Karrenbrock, Blyth & Co. Inc., and Bud Treman, Dillon, Read & Co. Inc., with Gene Cooke, White Weld & Co. (New Haven) and Hank Clifford, White, Weld & Co. runners-up.

Winners of other golf events were—

Grand Challenge Trophy: William H. Todd, II, Kuhn, Loeb & Co.

Runner-Up Low Gross: James F. Burns, Blyth & Co., Inc.

Low Net: Francis P. Gallagher, Jr., Wm. H. Morton & Co. Inc.

Runner-Up Low Net: H. James Toffey, Jr., First Boston Corp.

Best-Ball: W. Knowlton, White, Weld & Co., and H. Harwood, Drexel & Co.

Match Play v. Par: James Carroll, Butler, Herrick & Marshall.

Fewest Putts: Wm. S. Goedecke, Smith, Barney & Co.

Nearest to 16th Pin: William Cullen, Carlisle & Jacquelin.

Longest Drive on 10th: Edward T. Shean, Lazard Freres & Co.

Longest Drive on 14th: John R. Loomis, First Boston Corp.

High Gross: Wm. Mavo-Smith, Merrill Lynch, Pierce, Fenner & Beane.

An hour and a half golf clinic was held by "Light-Horse" Harry Cooper, twice Runner-Up in U. S. Open and co-holder of 286 which for years was lowest U. S. Open Score (defeated in play-off).

The Golf Committee wishes to express its appreciation to all IANY golfers for the reasonable fast play — and "gamesmanship" in taking the "generous" house odds on betting holes and in the chipping contest.

Maitland Ijams, W. C. Langley & Co., is President of the Association.

Richard Harrison Adds

SACRAMENTO, Calif.—Darrell J. Dettling is now with Richard A. Harrison, Inc., 2200 16th Street.

Continued from page 18

The Tremendously Expanding Business Activities of Women

ployee in your office. Every employee in his clubs, his home, among his neighbors, and the stockholder, too, should boast of his company and if its officers are doing a splendid job, help them by telling others about it.

We must be realistic enough to realize that our individual progress is definitely tied to the success of our agencies and companies.

Unfair competition and unfair practices must be met by a strong determination to root out such deterrents to the organization to which we have grafted our future hopes and ambitions. The future is bright and those fitted for executive positions will be sought from the rank and file. Just as industry, as never before, is advertising, exhorting, preaching the need for education required for future engineers — so insurance business, with the new policies, new fields, new and enlarged organizations, is sounding the call for office girls to become stenographers and clerks moving on to become accountants and managers of groups rising to the upper echelons of business.

But these prospects are not for the disinterested. Our business needs working idealists who can visualize the future. We must give credit to the position of our agents and brokers in their communities, their activities in civic affairs and the professional part they play as skilled advisers in life, health, casualty, fire and allied lines of insurance. Our people must see in the companies themselves, the marvelous organizations they are. It is not the giant marble and granite buildings that rear their towers into the sky, the beautiful lawns and shaded walks that surround some of our home offices that make them important. Without people they would be fit only for mausoleums to house the remains of the great and near great. Within those walls, men and women work with the synchronization one finds in the engine of a mighty ocean liner or a giant plane.

Statistics are dry and at times have little comprehension to listeners, but to those who plan ahead, the future population and its requirements are almost beyond one's wildest imagination and what they tell us about houses, automobiles, roads and a thousand other things indicates an accompanying need for insurance. Millions of new babies are prospects for life insurance, the houses they are born in, will be covered by home owners policies with full coverage for real estate and personal property. The automobiles they will ride in will be insured and food they eat, the clothes they wear and the goods they utilize will come from factories that carry insurance for buildings, inventories, continuing service, workmen and a host of coverages. Can you visualize the need for insurance companies, insurance agents, insurance brokers, insurance executives, insurance women as stenographers, secretaries, rating experts? The future is limitless. You need have no fear of not being accepted in the market place of responsibility in the insurance field. I am convinced that when women have been subjected to the atmosphere of business as long as men, they will be equal in performing any task that men have been able to perform. In fact this will come in a much shorter period than most of us have anticipated.

Where To Go

If I were to hear the query—"Woman, Where Goest Thou?"—I would answer: "Into the most sacred chambers of business—into the confidence of the highest leaders of business — into Wall Street's financing — into Fifth Avenue merchandising—into the chemical industries' board room—into the advisory councils of railroads and airways, and all our public utilities—into the counting rooms of the banks—yes, and into the plush administrative offices of insurance companies as well as behind the screened officers suites in the agency or brokerage firms' quarters."

Need of Preparation

Now the millenium has not arrived and perhaps I should add that many of our women are not fully prepared for the responsibility of promotion, should it be available. The stage and musical world furnish proof of the need of preparation. The understudy, who faithfully practices the part of the principal, may not succeed to the part she works for, but she is better in her own niche for the effort used. The aspirant for a main part in the metropolitan cast would work exceedingly hard to be ready should opportunity present itself. Many are called, but few are chosen—but those not called are better for the effort toward perfection.

Remember—The race progresses only by the extra achievement of the individual—you are the individual—I remind you of the words of Stella Stuart:

"Behind me is infinite power
Before me is endless possibility
Around me is boundless opportunity
Why should I fear?"

Thus I say those who have the spirit of success within themselves will succeed. Some years ago in a distant city, I inquired where I could locate a good hairdresser and was glad when I found mystelf in a splendid shop and assigned to a pleasant, capable appearing operator who throughout my stay impressed me with her enthusiasm about the shop, its owner and her associates. I made inquiry, not using the words of my subject — "Woman, Where Goest Thou?"—But simply: "What of your future plans?"

"Oh," she answered, "someday, after I have studied all I can about the business, I may be given an opportunity to move up here, who knows, perhaps I may be given a partnership in the shop." That young lady was loyal, had vision, a willingness to make her employer's business popular and profitable and become prepared if promotion came her way.

Let us acknowledge the debt we all owe to our employers—often referred to as "the boss." He is not in a happy position at all times—his worries are many, his problems numerous.

The necessity of providing a continuous flow of business is not easy—the meeting of payrolls is a continuous burden. To him we owe a sense of loyalty that will hearten him on days when he feels low in mind. Our aptitude and attitude toward our work would leave him free to consider the big problems of business instead of being harassed by complaints of poor policy typing, inefficient underwriting, incorrect accounting, impolite or disinterested conversations over the telephone with customers whose premium dollars are the life blood of our companies, our agents and brokers. We all are in the greatest business in the world. Our actions can determine whether or not we will advance, stand still or recede. The determined will to do is the answer. We cannot all be generals, or expect too rapid advancement—the greatest number must be those whose daily work may seem unrewarded, but they are necessary to a strong business structure.

Let us all have faith in the future—I close with a challenge to the women who add their strength to American free enterprise.

Have faith in the future and
what you can do
Have faith in your ardor and
stick to it too,
Have faith in the country,
your country and mine
In all her crises, be in the
front line.
And, too, as you struggle for
glory or pelf
Hold tightly, forever, to faith
in yourself—
So face not the future, with
worry and dread;
Get busy, get ready, good days
are ahead.

Owen Van Camp, V. P. Of Link, Gorman, Peck

CHICAGO, Ill.—Owen V. Van Camp became associated with Link, Gorman, Peck & Co., 208 South La Salle Street, as Vice-President and registered representative on July 1. Mr. Van Camp has long been prominent in La Salle St., and for the past nine years was Vice-President and director of First Securities Company of Chicago. Prior to that, from 1932 to 1948, he was a member of the Chicago firm of Enyart, Van Camp & Feil, Inc. He is a past President of the Illinois Securities Dealers Association.

Owen V. Van Camp

He has long been active in the Olympics and from 1945 to 1953 was Treasurer of the United States Olympic Association.

Miss June E. Carlson has also joined the firm as registered representative, it was announced.

Bond Club of L. A. Annual Field Day

LOS ANGELES, Calif. — The Bond Club of Los Angeles will hold its Annual Field Day on July 12, at the Oakmont Country Club, in Glendale. Competitive events of the day begin at 8:30, when golfers tee off for the handicap tournament.

Field Day Chairman Mark Davids, of Lester, Ryons & Co., states that the greatest membership participation in the history of this annual Bond Club event is expected. A duffer's golf contest has been added this year to the events which will also include tennis, ping pong, horseshoes, and putting. There will also be a swimming and diving exhibition by Olympic stars, and a dinner for all members will conclude this yearly gathering.

Walston Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jack P. Burke is now connected with Walston & Co., Inc., 265 Montgomery Street.

York Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — J. Kenneth Lynch has been added to the staff of York & Co., 235 Montgomery Street, members of the Pacific Coast Stock Exchange. Mr. Lynch was formerly with Harris, Upham & Co. in the trading department.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Life insurance stocks appear to offer better values at this juncture than do fire-casualty insurance issues. This space has consistently opposed the acquisition in investment accounts of fire-casualty stocks in recent months, more because of the timing factor than any other reason. Long term there can be justification and logic in going into this group, but the right time to buy has not yet shown. We have had steadily rising fire losses, and, most important, the incidence of unsatisfactory underwriting results in a large majority of lines written all at once.

Only the investment end of the business of the fire-casualty companies has prospered; and even there the prosperity may be confined to income, for at the mid-year date the New York "Times" stated that, on the basis of the averages, the equity market closed the half at almost exactly where trading started on Jan. 2.

But income from investment was bettered, first because of dividend increases by numerous corporations, and, secondly, because some insurance companies managed to eke out enough from incoming premium volume to be able to add to their investment holdings.

This writer has talked to a number of the investment officials of important fire-casualty companies, and a very general complaint has been that "we have no funds for new investments; the money is all going out to pay claims." And while, of course, there is a measure of exaggeration in this remark, there can be no doubt that a sizable proportion of new premium income is not going into investments.

And now there comes an early hurricane to harass the carriers. True, in this case, much of the loss was caused by flooding, and this is not covered in the general run of policies. But, nevertheless, the wind storm itself caused heavy losses; and we may be sure that there is greater wind storm consciousness among the public since the hurricanes started to stray from their accustomed paths.

Thus, it seems that more time may be given to the fire-casualty companies to prove themselves underwritingwise, and particularly so far as rates are concerned. They have had some rate increases but they have been sporadic.

From the "Times" of June 28 we read: "Another record year is in the making for life insurance companies. For the first half of 1957 purchases of new life insurance totaled $33,000,000,000, 30% above the 1956 period, according to the Institute of Life Insurance." Not only has there been a marked increase in sales of life and of accident and health in recent years so far as individual purchases are concerned, but the total amount of coverage per family unit has been steadily climbing. Mortality experience has been improving, as is evident by the increasing number of oldsters in relation to the total population.

Perhaps as potent a factor in the greater volume of business for the life companies has been the expansion that has taken place in the accident and health and the hospitalization fields. Here, indeed, is an area that will yield large returns in the future. And there are growing ramifications of this business.

As a matter of fact, probably no branch of the insurance business has before it so many avenues of expansion and growth as has the life segment. For example, the current issue of "Best's News," life edition, discusses, "Insuring Dental Care Costs"; mortgage redemption insurance; illness-absenteeism. There are tremendous growth possibilities in the life end of the insurance business.

The life companies have been getting the benefit of higher yields on their bond and mortgage investments, and while they have also suffered depreciation on older holdings, they are very long-term investors whose fixed income media will at some time run off at par.

A factor to watch in the case of the fire-casualty group is the renewed inflation push. Is it again to assume proportions for insurance companies that will have more and more costly claims to pay? If the group again encounters the serious condition it did in the 1940's we still may be some time away from the stocks' turn for the better.

At present, the balance of plus factors seems to be heavily in favor of the life stocks. This, of course, assumes that the better grade and more actively traded issues will be selected. To this column there seems to be little point to acquiring market obscure issues that are usually difficult to trade either way.

With First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Edward E. Chrobot has become associated with First California Company, Inc., 300 Montgomery Street. He was formerly Napa Manager for Hannaford & Talbot.

With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

SANTA ANA, Calif.—Daniel F. Gallivan is now associated with E. F. Hutton & Company, 719 North Main Street. He was formerly with Harris Upham & Co. and Quincy Cass Associates.

Two With Peters, Writer

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Alfred Bergman and Ralph V. Edgar have become associated with Peters, Writer & Christensen, Inc., 724 17th Street. Mr. Edgar was formerly with Mountain States Securities Co.

Continued from first page

Global Stalemate

realized in this country. What incredible efforts had they been making to win the hearts and souls of the neutral, the semi-neutral and the uncommitted world, to pave the way for subversive popular fronts in the democracies, and to weaken the political resistance of the West! They gave up Austria and Porkala, offered trade here and credit there, relaxed on the police state methods, promised "free" discussion, and so forth. The progress they had made was truly impressive, too. It was highlighted by the Geneva Conference of August, 1955, which looked almost like Mr. Eisenhower's Munich; by the enormous popularity of the traveling B. and K. couple, feted and applauded by the mobs all the way from Switzerland to Burma and Indonesia. In the Middle East, the two stodgy Bolshevists became the symbols of peace and justice. Moscow's peace offensive put Washington on the moral defensive even on this side of the Iron Curtain. All of which has changed abruptly, thanks to the valiant Hungarians. All on-the-spot observers agree that the optimism the Kremlin was exuding has completely evaporated.

By this time, Russian prestige has hit a 14-year low. Hence, their nervous, clumsy diplomatic maneuvers. Hence, also, the threatening tone they use lately to frighten the countries of the Atlantic and Baghdad Pacts, which does not seem to cause sleepless nights even to such would-be neutrals as the Scandinavians and Icelanders. The noisy coexistentialists have become very tight-lipped; the Communist parties of every western country have taken more than ideological beatings.

As a French observer, and a neutralist at that, remarked: "Eight days of fighting in the streets of Budapest against a unanimous nation sufficed to destroy the patient efforts of Stalin's heirs to convince the world of their good intentions. Yesterday, foreign diplomats were stepping on each other's toes at the Kremlin; the competition for the honor of receiving B. and K. was keen. Today, the latter must consider a visit to Helsinki as a success. Marshall Zhukov, sent to New Delhi to the celebration of the Indian Republic, made every effort to give this state visit a political significance. He was cold-shouldered by the officials as well as by the press of India."

The reconciliation offered to Tito has as little success as had Bulganin's letters to Adenauer. Russia's disarmament proposals, once eagerly sought, are now received with undisguised suspicion. Guy Mollet of France has not even informed the Russian envoy of a plan for Algeria that was communicated to every other ambassador in Paris—to mention a few symptoms of the diplomatic isolation into which Moscow has fallen.

The Unruly Satellites

Most remarkable is the decline of Russia's ideological supremacy within her own orbit. Accepting Tito's slogan about different roads leading to socialism was meant originally as a gesture to appease the Yugoslav dictator. The difference in "roads" turned into a headache of the first order. Not only Poland and Hungary, but even Czechoslovakia and Rumania are boiling with resentment against the Soviet's tyranny. Who would have expected that they may need the moral support of Mao—in Europe? That is exactly what happened: as an authority on Marxism Chou En-lai had to be sent to Warsaw and Budapest in support of Russia's socialist reputation!

This was the first time in all history that China has taken a direct and active part in intra-European affairs — some reversal from Europe's colonial expansion!

In the bolshevist world, ideology is closely interwoven with power problems and economic interests. So in the relation of the satellites to the "socialist fatherland." The damage done to Russia by the unrest in Central Europe transcends by far the $2 billion direct cost estimate by Continental experts; in fact, it is immeasurable. The resistance of the Poles and Hungarians shook Moscow like an earthquake from which it may not recover for a long time. It hurt more deeply the self-confidence of the Communists than anything has since 1941. They counted on the Marxian loyalty of the satellites as a justification, at home and abroad, of their brand of social ethics. What is more, they counted on it for 100 divisions, offsetting the war potential of Europe. Never have 100 divisions been wiped off the map in shorter time, or more thoroughly. From here on, any satellite—and some Russian! — divisions must be counted as potential enemies of Russia who have to be disarmed in case of a war. And, more troops of the reliable kind will be needed to quell revolts.

The economic consequences are even more painful. Russia was literally living on the "fat" of the satellites; presently, she has had to cancel all claims against them, incur responsibility for their commercial debts to the West, and actually come to their aid—as far as her own limited means permit. That brings us to the core of the Soviet's troubles.

Crisis in Utopia

The trouble and tension in the satellites is only one of several critical factors confronting the Kremlin.

Literally, Russia had been reconstructed after World War II by ruthlessly exploiting the natural resources, equipment and manpower of 95 million Central Europeans (plus American lend-lease, also reparations from Austria, Finland, Italy, etc.). That is the "secret" of bolshevist progress! With the termination of this process of rob-thy-neighbor, the Soviet economy is in great difficulties. On its own power, it is not capable of maintaining its high rate of investment, in capital goods industries and military preparations, still less of raising the extremely low mass living standards. At home and abroad, it is forced to relieve itself by defaulting on its obligations. In Utopia, as elsewhere, large-scale bankruptcy reflects basic economic maladjustments. The great crisis that was expected all these years to visit Wall Street, is descending on its ideological antagonists.

For one thing, the ruble had to be devalued again, the second time in as many decades. To understand this measure, one should remember the independence of the Russian economy and price structure from foreign trade, making foreign exchange rates a matter of relative indifference. (The Soviet Bloc's total foreign trade, within or without, is scarcely 15% of the West's trade.) Also, one should bear in mind the insistent claim of the Russians that theirs is a pure "gold standard." Evidently, the domestic inflation must have gone a very long way toward forcing the Communists to swallow such unpleasant medicine. A long-winded inflationary process had to be recognized and its results legalized, a preliminary step toward a new stabilization attempt.

To stabilize, the all-embracing national budget has to be balanced, of course. That is exactly what the Soviets are trying to do by the cheapest of tricks: by defaulting on two-thirds of the huge national debt, on the forced savings, robbing the Soviet citizen of his savings. To make the measure palatable, the simultaneous ending of the collection of forced savings is decreed soon to be replaced by some other kind of levies, presumably.

Reneging on foreign commitments belongs in the same chapter. Only a short time ago, we still were warned by Washington authorities that Russia may become a highly dangerous competitor to our exports, even to our give-away programs. Presently, she has had to default on a $300 million loan to Tito; and one hears no more about the huge steel mill she was to put up in India. In fact, the Kremlin is hard put in the "competition" for who-is-bribing-whom in Asia and the Middle East, unless it digs deep into its gold hoard (reluctantly, though, waiting as it apparently does for fresh devaluations in the Free World to boost the dollar and pound sterling proceeds from gold sales). Even Soviet military hardware is available abroad in trickles only. Nasser's equipment, other than airplanes, stemmed largely from another source. The vast volume of munitions which the Israelis captured in Sinai had been left there by the British when they quit the Suez Canal.

Socialism and Inflation

Basically, the Soviets' problem is identically the same as the one with which the Welfare States of Europe are struggling: perpetual inflation. The difference is in technique and degree rather than in principle. There is this difference, however: in the West, the organized labor-farm pressure groups are the (temporary) beneficiaries; in the East, the bureaucracies and what the Communists call the "speculative elements"—the black marketeers. The latter are officially recognized as an irreplaceable pillar of the socialist economy.

Inflation has reached the stage in Russia where it makes the rational management of production as well as of households virtually impossible. Especially, it undermines the mores—the ethical standards—of a nation, the economy of which is based on substituting the intangible "common good" in the place of private benefits. The lack of incentives is compounded not only by excessive bureaucratism, but also by a sense of insecurity and injustice. The result is near-chaos that explains the need for the drastic, "revolutionary" reforms imposed within the last few months. The denunciation of Stalin and of his police state was to bring about political and legal security, restoring the Rule of Law, also a measure of individual freedom, as if Freedom were a cake that can be handed out in slices. "Decentralization" of a fantastically complex and clumsy administration was to restore productivity. But of course, the more the system changes, the more it remains the same. The all-pervading inefficiency—that does not exclude high achievements in some fields, such as aeronautics and atomic industry—persists, and so does inflation. All that is accomplished is more disaffection, more unrest, a growing shortage of labor — and a tightening of Khrushchev's grip over the Soviet economy.

Labor shortage is the Number One bottleneck of Soviet production. For a long time, low productivity per man has been partially offset by tapping Russia's immense human reservoir. But now, the bottom of the manpower barrel is being scraped. The reckless squandering of human life by mass-starvation and wholesale execution, to say nothing of the wartime losses, could not fail to affect—to stop or greatly reduce—the growth of population. The load of heavy work put on women is not conducive to higher birth rate either, but rather to juvenile criminality that is rapidly increasing since the last war.

The Russian Malaise

The list of troubles besetting the Soviets would not be complete without reference to the intellectual current sparked by Khrushchev's famous speech fifteen months ago, unmasking the great Stalin. An unprecedented political surgery was necessary in order to reassure the Russian people and even the bureaucracy that the Rule of Law had been re-established, that Socialism is not identical with arbitrariness, assassinations, prison camps, etc. If Messrs. Khrushchev and Co. had a clear idea of the consequences, they certainly would not have done such a thorough job of compromising their own system. It was no news to the Soviet public, least of all to the bureaucrats, that legality or even simple decency mattered little to the defunct dictator. They were accustomed to one bigwig assassinating the other and extorting from him incredible guilt admissions. This time, however, the system itself was put on trial, not just individuals; the whole history of bolshevist rule was condemned rather than occasional or temporary aberrations. The unavoidable but unforeseen result of the frank disclosures was a shock to the **loyalty** of the Soviet masses. Things began to happen that were not thought possible before, such as a major strike in Moscow—ending with the complete acceptance of the workers' requests!

The Hungarian revolt was the next blow to that loyalty, based as it is on the assumption that Communism represents the ideal of the toiling masses, and the Soviet state the incarnation of that ideal. How, then, is it possible that a whole nation rose like one man to rid itself of the "ideal"? The Russian intelligentsia, in particular, started to ask most embarrassing questions, the Moscow University students booing down professors and commissars. The answer they received was — the cancellation of their savings.

That is what the default on (nominally) $65 billion worth of bonds amounts to. It robs the urban workers and middle classes of Russia of their liquid savings —as Stalin's monetary "reform" of 1947 robbed the peasants of their accumulated cash.

In any case, Soviet society is in the throes of a very serious malaise, keeping the political management on the edge of its chairs. But the armed forces seem secure in the politicians' grip. As long as that obtains, it would be futile to count on revolutionary developments from within. What one can count on is that the Kremlin—caught on the horns of more than one dilemma, vacillating between Stalinite and anti-Stalinite policies—will make every effort to keep the peace. The more so, since its ideological stranglehold on influential strata in the outside world, from Delhi to Mexico City, has been weakened also by the events in Budapest.

Shadow-Boxing in the Middle East

The time is most propitious for an aggressive Western diplomacy to take advantage of Russia's predicament. Last November, Britain and France tried to do just that. Astutely diagnosing the weakness of the Kremlin, they meant to deal with Nasser in the one and only effective fashion: by force. (They failed to diagnose the "weakness" of the White House.) By frustrating that attempt—as the Europeans had frustrated six years ago MacArthur's attempt to deal with Red China—Mr. Eisenhower resolved nothing but merely restored a "mess." Nasser has been rescued; the Suez Canal is at his mercy; and he is girding himself for the final reckoning with Israel.

True, America's moral and political prestige had been enhanced —for a while—at the expense of Europe, not of Russia. Her influence has increased at least as much as did ours. She was the one power which gave armed aid to the Arabs and joined their chorus in clamoring for the extinction of the state of Israel. In Oriental eyes, it was the Russian belligerency, not the American moralism, that brought about Europe's defeat.

We may stop the partition of Jordan, that was at stake recently, and nip in the bud any Israel victory. But no power other than naked force can change the Arabs' passionate determination to reconquer Palestine. They are not conceding the accomplished fact of Israel's political existence, no more so than Israel would concede the opposite. And the fact is, court the Arabs as we may, that the Jewish state owes its origin as well as its continued existence to U. S. dollars, private and public. Moscow makes the most of this fact of life and thereby captures the good will of the Arabs. Our attempts to appease them, be it by protecting their sovereignty or by bribing their chiefs, can neither offset the pro-Russian sympathies of the masses, nor do more than to postpone the showdown. A showdown there must be, given their unflinching will to boycott and ultimately to destroy Israel. What, then, can be accomplished by the Eisenhower Doctrine?

The basic assumptions of that Doctrine are three. **One** is the notion that it would be in Russia's interest—at present or in the near future—to erect a Communist bastion in the Middle East. In reality, few things could at this juncture be more damaging to the Bolshevist interest than a Communist Syria or Jordan.

It would be a thorn in the Arab potentates' flesh and drive them into the Baghdad Pact, the very thing Russia wants to obstruct;

it would frighten and alienate from Russia countries as far away as India;

it would give America an excuse for military intervention;

it would commit Russia to material efforts she is scarcely able to shoulder;

and it would raise the scepter of a world war she is anxious to avoid.

Nothing, in short, **could embarrass the Russians more than** the **rise of a Soviet republic on the shores of the Mediterranean.** It might spell the end of their influence in that region. To fight such a contingency, as the Eisenhower Doctrine proclaims to do, is no disservice to the rulers of the Kremlin. To stop them from doing what its rulers—as distinguished from some Arab hotheads —patently cannot wish to do, is sheer shadow-boxing and wanton meddling.

The **second** implication of the Doctrine is equally fallacious, and might turn out to be much more costly. The Washington authorities seem to be convinced that peace can be maintained in that part of the world by offering bribes right and left, and by guaranteeing the **status quo.** This is what the President calls "peace with justice in a world where moral right prevails."

Possibly, though by no means certainly, we may have peace for a while. But the conflicts and tensions will not abate. For one thing, the boycott against Israel will continue, and so will the war preparations in that region. The more dollars we pour into it (to say nothing of weapons) the more they will arm. Explosions will occur, to the detriment of Europe, in particular. Above all, **our** method spells the indefinite continuation of trouble in French North Africa; and that is tantamount to financial chaos in France.

Anti-Colonialism

That brings up a **third** idea underlying our foreign policy: its anti-colonial bias. We proceed on the theory that all under-developed countries with some sort of national self-consciousness are entitled to full and undiluted sovereignty—including the "right" to expropriate and rob the European investors. It makes no difference whether or not they are capable of a semblance of civilized self-government and even of economic existence. (If they are economically not viable, as is the case of Jordan and South Vietnam, then we are "obliged" to support them.) The idea is not new, of course; Messrs. Eisenhower and Dulles merely carry out the logic inherent in the promises which F. D. R. had lavished on Sultans, Emirs, Sheiks, and their ilk.

Anti-colonialism is exactly what the Soviets are praying — and working—for. This is a most remarkable "peaceful competition": Who can do more damage to Europe, they or we? Who gains more in terms of loyalties, and loses less in terms of financial costs? The Suez episode and the tragedy in Algiers are the most recent examples. In each case, we carry the financial costs; they are bound to grow as more colonies are "liberated," with the consequence of destroying investments, obstructing trade, and muddying the international waters in which the Bolshevists can "fish." Fish they will, if only because they are 100% anti-colonial while we have to make concessions to the vital interests and national sensitivities of our European allies, too.

As to Europe, that is a chapter in itself. Suffice it to refer to Britain's unilateral steps toward disarmament. It is a first-rate blow to America's diplomacy, to be followed by similar steps in most of Europe—all of which is the logical consequence of the combination of two disastrous sets of policies: anti-colonialism and boondoggling.

Anthon Lund Joins Amott, Baker & Co.

Anthan H. Lund has become associated with Amott, Baker & Co., Incorporated 150 Broadway, New York City, members of the New York Stock Exchange, as manager of the syndicate and participation department. Mr. Lund was formerly in the syndicate department of Carl M. Loeb, Rhoades & Co., and prior thereto was associated with the Securities and Exchange Commission.

Anthon Lund

Form Carliner Assoc.

BALTIMORE, Md. — Samuel Carliner Associates, Inc. has been formed with offices at 7911 Ivy Lane to engage in a securities business. Officers are Samuel Carliner, President and Treasurer; Louis E. Carliner, Vice-President; and Reva Carliner, Vice-President and Secretary.

Joins Shearson, Hammill

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Sims T. Allen has become affiliated with Shearson, Hammill & Co., 520 South Grand Avenue. He was formerly with J. Logan & Co.

"Economy Continues Its Smooth Sailing"

Purchasing agents find the good ship U. S. economy is still on a steady course in a sea absent of expansion or contraction forces.

June reports of Purchasing Executives indicate business remains steady and good. In fact, some characterize it as a "nice" situation; pressures present in an expanding boom time are absent and, yet, new orders, production, and profits are satisfactory.

In reporting on production, 30% of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Chester F. Ogden, Manager of Purchases, The Detroit Edison Company, Detroit, Michigan, say it is better than May, 50% the same, and 20% worse. The new order picture is slightly improved, as compared to May. 25% report their situation as better, 50% the same, and 25% worse.

The drop in prices of lead and zinc and the increase in the price of steel scrap are the most significant changes in the rather stable price situation.

The pressure to reduce inventories continues, and there is still practically no inclination to make advance commitments on any items (even including steel), in order to protect against anticipated price increases. Because of the ready availability of most materials, there has been reported a growing tendency on the part of vendors to ship ahead of schedule.

Employment shows spotty changes — some industries up, others down—with little effect on the over-all trend.

Popular opinion has pictured the quality of many products as declining in recent years. To check this opinion, we asked purchasing executives to tell us if, dollar for dollar, the quality of the materials which they are getting is better, equal to, or worse than items which they received a few years ago.

Surprisingly, 51% thought they were better and only 19% worse, with the remaining 30% seeing no difference.

Commodity Prices

There has been little over-all change in the commodity price situation during the past month. Competition has continued to restrain increases, despite higher costs. Of course, there has been movement in special commodity groups such as the weakness apparent in the nonferrous metals, headed by lead and zinc; and the strength shown by steel scrap and paper. On the whole, however, almost 75% report that prices are the same as last month.

Inventories

Purchasing Executives are continuing their drive to reduce inventories. There are practically no instances where purchases are being made to "beat" anticipated price advances, and great care is being exercised to be sure that stocks on hand are at the minimum working level consistent with present and anticipated production schedules. 35% of our members say they have less on hand than last month, and 51% report no change.

Employment

There is a definite seasonal influence on employment reported this month. Some types of industries are reporting greater numbers of employes, while others show declines. In general, there is a slight over-all improvement this month over May. Those reporting increased employment rose to 17%, from May's 12%. Those indicating declines dropped from 25% in May to 21% in June. 62% say there is no change over May.

Buying Policy

Buyers continue their cautious reserve in making forward commitments. While a very slight increase is noted in those willing to order production materials 90 days in advance, from 16% to 21% in June, there is a like increase in those who feel 30 days is sufficient. There is no enthusiasm for lead times in excess of 90 days.

On MRO items, there are still 92% who buy in the hand-to-mouth to 60-day range. There is not much feeling that this situation will change in the third quarter.

With a predicted early introduction of new automobile models, buyers are lengthening lead times somewhat on purchases of capital equipment to meet production schedules. Last month, 51% reported a lead time of 120 days or over, while 54% are in this category in June.

Specific Commodity Changes

The relatively stable commodity price situation is reflected in the small number of items reported as either up or down this month.

On the up side are: Steel scrap, paper, raw sugar, aluminum sulphate, electrical equipment.

On the down side are: Brass ingots, lead, zinc, lubricating oil.

In short supply are: Nickel, steel plates, steel structurals, stainless steel.

Chicago & No. Western Equipment Ctfs. Offered

Halsey, Stuart & Co. Inc. and associates on June 28 offered $2,250,000 of Chicago & North Western Ry. 6% equipment trust certificates, maturing annually July 15, 1958 to 1972, inclusive. The certificates were priced to yield from 5% to 6%, according to maturity.

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

The issue is to be secured by 20 diesel electric switching locomotives estimated to cost $3,211,105.

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

N. Bialik Opens

BROOKLYN, N. Y. — Nathan Bailik is conducting a securities business from offices at 947 51st Street.

Forms Hillgren & Co.

SIOUX FALLS, S. Dak.—Ralph O. Hilgren is engaging in a securities business from offices at 2021 South Phillips Avenue under the firm name of Hillgren & Co. He was formerly with Minneapolis Associates Inc. and King Merritt & Co. Inc.

A. H. Johnson Opens

MOUNTAINSIDE, N. J. — Austin H. Johnson is conducting a securities business from offices at 30 Evergreen Court. He was previously with First Investors Corp.

Forms J. Keats Co.

BRONX, N. Y.—Jerry Keats is conducting a securities business from offices at 1011 Sheridan Avenue, under the firm name of J. Keats Co.

George F. Breen

George Forsyth Breen passed away July 1 at the age of 66 following a heart attack. Mr. Breen had been in the investment business for many years.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

While the Government market has been acting better, because of the improved demand, the rally in the Governments, also in corporates and to a lesser extent in the tax-exempt bonds, is not being looked upon as more than a temporary situation, because when the summer lull is over there should be a resurgence in the offerings of non-Government securities.

The new money tax-anticipation bills just issued, which were payable through the tax and loan account of the commercial banks, gave these institutions deposits which will probably remain with them between 27 and 30 days. This made it possible for the banks to sell the tax bills at higher yields than they obtained them at, and still come out even or better.

The August refunding is the next big hurdle to be faced by the Treasury and this offering must be an attractive one or the attrition will be large. There is still much talk around about an increase in the discount rate, which would most likely not come until after the August operation is out of the way.

New Bills at 25-Year High

The Treasury borrowed $3 billion of new money through an issue of 264-day tax anticipation bills at an average cost of 3.485%. This was a new high cost for Treasury bills since the "bank holiday" in 1933, and it reflects the very large demand which is around for loanable funds. It is the expressed hope of the Treasury that there will not be additional new money operations for a period of about three months, which would seem to indicate that October would be the time for the next cash borrowing by the government.

August Refunding to Be Short-Term

However, in the interim, there will be a refunding operation by the Treasury because during August $15.5 billion of securities will come due. This operation will also embody short-term obligations because this is the only type of security which will appeal to the holders of the maturing issues. There appears to be some opinions around that there may be a "package" short-term offer made by the government in the August refunding in order to strengthen the appeal and at the same time keep the cash payout as small as possible.

Better Tone in Money Market

The money market has had a somewhat better tone in the last two weeks because many of the new corporate bond issues have been well received, with several of them selling at premiums above the offering price. Likewise, the favorable reception given to selected municipal offerings and the withdrawal of others has imparted a modestly better feeling to the market for tax-exempt obligations. Because of the improvement in the markets for non-government bonds, there has been a minor betterment in the action of Treasury issues, with the long-term bonds making the largest recovery. It is reported that a combination of short-covering quotation mark-ups and a small amount of investment buying was responsible for the up-trend in prices of these obligations, which had been making new all-time lows practically every day.

Price Betterment Due to Technical Factors

Even though there has been a minor improvement in the market for all bonds recently, this is not looked upon by money market specialists as being more than a rally in a market which has been sharply depressed because of the very heavy offerings of new securities. Also, the very high yields which have been available in the new offerings of bonds has attracted new buyers who had been largely on the sidelines previously.

In spite of the improvement in the prices of corporate, tax-exempt and government bonds, this does not change to any appreciable extent the competitive position of the Treasury obligations because they are not yet in as good a position from the standpoint of yield as are the non-government securities.

Pessimism on Governments Prevails

The offerings of new issues of corporate and tax-exempt bonds continues to be heavy and this will tend to keep the pressure on the yields at which these obligations will be floated. Because of this, it is still the expectation of many money market followers that there is not likely to be any lasting improvement in quotations of government bonds.

The monetary authorities continue to keep the pressure on the money markets, and the fact that the Treasury in its recent new money raising operation had to pay the highest rate since the 1930s is ample proof of this fact. Even with a refunding deal in the making for August, it is not expected that very much help if any will be given to the Treasury in this operation. Accordingly, the going rate of return is to be looked for in this one.

No Easing in Money Market Pressure

With the inflationary pressure showing no signs of a let-up and the wage-price spiral as strong as ever, there will be no lessening in the tight money market which has been in effect. In some quarters of the money market there are opinions that even with a minor turndown in the business pattern there is not likely to be any ease in the money tightening operation of the powers that be.

Continued from first page

As We See It

ernment functions and powers and services which prior to 1933 were never thought of as being any part of the true duties of the central government. It is well that the President again, and this time with increasing emphasis, has called attention to this situation.

Not a Clear Call

But — with deep regret be it said — the President's warning is not a clear, clarion call to a return to the true American system. Far from it. Many of the functions assumed by the national government were not taken over from the states or local governments but from the people themselves. That is to say, they are functions which no government of any sort in this country in the past regarded as proper governmental functions. And the President in most instances appears to be asking the states and local governments to assume these new duties at least in part and thus relieve the national government of a part of its self-imposed load—and presumably to reduce the danger of abuses which often arise when government is far removed from the governed. By and large it is redistribution of newly assumed functions rather than a return to the states and local units of functions previously and normally performed by them.

The difference is important. Note the Chief Executive's words. "Like nature," he says, "people and their governments are intolerant of vacuums. Every state failure to meet a pressing public need has created the opportunity, developed the excuse and fed the temptation for the national government to poach on states' preserves. Year by year, responding to transient popular demands, the Congress has increased Federal functions. Slowly at first, but in recent times more and more rapidly, the pendulum of power has swung from our states to central government." And again: "Opposed though I am to needless Federal expansion, since 1953 I have found it necessary to urge Federal action in some areas traditionally reserved to the states. In each instance state inaction, or inadequate action, coupled with undeniable national need, has forced emergency Federal intervention."

The President then lists certain areas which he seems to have particularly in mind. Educational assistance is one of them. Slum clearance and urban redevelopment is another. It is easy enough to say that in the past these have been regarded as the functions of the states and local governments. The fact, is, though, that until relatively recently at all events, neither states nor local units have regarded the sort of folderol now thought to be necessary in the construction of school houses as their function or the function of anyone else. As to slum clearance and what is now euphoniously termed urban redevelopment, they have not ordinarily been regarded as the function of any government—at least not the sort to which the President refers.

Some of the most unwise and the most dangerous of the Federally assumed functions and powers the President does not appear to have noticed at all. All those regulatory functions validated by the incredibly broadened definition of interstate commerce are cases in point. The enormously detailed, wholly unreasonable, and thoroughly harmful restrictions placed upon all types of security transactions represent in spirit, if not in the letter, usurpation of power by the Washington authorities—or certainly an assumption of power that the founding fathers never dreamed of. The same may be said, of course, of all those restrictions placed upon employers of labor in almost every branch of business often on the flimsiest allegation of engagement in interstate commerce.

No Thought of Basic Change

The plain fact is that the President apparently has not even thought of a retreat from the paternalism and semi-socialism that has developed during the past two or three decades in this country. He has no notion, seemingly, of any reduction in the role of government, but merely a redistribution of functions, including all those that have been added. The really great danger in all this is not so much that the Federal Government has poached upon the grounds of states and local governments—though that evil is real enough in all conscience—but is that all government, but particularly the national government, has so incredibly poached upon the prerogatives of the people.

Let no one think that the states and local governments have not enlarged their operations as the years have passed. But for the astronomical size of the operations, the tax collections, and the expenditures of the Federal Government, the exactions of states and local governments would appear incredibly large. As long ago as 1955 they took some $28 billion from the pocketbooks of the people. In 1929 the figure was less than $7.5 billion, and as late as 1950 it was less than $20 billion. The burden that they now lay upon the taxpayers, coming as it does on top of Federal exactions, is grievous. One great advantage of transferring some of the functions from the national to the states and local units ought to be that they would not be performed at all in many instances.

The President is realistic enough to understand that if the states are to take some of these burdens from the national government they must have the opportunity to levy and collect some of the taxes now going into the coffers of the national Treasury. Properly designed and executed, certain advantages would accrue from such changes as those the President is now suggesting. Let us not suppose, however, that they go to the root of present day problems.

Continued from page 15

Economic Growth and Implications For Public and Private Policies

pression of the 1929 variety. Most business managements are gearing their operations to this assumption, although there are some last vestiges of fears of another '29 lurking around—but not in New England, I am sure! This confidence in avoiding such a holocaust is not just because we have an Employment Act which pledges government's best efforts to try to avoid or promptly to try to correct unhealthy economic fluctuations. Rather it is due to the basic underlying forces in the economy and our experience under the free enterprise system in adjusting to meet the needs of the times.

As a nation, however, we must not throw caution to the wind. It is important to recognize that there will be economic fluctuations in the future. In the immediate years ahead we could over-expand and thus encounter an excess of business capacity simultaneously in a number of industries. This could result in a significant contraction for the total economy. It could be more severe than either 1949 or 1953. I want to emphasize that this should be a temporary contraction, however—nothing like 1929.

I could talk at length about the differences between the late 1920's and the situation today with respect to excess industrial capacity or surplus housing, but will mention two major differences. In the first place, there will be nearly 3 million additional mouths to feed, bodies to clothe, and roofs to provide for each year in the future. Thus we can quickly grow up to any momentary excess capacity. In the late 1920's, by contrast, the outlook was for a leveling off in the growth of population. Secondly, today we are in a cold war which has every indication of continuing indefinitely. In the struggle with Communism we must be strong economically and we must have in being physical capacity to produce vast military and defense support material.

The phenomenal population growth and the cold war underpin a demand which private business and government recognize and a temporary saturation in productive capacity should not create the type of self-feeding contraction followed by pessimism which descended upon the national economy after the collapse of 1929. Furthermore, if we are ever able to disarm and thus reduce the Federal budget we can reduce taxes an equal amount, which would provide private purchasing power to take up the slack created by cuts in defense production.

Rolling Readjustment

While a 1929 type of depression seems out, we will continue to have rolling readjustments and moderate economic fluctuations. With 50 million individual consumer units, with 5 million business organizations, and with upwards of 200,000 government units, all independent and free to make their own choices with respect to consumption and saving, production and leisure, we are bound to have excesses and deficiencies in aggregate demand and aggregate production at certain times. The wise use of monetary and fiscal policies by the Federal Government can contribute much to stabilizing these influences.

We will also continue to have problems of spot unemployment and industrial and regional distress although the general economy grows at rates consistent with increases in population and productivity. In today's prosperity, for example, there are 19 major labor market areas with substantial unemployment. We must anticipate that changes in taste, changes in foreign trade, changes in technology, migration of industries, and the like will result in hardships in certain industries and in certain regions at certain times. You have had your textile problem in New England. In today's prosperity, agriculture continues in a state of painful contraction despite substantial Federal assistance.

Government policy should concern itself primarily with general levels of activity, rates of growth, and prices, and rely on private competitive forces and local initiative to relieve these spot problems. However, the Federal Government has always intervened in these special cases since the days of Hamilton and the first tariff. As yet, unfortunately, no comprehensive approach has been worked out in dealing with such problems.

Improved economic intelligence, of course, is required to help private management and government plan and adjust their programs in the interests of economic growth and stability. While there are still significant gaps in statistical knowledge, most informed persons will agree that today we have better clinical tests — temperature readings, cardiograms, and the like — for the economy than at any time before. There is nothing comparable to the "rabbit test," enabling economists to predict accurately economic turning-points, but the ability to time remedial actions—both private and public—for minimizing economic contraction is far better today than it was when analysts were dependent exclusively on the "crystal ball," or looking at the patient's tongue.

It is well to remember that, as in medicine, diagnosis, prevention and cures of economic fluctuations are an ever-changing matter. Our economy apparently develops immunity to certain disruptive forces just as humans do. Similarly the "wonder drug" cures lose their potency. No two cycles are exactly alike; and the measures taken to correct them do not have the same effect every time they are applied. We must constantly strive for new tools of diagnosis and treatment. On the whole, however, it is safe to rule out of our longer-range planning a 1929 type of depression.

The second implication of the longer-run outlook is inflation. This subject deserves a whole speech, but tonight I will have time to sandwich in only a word or two.

During and since the war there have been spectacular price increases. The dollar is worth only 50 cents today in terms of 1939 purchasing power. Some of this erosion was an unavoidable cost of total war. Short of a major catastrophe, it should not happen again.

But since the war there has been almost constantly a creeping type of inflation which needs attention. This is particularly true of industrial prices. Recent years have been marked by what is called "cost-push" inflation. For many months the Joint Economic Committee Staff has made a rather exhaustive study of this problem. My last act as Executive Director was to transmit a lengthy staff report to the Committee on this study. As I see it, rising costs of labor, capital, and raw materials continue pushing prices up. Competitive restraints on costs and prices are weakened in an environment of high demand such as we are experiencing. Wages, including fringe benefits, tend to rise faster than output per man-hour. Managements tend to pass higher costs on to buyers and try to enlarge profit margins for higher dividends and for financing expansion. I am in hopes that the Joint Economic Committee will pursue this study of creeping inflation with dispatch and vigor.

Popular Inflation Appeasement

I am deeply concerned by the current popular reconciliation to creeping price increases not only as inevitable but necessary to maintain prosperity. This I question.

I am a strong advocate of maximum employment. But I am equally a strong advocate of protecting the value of the dollar. I doubt if you can have one without the other for long. In other words, a sure road to recession and unemployment is price inflation. Advocates of full employment should be in the forefront in the fight against inflation.

Think of the results if the current rate of inflation of nearly 4% a year, or even one-half this rate continued for a generation.

The economy today faces sustained and growing demand for goods and services from government, from private business, and from consumers. Thus the answer to inflation ultimately must lie in increased productivity and competitive markets. The current high levels of investment in modern and expanded production facilities offer hope. But we must strive for keener and fairer competition. In the short run, however, the need is for increased restraint on the part of all individuals and groups. Government must provide leadership with restrictive credit and fiscal policies. It must control its own budget. Private individuals and groups should exhibit statesmanship and restraint in demanding higher wages and profits. Increased savings, of course, is the real answer today as in the past. In our free economy the choice to save must be a voluntary decision. To contain inflation is no easy task but it is a challenge to all those connected with savings banking to educate the public and help facilitate such savings.

We must all stand resolute in our fight against creeping inflation. I take this position, not solely to protect the savings that have accumulated nor because I believe that such price advances will destroy the initiative of the average person to save—but because of the long-range implications for our economy. Actually working people will be pressed to save more to protect their future standard of living. Furthermore, while it may have been relatively easy for substantial savers to ride the inflation jet since World War II by investing in the stock market and real estate, the average person would be ill-advised to assume they can win the fight against future creeping inflation by putting this savings in equities under emerging highly competitive conditions. The economy is too mixed and dynamic. Small savers are much better off by saving in the traditional thrift institutions, even if the general level of prices advance. Safety and accessibility of principal is still fundamental.

What are the challenges to savings bankers and their trustees from this appraisal of the economic outlook? Here is where I begin treading thin ice as a rookie banker! But let me make this general statement and this is my conclusion.

It is important that those associated with savings banks recognize that national policies must be pursued which will facilitate continued economic growth and at the same time preserve the value of the dollar. Our industry can contribute in many ways to shaping policies and to carrying out programs for the achievement of these ends. In doing so, it will be assuring maximum direct benefits to our depositors. We must review present programs and perhaps exhibit new flexibility in our thinking with respect to national problems. Above all, it is vital that we develop a wide area of agreement within the industry on these problems.

FHLB Notes on Market

Public offering of $148,000,000 Federal Home Loan Banks 4.30% series C—1958 non-callable consolidated notes dated July 15, 1957 and due Feb. 17, 1958 was made July 2 through Everett Smith, fiscal agent of the banks, and a group of securities dealers. The notes are priced at 100%.

Proceeds from the sale of the notes will be applied toward the redemption of $166,000,000 of 3⅞% series H—1957 notes which mature July 15, 1957.

Giving effect to the sale of the current issue of notes and the redemption of the notes due July 15, a total of $720,000,000 consolidated notes of the Federal Home Loan Banks will be outstanding.

Meade & Co. Partners

William A. Garber and Elihu J. Michnoff have been admitted to partnership in Meade and Company, 55 William Street, New York City.

With Logan & Co.

(Special to The Financial Chronicle)

PASADENA, Calif. — John R. Cole is now affiliated with J. Logan & Co., 721 East Union Street.

Albert C. Hugo

Albert C. Hugo passed away June 25 at the age of 61. Mr. Hugo was a Vice-President of A. M. Kidder & Co., Inc.

Continued from page 13

Immediate and Long Run Outlook For Consumer Durables and Credit

the least adversely affected in the two minor recessions that we had in recent years. Generally speaking, the debt is in the strongest possible hands.

No Overloading

The "Survey" also showed that these people—with exceptions to be sure—had not overloaded themselves. Among the 55 million spending units at the beginning of 1956, 88% either had no instalment debt or their monthly payments required less than 20% of income after taxes. In only 12% of the 55 million spending units, did the monthly payments require 20% or more of income, and in only 2% of the cases did monthly payments require 40% or more of income.

If their income had declined significantly, 12%, or about 6.5 million, of the 55 million spending units in the United States would have been potentially candidates for trouble, and the 2%, or one million families, would almost certainly have been in trouble. Actually, these figures were an over-statement because in the "Survey" the amount of monthly payment in 1956 was related to 1955 annual income. A certain proportion of those people had improved their financial position by early '56 and their debt had been incurred on the basis of that improvement.

Of course, looking at the burden of short-term instalment debt alone does not tell the whole story. The "Survey" also provided figures with respect to what was called "selected regular payments." These included, in addition to payments on short-term instalment debt, required rent or mortgage payments, together with property taxes and insurance, when those were included in the mortgage agreement. At the beginning of 1956, 29% of the 55 million spending units had no "selected regular payment" obligations whatever. "Selected regular payments" required less than 20% of income (after taxes) for 31% of the families, and required from 20 to 40% for another 26% of the families. Only 11% of the spending units had "selected regular payments" which absorbed more than 40% of monthly income after taxes.

I have quoted more figures than many can remember. They confirm, I believe, what you know from your own experience: the present level of debt has not caused trouble. Delinquencies remain at an exceptionally low level and charge-offs continue to be reasonable.

Actual Auto Sales Facts

Permit me now to digress briefly. I have heard statements that consumers had to withhold purchases of durable goods in the last two years because they had to "digest the huge" amount of debt taken on in 1955. The lower rate of increase of consumer debt since the fall of 1955 is cited as well as the lower rate of production of automobiles. People who make those statements overlook the fact that the largest decline in automobile sales in 1956, as compared with 1955, occurred among cash buyers rather than credit buyers. It was the cash buyer who withdrew to the greatest degree from the car market; the decline in time sales was much smaller.

These people also concentrated their focus on the amount of outstanding consumer debt rather than on the basically more important fact—namely, the very substantial degree to which consumer credit is being used, predominantly for the purpose of acquiring family possessions, and the comparatively constant and rapid rate of repayment. The facts show that more consumer credit was used in 1956 than in 1955, but because repayments in 1956 were considerably higher, the increase in outstanding consumer debt was smaller. In 1957, also, consumer credit is being used at a higher rate than in 1955 to acquire durable goods—other than automobiles.

The U. S. Department of Commerce estimated total consumer expenditures on furniture and household equipment in 1956 at $15.0 billion, as compared with $14.3 billion in 1955. Autos and auto parts, on the other hand, were down to $14.6 billion in 1956 compared with $17.2 billion in 1955.

The people, who make the statements referred to, also overlook what those in the furniture business know full well. People who have utilized consumer credit to buy durable goods are likely to do so again within a relatively short period of time after they have paid down or paid off their obligations. This emphasizes the very basic fact that the average American family, at the period in life when its needs are expanding more rapidly than income, uses and re-uses consumer credit to acquire those family fixed assets which are an increasingly important part of the American scale of living. Yes, consumer credit is a goose whose golden eggs benefit manufacturer, distributor, retailer and consumer alike. Is it necessary to point out that it is foolhardy to impair its egg-laying powers — even temporarily — through the use of ridiculous terms?

To round out our picture let us look briefly at the money and capital markets.

Money and Capital Markets

During the last two years banks have been faced with a strong demand for loans of all types. As you know, this demand has been so strong that the Federal Reserve System has found it necessary to permit a progressive tightening in the money market and to apply the brakes to prevent too rapid an increase in the total supply of credit. I do not foresee any rapid expansion in savings in the balance of the year nor do I foresee any decrease in the aggregate demand for credit. It therefore seems reasonable to assume that banks will not devote any significantly larger percentage of their loanable funds to the consumer sector.

Longer Term Market

You also know what has happened in the long-term capital market. Some of the largest and most respected sales finance companies in the country considered it expedient to postpone offerings of long-term securities in the market last June and subsequently acquired such funds at less favorable rates and conditions. If we are correct in assuming that general business activity will continue at high level and improve and that business will continue to invest in capital equipment at a high level, there would seem to be little expectation of a significant change in the long-term capital market.

This indicates that total outstanding consumer instalment credit in 1957 will not deviate much from the current level. I assume that there will be a continued hesitancy on the part of non-bank credit institutions to pay the price which the long-term market now requires for additional funds. This hesitancy will impede the acquisition of such additional long-term funds. I also assume that these non-bank institutions do not have significant amounts of unused credit lines at banks.

Re-Examining Credit Policies

Under these circumstances credit institutions are adjusting to monetary conditions by reexamining their credit policies. A renewed emphasis on quality of paper acquired seems to be the order of the day. For cash lenders, this means a continued careful appraisal of the net worth and income position of the borrower to determine his credit worthiness. For sales finance institutions it means, in addition, a reexamination of down payment requirements and maturity terms. I assume that it would result in continued shift away from marginal terms.

If the movement in this direction which has occurred continues, and I believe it will, then current repayments on instalment contracts, averaging a little over $3.2 billion a month, will permit some increase in the number of transactions financed and in the volume of goods moved on credit.

Expects $2.2 Billion Instalment Credit Rise

I expect total instalment credit at the end of 1957 to amount to $33.8 billion, an increase of $2.2 billion for the year as compared with a $2.6 billion increase in 1956 and a $5.4 billion increase in 1955. Total consumer credit outstanding at the end of 1957 will probably be about $44.5 billion, an increase of $2.6 billion for the year.

Summarizes Conclusions

It is appropriate to summarize our conclusions briefly. Goods are in ample supply. Consumer incomes will remain at or improve on present record levels. Consumers may be expected to spend at a high rate because they have confidence in their own future. With the exception of the automobile field, the 1955 sales do not seem to have preempted any significant share of the market, provided that consumers are convinced that the articles offered represent good values. The quantity of consumer debt now in existence need not deter a high level of purchase of consumer durable goods, because relatively few consumer spending units have overloaded themselves with debt. The rate of repayment should also not interfere with increased sales of consumer non-durables and services.

II. Long Term Outlook

Just a brief look at the long-term outlook.

Both official and unofficial forecasters, amateur and professional, predict continued higher output by the American economy, and rising standards of living, if, in the words of President Eisenhower: "we manage our affairs wisely and adhere to policies which evoke a maximum of private initiative and enterprise."

Our output per hour of work has increased at an average rate of about 2% a year ever since 1910. The experts tell us that the rate of increase has been considerably higher recently and that during the next ten years the rate of increase will probably be 2½% or 3% a year. This higher rate of increase will result from recent high rates of investment in new plants and improved equipment, high expenditures for research which has proved productive, and a rapid increase in skill and efficiency.

Taking account of the known increase in the labor force which will occur, we can look forward to having a national production of goods and services by 1975 of 2 or 2½ times the present total (in terms of present prices). The average wage earner, whose income today is from $3,000 to $7,500 a year, will earn from $5,000 to $12,000 or $15,000 twenty years from now.

Inherent Drive

The inherent drive in the American people for improvement in their own lot and that of their families will not change. It is the key to our emphasis on education and vocational improvement; it is the key to our desire for physical goods; it is the key to our desire for leisure in which to enjoy the fruits of our labors, to seek spiritual enrichment, to visit the beauty spots of our country and the world. It is a drive which does not exist in those countries where people find themselves frozen to the lot to which they were born and thus, through frustration become victims of communistic appeals. This American drive for self-improvement is an important factor in increasing our needs and our desires as fast as our incomes permit.

But if mass demand is to be sustained and progressively expanded, the average family must be able to continue its sound use of consumer credit. Its volume must grow to keep pace. The average family needs the *convenience* of charge accounts for its day-to-day transactions, the use of the time-payment plan to *raise* its scale of living, and the *safety valve* of personal instalment cash lending to enable it to meet those emergencies which are unavoidable in a free economy.

Robert Vick, McNaney Firm Formed in Chicago

CHICAGO, Ill. — Robert Vick, McNaney & Co. has been formed with offices at 33 North La Salle Street to act as dealers in investment securities specializing in state, municipal and public revenue bonds. Principals are Robert P. Vick and L. F. McNaney. Mr. Vick was formerly proprietor of Robert Vick & Company.

With Walston & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Harry E. Fisher has been added to the staff of Walston & Co., Inc., 265 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Petrie With Canadian Bank in Portland

PORTLAND, Ore.—Appointment of Alan Petrie as Manager of The Canadian Bank of Commerce office at Portland, Ore., has been announced. He succeeds B. S. Deacon who has retired.

Mr. Petrie comes to Portland from the post of Manager of the bank's Personnel Department, at Head Office, Toronto. A career banker of 28 years service, Mr. Petrie was Chief Inspector of the bank before his personnel appointment and earlier was Assistant Manager of the bank's main branch in London, England.

With Merrill Lynch

(Special to The Financial Chronicle)

ZANESVILLE, Ohio — John E. Fitzgibbon, Jr. is now with Merrill Lynch, Pierce, Fenner & Beane, Masonic Temple Building.

Joins Earle C. May

(Special to The Financial Chronicle)

PORTLAND, Ore. — Edward B. Stanton, Jr. has joined the staff of Earle C. May, 811 Southwest Sixth Avenue.

Continued from page 14

Current Administration of The Securities Laws

of amending the issues raised in its original notice ordering the stop order proceeding in the light of changes presented in amendments to the registration statement, the Commission has generally exercised its discretionary power to try the case on the basis of the issues presented by the initial filing.

There are at least four substantial reasons which justify this practice. First, the Commission is not always able to determine the truth and accuracy of a proposed amendment or whether it corrects all of the alleged deficiences in the registration statement until the record in the evidentiary hearings has been fully developed. Second, the consideration of amendments before the conclusion of the hearing may cause infinite confusion regarding the issues to be decided by the Commission. Third, it may delay the final solution of the controversy. Orderly procedure and expeditious determination of what pertinent facts should be disclosed in the registration statement require that the hearing go forward on the basis of the issues raised in the initial order for hearing. Fourth, the public interest would not be served if amendments are offered as a means of terminating the proceedings and foreclosing public disclosure of misstatements in a registration statement that the Commission would make in its published opinion, particularly if there is an existing public interest in securities of the issuer.

Some Important Interpretations Dealing With Registration

The third fundamental principle that guides the Commission is to make fair and consistent interpretations of the provisions of the securities laws to particular factual situations with the statutory standards prescribed by the Congress. Many of the most significant interpretations made by the Commission deal with the necessity for complying with the registration and prospectus requirements of the Securities Act.

What Constitutes a Public Offering?

The first basic consideration in determining the applicability of the registration provisions is whether the transaction by an issuer, or any person controlling or controlled by an issuer, involves a public offering. The standards enunciated in the *Ralston Purina* case are observed by the Commission in its day-to-day interpretations of this question. In this case, the Supreme Court rejected a numerical test of offerees as the sole criterion for determining whether an offering is public or private. However, it did approve the adoption by the Commission of some kind of minimum figure, as a matter of administrative convenience, in deciding if a claimed private offering exemption might be available. The principal test is whether the particular class of offerees needs the protection afforded by registration. This determination turns on the knowledge of the offerees about the affairs of the issuer or their access to the same kind of information about the issuer that would be contained in a registration statement.

As a rule of thumb, the Commission has considered that an offering made to not more than 25 or 30 persons, who take the securities for investment and not for distribution, is generally a private transaction not requiring registration. Where an offering is made solely to institutional investors, such as large banks and insurance and investment companies, the Commission, in some instances, has not required registration even though the number of offerees may have been as large as 80 or 90. The issuance of a "no action" letter by the Commission concerning an offering to such a large number of institutional investors, however, is by no means automatic since the facts and circumstances of each case vary and it does not necessarily follow that all institutions of that type are capable by themselves of obtaining the pertinent information about the issuer that would be provided in a registration statement.

Where an offering is made solely to the employees of an issuer of securities, the Commission does not give a "no action" letter if the number of employees to be solicited exceeds 25 unless there is a showing that the offering is limited to executive or management personnel who are acquainted with and have access to the business and financial information concerning the issuer. Except for a relatively few very large corporations, the Commission has been of the view that most issuers have not more than 100 employees who can qualify under the *Ralston Purina* standards.

In the case of offerings made to more than 25 or 30 persons who are neither institutional investors nor management type employees, the issuer must make a showing of special circumstances to justify the conclusion that the offering may be exempt from registration as a private transaction. The Commission considers several factors. One is the relationship of the offerees to the issuer—such as close affiliation with directors and officers, existing financial interest in the issuer through securities ownership, and debtor-creditor customer or attorney-client relationships. The Commission also takes into account the investment experience of the offerees, the price of the units being offered, and the relationship of the offerees to the issuer and to each other. Under these standards, if a few of the offerees, although not sophisticated investors themselves, are closely connected with other offerees who are knowledgeable about the affairs of the issuer, the private offering exemption might still be available. The Commission has seldom given a "no action" letter where the number of offerees in this category substantially exceeds 25 persons. It is difficult for an issuer to make a persuasive showing to the Commission that all the offerees in a large group are so sufficiently informed about the issuer that none needs the protections afforded by the registration and civil liabilities provisions of the Act.

In applying any numerical test it is not the number of purchasers who finally agree to invest but the number of offerees to whom the offer is made which is the significant factor. Thus, an offering by newspaper advertisement to sell only to 25 persons would necessarily be a public offering, since it is addressed to the public generally. Even an offering to sell to the first 25 institutional investors who express an interest in buying would be public, if addressed to large groups of institutional investors without reference to their relationship to the issuer or their knowledge of the issuer.

In any event, before a "no action" letter will be given, the Commission must be satisfied that the offerees will take for investment and not for distribution. The term "taking for investment" is not equated with the holding of a security for the capital gains period under the tax laws. If an offeree intends to sell the security after six months or even after a year, he is not really taking for investment. Sometimes a "no action" letter is requested by a purchaser who presumably took for investment initially but alleges a "change of circumstances" to justify selling the securities within a short time after making the investment. A bona fide change in circumstances to support a claim that the purchaser did not take down the securities with the intent to effect a distribution, and thus be an underwriter, is difficult to sustain. Certainly it is not a bona fide change of circumstances that the stock has either increased or decreased in value.

What Is Control?

A second basic consideration in deciding whether registration of a securities offering is required may involve the question of control. The registration provisions are applicable only to issuers, underwriters and dealers, and the offeror of securities may, in the ordinary sense, be none of these persons. However, a so-called controlling person of an issuer cannot make a distribution of his shares through a broker or dealer without registration, for the reason that the definition of underwriter in the Securities Act includes any person who engages in distributing securities for a controlling person.

The meaning of "control" is "not a narrow one, depending upon a mathematical formula of 50% of voting power, but is broadly defined to permit the provisions of the Act to become effective wherever the fact of control actually exists."[1] The question whether control exists is, of course, dependent upon the facts in any particular case. At best, the resolution of the question is difficult because of the many subtle factors involved in any apprasal of all the surrounding circumstances.

The criteria which may be significant in a particular case in making a determination of control include the following: first, whether the person is or has been an officer, director or promoter of the issuer or has or had representation on the board or has the power to obtain representation; second, whether any member of his family group has been or is presently represented in the management of the issuer; third, the percentage of securities owned of record, beneficially, in a representative capacity, or otherwise, by him and his family group and by persons in a close relationship to him or his family group; fourth, whether there are any large blocks of stock held by others who appear to play a more dominant position in the management or who are in a position to outvote him; fifth whether his and his family's stock has been necessary to establish a quorum at annual meetings; sixth, whether there has been any proxy contests or other evidence of dissatisfaction or conflict between him and the management; seventh, whether he or his family group has received substantial payments or benefits from the issuer; eighth, existence of voting trusts, protective committees, re organization or bankruptcy proceedings and similar matters. The question of control becomes more difficult in cases where other persons hold an equal or larger amount of stock. These cases frequently involve a determination whether or not the persons act in concert and are in effect in joint control of the issuer or whether they are totally independent of each other.

1 H. R. Rep. No. 85, 73d Cong., 1st Sess. (1933), p. 12.

Registration of Convertible Securities

The applicability of the registration requirements to convertible securities is often misunderstood by the financial bar and by industry. An issuer must register both the convertible security and the security to be issued upon conversion if the conversion privilege is immediately effective. The rationale is that the issuer is making an immediate public offering of both securities. However, if the conversion rights is not exercisable until some future date, the securities to be later issued on conversion need not be registered at the time of the initial public offering of the convertible security. Registration is intended only for securities that will be offered in the near future and not for securities that will be offered at some distant future date.

Whether or not there has been registration of either the convertible securities and the securities to be issued on conversion, or both, at the time of the initial offering of the convertible securities, Section 3(a)(9) of the Securities Act may operate to exempt from the registration or prospectus requirements the actual issuance of new securities when the conversion right is exercised. The actual conversion is an exchange of securities "by the issuer with its existing security holders exclusively" within the meaning of Section 3(a)(9). However, if commissions are paid to anyone to solicit such conversions, Section 3(a)(9) by its very terms would not be available. If such paid solicitation is not limited to a few holders of the outstanding convertible securities it would constitute a new public offering and require registration of the securities to be issued upon conversion. Delivery of an up-to-date prospectus would be required even if an earlier registration statement had been filed covering the securities to be issued upn conversion, if that registration statement is out of date or if the persons solicited include some who acquired their convertible securities in the trading market without having been furnished the earlier prospectus.

Furthermore, if there is a plan or agreement participated in by the issuer, or of which the issuer has knowledge, that a sizable amount of the securities issued upon conversion are to be distributed to the public, and are not to be held for investment, by the holders of the convertible securities, Section 3(a)(9) would not be available to exempt the public distribution. The transaction would then become an underwriting and the securities to be issued upon conversion would have to be registered.

This principle is particularly applicable to the situation where the initial offering of the convertible security, being a private placement, was not registered. For example, a private placement of convertible bonds is made with insurance companies which are not permitted by state law to hold common stock of the issuer as "admitted assets." When their bonds are converted into common stock the insurance companies must sell the stock and invest the proceeds in "admitted assets." Prior to selling the common stock taken on conversion of the bonds, registration of the stock is required because the conversion is made with the view to distributing the stock.

Another illustration would involve the situation where the conversion price is below the market price at the time the convertible security is offered. Even though the initial offering may have been made to a limited group of institutional or other sophisticated investors so as to be an exempt private offering, it is apparent that such purchasers can make a quick profit by converting and then selling the new security at the market price which is higher than the conversion price. Unless the entire group purchasing the convertible security takes with an intention to hold for investment, even after conversion, an underwriting is involved and registration would be required.

Prohibited Activities in Pre-Filing Period

Related to the fundamental interpretative problems concerning the necessity for registering a proposed securities offering are the restrictions imposed upon the activities of a prospective issuer in the period prior to filing its registration statement. The dissemination of information about the issuer in the form of brochures or letters, prior to the contemplated filing of a registration statement, may violate the registration provisions, if the publication is designed to "condition the market" or to facilitate the sale of a securities issue to be registered in the near future. In determining the appropriateness of these activities, factors such as the nature and content of the publication, the scope of the distribution of the publication, the length of time between the dates of publication and the subsequent filing of the registration statement, and the relationship of the issuer to the person responsible for such publication are considered.

An issuer may send its customary periodic reports to stockholders without violating the law provided the reports do not contain an express offering of securities or refer to an impending securities offering in a manner designed to solicit from stockholders and others pre-filing offers to buy. However, the publication, at or about the time a registration statement is to be filed, of special brochures dealing with the prospects of the issuer should be avoided. These documents often contain the kind of puffing statements that are not permitted in statutory prospectuses. Similarly, advertisements that are published by an issuer which are other than routine statements as to its financial condition or operations, just prior to the filing of a registration statement or during a distribution, are often a thinly veiled attempt to arouse interest in the issuer's securities rather than in its products or services and might be deemed the first step in a securities offering.

Where an officer of a prospective issuer makes a speech about the operations of the company in a public forum—such as a security analyst group—shortly before a registration statement is to be filed, the speaker should take appropriate precautions to avoid any possible inference that his remarks were designed to condition the market for the imminent financing of the issuer. In a number of recent cases the Commission has advised the issuer that widespread distribution of reproduction of such speeches would raise questions as to possible violation of the registration provisions. Prediction of dollar amounts of profits or projections of earnings are particularly objectionable since these types of estimates cannot be included in a prospectus on the ground that they involve too many unknowns to be factual in nature.

Apart from publications by the issuer itself or its officers and directors, publications by underwriters in regard to the financial condition and future prospects of an issuer may, likewise, violate the registration provisions, if the timing of such publications is close to the filing of a registration statement. Even though an underwriting group may not have been formed, a broker-dealer who has participated in previous underwriting for an issuer may reasonably anticipate that his firm may be invited to participate in an impending offering. Consequently, any market letters distributed by his firm shortly before the filing should not include information concerning the prospective issuer. Furthermore, the broker-dealer should not prepare special reports on the issuer after he has learned about his probable participaiton in a contemplated financing. The consequence of the publication of pre-filing material which conditions the market or of making sales during the pre-effective period (known as gun-jumping) may be the denial by the Commission of acceleration of the effective date of the registration statement.

Conclusion

The ultimate purpose of the securities laws is to create and maintain a healthy climate for the vital processes of capital formation. The Commission has based its administration of these salutary laws upon sound principles. The interests of the investing public are being protected by an increasingly vigorous enforcement program. At the same time, the important Constitutional safeguards against impairment of the rights and privileges of individuals are being strictly respected. And lastly, the Commission is making a determined effort to interpret the provisions of the securities laws consistently and farily within the framework of the statutory standards prescribed by the Congress.

Continued from page 11

The Outlook for Private Investment

construction is already under contract. In many cases, a year or more is required to make the plans, let the contracts and accomplish the construction of complex industrial projects. Therefore, the levels of **this year's** private investment are not likely to be affected in a substantial way by this year's decisions on Federal spending.

Over the longer run, actions taken by the Federal Government are bound to have significant effects on private investment. For example, any reduction in Federal spending would permit transfer of funds to investment projects, and it is my personal belief that such funds could be profitably employed. The reason is that there are so many new opportunities — new products and new processes—coming out of the increased effort in industrial research. These new products will require new manufacturing facilities, even though we have plenty of capacity to make old products. It is difficult to predict how much additional investment might take place, or how soon. But I would be remiss if I did not point out, in conclusion, that there do exist private investment opportunities for any funds that are released by a substantial reduction in government spending.

I would now like to turn to a more detailed discussion of the points raised in this summary statement:

Gas and Electric Investing Up

The rise in investment in 1957: Almost every major industry is increasing its investment in new plants and equipment this year. The amounts vary from industry to industry. For example, the capital expenditures of electric and gas utilities will increase more than for most manufacturing industries. The exact amounts of increase also vary as between those reported in the McGraw-Hill Survey and those reported by the Dept. of Commerce-Securities Exchange Commission. It is especially worth noting that the latter survey reported a sharp decline in the investment plans of small commercial firms (which are not surveyed by McGraw-Hill), resulting in a smaller reported increase in total business investment. (Table I).

However, there is no disagreement between sources on these main points: (a) that investment will be substantially higher in 1957 than in 1956 (b) that the largest increases will be in public utilities and certain basic manufacturing industries (c) that investment in light manufacturing will not increase as much and (d) that the only area **not** showing a significant increase will be commercial business, i.e. trade, finance and services.

Basic Industries Now Expanding

The largest programs in 1957 are those that involve a substantial build-up of capacity in the **basic industries.** It is well known that in recent years the expansion in manufacturing generally has put a strain on our resources of fuel, power and basic raw materials. So it is in these fields that investment now is increasing the most. During 1957 the steel industry will increase its capacity by 6 million ingot tons, the electric power industry will add 9.1 million kw of new generating capacity, and capacity to produce chemicals will rise by 9%. We are adding a large amount of new aluminum capacity and substantial new facilities for petroleum products. The transportation industries are adding more capacity all around—ships, barges, pipelines, freight cars and aircraft. The over-all result of these varied programs will be to relieve a number of bottlenecks in the economy.

On the other hand, capital expenditures are no longer increasing rapidly in the lighter manufacturing industries—the ones that fabricate raw materials into consumer goods. The automobile industry is spending less in 1957 than in 1956; the food and textile industries, very little more. In all these industries, this year's increases in capacity will be nominal. The same comment applies to most lines of metalworking, although in some of the heavy machinery industries expansion is continuing to meet special needs.

Thus, although 1957 will be a record year for business capital investment, this is by no means a wild sort of boom in which companies are expanding without regard to basic demand. It seems rather to be a process of orderly growth that is tied to long-term objectives for the various industries. Where capacity is already adequate—as it is for most lines of consumer goods — investment is levelling off. The really large investments, are being made where they are most needed — in the fields of raw materials, power and transportation.

Prospects for Stability in 1958

The continuing expansion of these basic industries provides the foundation for a high level of capital investment in 1958. The programs of the steel, aluminum, power and transportation industries are not limited to 1957. In fact, it will be impossible to complete these programs, which involve very long lead-time equipment, before 1958 at the earliest. Some of the orders now outstanding for ships, commercial aircraft, power generating and communications equipment cannot be completed until 1959. The same comment applies to exploration programs for oil and other minerals. There is, therefore, a substantial volume of investment already on a definite schedule for next year. Plans are already near the 1957 level in the fuel, power and transportation industries (except railroads). Manufacturers' plans are still much less definite, as indicated by Table II.

It must be emphasized that these are **preliminary** plans. In manufacturing especially, many new projects will be added when budgets are considered next fall. So it is reasonable ot assume that the over-all level of investment in 1958 will be very close to 1957. It might even exceed 1957 if circumstances were favorable.

The Growing Importance of Research

Much of the investment that will take place in 1957 and subsequent years will result from the new discoveries of industrial research. We are just beginning to see significant results, in the investment field, from the rapid growth of research outlays in the years 1950-1956, and especially since 1953. There is generally a lag of 4 to 7 years between the beginning of a research program and the development of a commercial product. Another 2 or 3 years may pass before output of the product reaches a quantity that calls for large new plant investment. But as the result of research and development in 1950-56, we can now expect an increasing flow of new projects for investment in 1957-1960. It seems clear from plans reported in our latest survey that more new products will reach the market in 1957-1960, and more new processes will enter industrial technology, than in any previous four-year period.

Expenditures on research and development reached $6.1 billion in 1956—up sharply from the $4.8 billion spent in 1955, and well above estimates for 1956 reported only a year ago. This increase in research spending of 28% is perhaps the most impressive single figure reported in the current survey. Plans for 1957 indicate another 20% increase this year—to $7.3 billion. Industry already has plans to spend $9.3 billion on research by 1960—a preliminary estimate that will be far exceeded if the present rate of increase in research spending continues.

There is already a sharp increase in the number of companies that are making significant capital expenditures to bring out new products. In manufacturing as a whole, 32% of all firms expect to make such expenditures in 1957, compared to 28% in 1956. Some of the individual industries show much sharper increases. In steel, for example, the number of companies planning capital expenditures to make new products is up from 6% of all firms in 1956 to 21% in 1957. In non-ferrous metals, there is an increase from 25% of the companies to 42%. If capital expenditures to make new products follow the trend of expenditures on research, it seems possible that nearly half of **all** manufacturing firms will be investing for this purpose by 1960.

These figures demonstrate that many companies find new opportunities for investment arising from their research efforts. How much they will actually invest in 1958, or any other year, depends on the availability of funds, and on rates of profit at the time. But there is certainly no lack of new ideas—new frontiers so to speak—for investment. Although we do not have the great needs for capacity that existed a few years ago, we do have new outlets in the form of plant modernization and new product development. Over the long-run, these new outlets are likely to absorb a substantial increase in the amounts of funds available for private investment. In fact, the capital investment required to exploit fully our scientific and technical progress may eventually exceed the investment made to raise capacity in the early postwar years.

The Growth of Manufacturing Capacity

In view of the technical revolution that is in progress, the rapid pace of modernization and replacement for most types of equipment, we should regard ourselves as fortunate that most industries are no longer pressing as hard to add new capacity. Throughout the postwar period, manufacturing companies particularly have been struggling to catch up with their capacity needs, and to achieve some reserve against future upswings in demand. They have been caught short—by the immediate postwar demand, by Korea and by the consumer goods boom in 1955. But in the past year, most companies have achieved a better capacity reserve.

At the end of 1956, manufacturing companies were operating — on the average — at 86% of capacity, leaving a 14% reserve margin. By the end of 1957 this reserve will be even larger. Thus industry is in shape to meet any near-term upswing in consumer demand without large, new expansion programs. In fact, the manufacturing capacity now in place (or under construction) may be enough to meet most of our normal growth requirements as far ahead as 1960. Modernization and replacement programs will yield some capacity increase each year (perhaps 2-3%) by making present facilities more efficient. But industry's plans for 1958-1960, as reported in our recent survey, do not call for as much emphasis on completely new facilities as in recent years.

In 1957, we are told, about 52c of every investment dollar is going into new expansion projects. But in 1958-1960, present plans call for only 47c of the investment dollar to go into expansion (as an average for all manufacturing). Most of the investment in these future years is intended for modernization, replacement and the introduction of new products. With adequate capacity in place, industry will be able to devote more funds to upgrading its products and processes.

Protection for the Economy

It is equally important to note that a substantial reserve of manufacturing capacity provides our economy with protection against shortages and inflation—far better protection than we have had at any time since World War II. There is no longer any reason for "scarce buying" of consumer goods, and very little reason to anticipate shortages of industrial materials or equipment. Moreover, the new, efficient capacity that has been added recently will permit manufacturers to meet additional demand for goods, in most cases, without resort to overtime, extra shifts or other high-cost expedients. We are moving from a bottleneck economy, with an emphasis on expansion, to a more relaxed economy in which the emphasis will be on new products and better processes as the reasons for investment.

In this type of economy, investment will continue to provide stimulus for general economic growth. But its greater contribution will be to lay the basis for rising living standards, by providing new and better products at reasonable cost. I expect this improvement to proced rapidly between now and 1960, and it may be even more rapid if substantial investment funds are released by a reduction in government spending.

TABLE I

Increase in Investment (1956 to 1957), as Shown by Two Recent Surveys of Plans for New Plants and Equipment

	McGraw-Hill	Commerce-SEC
Electric and Gas Utilities	+22%	+24%
Transportat'n (except RRs.) & Communic'ns	+17	n.c.
Railroads	+11	+19
Manufacturing:		
Primary Metals	+49	+47
Chemicals	+31	+24
All Other Manufacturing	+ 4	+ 3
Commercial	*+ 2	— 6

n.c. Not comparable. *Large chain stores, mail order and department stores, banks and insurance companies. Does not include small stores and service establishments.

TABLE II

Plans for Capital Investment

(Millions of Dollars)

Industry—	1956 Actual*	1957 Planned	1958 Investment	1957-1958 % Change
All Manufacturing	$12,787	$14,542	$12 390	—15
Petroleum and Mining	5,974	6,640	6,793	+ 2
Railroads	1,231	1,3[illegible]6	1.188	—13
Other Transp'n & Communic'ns	4,229	4,963	5,060	+ 2
Electric & Gas Utilities †	4,895	5,991	5,880	— 2
Commercial ‡	8,236	8,401	8.065	— 4
ALL BUSINESS §	36,641	40,979	38,397	— 6

* U. S. Department of Commerce, Securities and Exchange Commission, McGraw-Hill Department of Economics. Plans for 1957-58: McGraw-Hill survey, April. 1957.
† Gas Utilities based on survey by American Gas Association, for 1957-60.
‡ Large chain stores, mail order and dept. stores, banks and insurance companies.
§ Petroleum refining, included under both manufacturing and petroleum industry, counted only once in the total.

Widow of Former Senior Partner of F. S. Smithers & Co., Dies

Mrs. Mabel Brinkley Smithers died at Locust Valley after a prolonged illness. She was 77. Mrs. Smithers was the widow of Christopher D. Smithers, formerly senior partner of F. S. Smithers & Co., member of the N. Y. Stock Exchange.

Born in Iuka Springs, Miss., Mrs. Smithers spent her childhood and younger days in Memphis, Tenn., and was educated in St. Mary's School, Memphis.

She married Mr. Smithers of New York in 1903.

Joins Shields & Co.

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Vernon W. Whipple has become associated with Shields & Co., 145 West Garland Avenue. Mr. Whipple was formerly with Francis I. du Pont & Co. and E. F. Hutton & Co.

Two With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Urban J. Didier and Gordon Meyer have become affiliated with Dempsey-Tegeler & Co., 210 West Seventh Street.

Greene & Ladd Add

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — Robert P. Massie is with Greene & Ladd, Third National Building, members of the New York Stock Exchange.

With Remmele Johannes

(Special to THE FINANCIAL CHRONICLE)

GRANVILLE, Ohio — Tom J. Bowser is with Remmele-Johannes & Co., 118 East Broadway.

Continued from page 5

Undercapitalization of Banks In a Free Enterprise Economy

the historical pattern. Furthermore, there are definite prospects for strengthening the earning picture by obtaining an adequate return from the performance of many new types of services. Moreover, the prospects for mechanization in the internal operations of banks promise substantial economies that should affect the net earnings picture. So it seems to me a careful study of the basic data regarding the operations of banks refutes the assumption of poor earning power. Actually, banks are turning in a good performance and they have reasonably satisfactory prospects.

Favors Larger Dividends

As regards dividends, it seems to me that both the financial community and the bank supervisory authorities should make a constructive change in policy. In view of the stability in the earning power of banks, I believe that a much higher percent of net earnings could be paid out in the form of dividends. This would attract investors immediately to shares because the return would be competitive with alternative investment opportunities. Bank managements should be willing to disburse substantial portions of net earnings in the form of dividends. What better way can be found to make shares attractive than to pay investors a reasonable return?

Finally, bankers should make an effort to tell prospective investors about the merits of banks shares. For example, how often do you observe a banker or a securities analyst calling attention to the fact that investments in bank equities are sheltered because income is derived from a most conservative selection of assets, namely, high quality securities and loans, and that since the shareholders are residual claimants, they can expect to obtain some benefits from their leverage position in the balance sheet?

At this time I believe that we need a fresh view of the bank capital situation. I think bankers will agree that a widespread diffusion of bank ownership is not only desirable but absolutely essential for the maintenance of our system of independently owned banks. This system has proved its worth so many times that it is needless for me to make a defense of it. As a matter of fact, an extension of public participation in bank shares would go a long way to solve many of the problems that are harassing the banking community today.

So, I am calling upon everyone with the best interests of banking at heart to join in an effort to strengthen capital structures by a means that, in my judgment, is best calculated to serve each individual community, namely, through the sale of shares on a basis that will attract both new money and new owners to these enterprises. To accomplish this objective, we would be well advised to enlist the economic interests of investors and the public. Investors will buy bank shares if they are made attractive vehicles for the commitment of funds and brought to the attention of prospects. The cooperation of both bankers and bank supervisory authorities will be needed to accomplish this objective.

Continued from page 10

We Mu t Seek the Savings Dollar To Serve the Nation's Growth

the Kansas Bankers Association undertook to survey the situation in their state and they, too, reported that savings deposits were profitable. I think it is of particular interest to note that it was the small Kansas banks which discovered in savings deposits a previously unrecognized earning potential. Since the publication of that report many of the Kansas banks have moved enthusiastically into the savings field and their success is reported by the following two figures. In 1950 private time deposits held by commercial banks in Kansas amounted to approximately 13% of total deposits. By 1955 the percentage had risen by one-half.

Perhaps I should give two more figures. In the five years from 1950 to 1955, commercial banks' holdings of private time deposits in Kansas rose 84%, which in the nation at large the increase was approximately 33%, or less than one-half of the Kansas rate.

There are other studies to which I could refer you. There is the 1951 ABA country-wide survey of over 2,000 smaller banks. In this case none had resources in excess of $7½ million. For the purpose of that study these banks were classified into 18 groups, and each group showed a net profit on its savings deposits. The profits ranged from 0.8% to 1.5% and averaged a little one 1%.

In 1955 the ABA made a somewhat similar study for a group of Missouri banks, and here again the net profit rate proved to be about the same.

Taking the results of these studies and adding them to my own knowledge of the profitability of the savings deposit business at the Bank of America, do you wonder why I disagree so flatly with the view that savings deposits are not attractive to commercial banks?

But lest I leave a false impression, I hasten to say that the simple act of a commercial bank embracing the savings business will not automatically add to the bank's net return. Prudent management of the additional funds is always a prime prerequisite.

Invites Non-Bank Competition

There is another factor to be considered under the general heading of profitability. The added savings deposit business often requires little expansion in personnel for a fully staffed commercial bank. There are indeed many common overhead elements which are not duplicated — bank presidents included.

On the other hand, in those instances where the commercial bank does not adequately serve this portion of the banking public, it is tacitly inviting specialized organizations to come into being. These specialized operations must, of course, create their own overhead structure which, as you know, does not come inexpensively. But who finally pays for this duplication? The customer does, of course, and thus the cost of banking to the public is increased.

My final comment concerning profitability is simply to echo what so many have mentioned to me, the general rise in operating costs. In light of the fact that we see no basis to forecast a decrease in operating cost in the near future, it would appear that any source of additional revenue which is in excess of its direct cost ought to be a welcome addition to our activity. In calculating the profitability of new or additional services, there is little point in adding that portion of the permanent overhead expense which continues irrespective of the expansion of services.

We should focus only upon actual cost in relation to the increase in revenue. If such new activities more than cover their actual cost, they are profitable to the over-all banking operation. To the extent that these additional services can absorb a portion of the existing overhead expenditure, they should indeed be welcome.

I mentioned earlier that the restriction of commercial bank services invites the creation of specialized institutions.

Creates Competitive Inequalities

My fifth and final point is that competitive inequalities have arisen by virtue of the growth of specialized financial institutions. As an example, I refer to certain non-banking financial institutions that are permitted to develop tax free reserves which serve in lieu of capital accounts. But capital accounts of stock companies, including commercial banks, must be developed after taxes. This makes quite a difference.

Somehow, I cannot help question the wisdom of commercial bankers who set the stage for the development of these specialized institutions by default, through their unwillingness to assume their full responsibilities. This is particularly so when it is known in advance that the competitors will operate under a more favorable set of rules than does the commercial bank itself.

Don't misunderstand me. I am not opposed to competition. My colleagues and I find that the competitive banking environment in California helps to keep all of us on our toes, and I believe Californians, in general, have gained from this competitive situation.

What does concern me is the inequality of the rules which govern competitors in the same field, especially when factors such as tax laws, regulations, operating procedures and the like are less favorable to commercial banks than to the specialized institutions. Again let me ask: Under these circumstances, does it not seem absurd for commercial banks to contribute, by neglect, to the conditions under which these institutions may thrive?

Favors Competitive Equalized Ground Rules

Lest my position be misinterpreted, I am constrained to restate part of what I have already said. I am not urging that the commercial bankers attempt to eliminate the specialized type of financial institutions. I am convinced that mutual savings banks and savings and loan associations, as well as other types of non-bank financial intermediaries, now constitute an integral part of the American financial structure. In fact, there are many areas in which all types of financial institutions must cooperate for the benefit of our country. I am urging only that the competitive ground-rules be equalized for everyone in the same area of operation.

It is clear that the initiative for a rearrangement of the rules and conditions governing competitors in the financial field rests primarily with the bankers themselves and, in particular, with those who operate the commercial banks in the smaller communities. It is those banks, as you know so well, which suffer most from the inequality of competitive opportunity.

Cites Comptroller Gidney

This need for us to take a greater interest in banking legislation was emphasized recently by the Comptroller of the Currency, Ray Gidney. Speaking at a bankers meeting in New Mexico, Mr. Gidney pointed out that there was a need for adapting our laws to the needs of the present day to provide as high a degree of flexibility as is consistent with safe and sound banking operations.

I would like to read briefly from Mr. Gidney's talk as it appeared in the *American Banker*. Mr. Gidney said, and I quote:

"Too long have we worked under provisions enacted many years ago which have been adapted only partially to changing conditions. A good banker of 50 years ago was guided by the same principles as a good banker today. But how different is the scope of the activities of the banker of today and his greatly enlarged banking institutions."

These are Mr. Gidney's words. I think we all agree with them.

It therefore behooves the commercial bankers, to speak out clearly and forcibly to the American people, to our friends, our neighbors, our customers, as well as to our state and national legislators. I believe that group representatives, as the Washington Bankers Association, should make its stand clearly known. But such action to be meaningful and fruitful must be reinforced by personal deeds and words. A rearrangement of rules and conditions would be fully in keeping with the American philosophy and the American people would gain thereby.

Let me summarize my observations.

Sums Up

It is amazing that we had to learn, but we did, and some banks haven't learned yet, that savings deposits are good things for banks to have, and that they should be welcomed and sought, not just tolerated.

There are some banks that haven't learned yet what savings banking and the attendant loan services can do for the whole character of a bank. The direct profit potentials are only part of the story. The real heart of the story is that savings banking touches closest to the human elements of banking. It hits people where they live, both literally and figuratively. On both the deposit and the loan side of the operation, it ties people closer to the bank and over a longer time than any other thing a bank does.

The providing of such services by commercial bankers can have several happy consequences:

First, in the broad development of the local economy served by the commercial bank;

Second, in the more effective implementation of our nation's monetary policy;

Third, in the growth of banking business by expanding the development of customer services, as well as encouraging the expansion of customers to serve;

Fourth, in increasing the potential profitability of commercial banks;

Fifth and last, in not encouraging, by our neglect, competition which operates under special and more favorable rules.

I trust that these few points prove to be convincing.

I know we would all agree that commercial banks hold a unique position within the American system. The position of trust which commercial banks occupy in this country is not duplicated anywhere else in the world. The faith and trust placed in us by the community we serve, as well as by our state and national governments, transcends that of any other type of business in our economy. The acceptance of this position of trust carries with it the solemn obligation to perform most efficiently and effectively within the broad field assigned to us. To do anything less is to acknowledge that the job is too big. I cannot believe this to be true.

If bankers believe, as I do, that our obligation is to provide full banking services to the best of our ability, then I maintain that the aggressive development of time and savings deposits by commercial banks throughout the nation is deserving of our special attention. Bankers should move individually and jointly toward strengthening this portion of our total operations.

It is a monumental task and we need the combined efforts of all commercial bankers in order to achieve our goal. Let us all, large and small, city and country, jointly decide to move in this direction. Let us aggressively seek this form of business. Let us pay realistic rewards to our customers. Let us continue to broaden and improve our services to the public. Let us work energetically for competitive equality of all financial institutions.

And only by our accomplishment of these objectives can we prove that the job which the commercial bankers of America have undertaken can be fully and adequately performed and in the process be assured that American people will be better served.

With Evans MacCormack

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—DeLos H. Smith has become connected with Evans, MacCormack & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. Smith was formerly with Dempsey-Tegeler & Co.

Neither Acceptable!

"I say that if the leadership of the Democratic party wants to decide the election of 1958 on the issue of which party will do the better job in providing economy in government, we will give them the shellacking of their lives.

"It is time to fire some of our ammunition at the record of our opposition on the economy issue instead of at the Republican Administration."
—Vice-President, Richard M. Nixon.

Richard M. Nixon

The trouble is that neither the Democratic nor the Republican party can be counted on to do an acceptable job "in providing economy in government."

Continued from first page

The Most Serious Situation Confronting This Country

value again. To my way of thinking this second inflation may be as dangerous or more dangerous than the first because the justification or the conditions that brought about the first inflation was, first, very heavy deficit spending and the war—the two wars, rather—and that's not a condition that exists today.

I think inflation, unless it becomes uncontrolled, or if it results in a substantial further loss of the dollar, would be as dangerous to our economic life as an H-bomb would be to our physical life, and I am generally alarmed.

As some perhaps know, I am Chairman of the Senate Finance Committee and that committee at this time is conducting an investigation in the monetary system in all its phases. It's a very broad investigation, it will take a lot of time, it will investigate the public debt, private debts, the rates of interest and all matters that relate to our financial and monetary condition with special emphasis on the question of this new inflation.

From April of 1956 to April of 1957 there was a two-cent loss in the value of the dollar which is 4% of the 50-cent dollar. And that gives us a valued dollar as of April of 49.8 which is less than one-half its value and the dollar is still going down.

Sees Nothing Stopping Current Inflation

The cost of living is steadily rising, it has gone up five index points in the last year, approximately 5%, and there are no conditions that I can see that would indicate that this inflation which has now started will be stopped. This matter was discussed at a very lengthy examination of Secretary Humphrey, for whom I have great respect and admiration. There are certain factors in inflation that all of us recognize. One if the increase in wages above the productivity of wages, and that, of course, has occurred, it is occurring, because there are automatic increases in wages now which are given on a basis of the cost of living but not on a basis of the productivity of those particular wage earners. And that, of course, is inflation.

We have another factor now, that of the enormous increase in interest rates which has just begun. As is known, the last offering by the Treasury of $4 billion of bonds was not taken by the public in the fashion that has been customary and it was regarded as not a success.

Now, those bonds were issued on a basis of three and five-eighths which is the largest interest rate that has been paid since 1923, but that interest rate was not sufficient to sell those bonds to the extent of those that then become due.

There are very large quantities of bonds in amounts that become due in August and through the fall amounting to 32-odd billions of dollars. Now, the interest we are now paying on the Federal debt is $7 billion and that's 10% of the total tax revenue of this country and Mr. Humphrey, in answer to my question, said that should we be compelled to pay 3⅝%, which is the offering that was made, but was not fully subscribed to, that then our interest charge would be $10 billion. So we have a potential increase in the cost of government of something like $3 billion assuming that the interest rate of 3⅝% will not be exceeded and no one knows what will happen about that until the offering is made next August to ascertain at what rates these new bonds will have to be sold.

Rise in Total Public Debt

Now, we undoubtedly have what may be regarded as a great surface prosperity. You can take the statistics, as Mr. Humphrey did, and show that this country is enjoying the greatest prosperity that it has ever known. No doubt about that. But in my judgment, it's not sound or solid prosperity. One thing is that when I came to the Senate 25 years ago we owed then $16 billion in Federal debt. Now we owe $275 billion. In addition to that we have contingent liabilities of things that our Government has guaranteed such as the housing loans and so forth and so on, to an extent of $250 billion more. Now, I do not contend that all of that $250 billion is likely to become an actual liabilitiy which would have to be paid out of the Treasury. And I asked Mr. Humphrey to give me an itemized statement of all the contingent liabilities that we have and give his judgment as to which of these contingent liabilities would likely be an actual liability in the years to come.

Now, in addition to the Federal debt we have a debt of the cities and conties and states of $50 billion. That has doubled in four years. In addition to that we have a debt of corporations and individuals of five hundred and more billion. Thus we have a total of some $800 billion in public and private debt.

The actual facts are that a total of all debts in the past four years has increased from $600 billion to $800 billion, an increase of one-third in that period of four years. And that combined with the inflationary influences indicates to me that we are not on as solid a basis of prosperity as these statistics would give the impression that we are.

I have thought that this investigation that we are now conducting in the Senate Finance Committee is justified by the fact that there has not been a complete investigation of our monetary system since the Aldrich investigation in 1908. I do not assert that the Finance Committee will be able to undertake as comprehensive an investigation as was done by the Aldrich Commission, because that took four years. But I do say that on the Finance Committee there are very able Senators. We have eight Democrats and seven Republicans and they are very deeply interested in this question to find out the causes of these conditions that confront us. Why it is that we have this inflation? Why it is we have this enormous debt? Why it is necessary for the Federal Government to spend as much as we are now spending, $73.6 billion, if you include the road appropriation which was put in a trust fund, but for comparative purposes should be included in the budget. Another thing that's very disturbing to our committee is, and this was confirmed by Mr. Humphrey, what would happen if we would have a slight recession, And when I mean a slight recession, go back to the prosperity of 1955, that's just two years ago, and we at that time thought we had a very great prosperity then.

If we would go back to the national income of 1955, we would have a deficit then of $12 billion because of the fact that our tax system is keyed so largely to the income tax that any recession of business of any kind would occasion that loss. And I submit that any nation is in a precarious position when even a slight recession, such as going back to 1955, would bring about this enormous Federal deficit assuming, of course, that we pass the appropriations as requested by the President. So that's a very serious condition.

"We Have No Reserves"

In other words, I am not being pessimistic, I have no desire to be or no desire to be an alarmist, but as I see it from a financial standpoint we have no reserves of any consequence. We can't tax any more. We are taxing the people to the very limit. And I say that as one who is Chairman of the Senate Finance Committee.

I wouldn't know how we could raise any substantial amount of money without going into diminishing returns. We have Korean War taxes which we still have. And in the second instance, we've borrowed all that we can borrow legally. I am one of those who intends to oppose any increase in the debt limitation. That debt limitation is now $278 billion, $3 billion of which expires on July 1, and I am going to oppose, with such influence as I have, any increase in the debt limit, because $275 billion is enough and too much for this country to owe.

In fact, I have about reached the conclusion the only way we are going to stop this spending is to make it so that the Government can't get the money to spend by not letting them borrow the money. So now if we can't borrow any more and if we can't tax any more, if a recession comes, what's going to be our situation? I'm not speaking of a war. God knows what would happen to us if we ever had to finance another war. I don't see how we possibly could preserve our system of government if we did. I mean just a simple ordinary recession such as going back two years. And that was regarded, as I said, two years ago as a time of great prosperity. And this figure of $12 billion was first given to me by Mr. Colin F. Stam, in whom I have the greatest confidence. He is the Chief of Staff of the Joint Committee on Internal Revenue Taxation, and I have been associated with him for many years. I asked Mr. Humphrey, on the witness stand, whether that figure was correct or not. And after consulting with his experts he said it was. And if we went back to the national income of just two years ago you would have a deficit of $12 billion.

Explains Opposition to Budget

Now, the reason I have been so critical of the President's budget [it has not been anything personal, of course, because I have a great admiration for the President, and it's well known that I did not support the National Democratic ticket in either 1952 or 1956, so I have no political reasons for doing it] is because it is the highest peacetime budget in our history. It opened up new avenues of spending which if once started would not be stopped. I state this with all the candor and frankness of which I am capable. Pass this budget as it now is and it will be the lowest budget within the life of us now sitting in this room.

Take, for example, the question of building the public schools. The President wants to do that. Well, there is nothing could be more costly to the Federal Government that to build schools for counties and the localities. That's opening up a Pandora box, the extent of which can't even be visualized nor contemplated. What would happen? Go into a county. The Federal Government would put up a luxurious school. They don't do anything in any other way, you know. It would have the finest of everything in it.

And then some other country will say, "All right, Uncle Sam has given this county a public school building, why shouldn't they give us a public school building?" And that's the way those things go. So on all down the line.

Now, Mr. Eisenhower said that it would be limited to four years. Now. with all respect to the President and with all deference, I just say that that simply will not be the case and I challenge anybody, including the President, to name one single one of these grants to the States that has ever been stopped, not one single one. When I came to the Senate we had one grant to the States: that was roads and we spent $250 million on it. Now we have 52 grants to the States and Mr. Eisenhower is asking for 13 grants more including the schools, and this year we will spend $5.4 billion on those particular expenditures when 25 years ago we spent $250 million. Those things simply don't stop. Anyone who has been a Governor of a State, as I have knows that when these grants are made by the Federal Government they are incorporated into the budgets of the States and it is practically impossible to get them stopped.

So this thing—this talk about doing it for a short time is against all experience. After all, the best way to judge the future often is what's happened in the past. None of them have been stopped and Mr. Eisenhower not only wants to give the money to schools but he has 12 others in addition to that; 12 other grants from the Federal Government to the States.

Finds Federal Grants Are Costly

Now, what happens about these Federal grants? People back home have a foolish idea that they are getting something for nothing. To the contrary, the money comes down here to Washington. We have no money here in Washington, everybody knows that. Some people seem to think we have a great treasury under the Capitol dome. We could spend this and spend that—a lot of gold and silver, spread it around. All the money we have comes from taxation. It comes from you back home and then the money comes to Washington and the departments and the different people in wasteful processes down here take a good part of it and then they send your own money back to you and tell you how to spend it. That's what these Federal grants are to the States.

It's no saving to anybody. It's an actual increased cost to the people because it's the people in the counties and the cities and the states that pay the taxes. It's not the people in Washington—I mean, it comes all in the form of taxation which is taken out of the general revenue. And I think Federal grants have another great objection and that is the concentration of power here in Washington.

Our Government is getting bigger and bigger all the time. It's getting so big that it's unwieldy. It's getting practically impossible for those in Congress and the Senate even when we are chairmen of important committees to try to understand what's going on in all these different ramifications. We will take the Finance Committee, just one committee that I happen to be chairman of. This committee has raised all the taxes. We have to levy taxes to the extent that brings in seventy-odd billion dollars a year. This committee has charge of all the tariffs and customs and it has charge of all the social security and then it has charge of all the veterans' matters. That's enough work in itself for probably at least two committees. And the concentration of all these matters in Washington simply makes it more difficult to get economy or efficiency of management and more difficult to understand these things and how to correct them.

Now, the only hope that I can see is, is to do what we are doing now. And for the people back home who understand as best they can. I don't expect all to understand all of it. I don't understand all of it and I have been here for 25 years. A great deal goes on in Government that I don't understand. But at least I understand the fundamentals of it, namely, that what you spend you must pay. Other ponderables are: a great and overwhelming debt such as we have, which takes 10% of the total tax revenue, is not a good thing; it's a bad thing; namely, this inflation may have the most disastrous results; namely, this $110 billion which we are collecting in taxes, just think of that. The Federal, State and local governments are now taking from the people $110 billion in cash every year. And that's one-third of the total gross income of this country. And I submit that this great free enterprise system of ours, which, after all is said and done, is the very basis of our democracy, is placed in jeopardy.

Sees Threat to Our System

If we lose the free enterprise system we lose our democratic form of government because the free enterprise system is the system that furnishes the money to operate our Government. And whenever the time comes that the Government supports the people and not the people the Government then we have destroyed the form of government we have. We'll go to Russia; we'll go to some dictatorship because power always follows the purse, as we well know. And the free enterprise system has to have an incentive of profit. You and I and other businessmen are not going to invest money in something unless we think we are going to make a profit out of it. That's the way we built this country up. And if the taxes take too much of it then we say, what's the use. We just keep the money, bank it. We'll put it in some investment which is not promoting the development of the country. We can't go forward as a dynamic country and we can't stay still, that's one thing certain. Every country like this has got to either go forward or go backward. We can't go forward unless we have a tax system which gives to the average investor a reasonable opportunity to make a profit. I am not speaking of the interest rates; I am speaking of this incentive of investments, these things that you take stock in a company and you do that and build up a company in the hope that in five or ten years from then, from that time, of getting a profit.

Now, I made a statement a little while ago that we could reduce our budget back to the level of 1955; that's only two years ago. Mr. Eisenhower, however, has increased this budget, including the roads. Do not overlook that roads are not shown in the totals. But I contend, since roads have been put in the trust fund and they were not in the trust fund last year, that for the purpose of comparison it's proper to include the road funds on this new road system. They increase Mr. Eisenhower's budget above 1955 by $8 billion.

Proposes Tax Relief

Now, we could take that $8 billion and first, pay something on the public debt, which should be done in any program of tax reduction. Then we would give a hundred dollars increase in the exemptions and, it's imperative, in my judgment, to give some relief to the middle bracket taxpayers; the taxpayers of eight and nine and ten and fifteen thousand dollar incomes. They are being severely punished now because the

Continued on page 34

Continued from page 33

The Most Serious Situation Confronting This Country

brackets are so close together. And then we could reduce the 91% total maximum tax down to, say, 65% or 63%, somewhere along there. That would only lose $200 million.

Then, I think, the tax rate on corporations should be reduced, if possible, back to the level of the Korean War, which was 47%. If not back to that, then certainly back to 50% and then, I think, there ought to be reductions in some of these terrifically high excise taxes and there should be something done for small business.

All of that could be done if we could bring the budget back to just two years ago. And I have inquired and I have asked all the Government officials why is it? What has happened in the past two years to justify a budget $8 billion—an expenditure budget $8 billion more than it was two years ago? But I've never been able to get a satisfactory answer to that.

Of that $8 billion only $2 billion of it is in military and $6 billion is in what we call the domestic civilian, which has gone up more, more than strictly the military.

Praises First Real Economy Drive

Now, this Congress has done a great job and this is the first time that I have known the people to become aroused in regard to public spending. It's been due to such organizations as the National Citizens Committee to Curb Inflation. They have carried the message back home and the people themselves have reached the conclusion in their own minds that things are not as good as they look on the surface, that there's danger ahead. And the greatest safeguard that we have in our democracy is the capacity of the average American to see that we mustn't go too far because we might go over a precipice.

I have never known such a demand on the part of the people back home to reduce this public spending as has occurred this year. I've gotten thousands and thousands of letters, as have all the other Congressmen and Senators. And the letter writers have left out this thing that they have been talking about in the past, "I am for economy, but"—as so many of them did write in the past. A good friend up in the Shenandoah Valley, a good old friend of mine, said, "Harry, I want to congratulate you on this fine work you do for economy, but don't forget that we have to get this sewage system up here." They're not talking along those lines, they want it cut.

I know the Chamber of Commerce right back in January, I believe, had an emergency meeting of 500 of the leading businessment of the country. I had the privilege of speaking to them, for the sole purpose of trying to organize to get Congress to cut the budget. Well, the results of their efforts up to date have been that for the first time in my recollection, the Senate has sustained the House cuts. Congressman Cannon and his committee has done magnificent work in the House. And we have sustained, for the first time, these cuts. In fact, on one or two bills the Senate went even below the House in the cuts.

Now, those cuts up to date, if we include the defense cut, which at this time hasn't been acted upon by the Senate, amount to about $4 billion, but only about one-half of that is what they call an expenditure cut. We have a very complicated situation up here whereby there are about $70 billion of unexpended balances. Whenever the appropriation bill is cut, it doesn't mean, necessarily, that expenditures for that next year will be cut. The Senate hasn't acted on the defense cut—they may not cut as much as the House in that case. And we haven't acted on the foreign aid, and several other bills, but we think about half of the cuts will be actually reflected in the expenditures.

Claims Presidential Cooperation Lacking

But the whole thing has been tremendously worthwhile, because this is a fight that has jsut begun. We have been on an improvident, wasteful, extravagant basis for 25 years. We have been adding to the debt for 25 years. We have been wasting money for 25 years. We can't expect to correct that in a short time, and I regret to say that had we the cooperation of the President, which we have not had (he suggested a few cuts but very minor ones) Congress could have done a much better job than it has done. But it's most difficult to make cuts when the President says that this and that if it's done will be very harmful and be injurious to peace and so forth and so on.

I am on the Armed Services Committee, I am the ranking man on it, I wouldn't cast a single vote that would injure the defense of this country. I wouldn't cast a single vote that would put us in the slightest peril, and I don't trust Russia at all. I have no trust of Russia whatever. We have got to have a preeminent defense. We have to have the greatest Navy in all the world. We have to have the greatest Air force. We have to have the atomic bomb. But when anyone tells me that you can't save money in the national defense, I just know that isn't correct. You can save substantial sums of money in the national defense. We are spending $40 billion a year and my proposal was to have $1.5 billion. Well, $1.5 billion is only 4%. There isn't a single agency of this Government that you couldn't cut 4 and 5 and even 10% off and still have just as effective results as if those cuts hadn't been made.

Keep Up the Fight

This is my message. Keep up the fight. It has to be kept up if we are going to save this country, because this country can't stand another 25 years of what we have gone through in the past 25 years. It can't stand ten years. If we would lose two cents of the dollar in the next ten years, as we did in the past year, the dollar then would be worth only 25 cents of what it was in 1940. And then we would be getting into a situation where many of these foreign countries have destroyed themselves. There is nothing more destructive than an inflation that destroys one's own currency.

And let us always remember this: That whenever the American dollar goes down the world goes down. The only thing that saves Communism from sweeping over the world is the strength of America, the strength at home, our financial strength, our mass production capacity. Eliminate and weaken those things and the whole world will go down to Communism, and the best thing we can do is to preserve the strength of America.

Do what's necessary of those things we have to do. But do them in an economical and reasonable way. Don't throw money away with a shovel and waste it. Just cut down, just cut things down. And I'll guarantee that we will get just as good results, if not better results, if many of these appropriations are reduced.

Continued from page 12

Answering Businessmen's Queries On Today and Tomorrow

would be a slide in business for the nation as a whole.

So let's turn to the thinking within the Administration on the probable course of business in the next year or so. It will be helpful to know this, **not** because what the government thinks is any better or more accurate than any other point of view, but it can shed light on what the government may or may not do in the months ahead about policies that affect business either directly or indirectly. It is worth noting, however, that the views held by key men within the government coincide pretty much with the prevailing opinion of top business and economic sources with whom we talk.

Business for the nation as a whole and for the year as a whole will be good. There seems to be no doubt of this. This doesn't mean that some lines and some areas won't have their troubles. They will. But the total business for the nation will be high.

There are even some signs that business will be perking up within the next few months and that the level of business will rise moderately. Top government men are convinced that the main reason for it will be better business sentiment, a better mood. Many businessmen who earlier anticipated some sort of a softening and who trimmed their future plans a bit are discovering that things haven't turned out quite that way. Capital spending plans, put aside earlier, are being dusted off and put into effect. This guarantees that total capital spending for the full year will set another record. A real business stimulant.

Housing starts have shown signs of picking up sooner than had been expected. It still looks as if housing starts for the year will be around a million. Most of those with whom we talk think that's a pretty darn fine housing year.

Government men stress the point that inventories seem sound. Generally, they are regarded as "low" for the present and expected volume of business. We see even signs of some building up of inventories to keep pace with the rise in business.

Perhaps the biggest plus is in retail sales. The best figures that we have seen put together show that they will run about 5% ahead of last year. Part of this is due to higher prices, but the other part is accounted for by an increase in transactions.

Autos are the major soft spot that is being watched the closest by all business observers. And they talk about it plenty. But we know of no one who is really concerned about the effect of this on the whole economy, even though recognizing it isn't good for the industry and the dealers.

Invariably in any discussion about the business outlook the talk gets around to "how much better?" Well, you know the conventional sign post — Gross National Product, GNP. It is far from perfect as a guide, but then nearly all statistics have their weaknesses. So let's take a look at the GNP road map for 1957:

As is known, it was up from a rate of $424 billion in the fourth quarter of last year to a rate of $427 billion in the first quarter of this year. The predominant view is that the rate during the fourth quarter of this year will be a bit above $440 billion, with about a $10 billion rise in the fourth quarter. This shows that most observers of trends think that business will get something of a lift toward the end of the year.

"Tightish Money"

I think, from this line of thinking, that the view within government (and even by many outside) is that there are more inflationary factors than there are deflationary pressures. The significance of this is that the money policy of the Federal Reserve is likely to continue about as is, making what adjustments are felt necessary by way of its open market operations. The net of this, in effect, will be a continuation of what is called "tightish money." Top FRB officials are still convinced that whatever dangers do exist fall on the side of inflation. Any easing of money policy would simply aggravate this danger, in their opinion.

Before moving along to other subjects I would like to comment briefly on a line of thinking that we have seen developing among some top level government men. It is worth tucking in the back of your mind to think about yourself when planning for the future.

These men point out that in the past several years we have had major soft spots in farm income, auto sales, a gradual decline in the housing field plus some area situations. Yet the total of business has continued high. They insist that in the not so distant past such a combination of factors would have plunged up into a sharp business decline, perhaps even a recession. Now let me hasten to say these men make no claim that we are in a new era or in utopia, but they say the question should be raised and carefully examined whether the economy of the country has become so diversified that it **can** go through real adjustments in major lines without damaging the whole economy. It is something worth keeping an eye on.

You know Washington as the seat of government—and there's no doubt—that is its greatest significance. But in our talks with businessmen we find a somewhat incredulous reaction when we mention Washington as now being the seat of labor as well. Information out of Washington can tell you in advance what labor leaders are thinking about present problems, what policy on this or that they will be urging down along the line to their locals.

New Labor Power Site

Did you know that over 50 unions have their main headquarters in Washington? There are only about 30 in New York. Our union contacts tell us that more and more unions are opening offices in the nation's capital. This is reported in no sense of alarm, but merely to point out that labor stories datelined Washington are more significant than ever before.

Here's the sort of thing I mean. Quietly, without fanfare, the top union leaders are taking steps to centralize in Washington much more control over local unions and their leaders. This has been a direct result of the Senate racket hearings. The ethics, morals and methods of running the locals are about to come under much closer scrutiny by the top labor brass. Codes are even being drawn up as guides for the behavior of locals. There are signs that this will lead to more dictation of bargaining, union strategy, wages, strikes, etc.

We not only have big government in Washington, but we have big labor, getting bigger, with more centralized control.

There is no question—the labor racket hearings are pinching the unions, and pinching where it hurts. And the top union brass is well aware of it. Union organizing campaigns are bogging down. We are told that more and more workers are voting non-union. And others are shirking payment of dues. You even hear of some workers who charge that the union is guilty of "unfair labor practices."

Top union leaders are worried over the growing support for laws considered to be anti-union. Such things as right-to-work laws to kill off the union shop; putting unions under antitrust; tighter rules over political spending; and a wide range of lesser proposals. They fear the tide is turning against the union movement.

We think that their fear is justified, but there certainly are no signs that Congress is about to rush Pell-Mell into any legislation which would damage the unions, at least not at this session.

Next year may be another matter. But even then we feel sure that Congress will not vote a Federal Right-to-Work Law, or put unions under the anti-trust laws. It does seem probable that after the racket hearings are over, Congress will take some steps to make the unions more responsible to the membership and to force public disclosure of union finances. One other matter quietly being pressed behind the scenes is to dig into political spending by the unions. But Congressmen are practical fellows, they tremble a bit about going into this matter for they know that too many fellow members would show up as being supported by the unions. And they also worry lest the heat be turned on to also look into contributions by businessmen. So this is one matter that probably will never see the light of day.

It seems to us as if the racket hearings will run on for at least the rest of this year. It is bound to tarnish the respectability of the whole labor movement and it will take some years for it to regain much of its lost stature.

Now for a few short-short stories on questions that we face regularly these days:

Doubts Passage of School Aid Bill

What about Federal aid for schools? Well, the President's program is in plenty of trouble. It's tangled up in the integration issue, for example. And there isn't much support for it from a lot of the states, the southern on the one hand and the "richer states" which stand to lose more than they gain on the other. We think the changes are against passage of the bill. Suggest that states and local communities better push forward on their own to get the number of added classrooms they need.

Will Congress vote the higher postal rates? Looks as if the House will vote a bill sometime this month increasing rates on letters, magazines and newspapers, advertising circulars. But when bill goes to the Senate, it will be delayed by hearings. Then the odds are that a postal pay raise amendment will be tacked on. It will be too late in the session to untangle the whole mess. So, rates will stay as-is.

Civil Rights Legislation? The technique of stall, dawdle and delay seems certain to be enough to kill this bill, too.

How about broadening of minimum wage? No real steam behind it, even from the Administration which proposed it. No action this year.

The same for amendments to the Taft-Hartley Law.

And the same for major alterations of the immigration laws.

What about merger legislation—a law requiring 60 to 90 days' notice to the government **before** date of merger? House probably will pass a bill at this session, but it looks as if the bill is trapped by other legislation. So, despite the sentiment to do something about it, the chances are it will have to wait until next year.

And here are a few political quickies—answers to queries that show up in our mail from time to time:

Nixon Is Favored

What about Knowland and 1960? We are convinced that he will **not** have anything like enough strength to be nominated.

Will it be Nixon? In our opinion yes—unless he stubs his toe badly. So far, whether you think well of him or not, he has stayed out of any political trouble.

Will there be other cabinet changes soon? Well, Wilson will leave the defense job within the coming weeks. Don't know his successor. We think several other changes are likely before the year is over—but frankly it's too early to say just who.

One question that is more important than all the rest, for it not only affects our business and the planning for its future, but it bears on our families and our lives. It's a query we always get somewhere in a conversation frequently it gets buried, for all too many of us would like to feel that it's like the little man upon the stair. You all know that rhyme, I'm sure.

Peace Talk Realities

War! What are the chances, are we making any headway toward something more like peace, and just what about Russia? Those aren't all the questions, but they are typical and set the pattern.

An encouraging brand of thinking is developing inside topmost government circles. Officials are a bit scared to talk it themselves lest they start a stampede to curtail defense to a point of danger. What's more they haven't completely convinced themselves of the truth of what they think, or perhaps they are afraid to think it is the truth.

A war, a big war with Russia, has just about become an improbability.

Here are the reasons that have accumulated in official minds. Some of them are challengeable, of course, for no one can be certain, but they do come from a wide variety of people both in our own and other friendly governments, people who have even spent time inside Russia. They are convinced that, of course:

This country does not want war and will not start one.

That Russia does not want war (there are differences of opinion on this but that is the majority view.) They insist that Russia is more afraid of war than her public statements indicate. And what's more, she is weaker internally, economically and politically than is generally believed. They also stress that while the Russian people are not ready to start a revolution, they **are** restless, aren't ready to support a war with this country.

There's also the matter of the satellites. They are tense inside and can not be relied upon in the event of a war, and the Russian leaders are well aware of this.

Other significant points that show up in the new frame of mind of official Washington: that the war-making power of Russia is exaggerated in the public talk. This, incidentally, is the view of military leaders of a number of nations. That the power of the U. S. is superior. That Russia is not ahead of us in science and engineering. And, in the relative strength of the basic economies, the U. S. is well out in front.

Can We Trust USSR?

Is the U. S. going to be stupid enough to trust Russia? No, not entirely. But this country intends to be receptive to talks, will be perfectly willing to listen, hoping for results. There is no mutual trust to be sure, but remember that the Russians have made some bomb tests of their own, and in recent months the horror of such bombs has sunk in more and more on the Russian leadership.

And then some of you want to ask:

Aren't the Reds likely to be faking? Yes, but our officials are well aware of this possibility. They think the Russians aren't. But if later the situation should change, our top men think that nothing will have been lost by trying to work things out.

How do we **know** the Russians won't start a war? Well, we don't for certain, no one can be sure. But both through our dealings with them and also from other nations which deal with them, there's a feeling that the Russian attitude is changing.

This has shown up during the talks on disarmament, and on this front some progress is being made. There'll be no startling developments, no miracles. But advancement toward arms limitation will begin to show piecemeal.

Perhaps it will take two or three years to get specific arms limitations. Then in five years, something broader, then on to a cessation of the cold war. That's a long time, you say. Yes, but it is heading in the right direction. And I say that is good news for all of us.

Continued from page 17

News About Banks and Bankers

212,500 shares of the same par value.

* * *

Marine Midland Trust Company of Southern New York, Elmira, N. Y., was given approval on June 26 by the New York State Banking Department to increase its capital stock from $2,250,000, consisting of 112,500 shares of the par value of $20 each, to $2,500,000, consisting of 125,000 shares of the same par value.

* * *

NATIONAL BANK OF WESTCHESTER, WHITE PLAINS, N. Y.

	June 30,'57 $	Dec. 31,'56 $
Total resources	143,803,275	142,913,696
Deposits	130,080,229	129,385,483
Cash and due from banks	18,130,316	16,168,155
U. S. Goct. security holdings	43,041,449	45,549,947
Loans & discounts	52,668,916	53,415,969
Undivided profits	1,550,615	1,922,190

* * *

The Andover and Merrimack National Bank of Haverhill, Haverhill, Mass., with common stock of $700,000; and **The Methuen National Bank, Methuen, Mass.,** with common stock of $175,000, consolidated on June 14 under the title of **Merrimack Valley National Bank, Haverhill.** The bank has a capital stock of $875,000, divided into 43,750 shares of common stock with a par value of $20; surplus of $875,000 and undivided profits of not less than 392,490.

* * *

Norman C. Cross and Bartow Kelly were elected to the Fitchburg Advisory Committee of the **Worcester County Trust Company, Worcester, Mass.,** by the bank directors, it was announced on June 26 by President Edward L. Clifford.

* * *

James Carleton Howe, a former Vice-President of the **First National Bank of Boston** and the old **Colony Trust Company,** died on June 28 at the age of 79.

* * *

The appointment of public relations and advertising representatives for the **County Bank and Trust Company, Paterson, N. J.,** were announced on July 1 by C. Kenneth Fuller, Chairman of the Board of the County Bank. Willard C. Kimm was appointed Publis Relations Manager. Barry Marshall was appointed Advertising Assistant.

* * *

FIRST NATIONAL BANK AND TRUST CO. PATERSON, N. J.

	June 30,'57 $	Dec. 31,'56 $
Total resources	232,862,041	241,401,207
Deposits	214,043,679	223,348,649
Cash and due from banks	39,361,965	40,377,107
U. S. Govt. security holdings	50,845,005	58,059,567
Loans & discounts	56,275,604	53,366,487
Undivided profits	3,229,113	3,319,073

THE PHILADELPHIA NATIONAL BANK PHILADELPHIA, PA.

	June 28, '57 $	Dec. 31, '56 $
Total resources	1,005,517,622	1,064,503,298
Deposits	878,895,345	957,064,851
Cash and due from banks	266,955,607	332,662,724
U. S. Govt. security holdgs.	155,037,714	153,279,920
Loans & discts.	477,761,409	463,243,869
Undivid. profits	10,659,352	18,749,009

* * *

Ralph E. Euler, Senior Vice-President of **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** retired on June 30 as an active officer of the bank, according to an announcement made June 28 by Frank R. Denton, Vice-Chairman of the bank.

Mr. Euler will continue to serve as a Director of the bank and a member of the bank's Executive Committee. He will also maintain an office in the bank building.

From 1913 until Nov. 1918, Mr. Euler was associated with **Colonial Trust Company** and also with the Federal Reserve Bank of Cleveland during 1917-18. In November 1918, he joined **The Union Trust Company of Pittsburg** as Manager of the Bond Department and was Vice-President from 1922 until merger with Mellon National Bank in 1946 when he became Senior Vice-President.

* * *

Provident Tradesmens Bank and Trust Company, Philadelphia, Pa., announces the election of George W. Geuder as Vice-President and Herbert Lomax as Treasurer.

Mr. Geuder, former Treasurer, has been with the bank 30 years.

Mr. Lomax, former Assistant Vice-President of the bank, joined the bank in 1931.

* * *

Merger certificate was issued on June 14 approving and making effective, as of June 14, the merger of **The First National Bank of Ashley, Ashley, Pa.,** with common stock of $250,000, into **Miners National Bank of Wilkes-Barre, Wilkes-Barre, Pa.,** with common stock of $2,500,000. The merger was effected under the charter and title of "Miners National Bank of Wilkes-Barre."

At the effective date of merger, the receiving association will have capital stock of $2,775,000, divided into 277,500 shares of common stock of the par value of $10 each; surplus of $4,325,000, and undivided profits, including capital reserves, of not less than $1,948,859.64.

* * *

It was announced jointly by M. A. Cancelliere, President of the **Western Pennsylvania National Bank, McKeesport, Pa.,** and A. G. Kaufmann, President of the **Bank of Brentwood,** that the two banks had received preliminary approval from state and Federal banking authorities for consolidation of their respective institutions. Boards of Directors of both banks have also approved the consolidation which will give Western Pennsylvania National its 16th office in this area.

It is anticipated that the consolidation will officially take place early in September, after shareholders of the two institutions act on the proposal.

Western Pennsylvania National, whose principal office is in McKeesport, Pa., now has total resources in excess of $150,000,000. The Bank of Brentwood has resources of approximately $6,500,000.

According to the terms of the agreement of consolidation, shareholders of the Bank of Brentwood will receive two and one-half shares of stock in the new bank for each share they now own in the Brentwood Bank.

After consolidation, the Bank of Brentwood will be known as the Brentwood Office of WPNB. Its present Board of Directors will continue to serve the bank as an Advisory Board with A. G. Kaufmann acting as Chairman.

* * *

First National Bank of Baltimore elected James D. Harrison as Chairman of the Board, and Robert B. Hobbs was elected Vice-Chairman. James W. McElroy was elected President, succeeding Mr. Harrison.

* * *

A 42-year career in banking closed July 1 when Alfred G. Wiegand, Assistant Secretary of the **Ohio Citizens Trust Company, Toledo, Ohio,** retired.

Credited with setting up the administrative system of the bank's trust department, Mr. Wiegand has been the officer in charge of trust operations. He came to Ohio Citizens in 1938, but his banking career started in Cleveland with the **Guardian Trust Company** in 1915. He was chief clerk in that bank's trust department before coming to Toledo.

* * *

SOCIETY FOR SAVINGS IN THE CITY OF CLEVELAND, OHIO

	June 30,'57 $	Mar. 31,'57 $
Total resources	323,426,125	327,381,784
Deposits	290,950,612	293,855,836
Cash and due from banks	18,010,595	19,756,826
U. S. Govt. security holdings	80,227,943	82,692,837
Loans & discounts	185,506,312	185,540,797

* * *

John H. Leslie has been elected a Director of the **American National Bank & Trust Co., Chicago, Ill.**

* * *

Joseph M. Dodge, Chairman of the Board of **The Detroit Bank & Trust Company, Detroit, Mich.** announced election of William C. Newberg, as a member of the bank's Board of Directors.

The election took place at the bank's regular board meeting.

* * *

Two institutions merged on July 1 to become the Genesee Merchants Bank Trust Co.

Merger of the 85-year-old **Genesee County Savings Bank Flint, Mich.,** and the **Merchants and Mechanics Bank, Flint, Mich.,** founded in 1927, created the fifth largest state chartered banking institution in Michigan. The new bank has capital and surplus in excess of $6,000,000.

Gyles E. Merrill, President of the former Genesee Bank, heads the new institution while Harlow H. Curtice is Chairman of the Board of Directors of 20 members. Lloyd H. Drake, former President of the M & M Bank, was elected General Vice-President of the new institution.

* * *

State Savings Bank of Ann Arbor, Ann Arbor, Mich., on June 17 changed its title to State Bank and Trust Company.

* * *

William G. ("Jerry") Lowey, new business representative, retired on June 30 from **First National Bank in St. Louis, Mo.,** after more than 51 years of service.

"Jerry" Lowey began his banking career in 1906 at the old **Third National Bank** (the First's predecessor) where he started as a clerk. During the years following he worked in the transit, collection and collateral departments and as a note teller. He has been a member of the bank's new business department for over 30 years.

John J. Griffin, Vice-President of the First National Bank in St. Louis, also retired on June 30, having reached the bank's official retirement age, according to an announcement made by William A. McDonnell, Chairman of the Board.

* * *

The First National Bank of Beaumont, Texas, increased its common capital stock from $1,000,000 to $1,500,000 by a stock dividend and from $1,500,000 to $2,000,000 by the sale of new stock effective June 17. (80,000 shares par value $25.)

* * *

The First National Bank of Longview, Texas, increased its common capital stock from $500,000 to $750,000 by the sale of new stock effective June 21. (7,500 shares, par value $100.)

* * *

First State Bank, La Marque, Texas, changed its title to **Bank of the Mainland,** on June 7.

* * *

The Board of Directors of the **United States National Bank, Galveston, Texas,** announces that on May 29, Mr. Robert A. Vineyard was elected President, succeeding Mr. R. Lee Kempner, who was elevated to the Chairmanship of the Executive Committee, continuing as the senior executive officer of the bank. Mr. Dan P. Doyle and Mr. J. E. Meyers were confirmed as Senior Vice-Presidents. Messrs. Vineyard, Meyers and Doyle were elected to membership on the Board of Directors.

* * *

The common capital stock of **The First National Bank of Denver, Colo.** was increased from $3,000,000 to $4,000,000 by the sale of new stock effective June 18. (40,000 shares, par value $100.)

* * *

Merger of **California Bank, Los Angeles, Calif.** and **The Mariners Bank, Newport Beach, Calif.,** became effective on June 28. Frank L. King, President of California Bank, has announced.

The Mariners Bank has a branch office in San Clemente, Calif.

With the merger, The Mariners Bank, Newport Beach and San Clemente, become the 62nd and 63rd offices of California Bank. The Mariners Bank, Newport Beach, will be known as the Mariners Office, and the branch in San Clemente will be known as the San Clemente Office of California Bank.

Edgar R. Hill, President of The Mariners Bank, and Joseph C. Steelman, Executive Vice-President, became Vice-Presidents of California Bank, Mr. King stated.

Resources of The Mariners Bank were in excess of $7,000,000.

The proposal of merger was given in the "Chronicle" May 30, page 2524.

* * *

With Edward D. Jones

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Jefferson D. H. Haley has been added to the staff of Edward D. Jones & Co., 300 North Fourth Street, members of the New York and Midwest Stock Exchanges.

With Cunningham, Gunn

(Special to The Financial Chronicle)

CLEVELAND, Ohio—George J. Rudolph has become affiliated with Cunningham, Gunn & Carey, Inc., Union Commerce Building, members of the Midwest Stock Exchange.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

• Academy Life Insurance Co.
April 18 filed 750,000 shares of common stock (par 50 cents) to be offered for subscription by military, National Guard, active, retired or reserves, personnel and not to the public at large. **Price**—$1 per share. **Proceeds**—For operating capital. **Office** — Colorado Springs, Colo. **Underwriter**—None. Statement effective June 21.

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.

★ Alsco, Inc., Akron, Ohio
June 28 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For expansion, repayment of loans and for working capital. **Underwriter**—To be named by amendment.

Altamil Corp., El Segundo, Calif. (7/22-26)
June 24 filed 250,000 shares of common stock (par 50 cents). **Price**—$5.50 per share. **Proceeds**—For working capital and other corporate purposes. **Underwriter**—Van Alstyne, Noel & Co., New York.

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.

★ Arizona Land Appreciation Fund, Inc.
June 24 (letter of notification) 60,000 shares of capital stock. **Price**—At par ($5 per share). **Proceeds**—To invest in real property. **Office**—30 Pima Plaza, Scottsdale, Ariz. **Underwriter**—None.

• Associates Investment Co. (7/10)
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.

Bank Building & Equipment Corp. of America
June 11 (letter of notification) 14,265 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.

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.

★ British Industries Corp. (7/9)
June 28 (letter of notification) not exceeding 20,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. (Expected at about $15 per share.) **Proceeds**—To selling stockholders. **Office**—80 Shore Road, Port Washington, L. I., N. Y. **Underwriter**—Kidder, Peabody & Co., New York.

• Butler Brothers, Chicago, Ill.
May 28 filed 40,000 shares of common stock (par $15) being offered for subscription by certain of the Ben Franklin franchise holders. This offer expires at 3:30 p.m. (CDT) on July 17. **Price**—$23 per share. **Business**—Distributors of general merchandise. **Underwriter**—None.

C & D Batteries, Inc.
March 28 (letter of notification) 14,000 shares of common stock (par $10) to be offered for subscription by stockholders and employees. **Price**—$12.50 per share. **Proceeds** — For machinery, equipment, inventories and working capital. **Office** — Washington and Cherry Sts., Conshohocken, Pa. **Underwriter**—None.

Calidyne Corp., Winchester, Mass.
May 1 filed $1,250,000 of Limited Partnership Interests to be offered first to present limited partners at the rate of one $1,000 unit for each $1,000 of his present investment; then to public. **Price**—$1,000 per unit. **Proceeds** — To construct plant; to purchase machinery and equipment; and to reduce outstanding demand notes. **Business**—Produces electro-dynamic shaker and other vibration test equipment. **Underwriter**—None. Robert C. Lewis, Philip C. Efromson and Thomas Gouzoula, all of Winchester, Mass., are the general partners of this Massachusetts Limited Partnership.

• Cameron Industries, Inc., New York (7/15-17)
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.

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.

★ Carter Products, Inc. (7/22)
July 1 filed 500,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To certain stockholders. **Underwriters** — Eastman Dillon, Union Securities & Co., New York.

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.

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.

• C.I.T. Financial Corp., New York (7/15)
June 24 filed $100,000,000 of series debentures, having different interest rates and maturity dates. **Price**—To be supplied by amendment. **Proceeds**—For refunding other debt and for furnishing additional working funds to subsidiaries to be used by them in the ordinary course of business for the purpose of purchasing receivables and for other corporate purposes. **Underwriter** — Salomon Bros. & Hutzler. **Offering**—To be a continuous one, running at least until April 1, 1959.

★ City Discount Corp.
June 28 (letter of notification) $200,000 of 10% subordinated debentures due July 1, 1967. **Price**—At par (in denominations of $100, $500 and $1,000 each.) **Proceeds**—For expansion of activities and working capital. **Office**—375 Jay St., Brooklyn 1, N. Y. **Underwriter**—None.

Coastal Chemical Corp., Yazoo City, Miss.
May 1 filed 150,000 shares of class C common stock to be offered for sale to farmers and other users of fertilizer materials. **Price**—At par ($25 per share). **Proceeds**—To construct and operate facilities for manufacture of anhydrous ammonia. **Underwriter**—Mississippi Chemical Corp., Yazoo City, Miss.

Colonial Aircraft Corp., Sanford, Me.
March 29 filed 250,000 shares of common stock (par 10¢), to be issued upon exercise of warrants to purchase the following number of shares and held as follows: Glick & Co., Inc., underwriters of original offering, 140,000 shares; and by three individuals 110,000 shares. **Price**—Shares to be offered at market. Warrants are exercisable at 10 cents per warrant. **Proceeds**—From sale of shares to sellers of warrants. **Underwriter**—None.

★ Columbia Metals, Inc., Berwick, Pa.
June 28 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For capital equipment and working capital. **Office**—Washington and Sycamore Sts., Berwick, Pa. **Underwriter**—None.

Comico Corp., Memphis, Tenn. 7/15-16)
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.

★ Consolidated Fenimore Iron Mines, Ltd.
June 26 (letter of notification) 150,000 shares of common stock (par $7). **Price**—At market (closing price on Toronto Stock Exchange as of June 14, 1957 was $1.82 bid and $1.85 asked, per share). **Proceeds**—For mining expenses. **Office**—c/o Roy Peers, 9 De Casson Rd., Montreal, Canada. **Underwriters**—Thomason, Kernaghan & Co., Ltd., Toronto, Canada, and R. P. Mills & Co., Ltd., Montreal, Canada.

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.

★ Crown Cork & Seal Co., Inc.
June 28 filed 60,000 shares of common stock (par $2.50) to be offered for subscription by officers and key employees of the company and its subsidiaries pursuant to the company's Stock Option Plan.

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.

★ Dunham-Bush, Inc., West Hartford, Conn.
June 28 filed 45,000 shares of common stock (par $2) to be issued upon exercise of 45,000 common stock purchase warrants. **Price**—$12 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

★ Economic Planning Corp.
June 26 (letter of notification) $175,000 of 10-year 6% subordinated income debenture bonds of $350 each; 5,000 shares of preferred stock (par $15) and 50,000 shares of common stock (par one cent) to be offered in units of $3,500 of bonds, 100 shares of preferred stock and 1,000 shares of common stock. **Price**—$5,010 per unit. **Proceeds**—For working capital. **Office**—521 Fifth Ave., New York 17, N. Y. **Underwriter**—None.

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 of record July 9, 1957; rights to expire on July 23. **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.

• Epsco, Inc., Boston, Mass. (7/10)
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. Statement effective June 24.

★ Eureka Silver King Mines Corp.
June 12 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price** — 30 cents per share. **Proceeds**—For mining expenses. **Office**—516 First National Bank Bldg., Boise, Idaho. **Underwriter**—None.

• Federal Insurance Co.
June 7 filed 400,000 shares of capital stock (par $4) being 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 to and including July 26, unless extended. **Dealer-Managers** — The First Boston

Corp. and Spencer Trask & Co., both of New York. **Exchange Agent**—Fidelity Union Trust Co., Newark, N. J.

★ Federal Oil Co.
June 28 (letter of notification) 15,000 shares of common stock (par $1) and/or warrants to purchase such shares. **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—525 Raymond Blvd., Newark, N. J. **Underwriter**—None.

★ Federated Investors, Inc.
June 21 (letter of notification) 100,000 shares of class A non-assessable common stock (par $1). **Price** — $3 per share. **Proceeds**—For expenses incidental to operation of an insurance company. **Office**—2185 Broadway, Denver 5, Colo. **Underwriter**—None.

First Mississippi Corp., Jackson, Miss.
April 10 filed 10,000,000 shares of common stock (par $1), of which 2,500,000 shares are to be offered publicly at $4 per share prior to Nov. 30, 1957, each purchaser of one share to receive an option to purchase two additional shares at any time prior to Nov. 30, 1959 at $4.50 per share. The price of the remaining 2,500,000 shares will be $5 each, of which 500,000 shares are to be reserved for exercise of options to be granted to directors, officers and employees. **Proceeds** — For industrial and business development of Mississippi and the South. **Underwriter**—None.

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 Gas Corp., Baton Rouge, La.
June 26 filed 150,000 shares of common stock to be issued pursuant to options granted or to be granted to qualified employees of this company and its subsidiaries.

★ General Mills, Inc., Minneapolis, Minn.
July 1 filed 250,000 shares of common stock (no par) to be offered for subscription by employees of this company and its subsidiaries pursuant to the company's "Executive Incentive and Estate Building Plan."

General Parking, Inc.
June 18 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To retire outstanding debt; for expansion of subsidiary corporation and for working capital. **Office**—c/o Edwin F. Clements, 5312 Glenwood Ave., Youngstown, Ohio. **Underwriter**—L. L. LaFortune & Co., Las Vegas, Nev.

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.

★ Genie Crafo Corp., Washington, D. C.
June 28 (letter of notification) $150,000 of 10-year 6% subordinate convertible debentures. **Price**—At par (in denominations of $100 each). **Proceeds**—To discharge short term obligations and for working capital. **Office**—1022 18th St., N. W., Washington, D. C. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

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.

★ Gulf States Utilities Co.
July 2 filed $5,280,000 of participations in the Employees Thrift Plan, together with 149,250 shares of common stock, 64,390 shares of $4.20 dividend preferred stock and 58,700 shares of $4.40 and $4.44 dividend preferred stock (par $100).

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.

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.

★ Horace Mann Fund, Inc., Springfield, Ill.
June 27 filed 100,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Distributor and Investment Manager**—Horace Mann Investors, Inc., Des Moines, Ia., of which Charles F. Martin is also President.

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

Continued on page 38

NEW ISSUE CALENDAR

July 8 (Monday)
Phoenix Investment Co.—Common
(Clement A. Evans & Co., Inc. and The Robinson-Humphrey Co., Inc.) $1,900,000

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
Paramount Enterprises, Inc.—Common
(Amos Treat & Co., Inc.) $300,000
Wisconsin Telephone Co.—Debentures
(Bids 11 a.m. EDT) $30,000,000

July 10 (Wednesday)
Associates Investment Co.—Debentures
(Salomon Bros. & Hutzler and Lehman Brothers) $20,000,000
Epsco, Inc.—Common
(W. C. Langley & Co.) 60,000 shares
Manufacturers National Bank of Detroit—Common
(Offering to stockholders—underwritten by Blyth & Co., Inc.; First of Michigan Corp.; and Watling, Lerchen & Co.) 156,607 shares
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
Precision Transformer Corp.—Debentures
(John R. Boland & Co., Inc.) $299,880
Telestudios, Inc.—Common
(Joseph Mandell Co.) $270,000
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 11 (Thursday)
Merchants Co.—Debentures
(Offering to stockholders—underwritten by Lewis & Co.) $300,000
Minneapolis, St. Paul & Sault Ste. Marie Ry.—Equip. Trust Ctfs.
(Bids noon CDT) $1,740,000

July 15 (Monday)
C. I. T. Financial Corp.—Debentures
(Salomon Bros. & Hutzler) $100,000,000
Cameron Industries, Inc.—Common
(R. G. Worth & Co., Inc.) $300,000
Chicago & North Western Ry.—Trust Notes
(Bids noon CDT) $8,000,000
Comico Corp.—Common
(Southeastern Securities Corp.) $1,500,000
International Fidelity Insurance Co.—Common
(Offering to stockholders—to be underwritten by Franklin Securities Co.) 100,000 shares
Polymer Corp.—Class A Common
(A. G. Edwards & Sons) 70,000 shares
Seminole Oil & Gas Corp.—Common
(Albert & Co., Inc.) $206,250
Texas Electric Service Co.—Bonds
(Bids 11:30 a.m. EDT) $16,000,000
Thomas Industries, Inc.—Common
(Kidder, Peabody & Co. and McCormick & Co.) 25,886 class A shares and 1,000 class B shares
Western Hemisphere Petroleum Co.—Common
(Sanders & Co. and Rauscher, Pierce & Co., Inc.) 400,000 shares

July 16 (Tuesday)
Jersey Central Power & Light Co.—Bonds
(Bids 11 a.m. EDT) $15,000,000
Minneapolis-Honeywell Regulator Co.—Common
(Offering to stockholders—underwritten by Eastman Dillon, Union Securities & Co.) 333,382 shares

July 17 (Wednesday)
Great Northern Ry.—Equip. Trust Ctfs.
(Bids to be invited) $4,965,000
Inland Steel Co.—Bonds
(Kuhn, Loeb & Co.) $50,000,000
Oxford Paper Co.—Common
(Blyth & Co., Inc.) 175,000 shares
Tracerlab, Inc.—Common
(Lee Higginson Corp.) 200,000 shares

July 18 (Thursday)
Chicago, Rock Island & Pacific RR.—Eq. Tr. Ctfs.
(Bids to be invited) $3,000,000

July 19 (Friday)
Mercast Corp.—Common
(Offering to stockholders—no underwriting) 420,778 shares

July 22 (Monday)
Altamil Corp.—Common
(Van Alstyne, Noel & Co.) $1,375,000
Carter Products, Inc.—Common
(Eastman Dillon, Union Securities & Co.) 500,000 shares

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 29 (Monday)
National Tea Co.—Debentures
(Hemphill, Noyes & Co.) $12,000,000

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) $18,000,000

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 17 (Tuesday)
Consolidated Natural Gas Co.—Debentures
(Bids 11:30 a.m. EDT) $25,000,000

September 18 (Wednesday)
Norfolk & Western Ry.—Equipment Trust Ctfs.
(Bids to be invited)

September 24 (Tuesday)
Northern Illinois Gas Co.—Bonds or Preferred
(Bids to be invited) $8,000,000 to $10,000,000
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 1 (Tuesday)
Southwestern Bell Telephone Co.—Debentures
(Bids to be invited) $100,000,000

October 3 (Thursday)
Columbia Gas System, Inc.—Debentures
(Bids to be invited) $25,000,000

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

December 3 (Tuesday)
Virginia Electric & Power Co.—Bonds
(Bids to be invited) $20,000,000

Continued from page 37

completion of test wells; for acquisition and exploration of additional properties; and for working capital. Office—1749 Pennsylvania St., Denver 3, Colo. Underwriter—None. W. Clay Merideth is President.

★ Inland Steel Co. (7/17)
June 28 filed $50,000,000 of first mortgage bonds, series K, due 1987. Price—To be supplied by amendment. Proceeds—For construction and improvement program. Underwriter—Kuhn, Loeb & Co., New York.

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. (7/15)
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 Industries Corp., Oakland, Calif.
June 28 filed 1,511,487 shares of common stock (par $4) to be issuable upon conversion of collateral trust 5¾% bonds, series A, due Jan. 15, 1969, of Henry J. Kaiser Co., a wholly-owned subsidiary, which bonds are held by 19 institutional investors.

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.

★ Labece Mines, Inc.
June 26 (letter of notification) 200,000 shares of common stock. Price—At par (25 cents per share). Proceeds—For mining expenses. Office—1119 Tacoma Ave., Tacoma, Wash. Underwriter—None.

Marion Finance Corp., Ardmore, Pa.
March 28 filed $250,000 of 6% renewable subordinated debentures, due upon demand May 1, 1967, without demand May 1, 1972. Price—At par (in units of $100 and $500 each). Proceeds—For working capital. Office—17 W. Lancaster Ave., Ardmore, Pa. 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.

★ McLouth Steel Corp. (7/24-25)
July 3 filed 105,000 shares of cumulative convertible preferred stock (par $100). Price—To be supplied by amendment. Proceeds—For expansion program. Underwriter—The First Boston Corp., New York.

★ Mechanics Finance Co.
June 25 (letter of notification) $250,000 of 20-year 7% debentures due July 10, 1977. Price—At par (in denominations of $10 each). Proceeds—For working capital. Office—586 Newark Ave., Jersey City, N. J. Underwriter—None.

• Mercast Corp., New York, N. Y. (7/19)
June 24 filed 420,778 shares of capital stock (par 10 cents) to be offered for subscription by stockholders of record July 18, 1957 on the basis of two new shares for each three shares held; rights to expire on Aug. 2. Price — To be supplied by amendment. Proceeds — For expansion program, to repay outstanding notes to Atlas Corp. and for working capital. Underwriter—None.

Merchants Co. (7/11)
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.

Minneapolis-Honeywell Regulator Co. (7/16)
June 24 filed 333,382 shares of common stock (par $1.50) to be offered for subscription by common stockholders of record July 16, 1957 at the rate of one share of new for each 20 shares held; rights to expire on or about Aug. 1, 1957. Price — To be supplied by amendment. Proceeds—For expansion program. Underwriter—Eastman Dillon, Union Securities & Co., New York.

Mississippi Valley Portland Cement Co.
Dec. 26 filed 1,600,000 shares of capital stock (no par), of which 708,511 shares are subject to an offer of rescission. Price—$3 per share. Proceeds—For completion of plant, provide for general creditors and for working capital. Office—Jackson, Miss. Underwriter—None, offering to be made through company's own agents.

Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. Price—At par ($1 per share). Proceeds — For capital expenditures, including construction of motel, roadside restaurant and gas station. Business—Has been processing and selling of gravel. Office—203 Broadway, Monticello, N. Y. Underwriter—Walnut Securities Corp., Philadelphia, Pa.

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.

Mount Wilson Mines, Inc., Telluride, Colo.
June 24 filed 400,000 shares of class A common stock (par 50 cents). Price—$1 per share. Proceeds—For exploration and related purposes, including construction of a mill. Underwriter — Investment Service Co., Denver, Colo.

• Mountain States Telephone & Telegraph Co.
June 5 filed 584,176 shares of capital stock (par $100) being 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. 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.

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 Clay Pipe Manufacturers, Inc.
June 28 (letter of notification) $215,000 of 5% 20-year bonds. Price—At face amount (in denominations of $500 each). Proceeds—For erection and equipment of a new research building at Crystal Lake, Ill. Office—1820 "N" St., N. W., Washington, D. C. Underwriter—None.

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 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 Tea Co., Chicago, Ill. (7/29)
June 28 filed $12,000,000 sinking fund debentures due Aug. 1, 1977. Price—To be supplied by amendment. Proceeds—To repay bank loans and other indebtedness and for other corporate purposes. Underwriter—Hemphill, Noyes & Co., New York.

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.

★ Northern States Power Co. (Minn.) (8/13)
July 3 filed $18,000,000 of first mortgage bonds due Aug. 1, 1987. 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 am. (EDT) on Aug. 13.

• 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. Offering — Indefinitely postponed.

Oil Ventures, Inc.
May 13 (letter of notification) 2,500,000 shares of common stock. Price—At par ($10 cents per share). Proceeds—For development of oil and gas properties. Office—725 Judge Bldg., Salt Lake City, Utah. Underwriter—Mid America Securities, Inc. of Utah, Salt Lake City, Utah.

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.

★ Oxford Paper Co. (7/17)
June 17 filed 175,000 shares of common stock (par $15). Price—To be supplied by amendment. Proceeds—Together with other funds, to prepay outstanding bank notes and for capital improvements. Underwriter—Blyth & Co., Inc., New York.

★ Pacific Gas & Electric Co. (7/23)
June 28 filed $60,000,000 of first and refunding mortgage bonds, series BB, due June 1, 1989. Proceeds—To reduce bank loans. 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 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—White, Weld & Co., New York; Wm. P. Harper & Son & Co., Seattle, Wash. Offering—Expected sometime in first half of July.

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. Subscription warrants are expected to be mailed on July 12. Proceeds—For construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Lehman Brothers, Eastman Dillion, Union Securities & Co., Bear, Stearns & Co. and Dean Witter & Co. (jointly); Kidder, Peabody & Co.; Ladenburg, Thalmann & Co. Bids—To be received up to 11 a.m. (EDT) on July 10 at Room 2033, Two Rector St., New York 6, N. Y.

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. (7/9)
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.

★ Pennsylvania Fluorocarbon Co., Inc.
June 27 (letter of notification) 1,000 shares of common stock (par $5). Price — $20 per share. Proceeds — For working capital. Office—1115 North 38th St., Philadelphia 4, Pa. Underwriter—None.

Pepsi-Cola Mokan Bottlers, Inc.
April 11 (letter of notification) 60,000 shares of common stock (par 50 cents). Price—$5 per share. Proceeds—For general funds of the company. Office—207 West 8th St., Coffeyville, Kan. Underwriter — G. F. Church & Co., St. Louis, Mo.

★ Phi Sigma Delta Fraternity, Inc.
June 27 (letter of notification) $100,000 of 4% registered debenture bonds due June 30, 1967. Price—At par (in denominations of $500 each). Proceeds — For building loan fund. Office—47 West 43rd St., New York 36, N. Y. Underwriter—None.

• Philip Morris, Inc., New York
May 28 filed 385,000 shares of common stock (par $5) being offered in exchange for common stock of Milprint, Inc., Milwaukee, Wis., on a share-for-share basis. The offer, which became effective July 1, will expire on July 19. Underwriter—None. Lehman Brothers acted as intermediary in negotiating the transaction.

Phoenix Investment Co., Atlanta, Ga. (7/8-12)
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 pur-

chase 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.

Polymer Corp., Reading, Pa. (7/15-16)
June 20 filed 70,000 shares of common stock, class A (par $1). **Price** — To be supplied by amendment. **Proceeds**—To retire bank loans, to purchase equipment, to advance additional working capital to company's wholly-owned English subsidiary, to acquire additional land and construct a new research development laboratory, and for other real estate purchases and working capital. **Underwriter**—A. G. Edwards & Sons, St. Louis, Mo.

● Precision Transformer Corp. (7/10)
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.

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.

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**—F. L. Aaron & Co., New York. **Offering**—Date indefinite.

★ Quaker City Mutual Fund, Inc.
June 26 filed 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Philadelphia, Pa.

★ Ralston Purina Co., St. Louis, Mo.
July 1 filed 75,000 shares of common stock (par $5) to be offered for subscription by certain of the company's employees pursuant to its Stock Purchase Plan.

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.

● Rota Parking, Inc.
May 13 (letter of notification) 275,000 shares of common stock being offered to stockholders and to residents of State of Washington. **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. Paul Fire & Marine Insurance Co.
June 25 filed 417,000 shares of capital stock (par $6.25) to be offered in exchange for the outstanding capital stock of Western Life Insurance Co., Helena, Mont., at rate of 1.39 shares of St. Paul stock for each share of Western stock. The offer is condiitoned upon acceptance by holders of not less than 240,000 shares (80%) of the outstanding Western stock. **Exchange Agent**—First National Bank & Trust Co., Helena, Mont.

● St. Regis Paper Co.
April 1 filed 65,000 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). Statement effective June 21.

★ Sareze, Inc., Miami, Fla.
June 27 (letter of notification) 50,000 shares of 30-cent cumulative convertible preferred stock (par $2) and 50,000 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$5 per unit. **Proceeds**—For working capital. **Office**—2621 Northwest 2n[illegible]ve., Miami, Fla. **Underwriter**—Floyd D. Cerf, Jr. [illegible] Chicago, Ill.

★ Seminole Oil & Gas Corp., Tulsa, Okla. (7/15)
June 24 (letter of notification) 275,000 shares of common stock (par five cents). **Price**—75 cents per share. **Proceeds** — F[illegible] development of oil and gas properties. **Underwriter**—[illegible]bert & Co., Inc., New York, N. Y.

Sire Plan[illegible]., New York
May 14 filed [illegible]000,000 of nine-month 8% fund notes. **Price**—At par [illegible] denominations of $100 each). **Proceeds**—For work[illegible]apital and other corporate purposes **Underwriter**[illegible] Plan Portfolios, Inc., New York.

● Sonoco P[illegible]ts Co., Hartsville, S. C.
June 10 fil[illegible]00 shares of common stock (par $5) being offere[illegible] 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.
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. **Offering**—Expected this week.

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.

★ Stratford (John G.) Film Corp.
June 27 (letter of notification) 199,999 shares of common stock (par 25 cents). **Price**—$1.50 per share. **Proceeds**—For production of films, working capital, etc. **Office**—113 West 57th St., New York. **Underwriter** — Joseph Mandell Co., New York.

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**—$3 per share. **Proceeds**—For working capital and general corporate purposes. **Office** — Santa Monica, Calif. **Underwriter** — Daniel Reeves & Co., Beverly Hills, Calif. **Offering**—Expected in near future.

★ Tarzan Mining Co., Lakewood, Colo.
June 20 (letter of notification) 4,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds** — For mining expenses. **Office** — 350 Brentwood Ave., Lakewood, Colo. **Underwriter**—None.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

● Telestudios, Inc. (7/10)
June 14 (letter of notification) 180,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds** — To purchase and install two Ampex videotape recorders, for equipment and working capital. **Office**—1481 Broadway, New York City. **Underwriter**—Joseph Mandell Co., New York.

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. (7/15)
June 14 filed $16,000,000 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 noon (EDT) on July 15 at Room 2033, Two Rector St., New York, N. Y.

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.

● Thomas Industries, Inc., Louisville, Ky. (7/15)
June 25 filed 30,886 shares of class A common stock (par $1) and 1,000 shares of class B common stock (par $10), of which 25,886 class A shares and all of the class B shares are to be offered to public and 5,000 class A shares to employees of company and its subsidiaries. **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriters**—Kidder, Peabody & Co., New York; and McCormick & Co., Chicago, Ill. **Offering**—Expected in July.

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.

Tracerlab, Inc., Waltham, Mass. (7/17)
June 19 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To reduce trade and other current indebtedness of company and its subsidiaries and for general corporate purposes. **Underwriter** — Lee Higginson Corp., Boston and New York.

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.

★ Tung-Sol Electric Inc. (7/24-25)
July 3 filed 100,000 shares of cumulative preferred stock (par $50), convertible prior to Aug. 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term bank loans and to increase working capital. **Underwriter**—Harriman Ripley & Co. Inc., New York.

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.

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 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**—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. (7/15-19)
June 20 filed 400,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—For oil exploration and development in Canada, Cuba, Haiti, Honduras and other countries in the Western Hemisphere, and barite exploration in Columbia. **Office**—Tulsa, Okla. **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.

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.

Continued on page 40

Continued from page 39

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.

All States Freight, Incorporated, Akron, O.
June 21 it was announced company plans to offer publicly $2,250,000 of 15-year 6% debentures (with common stock warrants). **Proceeds**—Together with funds from private sale of 425,000 shares of common stock at $4 per share to pay part of cost of purchase of an operating carrier truck line. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland, Ohio.

• Allied Paper Corp.
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**—Indefinitely postponed.

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
April 25 it was announced company plans to issue and sell $50,000,000 of new debentures due 1997. This plan was dropped on June 27. **Proceeds**—Were to have been used 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**—Had been scheduled 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.

Central Hudson Gas & Electric Corp.
April 22 it was announced company plans to issue and sell this year, probably in the fall, approximately $7,500,000 of sinking fund 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 & North Western Ry. (7/15)
July 1 it was announced company at Room 1114, 400 West Madison St., Chicago 6, Ill., will up to noon (CDT) on July 15 receive bids for the purchase from it at par of $8,000,000 collateral trust notes to mature in 10 semi-annual installments. **Proceeds** — To purchase common stock of Litchfield Ry. for the purpose of effecting a merger between the two companies.

• Chicago, Rock Island & Pacific RR. (7/18)
Bids will be received by the company on July 18 for the purchase from it of $3,000,000 equipment trust certificates due semi-annually from Feb. 1, 1958 to Aug. 1, 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Cleveland Electric Illuminating Co.
Nov. 12 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds in the Summer of 1957. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Dillon, Read & Co. Inc.; Blair & Co. Inc., and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; White, Weld & Co.

• Coastal Transmission Corp.
July 1 it was reported the company plans to offer publicly about 191,000 units of securities for about $20,000,000 (each unit expected to consist of a $25 debenture or $35 interim note and five shares of $1 par common stock). **Proceeds**—Together with other funds, for construction program. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

• Columbia Gas System, Inc. (10/3)
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 on Oct. 3.

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.

★ Commonwealth Edison Co.
June 25 company stated that it plans to offer $25,000,000 to $50,000,000 of new securities, possibly after Labor Day. **Proceeds**—For construction program. **Underwriter**—(1) For any preferred stock, may be The First Boston Corp. and Glore, Forgan & Co. (jointly). (2) For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.

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. (9/17)
May 9 it was announced company plans to issue and sell $25,000,000 25-year debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson and Curtis (jointly); Morgan Stanley & Co. and the First Boston Corp. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Sept. 17.

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.
June 27 company announced Michigan P. U. Commission has authorized issue and sale of $70,000,000 general and refunding mortgage bonds, series P, due 1987. **Proceeds**—To repay bank loans and for construction program. **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). **Offering**—Expected in August.

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).

★ Employers Group Associates
July 1 it was announced company plans to file a registration statement with the SEC covering the proposed issuance and sale of up to 88,761 additional shares of capital stock to be offered for subscription by stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Morgan Stanley & Co., New York.

First National City Bank of New York
June 25 this bank offered 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. **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.

Goodman Manufacturing Co., Chicago, Ill.
June 21 it was announced company plans to issue and sell 150,000 shares of capital stock (par $16.66⅔), following approval on Aug. 5 of 3-for-1 split up of present $50 par stock. **Proceeds**—For general corporate purposes.

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.

★ Hathaway (C. F.) Co., Waterville, Me.
June 24 it was announced company plans soon to offer to its common stockholders some additional common stock. **Underwriter**—Probably H. M. Payson & Co., Portland, Me.

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.

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.
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.

Manufacturers National Bank of Detroit (7/10)
June 16 it was announced stockholders on July 9 will vote on approving a proposed offering to stockholders of 156,607 additional shares of capital stock (par $10) on the basis of one new share for each seven shares held as of July 10; rights to expire on July 26. **Price** — To be named later. **Proceeds**—To increase capital and surplus. **Underwriters** — Blyth & Co., Inc.; First of Michigan Corp.; and Watling, Lerchen & Co.

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.

★ **Minneapolis, St. Paul & Sault Ste. Marie RR. (7/11)**
Bids will be received by this company at the First National-Soo Line Bldg., Minneapolis 2, Minn., up to noon (CDT) on July 11 for the purchase from it of $1,740,000 equipment trust certificates, series D, dated Aug. 1, 1957 and to mature in 30 equal semi-annual installments of $58,000 each. Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler.

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).

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 Illinois Gas Co. (9/24)**
July 1 this company announced that it is planning to raise between $8,000,000 and $10,000,000 early this fall. No decision has been made as to the form of the proposed financing, but no consideration is being given to sale of common stock or securities convertible into common stock. **Proceeds**—For construction program. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc. **Bids**—Expected to be received on Sept. 24.

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 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, 1956 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).

★ **Philadelphia Electric Co.**
June 28 it was announced company plans issue and sale of additional bonds later this year. **Proceeds**—For construction 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.

Siegler Corp.
June 25 it was announced company plans to issue and sell in September or October of this year a maximum of 200,000 additional shares of common stock. **Underwriter**—William R. Staats & Co., Los Angeles, 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.

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. (9/24)**
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 Sept. 24.

● **Utah Power & Light Co. (9/24)**
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 Sept. 24.

Virginia Electric & Power Co. (12/3)
March 8 it was announced company plans to sell $20,000,000 of first mortgage bonds. Probable bidders for bonds may include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; White, Weld & Co. **Bids**—Expected to be received on Dec. 3.

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. **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 (first to stockholders on a 1-for-10 basis): The First Boston Corp., Merrill Lynch, Pierce, Fenner & Beane, Robert W. Baird & Co. and William Blair & Co. (jointly). **Registration**—Of bonds in September; and of stock in August.

Business Man's Bookshelf

American Association of Advertising Agencies Roster and Organization for 1957 — American Association of Advertising Agencies, 420 Lexington Avenue, New York 17, N. Y.—paper.

Apprenticeship Past and Present —U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.—20c

Bending the Twig—The Revolution in Education and Its Effect on Our Children—Augustin G. Rudd — Heritage Foundation, Inc., 121 West Wacker Drive, Chicago 1. Ill.—$3.95.

Consumer and Antitrust, The — Jules Joskow and Irwin M. Stelzer—Council on Consumer Information, Colorado State College, Greeley, Colo. — paper — 50c.

Consumer Instalment Credit: Financing New Car Purchases—Board of Governors of Federal Reserve System—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.—paper—60c.

Four Ways to Be Sure It Can't Happen Here — Booklet analyzing bank frauds and describing preventive measures — Cummins-Chicago Corporation, 4740 North Ravenswood Avenue, Chicago 40, Ill.—paper—on request.

Learning to Live as a Widow—Dr. Marion Langer—Gilbert Press, 8 West 40th Street, New York, N. Y.—$3.95.

Liquor Handbook, 1957—Davidson Publishing Company, 405 East Superior Street, Duluth 2, Minn. — hard-bound $7.50; paper-bound, $5.

New England Economic Almanac —Federal Reserve Bank of Boston, 30 Pearl Street, Boston, Mass.—paper—on request.

Ninety-Eighth Preliminary Report of the Superintendent of Insurance to the 1957 Legislative for the Calendar Year 1956—State of New York Insurance Department, Albany, N. Y.—paper.

Our Manpower Future 1955-65— U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.—30c

Outlook for Business for Last Six Months of 1957 — Views of 12 executives for their industries—First National Bank of Chicago, Dearborn, Monroe and Clark Streets, Chicago 90, Ill.—paper.

Railway Progress — July 1957 — Federation for Railway Progress, 1430 K Street, N.W., Washington, D. C.—single copy 35c; 1 year's subscription $3.

Regulation of Natural Gas—Dr. James W. McKie — American Enterprise Association, 1012 Fourteenth Street, N. W., Washington 5, D. C. — paper — $1 (quantity prices on request).

Studies of the Economic Effects of the $1 Minimum Wage — U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.—60c

Swing Trading—Donald W. Martin — Donald W. Martin, 3354 Granada Avenue, San Diego 4, Calif.—paper—$4.75.

Women Workers — Women in Higher-Level Positions, 25c; Job Horizons for the College Woman, 25c; 1956 Handbook on Women Workers, 35c; New Teachers for the Nation's Children, 20c—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.

Continued from page 4

The State of Trade and Industry

year's first-half and ranked second only to the 4,257,154 cars built in January to June period of 1955.

It found Chrysler Corp. United States plants in 1957 operating 51.6% and Ford Motor Co. 16.8% ahead of last year's pace. General Motors Corp. and American Motors plus Studebaker-Packard Corp. combined, showed declines of 10.7% and 22.9%.

"Ward's" counted last week's industry car production at 124,494 units, or a 4.8% rise from the preceding week's 118,805 total. The same week last year netted 103,034 completions.

The weekly gain gave June 497,500 car assemblies, or 15% more than the 430,373 last year; it stemmed from resumption of Lincoln and Mercury output at the Wayne, Mich., plant following the closedown the week before, plus termination of the strike at Ford's Dallas, Texas factory.

De Soto, meanwhile, began a two-week inventory shutdown during the week but Plymouth and Chrysler divisions of Chrysler Corp. scheduled output for Saturday, "Ward's" noted.

The industry's January-June truck volume of 573,410 estimated completions was 3.7% below the 595,513 in the like period of 1956.

Consumers added $369,000,000 to their instalment debt during May, the Federal Reserve Board reported. The increase was slightly higher than in the year-ago month, but fell well below the like month of 1955.

Last year instalment debt rose $344,000,000 during May, while the increase two years earlier amounted to $617,000,000.

The Board said instalment debt outstanding totaled $31,900,000,000 at the end of May—a $2,100,000,000 increase over a year earlier. With non-instalment debt—such as service credit, charge accounts, and single-payment loans—included, total consumer debt mounted to $41,700,000,000 at the end of May. This was nearly $2,800,000,000 higher than a year earlier.

May's climb in instalment debt was the largest monthly increase of the year, but such debt normally rises more rapidly during the spring auto-buying season. In April consumer instalment debt rose $259,000,000.

Auto debt alone accounted for slightly more than half the total increase in instalment debt during May, the report said. Auto paper outstanding increased $193,000,000 compared with a rise of $167,000,000 a year earlier.

Personal loans, up $93,000,000 compared with a $79,000,000 increase a year earlier. Repaid and modernization loans were up $23,000,000 compared with a $34,000,000 rise and other consumer goods paper, up $60,000,000 compared with a $64,000,000 gain.

Although the construction industry continued active during month fell moderately below that for the preceding month and May, the total valuation of building permits issued during the the corresponding month a year ago, reports Dun & Bradstreet, Inc. The aggregate of permits for 217 cities, including New York, last month came to $560,619,567, down 6.0% from $596,114,034 in May 1956 and 4.6% less than the $587,820,268 a month previous.

For New York City alone, building plans filed during May were valued at $63,632,718, a drop of 10.2% from $70,889,351 a year ago, and a decrease of 23.7% as compared with $843,437,287 in April.

In the first five months of the year, building permit values reached the highest on record, totaling $2,544,264,607. This compared with $2,492,320,462 for the similar period a year ago, or an increase of 2.1%. Plans filed in New York City in the cumulative period totaled $335,571,379, a gain of 9.0% from $307,763,916 last year.

The number of new businesses organized during May fell slightly to 11,986, from 12,078 in April, Dun & Bradstreet, Inc., reports. For the fourth straight month, charterings were below the year-ago level, the May figure comparing with 13,142 last year, for a drop of 8.8%.

In the first five months of this year the aggregate of new business incorporations declined 6.6% to 60,057, from the peak total of 64,305 for the similar period a year ago.

Steel Output Expected to Decline Sharply in July 4th Holiday Week to 79.1% of Capacity

With prospects good for a pickup in the second half, metalworking sales volume is headed for a record this year, "Steel" magazine stated on Monday of the current week. Its estimate of $138,000,000,000, compared with $133,500,000,000 in 1956. Second half sales are expected to be 3.8% over the first six months.

It said metalworking profits will be down slightly in the second half because wages and material costs are rising more rapidly than selling prices.

The predictions represent the consensus of metalworking managers taking part in the weekly metalworking magazine's midyear survey of business expectations. More than 5,000 general managers of metalworking plants were queried.

Four of five think second half sales volume will be as good as or better than that of the first. Two of three expect the second half to be as good as or better than the second half of 1956. Seven of 10 predict that their dollar volume in 1957 will be as large or larger than it was in record 1956, this trade weekly declares.

Second half selling prices will be up 1.7%, compared with the first half's, but manufacturing costs will rise 3.7%. Many managers are reluctant to adjust selling prices to recover inflated costs. They fear still tougher selling in a buyer's market and complain that cheap imports aggravate competition problems.

New metalworking facilities will be brought into production during the second half by 28.9% of the responding companies. That is 4.5% above the first half figure. Much of this activity will be in automotive and missile plants.

In steel production and consumption, the year's low points are expected to be hit over the July 4 holiday, with ingot production slipping several points. In the week ended June 30, the national ingot rate at 86% of capacity was off 2 points from that of the week before.

Automotive steel buying is picking up slowly with most of the tonnage in sample orders of from 1 to 100 tons for use in die tryouts.

"Steel's" price composite on steelmaking grades of scrap advanced another 16 cents over that of the previous week. At $55.83 a gross ton, it is the highest since January. The composite on base prices of finished steel remained at $140.24 a net ton in the week ended June 26.

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 79.1% of capacity for the week beginning July 1, 1957, equivalent to 2,024,090 tons of ingot and steel for castings, as compared with 84.0% of capacity, and 2,150,900 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 87.5% and production 2,240,000 tons. A year ago the actual weekly production was placed at 302,000 tons or 12.3%.

The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Last Week Declined Slightly Below Prior Period

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, June 29, 1957, was estimated at 12,111,000,000 kwh., according to the Edison Electric Institute. Output the past week registered a slight decline below the previous period.

The past week's output decreased 226,000,000 kwh. below that of the previous week; it rose 613,000,000 kwh. or 5.3% above the comparable 1956 week and 1,973,000,000 kwh. over the week ended July 2, 1955.

Car Loadings Advanced Fractionally in Latest Week But Were 6.6% Under Like 1956 Period

Loadings of revenue freight for the week ended June 22, 1957, increased by 639 cars or 0.1% above the preceding week the Association of American Railroads reports.

Loadings for the week ended June 22, 1957, totaled 746,764 cars, a decrease of 52,828 cars, or 6.6% below the corresponding 1956 week and a decrease of 44,663 cars, or 6% lower than the corresponding week in 1955.

U. S. Automotive Output Rose 4.8% Above the Preceding Week

Automotive output for the latest week ended June 28, 1957, according to "Ward's Automotive Reports," reached the second-highest January to June level in auto history and was 4.8% above the week before.

Last week's car output totaled 124,494 units and compared with 118,805 (revised) in the previous week. The past week's production total of cars and trucks amounted to 147,207 units, or a gain of 6,123 units above that of the preceding week's output, states "Ward's."

Last week the agency reported there were 22,713 trucks made in the United States. This compared with 22,279 in the previous week and 20,294 a year ago.

Last week's output rose above that of the previous week by 5,689 cars, while truck output advanced by 434 vehicles during the week. In the corresponding week last year 103,034 cars and 20,294 trucks were assembled.

In Canada last week, 7,700 cars and 1,476 trucks were assembled as against 8,163 cars and 1,904 trucks the week before, and 9,228 cars and 2,444 trucks in the similar period a year ago.

Business Failures Point Higher in Latest Week

Commercial and industrial failures in the United States in the week ended June 27 were 271, against 241 a week earlier and 249 a year ago, Dun & Bradstreet reports. The toll also exceeded the 1955 level of 231 for the some period. In Canada such failures in the latest week were 31, against 32 a week earlier and 13 a year ago.

All industry and trade groups, except commercial service suffered failure increases in May, lifting the month's total of 1,200, Dun & Bradstreet, Inc., reports. Although casualties were at a level exceeded only once, in March, since 1941, the rise was slight from the 1,175 in April and the 1,164 a year ago.

Among wholesalers casualties climbed to a postwar peak with most of the month-to-month increase centered in the machinery and general merchandise trades. Contributing to heavier manufacturing tolls were textiles, lumber, printing and publishing, machinery, and stone, clay and glass. Little change occurred in retailing, except for a slight dip in apparel store failures and rises in the food and automotive trades. Construction's mild rise in May was concentrated in subcontracting, principally in roofing and flooring.

Tolls were heavier in May in the West South Central States which experienced its severest mortality in any month in over 20 years. The South Atlantic, East North Central and Mountain States also suffered more casualties than in April. In contrast, New England had the smallest number of failures in six months and the Pacific Coast the least since January.

Dollar liabilities incurred by the concerns failing in May declined 8% to $52,552,000, the lowest volume so far this year and 12% below the similar 1956 month. A dip in failures above one million dollars more than offset increases among those under $5,000 and those with liabilities ranging between $100,000 and $1,000,000.

Wholesale Food Price Index Remained Unchanged From Prior Week

The Dun & Bradstreet wholesale food price index for June 25 registered $6.20, unchanged from the previous week. This was slightly under the year's high point of $6.22 recorded two weeks ago and on March 26, last. It marked a rise of 2.8% above the comparable 1956 level of $6.03, but was down 3.4% from $6.42 on the corresponding date two years ago.

Higher in wholesale price last week were flour, corn, oats, barley, lard, cottonseed oil, cocoa, rise and steers. On the down side were wheat, rye, beef, hams, eggs, prunes, hogs and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Held to a Narrow Range in Latest Week

The Dun & Bradstreet daily wholesale commodity price index was higher than in the preceding week and moderately exceeded the level of a year ago. On June 24 the index stood at 291.74, slightly above the 291.30 a week earlier and somewhat higher than the 286.44 occurring on the comparable 1956 date.

While price increases on most grains, flour, lard and sugar were reported, there were slight declines on rubber, cotton and livestock. Another price rise on steel scrap occurred offsetting decreases on copper, zinc and lead.

The buying of most grains advanced appreciably the past week and prices moved upward. Rye trading expanded noticeably as a result of official recommendation that imports be limited to about half the quantity imported during the current season. A considerable rise occurred in rye prices. Although corn transactions lagged at the beginning of the week, trading picked up at the end of the period slightly boosting prices.

While wheat prices climbed, buying was close to that of the preceding week. Reports indicated that wheat harvesting in the Southwest was delayed as a result of unfavorable weather. There was a noticeable rise in exports of wheat to India, Japan and other countries. A cargo of soybeans was sold to Poland.

Grain trading in Chicago was moderately above that of a week earlier, but remained below a year ago. Average daily purchases of grain and soybean futures on the Chicago Board of Trade totaled about 45,000,000 bushels compared with 42,000,000 bushels a week ago and 60,000,000 bushels in the comparable period last year.

Limited supplies of rice were reported, as unfavorable weather conditions prevailed in growing areas. Rice trading was steady and prices advanced slightly. A moderate rise in flour bookings helped lift prices somewhat. Limited supplies held sugar prices close to those of the prior week, but trading slackened.

Although purchases of coffee rose considerably last week, prices were unchanged. The buying of cocoa expanded and warehouse stocks fell below those of the prior week and a year ago.

Despite a decline in hog receipts during the week, prices declined reflecting a dip in trading. Transactions in steers were sluggish and prices fell moderately, but lamb prices remained at the level of the prior week. Contrary to the drop in hog prices, lard futures prices advanced substantially.

Cotton futures prices climbed at the beginning of the week, but fell on Wednesday and Thursday. Reports that the government may increase price supports somewhat stimulated cotton trading. Exports of cotton for the period ended on Tuesday of the week preceding amounted to above 175,000 bales according to the New York Cotton Exchange. This compared with 111,000 bales a week earlier and 58,000 bales in the corresponding 1956 week. Total exports for the current season so far totaled about 7,055,000 bales as against 1,996,000 bales in the comparable period last year.

Trade Volume in Latest Week Unchanged to 4% Higher Than Like Week of 1956

An upsurge in the buying of air conditioners and summer furniture noticeably boosted total sales of home furnishings last week, and moderate year-to-year gains occurred. Volume in upholstered furniture and bedding was sluggish and purchases of linens and draperies were close to those of the preceding week. There was a slight increase in automobile sales and volume equalled that of the comparable week last year. Purchases of women's cotton dresses, sportswear, lingeries and some accessories were sustained at a high level and somewhat exceeded those of a year ago. Best-sellers in men's apparel were straw hats, lightweight suits and beachwear. Housewives stepped up their buying of fresh produce, poultry and frozen foods.

The total dollar volume of retail trade in the period ended on Wednesday of the past week was unchanged to 4% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England —5 to —1; Middle Atlantic, East North Central and West South Central +1 to +5; West North Central, South Atlantic and Mountain 0 to +4; East South Central —2 to +2 and Pacific Coast —4 to 0.

A slight increase occurred last week in wholesale orders for men's Fall sports coats, trousers and suits and volume equalled that of a year ago. The buying of women's Fall coats and dresses was sustained at a high level. Trading in the textile market was sluggish, with slight declines reported in woolens and worsteds. Orders for furniture slackened, but volume was close to that of a year ago. Retailers increased their buying of barbecue goods and garden implements in an effort to replenish depleted stocks. Volume in air conditioners advanced slightly, while total bookings in major appliances lagged. Food buyers were interested in fresh meat and dairy products.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended June 22, 1957, increased 9% above the like period last year. In the preceding week, June 15, 1957, a decrease of 2% was reported. For the four weeks ended June 22, 1957, an increase of 2% was recorded. For the period Jan. 1, 1957 to June 22, 1957, an increase of 2% was registered above that of 1956.

Retail trade volume in New York City last week advanced 5% to 7% above the corresponding period a year ago, store executives report.

Hot weather which continued in lesser degree to the week preceding was an important factor in stimulating trade.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended June 22, 1957, increased 9% above that of the like period of last year. In the preceding week, June 15, 1957, a decrease of 1% was reported. For the four weeks ending June 22, 1957, an increase of 2% was registered. For the period of Jan. 1, 1957 to June 22, 1957, the index recorded a rise of 4% above that of the corresponding period of 1956.

Continued from page 2

The Security I Like Best

earnings for a 10% dilution in common shares. While the electrical contracting business lacks the growth and "romance" of electronics, in Ling this particular combination appears most fortunate: the tie-in of conventional electrical contracting with the special talents of electronics' engineers is unique and allows the company to bid for contracts on which most of its competitors would not qualify; contracting is a "bread-and-butter" business providing the cash flow with which to support electronics research; electrical contracting has its own, more moderate, growth rate, for as mechanization and automation increase, the electrical contractor is able to get a bigger slice of the total construction dollar. The Grady division has an order backlog of $2.5 million and is now reported to be negotiating for a prime contract on a complete missile base—the first major application of its combined electrical and electronic talents.

The Elwico division manufactures and assembles specialty electronic wire and cable. In cooperation with Raytherm, Inc., this division recently developed an irradiated wire treatment process which may replace many cable assemblies in the aircraft industry. Elwico is currently contributing sales at an annual rate of $1 million and could increase its business substantially as the irradiated wire finds acceptance.

Financially, Ling is rather well situated. As of April 30 the company had current assets of $2 million with about 70% of it in cash and receivables; current liabilities amounted to $683,000, leaving net working capital of $1.3 million. Ling could handle a substantially larger volume of business without resorting to new financing. Capitalization consists of 800,000 common shares and $750,000 of convertible debentures, convertible at $3.75 with a step-up in 1958. When the debentures are converted, in 1958 (as they should be), the company will have one million common shares outstanding.

Before concluding, here is an abbreviated P&L statement of the whole company by quarters for fiscal year 1957 together with some projections:

	Sales	Net	Net per Share
1st qtr.	$752	77	.10
2nd qtr.	1,057	107	.13
3rd qtr.	1,251	95	.12
4th qtr.	1,500	200	.25
1956-57E	4,500	480	.60
1957-58F	8,000	925	1.15
195?F	15,000?	----	2.00?

If Ling's contracting earnings, expected at 50 cents per share for the July 1958 year are deserving of a multiple of 8-10 and the earnings from the electronics division (60 cents per share) a multiple of 15, the stock might come to trade in the 13-15 range. As its research evolves in new production orders and its business expectations materialize, even the 13-15 range may be on the low side. There are many more interesting aspects to this business not discussed here due to limitations of space.

The major investment drawback in Ling common is its lack of seasoning in terms of market acceptance. Conversely, however, if the stock had good sponsorship and the company was well known by the investment community, the Security I Like Best would not be trading at half its true investment worth.

Securities Salesman's Corner

By JOHN DUTTON

So You Won't Forget

Sometimes it is good sales policy to discontinue calling on prospects if there is no evidence of encouragement after three or four contacts. I call a contact either a telephone call or personal visit. Letters are the in between material which can be sent to prospects, but they do not constitute contacts. They only help to cement a relationship or develop a contact.

I once met an investor who owned about $20,000 worth of stocks, and he had $350,000 in cash in various savings banks and another $200,000 in United States government bonds. His stocks consisted solely of an interest in two banks, one where he had been an officer for many years and another where he had a long friendship with the President of that institution. I thought I had a real prospect. I called him and I tried to do some business with him for over two years. I tried to sell him on the idea that he should diversify and buy some more common stocks for protection of his estate but he was always polite and said he would think about it. I tried tax exempt bonds and he said he would think about it.

Finally, he went away for a year and when he returned, he called our office and asked for a report we had developed on a certain company which our research department had studied. My hopes rose again, and I sent him the report and tried again. He still said he would let me know, and he told me he had made no changes in his investments.

This man has a phobia. I could have guessed it long ago but I gave him the benefit of the doubt since he was an attractive potential account if I could get him to act. The catch in this prospect's thinking was, he had enough to live on so why worry. He was a bachelor, alone in the world, and in his sixties. If no one sold him on the idea of a diversified investment program in 63 years, even Dutton the expert couldn't do it. So I am not wasting any more time on him Enough is enough!

But This Was Another and Different Prospect

Six months ago a good client told me of one of his friends that he thought should buy into a speculative situation that he was very much sold on. It happened that I had interested this client in this stock several years ago and he has acquired a substantial position hoping that eventually he will have a good-sized capital gain. This friend of my client lived in a neighboring city and after I was told to call him I did so. He turned me down at the time and it was all very pleasant. I later sent him the available data we had on this company and forgot all about him.

Meanwhile, during the past six months, this stock had a market setback that, although not very sizable, nevertheless places it in a price range that appears to undervalue the prospects of this company. The other day a small block of stock came into the market and I looked over some of my client's holdings and some of the prospect cards I had put aside in my (Someday File). I came across the name of this man to whom I had spoken six months ago and I decided to give it another try. I called him and he was in an entirely different position than six months ago. He bought, and he was happy about it, because he got a better price than his friend who had been talking to him every time he saw him during the past six months about the bright future of this particular company.

The lesson here is—try to use judgment and size up your prospects. Don't spend time on people who for one reason or another will not give you business, or will require too much of your energy in service for what their business is worth. But don't throw away a lead or a prospect without giving it the proper cultivation that it requires.

Suggestion

In addition to an alphabetical file for prospects I have them sectionalized into the following categories: (1) Large investors and prospects for substantial blocks of securities and tax-free bonds; (2) buyers of local bank stocks; (3) smaller investors interested in speculative issues, and (4) mutual fund prospects. This assists me in following prospects when certain situations arise that fit into these groups. You can divide up your prospect file box into the sections you need in keeping with the type of business you are cultivating.

Newbury to Rejoin Natl. Secs. & Research

Frank Davies Newbury, recently resigned as Assistant Secretary of Defense for Research and Engineering after nearly four years service, will again become associated with National Securities & Research Corporation as consultant on economic conditions, it was announced by H. J. Simonson, Jr., President. The corporation sponsors and manages the National Securities series of mutual investment funds with assets of more than $300,000,000.

F. D. Newbury

Mr. Newbury served National Securities as a consultant in 1952 and 1953 before going to Washington and the Defense Department post. He also was an economist for Westinghouse Electric Corporation, directing forecasting activities for 10 years. With 45 years of experience in engineering design and administration at Westinghouse, he retired in 1947 as a Vice-President and director of that corporation but continued in a consulting capacity.

Mr. Newbury is the author of "Business Forecasting," "The American Economic System" and numerous articles on business forecasting. He holds a Mechanical Engineering Degree from Cornell University and is a Fellow of the American Institute of Electrical Engineers as well as a member of the American Society of Mechanical Engineers and the American Economic Association.

Stone & Webster Acquires Sandeen Co.

ROCKFORD, Ill.—The business of S. A. Sandeen & Co., securities firm established in 1935, has been acquired by Stone & Webster Securities Corporation, according to an announcement made July 1 by E. K. Van Horne, President of the latter firm.

With Cunningham Gunn

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Russell H. Williams is now affiliated with Cunningham, Gunn & Carey, Inc., Union Commerce Building, members of the Midwest Stock Exchange.

Green Erb Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio — John A. Furlong is now connected with Green, Erb & Co., Inc., N. B. C. Building, members of the Midwest Stock Exchange.

Mutual Funds

By ROBERT R. RICH

Inflation, Spending to Boom Economy

In the midyear review of its 1957 Economic Forecast published last December, National Securities & Research Corporation predicted that more inflation and increased spending by individuals, business and Federal and local governments during the remainder of the year will push 1957 Gross National Product to $436 billion. In 1956 this total was $412.4 billion.

The corporation, sponsor and manager of the National Securities Series of mutual funds with assets of over $300 million, feels part of this gain will be the result of price increases. "Unfortunately," the review notes, "wholesale and consumer prices are also likely to reach new higher levels this year, as there is no sign that inflationary pressures are abating."

Despite divergent trends within various industries, the Fund's investment staff expects aggregate net earnings of all U. S. corporations to approximate $22.3 billion in the current year, a new record and up about 3% from 1956 levels. Dividend payments by these corporations are expected to attain a new peak of approximately $12.5 billion for 1957, as compared with $12 billion last year. The Fund sponsor concludes that, "The climate for investment in selected common stocks and relatively high yield corporate bonds and preferred issues continues favorable."

The review states the belief that the Dow-Jones Industrials and Rails have seen their lows for the year but feels Utility averages may be penetrated due largely to tight money conditions.

The investment company forecasts a bulge in the defense sector of Federal spending and declares, "Those in positions of final responsibility will consider that harsh reality demands that we preserve our leadership in military technology. Such leadership requires massive outlays for modern aircraft, guided missiles and related programs, none of which would be affected even if the proposed ban on the testing of hydrogen devices were realized and enforced effectively by a mutual inspection system. Even the suggested reduction in ground forces would not have much effect on outlays for the more expensive military equipment."

Further increases in plant and equipment outlays to new high levels are forecast in the review with spending by public utilities showing the "largest relative year-to-year gains." This industry is expected to establish new earnings and dividend records in 1957.

Although new home starts are expected to total almost 1,000,000, down from last year's 1,118,100, the Fund's investment staff expresses the opinion that the value of total construction will be up about 2½% by virtue of rising costs coupled with increases in industrial and public construction.

Automobile sales in 1957 are expected to total about 6 million cars, moderately above the 5.8 million sold in 1956, while the review anticipates that steel production will rise this year to about 116.5 million tons, as compared with 115.2 in 1956.

No relief on tight money is foreseen for the balance of the year. The Fund's investment staff believes that the demand for credit is continuing to outrun the supply of savings and that the "Federal Reserve shows no inclination to fill the gap by creating additional bank reserves."

No tax cuts of major importance are to be expected this year, according to the Fund, except action to close "loopholes."

$600,000 Sale

Financial Industrial Fund, a pioneer in the field of systematic mutual fund investment plans, just announced the placement of a $600,000 plan, the largest in its 22-year history.

According to Charles F. Smith, President of the $79 million fund, the plan was developed by Miss Margaret Daly, a native of Denver who has been with FIF since 1951.

The plan was established by a Colorado firm as the vehicle for an employees' profit-sharing trust. The initial payment amounted to $60,000, with additional monthly payments scheduled for completion in about five years.

Now Hogan-Rowan Co.

(Special to The Financial Chronicle)

MEDFORD, Ore. — The firm name of M. N. Hogan & Co., 38 South Central Avenue, has been changed to Hogan-Rowan & Co.

100th Dividend

Directors of Dividend Shares, Inc., a mutual fund managed by Calvin Bullock, Ltd., have declared a dividend of 2¼ cents per share from net investment income, payable Aug. 1, 1957 to shareholders of record July 10, 1957. This is the 100th consecutive quarterly dividend to be paid by the fund since the initial dividend of 2 cents was paid on Nov. 1, 1932.

Mass. Life Fund Appoints Two

BOSTON, Mass.—Massachusetts Life Fund Distributors announces the appointments of M. Richard Kynaston as wholesale distributor of Massachusetts Life Fund in the Washington-Baltimore area and Lawrence K. Carpenter as wholesale distributor in the New York City area.

Dela. Income Fund Report

Resources of Delaware Income Fund, launched this past March with assets slightly in excess of $120,000, totaled more than $2 million on May 31, last, according to the fund's semi-annual report.

W. Linton Nelson, President, reminded the fund's 1,255 shareholders that the current report does not cover a full half-year's operations. Delaware Income Fund's fiscal year ends in November.

The report listed total net assets at $2,003,801, net asset value per share at $8.82, and shares outstanding at 227,203 on May 31, last.

Common stocks accounted for 89.63% of total resources at the close of the two-and-a-half months' period. The balance was in preferreds, 6.42%; and cash, 3.95%.

Holdings of railroad and bus equities, constituting 12.79% of total net assets, represented the fund's largest single investment by industry. Retail stores was second with 12.77%. Other large industry holdings included: tobacco, 6.89%; utilities, 6.13%; and metals & mining, 5.00%.

In a summary of Delaware Income fund's investment policy, the report noted that investor attention has been focused on relatively few securities which have reached the point where they provide low yields relative to their price. This price build-up in favored stocks, the report continued, has resulted because many investors — more interested in capital gains than immediate income — have been buying growth issues. The fund's management believes there are many stocks with excellent current income opportunities which have not attracted investor attention and, according to the report, will select from this latter group those of companies with good earnings records and prospects. High-yielding securities offering the possibility of some market appreciation will also be sought.

Canadian Fund's total net assets amounted to $46,109,513 on May 31, 1957, compared with $38,359,078 on Nov. 30, 1956, Hugh Bullock, President, told shareholders in the report covering the six months period. Asset value per share increased from $18.35 to $20.64 in the same period, a gain of 12.5%.

Two dividends at the rate of 10 cents per share each were paid from net investment income during the first half of the 1957 fiscal year.

In addition to financial statements giving details of the company's operations during the first half of its fiscal year, the report includes a chart illustrating its growth in the five years since organization in 1952. Canadian Fund was the first mutual fund in the United States created for investment in Canada.

Nation-Wide Securities Company net assets amounted to $27,500,580, or $19.20 per share, at May 31, 1957, according to the report accompanying the fund's 99th consecutive quarterly distribution.

The total net assets, which compare with assets of $26,453,086, or $18.486 per share, on March 31, 1957, are 57.49% in common stocks, 17.23% in preferred stocks, 16.85% in corporate bonds, and 8.43% in cash and U. S. Government bonds.

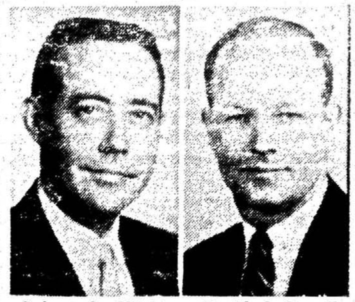
Evans, MacCormack Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Burnham Asch has been added to the staff of Evans, MacCormack & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange. He was formerly with Waddell & Reed, Inc.

Powell and Shields Joins Fundamental

Hugh W. Long & Co., sponsors of Fundamental Investors, Inc. and three other mutual funds, has announced the appointment of David J. Powell and Robert S. Shields as district representatives.



Robert S. Shields　　David J. Powell

Mr. Powell, formerly associated with the Dallas investment brokerage firm of Eppler, Guerin & Turner, Inc., is a graduate of Southern Methodist University, where he captained the football team. He will represent the Long Company in the southwest. His office address is 4924 Greenville Avenue, Dallas.

Mr. Shields, formerly district manager for King, Merritt & Co. in Oklahoma City, will assist midwestern resident Vice-President Martin DeTamble. He will make his headquarters at 105 So. La Salle Street, Chicago.

B. C. Christopher Adds

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Howard R. Lofgreen has become associated with B. C. Christopher & Company, Board of Trade Building, members of the New York Stock Exchange.

Public Utility Securities

By OWEN ELY

Pennsylvania Power & Light Company

Pennsylvania Power & Light supplies electricity to a population of 2,160,000 in central eastern Pennsylvania. The service area has been publicized as the "Heart of the Market," with one-third of the nation's population within overnight shipping distance. It contains the world's major anthracite fields; a plentiful supply of ground and surface water; high-speed air, rail and highway connections with the rest of the country; the Pocono Mountain regions, one of the nation's most famous resort areas; over 800 communities, only two with populations exceeding 100,000; and a wide diversity of industries, including scores of the nation's better-known companies.

In January 1956, merger of Scranton Electric Company into Pennsylvania Power & Light was finally completed; and several months earlier the merger with Pennsylvania Water & Power Co. had been consummated. These mergers added some 100,000 new customers, about 389,000 kw capacity, and new plant account of about $111 million; roughly the company's size was increased about one-quarter.

Pennsylvania Power & Light operates in the anthracite coal region and has been affected somewhat by the gradual deterioration of that industry. However, increasing mechanization of mining operations has increased the use of electricity, more than offsetting the decline in operations. Also, communities in the anthracite area have succeeded in locating plants of many manufacturing companies in the region, and this trend is expected to continue.

Pennsylvania Water & Power was a hydro company, with a tie-in with Safe Harbor Water Power Corp. Over 100,000 kw of Penn Water's capacity was sold to neighboring utilities at the time of the merger and most of this capacity will gradually become available to PP&L during 1957-58. About $4 million of this power is now being sold at only 6 mills per kw wholesale; the company hopes to sell it next year at perhaps 2 cents per kwh which should improve 1958 earnings. There should also be substantial savings in operating and capital costs over the next few years as a result of the mergers.

Pennsylvania Power & Light has encountered some regulatory difficulties in recent years. Early this year the company finally accepted several orders of the Pennsylvania Public Utility Commission. These required the company to reduce electric rates by $1.4 million and also to make refunds covering past years which (with interest) amounted to $9.3 million. These refunds have now been made and the reduction was reflected in the 1956 earnings of $3.32. The company was allowed a 5.7% return on fair value and the latter is apparently about one-fifth in excess of original cost.

The company completed its second generating unit at Martin's Creek about a year ago at a low cost of only $98 per kw. The next generating project will be the installation of a 330,000 kw plant in 1960 at Brunner's Island which should increase generating capacity about one-quarter. By 1961 over three-quarters of the company's plant will represent post-war construction. During the decade ended 1956 the company had to raise about 62% of its construction funds by sale of securities, including some $84 million in common stock. During this period the equity ratio was doubled from 14% to over 28%. However, in future there should be less dilution from equity financing as it is expected that only about one-third of construction will have to be financed by new securities. In fact President Oakes foresees no financing of any kind other than short-term bank loans until 1959. The company might then have to sell some $68 million securities, plus another $26 million if bank loans are liquidated. Eventually the company hopes to raise the equity ratio to around 35-40%.

The company has saved a great deal of money in the past decade by developing new operating economies and by bringing the plant up-to-date. While the price of coal advanced sharply this has been substantially offset by improved generating capacity and reduction in the amount of coal burned to produce one kwh. The operating ratio (calculated before depreciation and taxes) was reduced from 52.6% in 1946 to 48.0% in 1956.

Because of the problem of continually increasing fuel costs Pennsylvania P. & L. is interested in developing atomic energy to compete with coal. The company and Westinghouse Electric are working as partners in the Pennsylvania Advanced Reactor (PAR) project using the homogeneous reactor principle. They plan an atomic power plant of 150,000 kw. Preliminary work is being done at the PAR Laboratories by a 110-man inter-company technical team. This type of reactor will use a slurry—nuclear fuel in finely-ground form suspended in light or heavy water—which will act both as a moderator and cooler. The company is hopeful that this type of reactor can be developed into a breeder — which creates new fuel as it burns up its initial charge.

Pennsylvania Power & Light has been selling recently around 41, following the general decline in the utility market resulting from high financing costs and adverse rate developments. Paying $2.40 the stock yields 5.9% and sells at about 12.3 times the earnings of $3.32 for the 12 months ended March 31. The company expects to earn a little more than this in the calender year 1957.

Railroad Securities

By GERALD D. McKEEVER

Reading Company

Much of the momentum of the very good results of 1956 for the Reading Company has carried through into the present year. Accordingly, this road is one of those to have posted gains in both revenue and net income for the first four months of 1957. However, the rate of gain has suffered a large degree of erosion due to the generally lower level of business and the dock strike at eastern ports early this year and, as to net income, due to the further rise in expenses. A substantial cushion has been provided against the current year's setback, nevertheless, by 1956 operations which produced a 15.1% gain in total revenues, a 16% gain in freight revenues and, as a result of the lowest operating cost ratio since 1944, an 18% gain in net income before charging Federal and Pennsylvania income taxes.

The 16% gain in freight revenues of the Reading last year was a particularly healthy one in that it was neatly matched by the 16% gain in freight traffic as measured by ton-mileage. Due to "hold-downs" on coal rate increases which notably affected the Reading since both kinds of coal together represented 43% of total freight revenues in 1956, and to competitive factors that confront a short-haul road such as the Reading, and also due to the fact that the 6% nominal freight rate increase of March 7, 1956 was in effect only about 80% of the year, the over-all freight rate increase amounted to only about 1% for the Reading. That is to say, the average ton-mile rate increased only from 1.614 cents in 1955 to 1.623 cents last year. This means that the increase in unit operating costs had to be offset mostly by the stringent cost control and operating efficiency for which the Reading has established a distinguished record.

The gain in operating efficiency was capsuled in the previously mentioned reduction in the total operating cost ratio to the lowest level since 1944. More pointedly, while total revenues increased by a little over 15%, operating expenses were up only 14.5% despite the burden of passenger and commuter service and heavy terminal expenses which are a particular problem for the Reading because of the short haul with which this road has to work. This was only 101.82 miles in 1956, or only slightly better than the 1955 figure of 100.49 miles.

Much of the 1956 revenue gain is ascribed to the 30% increase in revenue from bituminous coal which was $38 million last year as against $29.2 million in 1955, reflecting increased consumption by the steel industry which operated at a very high level on the average last year despite the July shut-down, and which also reflected increased takings by the utilities and a high level of export shipment. While the Reading was once predominantly an "anthracite road" this business has long since been eclipsed by soft coal, revenues from which were an even 2½ times anthracite revenues in 1956 and 2.4 times in the previous year.

The territory served by the Reading is one of greatest density of both population and industry. This might lead to the supposition that the source of stability which this road has enjoyed is a preponderance of originated traffic which is the usual goal of railroad managements. This is not the case, however, for the proportion of tonnage received from connecting roads, which has been on the increase over the past decade, reached 65½% in 1956 and almost half of this, or 31½% of total tonnage was "bridge" or "overhead" traffic. Because this type of traffic, which is received from one carrier and is turned over to another, does not contribute appreciably to terminal expense and is obtained with minimum cost of solicitation, if any, this trend may be viewed as one of the stronger points of the Reading situation. This becomes the more obvious if it is noted that "bridge" roads such as the Denver & Rio Grande Western and the Delaware & Hudson are among the lower cost operations in the rail field.

The gain in connected traffic, both "overhead" and received on line, accounted for the greater part of the 1956 revenue gain which, it should be noted, placed the Reading, a laggard more often than not as to revenue trend in recent years, well out in the front in 1956. Based on the 1947-49 average as 100, the 1956 revenue index of the Reading was 117 as against 114 for its Central Eastern District and 118 for the Class I total. While the Reading was considerably outdistanced in this district by the Baltimore & Ohio and the Western Maryland, each with revenue indices of 125 for 1956, the corresponding index for the Pennsylvania R. R., also of this district, was only 108. In this case, however, due allowance must be made for the fact that the Pennsylvania is hampered by a large proportion of passenger revenues, a proportion that is nearly three times as great as the 5% represented by the passenger revenues of the Reading.

The 3% gain in freight revenues of the Reading in the first four months of this year was achieved in the face of a 6.1% decline in carloadings for this period. The reason for the revenue gain in this case lies, of course, in the freight rate increase granted to the roads last Dec. 28. This was a nominal 7% for eastern roads, but amounted to about 5% in the case of the Reading judging from the estimate of the road's management of a revenue gain of $6.1 million annually. As a result the Reading reported $2.20 per common share for the first four months of the current year as against $1.89 for the corresponding 1956 period. It is consequently being estimated that, failing a recession in the rate of steel activity, particularly in the latter half of this year, the Reading should excel the $6.65 per common share earned in 1956. One estimate, based on a further increase of 5% in freight rates under the pending ex Parte 206 action, and allowing for another 3 cent per hour "cost of living" wage escalation on Nov. 1 in addition to the scheduled 7 cent per hour wage step-up under the three-year settlement of 1956 which takes effect on Nov. 1, places the 1957 net of the Reading at $6.75 per common share.

The question is frequently asked why, in view of all these things, Reading common, currently selling at about 33, should be valued at only around five times per share earnings. The principal reason would seem to lie in the large proportion of these earnings that is represented by the tax deferment factor. This was the equivalent of $2.32 per share or 35% of 1956 earnings of $6.65 per common share and is estimated at $2.26 for the current year, or about one-third of estimated per share earnings. Since this "bookkeeping" element in earnings is expected to drop to about $1.65 per common share in 1958 and to vanish entirely by 1960 or 1961, it is only prudent to calculate per share earnings for Reading common "ex" this temporary factor.

To do this would place 1957 net at some $4.50 per common share and the market appraisal of this stock at about 7½ times this deflated earnings figure is not out of line. At the same time the yield of about 6% that is afforded at the current market by the $2 dividend rate on Reading common is scarcely "out of this world" under present conditions. While the possibility of an increase has been suggested from time to time, this would have to be limited indeed in order to have any degree of permanence, since the total payment, giving effect to any increase, would have to bear a reasonable relationship to available net income less the evanescent tax-deferral factor.

Our Reporter's Report

Investment bankers were able to take this week's meager fare in the corporate new issue market in stride. True, there wasn't much nourishment in the smattering of new emissions, but distributors were able to draw some satisfaction at least from the brisk demand which appeared.

To that extent things were quite different from a week or so back when bankers and potential issuers seemingly were unable to hit on terms that would satisfy the investor.

Of course, with yields up where they are at the moment, the individual investor can once more afford to take a look at some of the current offerings. This develops a bit more competition than the institutional portfolio manager has been used to in recent years.

Probably it is not a very influential element in the situation at the moment, but it is one that could grow if conditions hold. And judging by the testimony of Secretary of the Treasury Humphrey in Washington this week, there is no reason for anticipating any early Administration move to ease the credit situation.

With the secondary market looking up and the spread between corporates and Governments being adjusted appreciably, some of the recent laggards among new issues have been clearing up. Included are some of those which dipped rather sharply when cut loose by sponsoring syndicates. Most of the latter have scored good recovery.

Two public utility issues which came to market this week encountered lively bidding at competitive sales and, moreover, were taken up readily by investors upon reoffering.

The largest, Southern California Edison Co's $40 million of first and refunding bonds, drew a top bid of 99.83 for a 4¾% coupon. The second bid, for the same coupon, was 99.731 or less than $1 a bond difference.

Rochester Gas & Electric's $15 million of first mortgage bonds attracted a high bid of 100.409 for a 4⅞% interest rate. The runner-up here offered to pay 100.27, or less than $1.40 a bond below the winning group. Both issues carried non-refundable clauses for the first five years.

Market Perks Up

Things look a little brighter next week for those who distribute new securities. Borrowers are not rushing the ramparts by any means, but there is promise of more activity than marked the current period.

Largest issue in sight is the City of Montreal's $35 million of debentures which will be up for bids on Wednesday. Wisconsin Telephone Co. has $30 million of debentures up for bids on Tuesday with Central Illinois Light Co. due to open bids for its $15 million of bonds.

Washington Water Power Co. has $20 million bonds slated for offering by the negotiated route on Wednesday, and West Penn Power will market $20 million bonds via competitive bidding. Several smaller offerings also are in prospect.

A Bit Deceiving

New Jersey Bell Telephone Co., has filed with the State Public Utilities Commission for authority to come into the market for $120 million of new capital.

But the public will not be involved, directly at any rate, for the bulk of such funds. On the contrary, some $90 million would be obtained from the parent company, American Telephone & Telegraph Co., which would take common stock for that amount.

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)	July 7	§79.1	*84.0	87.5	12.3
Equivalent to—					
Steel ingots and castings (net tons)	July 7	§2,024,000	*2,150,000	2,240,000	302,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	June 21	7,237,900	7,294,050	7,457,350	7,055,850
Crude runs to stills—daily average (bbls.)	June 21	†7,859,000	7,727,000	7,910,000	8,087,000
Gasoline output (bbls.)	June 21	27,313,000	27,254,000	27,102,000	27,263,000
Kerosene output (bbls.)	June 21	1,895,000	1,722,000	1,878,000	1,954,000
Distillate fuel oil output (bbls.)	June 21	11,751,000	11,846,000	12,592,000	12,487,000
Residual fuel oil output (bbls.)	June 21	7,716,000	7,645,000	7,584,000	7,696,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 21	189,225,000	*191,317,000	194,373,000	181,104,000
Kerosene (bbls.) at	June 21	27,975,000	26,787,000	23,935,000	24,583,000
Distillate fuel oil (bbls.) at	June 21	110,282,000	106,171,000	91,532,000	87,793,000
Residual fuel oil (bbls.) at	June 21	43,885,000	42,870,000	39,791,000	38,050,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 22	746,764	746,125	722,903	799,592
Revenue freight received from connections (no. of cars)	June 22	623,086	612,560	617,829	656,573
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 27	$330,135,000	$370,829,000	$298,907,000	$415,928,000
Private construction	June 27	136,239,000	185,672,000	100,712,000	154,671,000
Public construction	June 27	193,896,000	185,157,000	198,195,000	261,257,000
State and municipal	June 27	155,184,000	136,014,000	171,613,000	217,352,000
Federal	June 27	38,712,000	49,143,000	26,582,000	43,905,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 22	10,280,000	*10,335,000	9,565,000	10,138,000
Pennsylvania anthracite (tons)	June 22	639,000	612,000	487,000	595,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	June 22	119	129	116	109
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 29	12,111,000	12,337,000	10,936,000	11,498,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	June 27	271	241	225	249
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 2	5.670c	5.670c	5.670c	5.179c
Pig iron (per gross ton)	July 2	$64.56	$64.56	$64.56	$60.29
Scrap steel (per gross ton)	July 2	$54.83	$56.17	$47.50	$44.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 26	28.850c	29.050c	30.950c	45.350c
Export refinery at	June 26	27.325c	28.400c	29.450c	39.900c
Lead (New York) at	June 26	14.000c	14.000c	15.000c	16.000c
Lead (St. Louis) at	June 26	13.800c	13.800c	14.800c	15.800c
‡Zinc (delivered) at	June 26	11.000c	11.500c	12.000c	14.000c
Zinc (East St. Louis) at	June 26	10.500c	11.000c	11.500c	13.500c
Aluminum (primary pig, 99%) at	June 26	25.000c	25.000c	25.000c	24.000c
Straits tin (New York) at	June 26	97.375c	98.250c	98.250c	94.625c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 2	87.25	86.44	88.30	94.93
Average corporate	July 2	92.50	92.93	95.16	104.48
Aaa	July 2	95.92	96.54	99.20	108.34
Aa	July 2	94.86	95.47	98.09	106.56
A	July 2	93.67	94.12	95.77	104.14
Baa	July 2	85.98	86.38	87.99	99.52
Railroad Group	July 2	90.77	91.34	93.97	102.96
Public Utilities Group	July 2	93.67	94.56	95.92	104.66
Industrials Group	July 2	93.08	93.23	95.47	105.86
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 2	3.60	3.67	3.50	2.89
Average corporate	July 2	4.24	4.21	4.06	3.48
Aaa	July 2	4.01	3.97	3.80	3.26
Aa	July 2	4.08	4.04	3.87	3.36
A	July 2	4.16	4.13	4.02	3.50
Baa	July 2	4.71	4.68	4.56	3.78
Railroad Group	July 2	4.36	4.32	4.14	3.57
Public Utilities Group	July 2	4.16	4.10	4.01	3.47
Industrials Group	July 2	4.20	4.19	4.04	3.40
MOODY'S COMMODITY INDEX	July 2	425.5	425.2	417.4	416.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 22	230,949	254,633	242,783	229,362
Production (tons)	June 22	275,348	287,444	282,388	281,176
Percentage of activity	June 22	93	94	95	97
Unfilled orders (tons) at end of period	June 22	372,551	419,664	382,666	443,477
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	June 28	110.15	110.22	110.24	*109.07
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	June 8	1,466,910	1,248,990	1,632,010	1,484,550
Short sales	June 8	270,220	219,690	305,700	255,650
Other sales	June 8	1,134,610	1,043,990	1,268,910	1,230,420
Total sales	June 8	1,404,830	1,263,680	1,574,610	1,486,070
Other transactions initiated on the floor—					
Total purchases	June 8	264,020	211,520	344,600	282,700
Short sales	June 8	19,400	15,800	23,500	16,600
Other sales	June 8	284,520	218,520	360,350	323,500
Total sales	June 8	303,920	234,320	383,850	340,100
Other transactions initiated off the floor—					
Total purchases	June 8	493,900	371,930	597,183	560,565
Short sales	June 8	124,700	102,450	141,720	56,500
Other sales	June 8	542,870	387,990	509,176	565,168
Total sales	June 8	667,570	490,440	650,896	621,668
Total round-lot transactions for account of members—					
Total purchases	June 8	2,224,830	1,832,440	2,573,793	2,327,815
Short sales	June 8	414,320	337,940	470,920	328,750
Other sales	June 8	1,962,000	1,650,500	2,138,436	2,119,088
Total sales	June 8	2,376,320	1,988,440	2,609,356	2,447,838
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	June 8	1,325,257	1,040,077	1,342,810	1,053,127
Dollar value	June 8	$77,168,289	$58,590,113	$67,158,913	$54,626,039
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 8	1,146,280	887,430	1,190,651	847,667
Customers' short sales	June 8	7,620	7,490	11,568	4,906
Customers' other sales	June 8	1,138,660	879,940	1,179,083	842,761
Dollar value	June 8	$56,945,845	$44,638,041	$57,962,814	$43,655,436
Round-lot sales by dealers—					
Number of shares—Total sales	June 8	298,100	237,090	323,530	225,390
Short sales	June 8				
Other sales	June 8	298,100	237,090	323,530	225,390
Round-lot purchases by dealers—					
Number of shares	June 8	471,220	354,260	486,470	446,680
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	June 8	504,630	428,110	560,170	430,080
Other sales	June 8	10,937,040	8,802,590	11,919,650	9,754,320
Total sales	June 8	11,441,670	9,230,700	12,479,820	10,184,400
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	June 25	117.1	117.3	117.2	113.8
Farm products	June 25	90.2	90.7	69.9	89.5
Processed foods	June 25	105.0	105.2	105.3	101.4
Meats	June 25	91.2	92.6	91.6	77.5
All commodities other than farm and foods	June 25	125.2	125.3	125.2	121.4

*Revised figure. †Includes 1,065,000 barrels of foreign crude runs. §Based on new annual capacity of 133,459,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of May 31:			
Imports	$227,394,000	$272,212,000	$244,830,000
Exports	501,029,000	471,168,000	259,207,000
Domestic shipments	15,061,000	15,052,000	11,495,000
Domestic warehouse credits	58,008,000	73,913,000	21,372,000
Dollar exchange	5,259,000	3,988,000	9,240,000
Based on goods stored and shipped between foreign countries	177,004,000	181,547,000	104,317,000
Total	$983,755,000	$1,017,880,000	$650,461,000
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Consumed month of May	672,756	807,979	713,289
In consuming establishment as of June 1	1,405,340	1,515,629	1,421,514
In public storage as of June 1	10,842,327	11,894,688	13,904,264
Linters—Consumed month of May	104,749	104,334	156,422
Stocks June 1	922,445	966,626	1,259,780
Cotton spindles active as of June 1	18,246,000	18,365,000	19,276,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on June 1	21,406,000	21,539,000	21,926,000
Spinning spindles active on June 1	18,246,000	18,365,000	19,276,000
Active spindle hours (000's omitted) June 1	8,533,000	10,461,000	9,128,000
Active spindle hours per spindle in place May	426.7	418.5	456.4
DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average = 100—Month of May:			
Sales (average monthly), unadjusted	115	111	110
Sales (average daily), unadjusted	113	109	108
Sales (average daily), seasonally adjusted	115	109	108
Stocks, unadjusted	136	138	*128
Stocks, seasonally adjusted	131	131	123
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of May:			
All manufacturing (production workers)	12,831,000	12,956,000	13,063,000
Durable goods	7,564,000	7,625,000	7,648,000
Nondurable goods	5,267,000	5,331,000	5,415,000
Employment indexes (1947-49 Avge.=100)—			
All manufacturing	103.7	*104.7	105.4
Payroll indexes (1947-49 Average=100)—All manufacturing	160.2	*162.2	157.3
Estimated number of employees in manufacturing industries—			
All manufacturing	16,685,000	16,807,000	16,730,000
Durable goods	9,856,000	9,917,000	9,785,000
Nondurable goods	6,829,000	6,890,000	6,945,000
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of May:			
Weekly earnings—			
All manufacturing	$81.78	*$81.99	$78.40
Durable goods	87.23	*88.29	84.86
Nondurable goods	72.94	*72.56	70.20
Hours—			
All manufacturing	39.7	*39.8	40.0
Durable goods	40.2	*40.5	40.8
Nondurable goods	38.8	*38.8	39.0
Hourly earnings—			
All manufacturing	$2.06	*$2.06	$1.96
Durable goods	2.17	2.18	2.08
Nondurable goods	1.88	1.87	1.80
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of May:			
Seasonally adjusted	143	*144	141
Unadjusted	143	*144	141
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of May	£48,946,000	£20,958,000	£21,128,000
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of April (000's omitted):			
Savings and loan associations	$797,509	$743,513	$826,598
Insurance companies	115,540	115,207	148,423
Bank and trust companies	357,498	334,410	470,242
Mutual savings banks	110,173	99,048	128,368
Individuals	306,070	293,188	294,887
Miscellaneous lending institutions	357,151	351,136	400,730
Total	$2,043,941	$1,936,502	$2,269,248
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of March:			
Net railway operating income	$89,857,315	$65,734,212	$88,976,188
Other income	20,557,285	20,121,780	20,290,420
Total income	110,414,600	85,855,992	109,266,608
Miscellaneous deductions from income	4,165,304	4,001,408	4,441,058
Income available for fixed charges	106,249,296	81,854,584	104,825,550
Income after fixed charges	75,677,416	51,351,820	74,635,682
Other deductions	4,471,746	4,342,131	4,365,044
Net income	71,205,670	47,009,689	70,270,638
Depreciation (way & structure & equipment)	47,775,391	47,624,478	45,401,420
Federal income taxes	38,067,198	23,555,400	39,284,167
Dividend appropriations:			
On common stock	30,108,721	41,277,590	21,060,706
On preferred stock	7,041,586	8,457,015	2,918,813
Ratio of income to fixed charges	3.48	2.68	3.47
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of May:			
Net sales			
Net purchases	$313,420,450	$35,384,000	$5,720,050
U. S. GOVT. STATUTORY DEBT LIMITATION —As of May 31 (000's omitted):			
Total face amount that may be outstanding at any time	$278,000,000	$278,000,000	$281,000,000
Outstanding—			
Total gross public debt	275,233,787	274,007,941	276,729,255
Guaranteed obligations not owned by the Treasury	103,223	102,728	61,914
Total gross public debt and guaranteed obligations	$275,337,011	$274,110,669	$276,791,169
Deduct—other outstanding public debt obligations not subject to debt limitation	447,594	448,503	465,393
Grand total outstanding	$274,889,417	$273,662,166	$276,325,776
Balance face amount of obligations, issuable under above authority	3,110,582	4,337,833	4,674,223
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of May 31	$275,337,011	$274,110,669	$276,791,169
General funds balances	5,839,874	5,531,560	6,259,382
Net debt	$269,497,137	$268,579,109	$270,531,787
Computed annual rate	2.746%	2.725%	2.546%

Continued from page 6

Tax Exempt Federal Bonds And Today's Financial Picture

The manner in which these five items are handled affects the value of everybody's dollar, and in fact, the fate of the nation itself.

Presents and Answers Arguments

Some of the arguments against the issuance of a tax-exempt U. S. Treasury bond are:

(1) It is claimed that the government will lose revenue in that it is now collecting income tax from persons and corporations owning government bonds. Offsetting his argument would be that the tax free bonds could be sold at much less than the present coupon interest rates, and we are of the opinion that not one-half the interest now paid on the government debt is collected back in income tax. A careful analysis could show whether or not we are correct in this thinking.

(2) It may be said that non-taxable Federal bonds favor the rich. This is open to question. However, my thought is that if the Federal Government can set the maturity dates over a long period of time, there is little or no danger in the issuance and sale of such bonds to any purchaser, regardless of the size of his personal fortune. If estates are preserved or built as a result of tax-exempt earnings, the inheritance tax will ultimately take its toll. If necessary, maximum earnings allowed from tax-exempt securities owned by individuals could be placed on an annual basis. The importance of extending the short term government maturities over a long period of time is the dominant factor in any event.

(3) It will probably be said that the plan I suggest would hamper the sale of municipal bonds. It did not do so in years gone by, and due to the fact that municipalities are paying in many instances more than 4% per annum interest, we believe this argument falls of its own weight.

(4) It may be said that tax-free government bonds would materially affect the sale of corporate bonds. We would be reminded that some long term bonds of the finest corporations in America are now selling above 4½% per annum, and such bonds will continue to be attractive. In my opinion, the corporate bond market can never, for any great length of time, hold a healthy status unless government bonds are selling at or near their face value.

Wants Proposal Presented to Congress

The idea of tax free issue is not new, and heretofore within recent years it has been discarded on the belief that enabling legislation would not pass Congress. In my thinking, the members of our National Congress, more than anyone else, have the responsibility, by proper adjustment of the national debt, to lift the economic hazard that plagues our nation. It is well to remember that state and other municipal securities are always sympathetic to the Federal Government bond picture. If it is stabilized, their issues will also stabilize. I feel that if the matter is properly presented, our Congress will look first to the overall welfare of the country in this instance the same as others.

The adjustment of the maturity date of governmental securities should provide much easier management for the national debt and lift the day-to-day anxiety that must crowd in upon those charged with the management of the debt, and at the same time generate savings to the government.

Let's keep in mind that, insofar as the economic stability of our nation is concerned, the Federal debt is $275 billion while the municipal is $50 billion. The proper management of the Federal debt is paramount over all other financial transactions in this nation. Shying away from the problem will in no wise lessen it, and in my opinion positive steps should be taken whereby U. S. Government bonds will stand on their own economic feet at or near par under extended maturities.

For a long time, Communist leaders all the way back to Karl Marx have taught that the most effective way to destroy capitalism is to debauch a country's money—in other words, wreck its financial system through inflation. Sound money and liberty are interwoven.

Decries Collectivism

One of our great business authorities said last week that all Europe is striving to become like America. Let's be doubly sure that while Europe is becoming like America, we may not, because of inflation, be drifting toward collective statism now prevalent in so much of the world. Let's keep our economy as it is today: dynamic, strong, and conducive to individual initiative. That's the best defense against the followers of Karl Marx. We take great pride in the fact that ours is a land where a poor clerk can some day own a chain of stores; a tenant farm lad can become a plantation owner; a poor student can become a great scientist, a great teacher, a great lawyer or preacher. Ours is a land in which we do not have to kowtow to any potentate, for there is no one that can tell us what to buy, what to sell, what to think, what to say, and how to pray. The maintaining of all these blessed privileges is contingent upon our keeping our governmental finances sound. So let's take a positive approach to the solution of the problems of the management of the national debt and at the same time control inflation.

With Central States

(Special to The Financial Chronicle)

MANSFIELD, Ohio—William R. O'Donnell is with Central States Investment Company, 271 Poplar.

Pac. Northwest Adds

(Special to The Financial Chronicle)

EUGENE, Oreg. — William B. Crow is now connected with Pacific Northwest Company, 11 West 11th Street.

With Paine, Webber

(Special to The Financial Chronicle)

MADISON, Wis. — Hugh A. Sarahan is now with Paine, Webber, Jackson & Curtis, Mr. Sarahan was formerly Madison representative for Bache & Co.

With Commerce Trust

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — William L. Pence is with Commerce Trust Company, 10th and Walnut Sts.

Joins J. C. Flax

(Special to The Financial Chronicle)

SPRINGFIELD, Mass.—William E. Kennedy is now with J. Clayton Flax & Co., 1562 Main Street.

With Buys, MacGregor

(Special to The Financial Chronicle)

GRAND RAPIDS, Mich.—Nelis R. Bade has become connected with Buys, MacGregor & Co., McKay Tower.

Joins Smith, La Hue

(Special to The Financial Chronicle)

ST. PAUL, Minn.—Cassell L. Johnson is now with Smith, La Hue & Co., Pioneer Building.

With E. E. Henkle

(Special to The Financial Chronicle)

LINCOLN, Neb. — Richard V. Copsey is with E. E. Henkle Investment Co., Federal Securities Building.

Joins Barret, Fitch

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Martin J. Crowe, III, has become associated with Barret, Fitch, North & Co., 1006 Baltimore Avenue, members of the Midwest Stock Exchange. He was formerly with Television Shares Management Corp.

DIVIDEND NOTICES

TITLE GUARANTEE and Trust Company

DIVIDEND NOTICE

Trustees of Title Guarantee and Trust Company have declared a dividend of 30 cents per share designated as the third regular quarter-annual dividend for 1957, payable August 23, 1957 to stockholders of record on August 6, 1957.

WILLIAM H. DEATLY • *President*

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

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

The Board of Directors has this day declared a dividend of Thirty Cents (30c) per share, being Dividend No. 182, on the Common Capital Stock of this Company, payable September 3, 1957, to holders of said Common Capital Stock registered on the books of the Company at the close of business July 26, 1957.

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

CANCO AMERICAN CAN COMPANY

COMMON STOCK

On June 25, 1957 a quarterly dividend of fifty cents per share was declared on the Common Stock of this Company, payable August 15, 1957 to Stockholders of record at the close of business July 25, 1957. Transfer books will remain open. Checks will be mailed.

JOHN R. HENRY, *Secretary*

ARC

AIRCRAFT RADIO CORPORATION

Boonton

New Jersey

Dividend No. 98

On June 17, 1957, the Directors of Aircraft Radio Corporation declared a dividend of twenty cents (20c) per share on the common stock of the Company, payable August 15, 1957, to stockholders of record at the close of business August 1, 1957.

HERBERT M. KINGSLAND,
Assistant Secretary

DIVIDEND NOTICES

AMPHENOL

Amphenol Electronics Corp.

At a meeting of the Board of Directors of Amphenol Electronics Corporation held today a quarterly dividend of thirty cents per share was declared, payable July 26, 1957, to the shareholders of record at the close of business July 12, 1957. The transfer books will not be closed.

Dated at Chicago June 25, 1957.

FRED G. PACE, Secretary

DIVIDEND NOTICES

A regular quarterly dividend

of 30c per share has been declared by Daystrom, Inc. Checks will be mailed August 15th to shareholders of record July 26th.

DAYSTROM, Inc.
Murray Hill, N. J.
Electrical and electronic products
Modern furniture

COMBUSTION ENGINEERING C-E

Dividend No. 215

A Quarterly Dividend of Twenty-Eight Cents (28¢) per share on all the outstanding stock of Combustion Engineering, Inc. has been declared, payable July 26, 1957, to stockholders of record at the close of business July 12, 1957.

OTTO W. STRAUSS
Vice-President and Treasurer

DIVIDEND NOTICE

Beneficial Finance Co.

113th CONSECUTIVE QUARTERLY CASH DIVIDEND

The Board of Directors has declared a quarterly cash dividend of

$.25 per share on Common Stock

payable September 30, 1957 to stockholders of record at close of business September 16, 1957.

July 2, 1957

Wm. E. Thompson
Secretary

Over 1,000 offices in U. S. — Beneficial Finance System — Canada, Hawaii and Alaska

The DIAMOND MATCH COMPANY — *76th* CONSECUTIVE YEAR OF DIVIDENDS

The Board of Directors of The Diamond Match Company on June 27, 1957, declared a regular quarterly dividend of 45c per share on the Common Stock. At the same meeting the Board also declared a quarterly dividend of 37½c per share on the $1.50 Cumulative Preferred Stock. Both dividends are payable August 1, 1957, to stockholders of record July 8, 1957.

PERRY S. WOODBURY, *Secretary and Treasurer*

diamond — GROWING FOR THE FUTURE

MATCHES · PULP PRODUCTS · LUMBER · BUILDING SUPPLIES · WOODENWARE

OTIS ELEVATOR COMPANY

COMMON DIVIDEND No. 203

A quarterly dividend of $.50 per share on the Common Stock has been declared, payable July 26, 1957, to stockholders of record at the close of business on July 5, 1957.

Checks will be mailed.

H. R. FARDWELL, *Treasurer*
New York, June 26, 1957.

AVAILABLE

-IF-

YOU are interested in methods that will take up the slack in production.

YOU are willing to build for the future and not for just tomorrow.

YOU are aggressive enough to intelligently experiment with new ideas.

YOU are willing to pay for this experience and knowledge.

YOU will be getting an experienced trader, wholesaler and retailer with production.

Box B-627, Commercial & Financial Chronicle
25 Park Place, New York 7, N. Y.

GOODALL RUBBER COMPANY

COMMON DIVIDEND

The Board of Directors has declared a quarterly dividend of $.125 per share on all Common Stock outstanding payable August 15, 1957 to stockholders of record at the close of business August 1, 1957.

June 25, 1957

H. G. DUSCH
Secretary & Treasurer

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Organized labor is credited at the Capitol with being the guiding genius behind a move which threatens at a minimum to cancel out the postal rate increase bill approved by the House Committee on the Post Office and Civil Service.

The result is that the postal deficit will spiral on and up.

Some weeks ago the House Committee approved a bill which would raise the first class letter rate to 4 cents, the air mail rate to 7 cents, second class rates 15% each a year for four years to a total rise of 60%, and various increases in third class rates.

This bill, it was officially estimated, would diminish the postal deficit by $462 million in fiscal 1958 and by $527.5 million a year thereafter. For a time it looked like economy sentiment was winning. Even opponents of the postal rate rise in the Senate for a time gave up hope of defeating this budget-improvement move and privately predicted that if the postal rate rise passed the House, it also would clear the Senate this year.

Then, according to reports at the Capitol, organized labor got behind the drive for a boost in the pay of postal employees, a drive opposed by the Administration. The motivation of the labor crowd was the same as it has been in previous episodes of this kind. Organized labor believes that if it can cajole Congress into raising pay of government employees, it improves its chances for hijacking a new round of substantial wage boosts from private industry.

Drops Postal Rate Rises

Under the circumstances, the Administration forces in Congress quietly withdrew the steam from the effort to get the postal rate bill on the floor. The pay boost if enacted as a *quid pro quo* for the rate rise would not only cancel out a large share of the benefit to the Treasury of the rate rise but would buttress the case of omnipotent labor for a bigger and better round of wage rises.

Accordingly the House Rules Committee has not even considered a resolution to clear the postal rate increase for a floor vote, and the Senate Committee has not even held hearings on the subject.

Then, last week, organized labor made its influence felt in a substantial way. The House Committee reported out a bill proposing a flat, across-the-board wage boost of $546 per year for all postal employees except for rural carriers and postmasters of fourth class offices, who would get a 12% increase apiece not to exceed $546 per capita.

This, it was estimated, would cost theoretically only $300 million, or less than a full year's benefit of $527.5 million from the postal rate rise. However, all other Federal employees would put on a terrific drive next year for their share of the wage raise loot, if the postal employees got it this year. And next year is an election year.

Presumably the Administration, both because of its general stand against inflationary wage rises and Secretary Humphrey's flat opposition to the postal pay boost, would be compelled to veto the pay raise if it passed. However, the probabilities are that the postal rate increase will die on the vine.

Housing Trend

That fulsome package of housing mortgage aids and subsidies is now worked out. The differences between the broad versions of the House and Senate bills have been reconciled, and the conference bill in due course will be passed and become law.

In the conference the *de facto* new and additional Senate-proposed form of public housing was dropped. The Senate had voted that there be a form of FHA insurance on loans to 100% of value, running for 40 years, and paying only 4% interest. Even if marginal "buyers" were not given especial eligibility for these loans, their terms are so liberal and the return on the investment so poor that private finance under presently foreseeable market conditions could not be expected to put up the money for such housing regardless of FHA insurance.

However, the Senate further made eligible for such loans persons with large families, low incomes, the elderly, and persons allegedly excluded from other housing because of race, color, or creed.

Knowing full well that such housing would not attract private capital, the Senate voted to provide that the Treasury itself would provide the funds for such housing through the Federal National Mortgage Assn.

This particular innovation the conferees dropped.

Comes Up Again

However, even though this potentially expensive project failed this year, Capitol observers assert that it is bound to come up again, not certainly sooner than next year.

For well over a decade the provision of aid for "middle income housing" has been an objective of the "liberals" of both parties. By "middle income" the backers of this scheme actually mean all families whose income is so poor that they cannot even get the cheapest FHA and VA sales housing, not even in subdivisions where every house looks alike and all look like glorified chicken coops with a few sprigs of grass and shrubbery to make them look reminiscent of homes.

On the other hand, the lowest income groups are eligible for public housing.

In other words "middle income" means those millions of families not quite poor enough to qualify for occupancy of public housing at say half of commercial rent, but not well enough off to buy the mass sales housing under FHA and VA of the lowest price.

Mass Vote

This is a mass vote to whom the advocates of so-called "middle-income" housing are appealing. Stopped this year, advocates of this broad new category of aid mean to push hard next year.

Furthermore, FHA terms are already so liberal as demonstrably in the present era to put many such insured loans beyond the reach of private sources of funds. This indicates that the inexorable trend will be to liberalize still more down to the lowest levels.

Competition for Liberalism

As a matter of fact, with omnibus housing bills each year liberalizing mortgage terms to greater limits than the previous ones, it is a serious possibility that within a few years the government may find itself offering furniture free to those who will take government-insured loans financed indirectly through the government. Such a possibility is not rated as fantastic by housing legislators.

Many of the more thoughtful "liberals" privately regret keenly the fact that the terms of government-sponsored housing are incessantly becoming more liberal year after year. Yet, with the Administration itself proposing further liberalizations, they feel compelled to go farther and farther off the deep end into the realm of make-believe.

Alternatives

Some of the more sober legislators see two alternative possibilities developing shortly if this competition continues much longer between the Administration and Congressional "liberals" to further depreciate the standards of housing finance.

One possibility is that as already has happened in many sectors, government-sponsored housing credit will become so silly as to die out. Industry will pay no attention to it. Such fantastic terms will be on the books but will not be used.

The alternative is that as increasingly larger segments of government-sponsored housing finance separate themselves from both reality and sanity, that the "liberals" will feel that they are forced to pump direct Treasury money into housing and that this will become a charge, if technically outside the budget, of several billions per year.

Red China Trade

Most officials believe that the hope of Britain and some other countries for substantial trade with Red China now that they have kicked over the restraints, is just a foolish mirage.

They point out that although Red China had some $1.6 billion of combined import and export trade in 1955, 80% of this was with the Soviet Empire. Red China, they believe, has very little to sell in the way of non-competitive raw products and only a few manufactured goods. One of China's most valuable exports, tungsten, is heavily pre-empted by Russia.

In terms of depreciation of the value of money, this $1.6 billion is not a spectacular gain over the some $500 million of trade China had during the peak volume of such trade, in the 1930's.

It is expected that the "opening up" of Chinese trade will prove to be as much of a mirage as was the hope of large sales by the U. S. to Russia after recognition. Red China will "buy" plenty of heavy goods—if Britain will sell it on the cuff.

[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

"Who's the wise guy at the other end?—It keeps saying 'Wouldn't you like to know'!"

COMING EVENTS

In Investment Field

July 12, 1957 (Los Angeles, Calif.) Bond Club of Los Angeles annual Field Day at the Oakmont Country Club, Glendale.

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.

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

Hornblower & Weeks Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Richard D. Merchant has become connected with Hornblower & Weeks, Union Commerce Building.

Joins Livingston, Williams

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Aura R. Bradley has joined the staff of Livingston, Williams & Co., Inc., Hanna Building.

With Wachob-Bender

(Special to The Financial Chronicle)

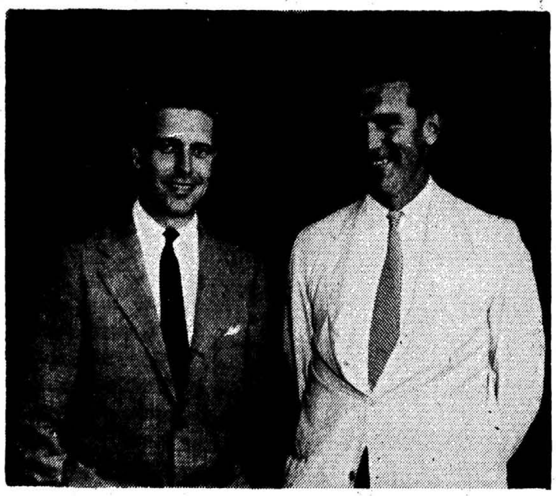
OMAHA, Neb.—C. Arthur Hallberg is now with Wachob-Bender Corporation, 3624 Farnam Street.

Investment Association of New York

Sterling McKittrick, *Ingalls & Snyder;* E. B. de Selding, *Spencer Trask & Co.;* James F. Draper, *McDonnell & Co.*

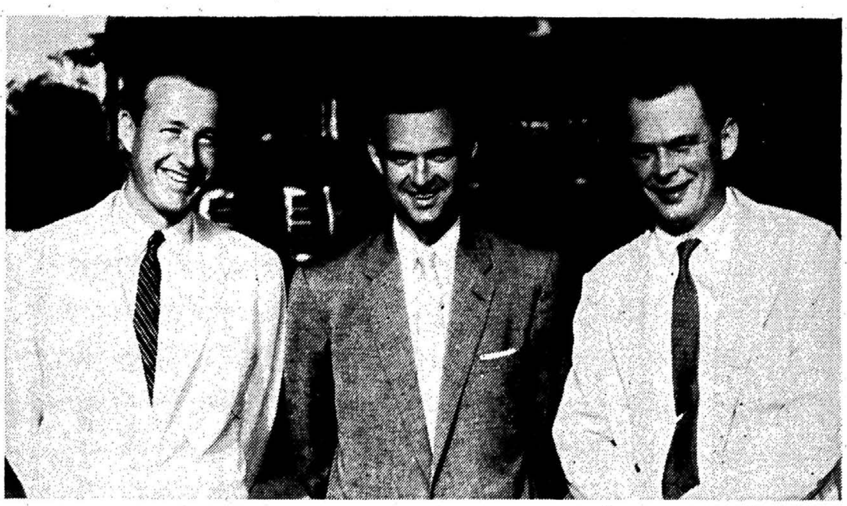
R-bert Menschel, *Goldman, Sachs & Co.;* Charles Zimmerman, *Goldman Sachs & Co.;* Richard Broome, *Central Republic Company*

A. Parker Hall, Jr., *Shearson, Hammill & Co.,* Chairman of the Entertainment Committee; Robert Lee, *White, Weld & Co.*



Robert F. Seebeck, *Hemphill, Noyes & Co.;* William G. Gallagher, *Kidder, Peabody & Co.*

William Clayton, *E. F. Hutton & Company;* Norman Bentley, *R. S. Dickson & Co., Inc.,* A. M. Murray, Jr., *E. F. Hutton & Company*



Alan Weeden, *Weeden & Co.;* Paul Voigt, *First Boston Corporation;* Spike Thorne, *Scudder, Stevens & Clark*

John Andresen, *Riter & Co.;* Paul Hood, *Kidder, Peabody & Co.;* Jack Harned, *Glore, Forgan & Co.;* Dave Hamilton, *Equitable Securities Corporation*

Ralph De Paola, *Garvin, Bantel & Co.;* George Garvin, Jr., *Garvin, Bantel & Co.;* Martin T. Griffin, *J. P. Morgan & Co. Incorporated;* Ned Byrne, *Byrne & Phelps, Inc.*

William Cullen, *Carlisle & Jacquelin;* William Fallon, *Emanuel, Deetjen & Co.;* Fred Weintz, *Goldman, Sachs & Co.;* Win Eldredge, *Putnam & Co.,* Hartford, Conn.

Eleventh Annual Outing

Bill Mayo-Smith, *Merrill Lynch, Pierce, Fenner & Beane;* Jim Roser, *Smith, Barney & Co.;* David Lynch, *Kidder, Peabody & Co.;* George Strong, *Smith, Barney & Co.*

Brace Young, *Reynolds & Co.;* Charles Maspero, *R. D. White & Company;* Dave McMillan, *W. C. Langley & Co.;* Richard Baldwin, *Reynolds & Co.*

Jim Lewis, *Goldman, Sachs & Co.;* Pete Hager, *Goldman, Sachs & Co.;* Lewis Kaufman, *Goldman, Sachs & Co.*

Vance Van Dine, *Morgan Stanley & Co.;* Robert Bennett, *White, Weld & Co.*

Vernon Lee, *American Stock Exchange;* Byam Stevens, *Abbott, Proctor & Paine;* Renwick Case, *Discount Corporation of New York*

J. H. Sedlmayr, *Merrill Lynch, Pierce, Fenner & Beane;* J. H. Manges, *Kuhn Loeb & Co.;* J. B. Samson, Merrill *Lynch, Pierce, Fenner & Beane;* D. S. Woodman, *Merrill Lynch, Pierce, Fenner & Beane*

R. H. Howard, *Reynolds & Co.;* K. F. Mountcastle, *Reynolds & Co.;* Brock Thompson, *R. W. Pressprich & Co.;* D. McDonnell, *McDonnell & Co.*

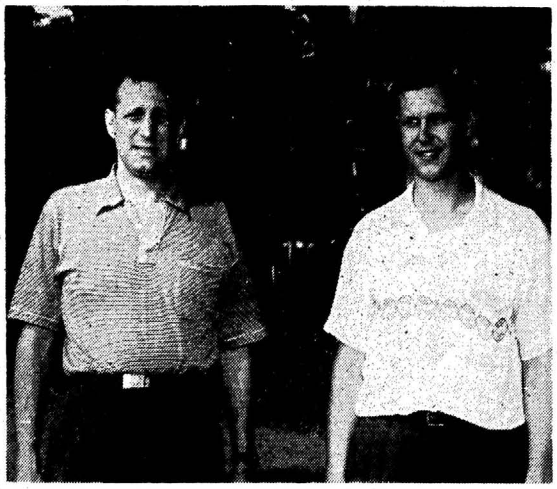
Alvin Ruml, *Hallgarten & Co.;* Tom Unterberg, *C. E. Unterberg Towbin & Co.;* Walter Stern, *Burnham and Company;* Charles J. Petschek, *Kuhn, Loeb & Co.*

George Bentley, *First Boston Corporation;* Duncan Miller, *Laird & Company, Corporation;* Michael Giblin, *De Coppet & Doremus;* John C. Moccia, *Eastman Dillon, Union Securities & Co.*

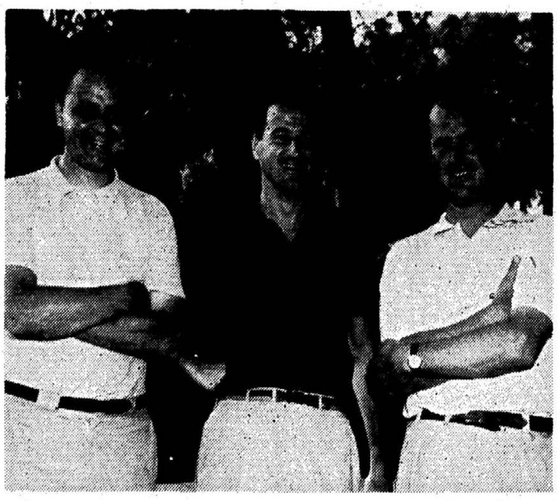
Held Friday, June 28, 1957

R. J. Daeschler, *W. H. Morton & Co., Incorporated;* T. W. Kolle, Jr., *Hemphill, Noyes & Co.;* P. D. Smith, *Hemphill, Noyes & Co.;* Hugh G. Petersen, Jr., *Hemphill, Noyes & Co.*

Bill Burton, *Harriman Ripley & Co. Incorporated;* Jim Baynes, *First Boston Corporation;* Jack Kelsey, *Eastman Dillon, Union Securities & Co.;* Bill Steen, *First Boston Corporation*



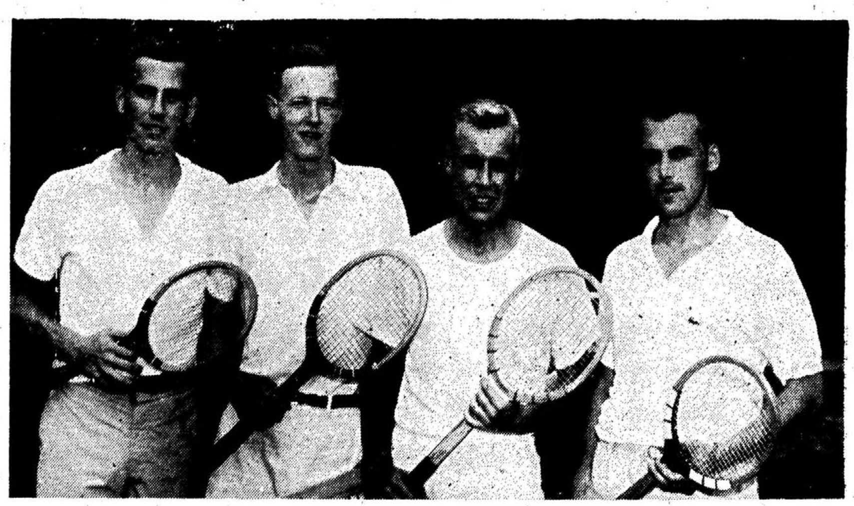
Jeffrey Granger, Jr., *Granger & Company;* Herb Mathiasen, *Schoellkopf, Hutton & Pomeroy, Inc.*



J. W. Middendorf, *Wood, Struthers & Co.;* Stu Lovejoy, *Reynolds & Co.;* Peter Philip, *W. H. Morton & Co. Incorporated*

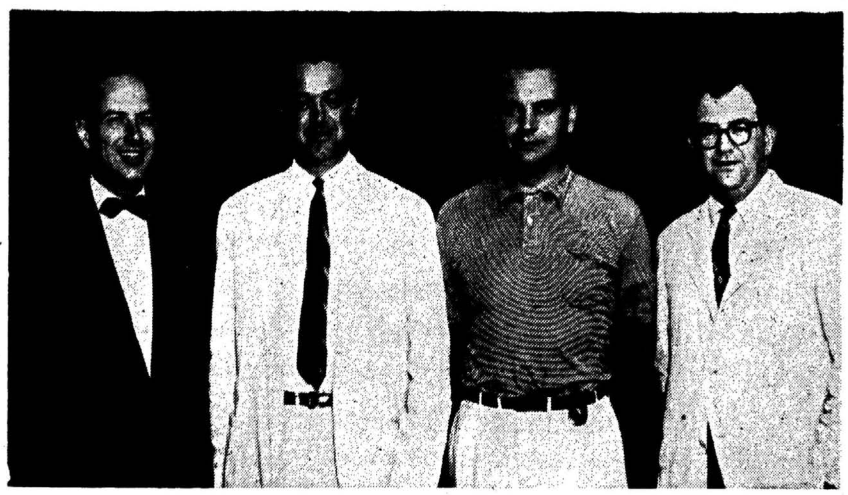
George Bell, *Drexel & Co.;* Edward Shean, *Lazard Freres & Co.;* Harry Harwood, *Drexel & Co.*

W. J. Roome, *Dominick & Dominick;* F. S. Wonham, *G. H. Walker & Co.;* R. Balsam, *Dominick & Dominick;* W. T. McIntire, *R. S. Dickson & Co., Inc.*



Dick Karrenbrock, *Blyth & Co., Inc.;* Bud Treman, *Dillon, Read & Co., Inc.;* Gene Cooke, *White, Weld & Co.,* New Haven, Conn.; Hank Clifford, *White Weld & Co.*

Laurence Quinlivan, *Blyth & Co., Inc.;* Steve Brodie, *Blyth & Co., Inc.;* Roy Turney, *Blyth & Co., Inc.,* Los Angeles; J. S. Smith, *De Coppet & Doremus*

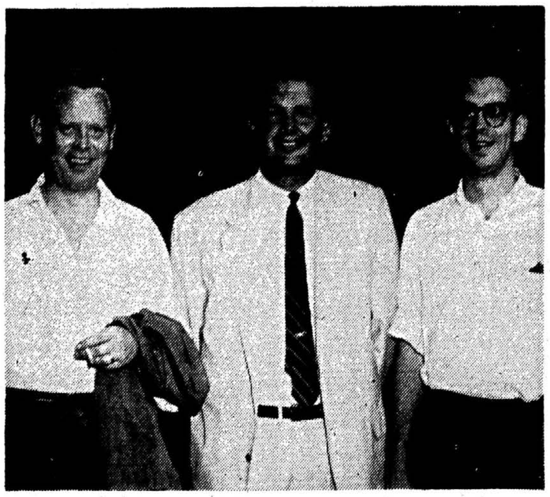


Sam Myer, *J. Barth & Co.;* Dick Vivian, *First Boston Corporation;* Prate Stack, *Bankers Trust Company;* Frank Cullum, *W. C. Langley & Co.*

At Apawamis Country Club

George Carey, *First Boston Corporation;* Donald H. Newman, *Allen & Company;* Duer McLanahan, *Glore, Forgan & Co.;* Eugene L. Oakes, *Allen & Company*

Richard Wolfe, *Hayden, Stone & Co.;* Andrew Eberstadt, *F. Eberstadt & Co., Inc.;* Henry F. Willems, *Hornblower & Weeks;* Edward J. Karlsson, *F. S. Moseley & Co.*

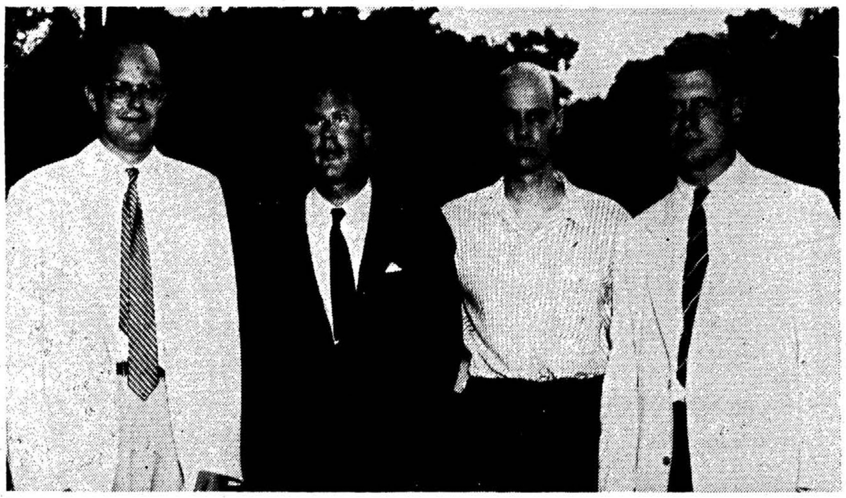


Lennart J. Gren, *Osborne & Thurlow;* John Loomis, *First Boston Corporation;* Robert Austin, *Kidder, Peabody & Co.*

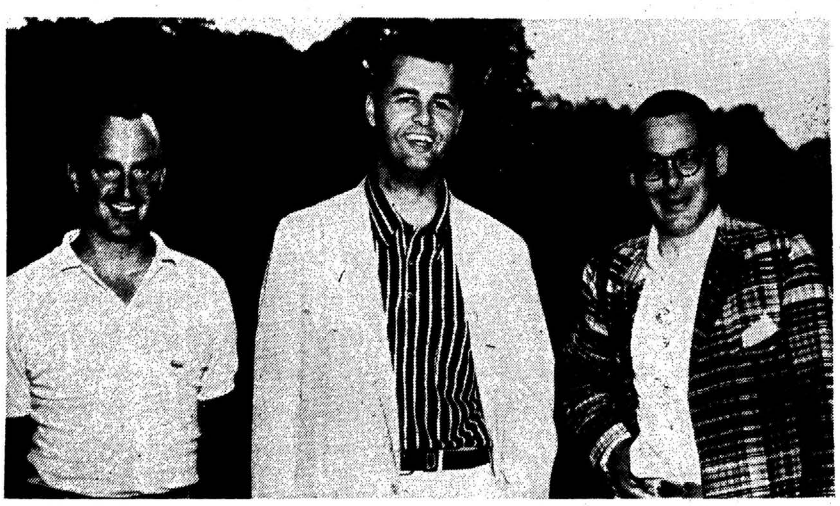
Doug Campbell, *First Boston Corporation;* Bob Strachan, *Morgan Stanley & Co.*

Peter Stachelberg, *Hallgarten & Co.;* Morgan Murray, *B. J. Van Ingen & Co., Inc.;* Don Boyle, *Drexel & Co.*

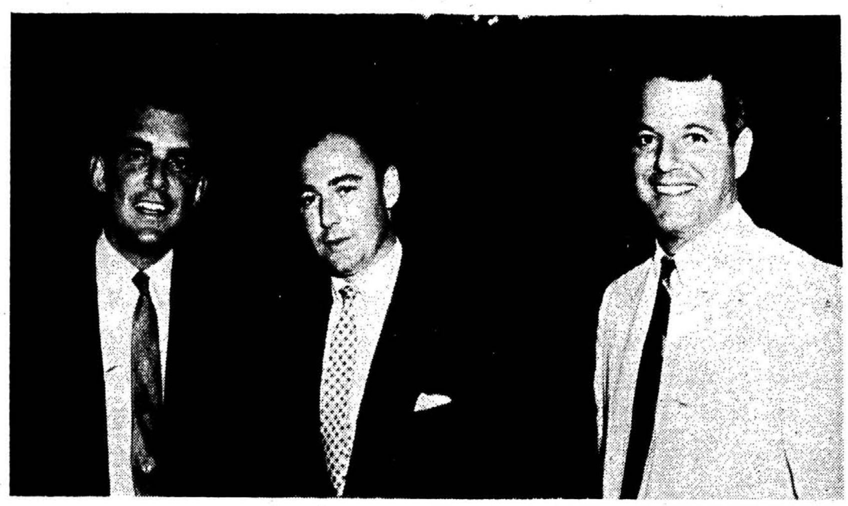
Miss Rose Marie Pollio, *Harris, Upham & Co.;* William N. Schill, *Reynolds & Co.;* Ralph Peters, *Discount Corporation of New York;* Al Ruml, *Hallgarten & Co.*



J. Wright Rumbaugh, *Dominick & Dominick;* Nick Harris, *R. W. Pressprich & Co.;* Douglas J. M. Graham, *R. W. Pressprich & Co.;* Vincent Banker, *R. W. Pressprich & Co.*



Jim Carroll, *Butler, Herrick & Marshall;* Phil Dresdner, *Henry Herrman & Co.;* J. Hyde, *Henry Herrman & Co.*



John Hilson, *Wertheim & Co.;* Donald Stone, *E. H. Stern & Co.;* Allan Weintraub, *Bear, Stearns & Co.*