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EDITORIAL

As We See It

"All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign (i.e., government) is completely discharged from a duty, in the [performance of which] he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society. According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understandings; first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain public works and certain public institutions which can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expense to any individual or small number of

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Economics of Prosperity

By GEORGE W. COLEMAN*

Economist, Mercantile Trust Company, St. Louis, Mo.

Mr. Coleman concludes from his analysis of strength and depression factors that the economic forces influencing the economy are generally not unfavorable and any possible downward adjustment will probably be minor. Looking into the longer-range forces liable to influence economic development, the bank economist critiques rate of capital investment, possible excess capacity and declining capital expenditures; second-thoughts regarding effectiveness of automatic stabilizers, counter-cyclical fiscal and monetary policies; direction of long-run price trend; and the international economic situation. Believes that the slow but not serious decline now taking place may be short run and, from a long-range viewpoint, foresees nothing indicating a sharp downtrend and a world-wide depression.

It is believed that through appropriate fiscal and monetary policies we can reduce the amplitude of the fluctuation of the business cycle. This concept of the function of monetary and fiscal policies has developed over the last quarter century. One of the men who contributed importantly to the elaboration of some of these ideas was Mr. Marriner Eccles. He would, I am sure, be the first to recognize that others helped in the development of these new concepts, but it also is important to indicate that he made significant contributions.

George W. Coleman

I intend to discuss the short-term outlook for business and to analyze briefly some of the factors which are influencing current economic trends. It is worthwhile also to attempt to analyze the longer-term trends to determine whether they are changing in such a manner as to alter the conditions

Continued on page 32

*An address by Mr. Coleman before the Utah Bankers Association, Ogden, Utah, June 18, 1957.

Tight Money and Inflation

By WILLIAM F. BUTLER*

Vice-President, The Chase Manhattan Bank

Prominent bank executive and economist accounts for recent inflationary rise of 4%, assays the arguments for and against inflation, and declares that unless we are willing to vigorously exercise restraint during prosperity "we can look forward to periodic outbreaks of inflation . . . [which will] undermine our prosperity and bring our growth to halt." Mr. Butler explains why assumption of inevitable inflation is false; absolves the government from some of the blame for inflation; and prescribes anti-inflationary policy of government surplus, tight money, and increased savings. Without inflation, foresees prosperity and growth rate exceeding most optimistic estimates.

The question of whether we should look forward to more inflation—to a persistent upward trend in prices in the years ahead—provides a common meeting ground for economists and appraisers. I suppose inflation complicates the lives of the practitioners of both arts about equally, though in a different manner.

William F. Butler

Accordingly I propose to attempt to deal with the following questions: First, are we in for persistent inflation? In other words, will the price level rise 1% or 2% or 3% on the average in the years ahead? As you know, it has been argued that a slow and gradual rise in prices may be inevitable in what has been termed our "laboristic economy." This leads to a consideration of two other questions:

What would happen if we should continue to have rising prices?

Why have we had inflation in the recent past?

All this will bring us to the final question of what we can do about inflation.

Persistent Inflation?

In line with this brief outline, let's consider first the

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*An address by Mr. Butler before the National Conference of the American Society of Appraisers, New York City, June 24, 1957.

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This Week's Forum Participants and Their Selections

Cary Chemicals, Inc.—Stuart M. Beringer, Assistant to President, P. W. Brooks & Co., Inc., New New York City. (Page 2)

Max Factor & Co. — A. B. Fox, Partner, Stern, Frank, Meyer & Fox, Los Angeles, Calif. (Page 2)

STUART M. BERINGER

Assistant to President
P. W. Brooks & Co., Inc.
New York City

Cary Chemicals Inc.

Within the next few weeks Cary Chemicals' new plant in Flemington, N. J., for the production of polyvinyl chloride resin (PVC) will be completed and placed in operation. PVC has been one of the fastest growing of the major plastics in recent years, with new uses being constantly developed. Cary's new plant, which is being built at a total cost of about $1,500,000, will have an annual capacity of 12 million pounds of PVC resin, of which it is expected that roughly 50% will be consumed in taking care of the company's own captive requirements. The completion of this plant thus represents a major expansion and integration move for Cary Chemicals and should substantially increase the company's sales and earning power.

Stuart M. Beringer

Cary Chemicals was incorporated in Delaware on Nov. 10, 1955 to continue a business founded in May, 1952. Its principal product line consists of PVC compounds manufactured at its recently expanded Milltown, N. J. plant to either standard or special formulae for use principally by fabricators of vinyl coated electric wire and cable, and to a lesser extent by manufacturers of vinyl coated fabrics, garden hose, weather stripping, luggage and other products. An important volume of business is also obtained through the sale of Antisun, a blend of specially selected waxes used by manufacturers of tires and rubber-insulated wire and cable to improve resistance to sun ageing; reclaiming oil, an agent used in the process of reclaiming used rubber; plasticized gilsonite compounds for use as additives in soles and heels, tape and insulated wire and cable; and a series of synthetic waxes with high melting points and chemical inertness, which also have good electrical properties, take a high polish and are highly water resistant. The company has also in the past sold a substantial volume of chemicals manufactured by others, but this phase of its business has been sharply curtailed during the past couple of years as greater emphasis has been placed on its own manufacturing operations.

Of the company's net sales of $1,913,494 for the year ended Sept. 30, 1956, approximately 56% was accounted for by the wire and cable industry, 20% by the tire and rubber industry, and 24% by manufacturers of vinyl sheeting, film and coated fabrics.

The company estimates that approximately half of the output of its new plant will be required to supply the PVC resin required for the manufacture of its own PVC compounds, and is confident that it will have little difficulty in disposing of the balance to present and prospective customers in the vinyl processing industries. The company expects to derive numerous benefits from its new PVC plant, the most important of which should be substantial savings in resin cost, for it has been estimated that Cary will have a works cost of about 17c per lb. vs. a present list price of 27c. Other important advantages include a continuous nearby source of PVC resin of uniform quality; ability to supply both resin and compounds (affording protection against the risk of having customers undertake their own compounding operations); and the availability of facilities for the development of new or modified resins and compounds.

Projections, prepared last year by a nationally known engineering and business consulting firm and backed up by a recent follow-up market survey by the same organization, indicate a sales potential of $5,000,000 to $6,000,000 annually (vs. about $2,000,000 estimated for the current fiscal year) and a pre-tax profit, after bond interest of $138,000 and an initial research budget of $100,000 annually, of between $800,000 and $1,000,000 (vs. nominal current profits). Assuming a 52% tax rate and based on the company's highly leveraged capitalization ($2,300,000 of 6% first lien bonds due 1976, $140,000 of 6% preferred and some 630,000 shares of common stock as at June 30, 1957) such earnings would be equivalent to 60c to 75c per share. However, even though management believes such results to be attainable in the relatively near future, it is unlikely that they would be realized during the coming fiscal year to end Sept. 30, 1958, for which earnings closer to 40c per share are a safer assumption.

With substantial earning power now in fairly early prospect, both the company's 6% first lien bonds and the more speculative common stock have decided appeal for substantial appreciation. Available at around 75, Cary's 6% bonds are secured by a first mortgage on some $1,350,000 of depreciated fixed assets ($800 per bond) and have the combined attraction of an 8% current yield plus a 35% appreciation potential as earnings and assets build up to support a market valuation closer to par. Starting next year this issue will benefit from a substantial annual sinking fund which, based on the before-mentioned profit projections, might amount to some $170,000 annually. The common stock at around 4¼ is an intriguing low-priced chemical speculation with a potential earning power of 60c to 75c per share within the next couple of years. Over the long term, a highly experienced and expansion-minded management hopes to accelerate the growth of the company's earning power through continued expansion of present facilities and the acquisition of companies which can either further integrate Cary's operations or enlarge its captive markets.

A. B. FOX

Partner, Stern, Frank, Meyer & Fox
Los Angeles, Calif.
Members: N. Y. Stock Exchange and American Stock Exchange
Los Angeles, Calif.

Max Factor & Co.

In the cosmetics industry, which has seen some spectacular achievements and fully as spectacular flops, the old line Max Factor & Co. has a remarkable record of stability and sustained growth over the years. Founded in 1909 by Max Factor, Sr., the company name became a household word as the principal supplier of makeup and hair pieces to the motion picture industry. Factor was instrumental in extending the use of cosmetics beyond theatrical people to include an ever increasing number of women and girls. Today, although the association with the entertainment world still holds important promotional advantages, the company has won its investment recognition through worldwide distribution of a broad line of quality products and by sound business management.

The stability can be attributed to several reasons. The Factor family has provided continuity of management. They are dedicated cosmetics men who have always been interested in the long range rather than in flashy short-lived results. Two sons of Max, Sr., who died in 1938, head the company. Davis, Chairman of the Board, gives his primary attention to financial and administrative matters, whereas Max, Jr., President, concentrates on creating new and improved products. Two other sons, a son-in-law, and a grandson are active in top management.

Max, Jr., a highly-regarded cosmetic chemist in his own right, personally heads up the research division of 40 chemists. The company maintains well-equipped laboratories in the new headquarters building in Hollywood. In recent years, this division has developed two perfume lines, Electrique and Primitif, which have received exceptional consumer response, and Sebb, a preparation for the relief and control of dandruff, which is now distributed nationally and has given Factor a strong entry into the pharmaceutical market. New formulas have also been devised for the established makeup, face powder lipstick, rouge and other cosmetic lines which still constitute the bulk of company sales.

Last year, the company set up a project development department which has a dual purpose. It expedites new products from the research stage until ready for volume production. It is also charged with creating package designs which will have a strong impact on sales.

Max Factor expended about $2,800,000 in 1955 and 1956 to expand and modernize its production facilities, all paid for from earnings. Principles of automation are being used effectively in some operations, thus reducing costs. The company manufactures its products in Hollywood, England, Canada, Mexico, France, Australia, Japan, Argentina and Cuba. Promotions of new products are spread through the year to keep production at a fairly even rate.

The products are marketed in over 100 countries, primarily in the medium price range, through department stores, drug stores and drug wholesale houses.

Building on this solid foundation, Max Factor has been concentrating on achieving substantial sales increases through the tool of advertising. Last Autumn, the company began sponsoring a network television show which is viewed on 129 stations across the country on Tuesday night. The entire product lin is being pro-

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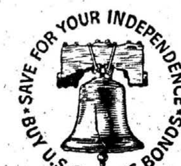

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Public Utility Financing and Money Market and SEC Regulation

By JAMES C. SARGENT*

Commissioner, Securities and Exchange Commission, Washington, D. C.

In fathoming public utility and holding company financing subject to SEC jurisdiction, Mr. Sargent discusses preservation of sound capital structures in current money market and answers arguments against the persevering callability policy of the Commission. In indicating SEC's concern regarding cost of capital to public utilities, the Commissioner stresses the importance of timing and flexibility of long-range financial planning, and proper capitalization ratio. Advises utilities to sell as much common stock in today's market as can possibly be sold in anticipation of funding requirements for as much as two or more years ahead and, similarly, to stretch out bond financing until a more propitious period; denies SEC blocks joint financing and other cooperative efforts; supports Fulbright Bill's extension of financial reporting, insider trading, and proxy requirements to more firms; and states self-regulation has proven to be unsuccessful.

I would like to discuss some of the current problems which today's money market presents to the utility industry, and some of the SEC's work under the Public Utility Holding Company Act of 1935. I will not go into the history of events that led to the enactment of this legislation nor into the extensive reorganization of the entire electric and gas utility industries which has taken place pursuant to the provisions of this Act during the past 20 years. This story has been told many times. Suffice it to say that whereas some 90% of the electric utility industry and natural gas pipeline mileage of the United States was subject to holding company control when the Act became law in 1935, today only about 20% of the aggregate assets of these industries continue under the control of holding companies.

James C. Sargent

On June 30, 1956, 23 public utility holding company systems were still registered with the Commission and approximately seven of these are expected to be released from the jurisdiction of the Act by means of exemption or disposal of their domestic utility properties. We anticipate that the remaining 16 systems will continue subject to the Act indefinitely. These systems will comprise more than 160 companies with assets (less valuation of depreciation reserves) of some $8.5 billion.

No Intent to Abolish All Holding Companies

Contrary to the rather widespread popular misconception, the Congress in drafting the 1935 Act had no intention of abolishing all holding companies. It recognized that a number of groups of electric and gas utility properties could be operated more economically and could provide better service to the consuming public as coordinated systems than as independently operated utility companies.

Therefore, the Congress concluded that those groups of electric and gas utility companies controlled by holding companies, which met certain size standards and constituted physically integrated systems operating in compact geographical areas and which had been boiled down to soundly financed systems with unnecessary corporate complexities removed, could continue in existence as holding company systems subject to permanent regulation by the Commission of their corporate and financial transactions.

Despite the contraction in the area of our interest in the public utility business, one of the Commission's important responsibilities today is the regulation under the 1935 Act of the financing of registered holding company systems. During the 12 months ended June 30, 1956, registered holding companies and their subsidiaries sold to the public and to financial institutions 43 new issues of securities totalling $565 million. This represented 22% of the total volume of $2.5 billion of long-term financing completed in that period by all companies in the electric and gas utility and gas pipeline industries of our country.

Unlike the provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 under which our principal concern, in addition to enforcement, relates to the adequate disclosure of information by the issuers of securities to investors, under the Holding Company Act the Commission is required to pass upon the terms and provisions of securities issued by registered holding company systems and even upon the methods employed for their sale. Thus, we are concerned with the provisions of protection of investors which are set out in the in-

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*An address by Mr. Sargent before the Legal Committee Meeting of Edison Electric Institute, Buck Hill Falls, Pa., June 20, 1957.

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Growing Life Stock

By IRA U. COBLEIGH

Enterprise Economist

A non-actuarial appraisal of one of the fastest growing stock life insurance companies—The Franklin Life Insurance Company of Springfield, Illinois.

We tend to take life insurance for granted, never stopping to think how really big this protective institution is. Right now over 103 million Americans have a life policy of some sort; there is over $437 billion of life insurance in force in the United States; and life insurance sales totaled $33 billion for the first 6 months of this year—up 30% over the same period in 1956. And this is a good note on which to introduce today's topic, Franklin Life, since it is one of the most "sales minded" companies in the whole business.

Ira U. Cobleigh

Because mutual companies (with no publicly held stock) do some 70% of the life insurance business, there are still millions of people who don't know (1) that there are life insurance companies in which you can be a stockholder and (2) that some of these life companies have turned in a perfectly spectacular performance in the capital gain department. Companies such as Aetna Life, Travelers, Lincoln, and Virginia all are stock companies (like Franklin) but none has turned in any more sparkling performance in growth of income, life insurance in force, and net earnings over the last 16 years than Franklin.

Now some companies write a broad assortment of contracts — group life, industrial insurance and accident and health. Not so with Franklin. Franklin has become the largest legal reserve stock life insurance company specializing, with concentrated sales effort, exclusively in the writing of ordinary life and annuities.

This concentration and sales emphasis needs, in the case of Franklin, a little clarification. The company is 73 years old but, quite frankly, it never made a very big splash in the industry until about 17 years ago. In December of 1939, Charles E. Becker acquired share control and became President of The Franklin Life Insurance Co. He has since proved not only to be a salesman, par excellence, himself, but he has built up an echelon of sales executives around him that is the envy of the industry. They're really a group of "positive thinkers" about life insurance.

Lest it be thought that we've gotten over-enthused about the sales "moxie" at Franklin, take a look at some of the results racked up here. We won't go back all the way—we'll just cite the past five years. At the 1951 year-end, there was insurance in force in Franklin Life of $1,135,385,687. Five years later this figure had grown to $2,885,000,000—up 110%. In the same five-year span, admitted assets had increased from $193.4 million to $375.7 million, up 95%. The real meat for stockholders in these exciting growth tabulations is the five-year advance in capital and surplus funds from $12 million at Dec. 31, 1951 to $38,750,000 at Dec. 31, 1956—up a whacking 200%. This last figure, gain in capital and surplus funds, is the dynamic behind the capital stock. From March 31, 1952 to March 31, 1957, Franklin Life stock advanced from 25 (bid) to 91 (bid). It is 106 bid as this is written (July 10th) and there is about to be a 50% stock dividend to shareholders.

This declaration of a stock dividend is no novelty to Franklin shareholders. For example, there was a 50% dividend in March 1944; 25% in 1948; 50% in 1952; 100% in 1953; and 50% on July 29, 1955. These "melons" constitute a quite considerable solace for the rather meager cash distribution (which were only 50c a share in 1956). The nice thing to note, however, is that when there has been a stock dividend at Franklin, the cash rate per share on the old stock, before the split, has been continued or increased, afterward, on the larger number of outstanding shares.

While strictly stock buyers for income have rather shied away from life insurance stock, those investors who really apprehended what has been going on here, and have analysed the remarkable growth in net earnings and assets per share, have really done awfully well, and the total number of stockholders has zoomed. For instance, right now Franklin (with its stock above $100) has well over 13,000 stockholders against around 24,000 for Aetna Life, which has almost eight times as much insurance in force! (Just think, you could have bought Franklin at its 1952 low for 8⅛!)

The small cash payout has, of course, permitted a king size plowback of earnings into capital funds. $28 million have been added from this source alone in the past five years.

This may all sound very well in retrospect, but any "savvy" investor is going to ask, "What about the future?" Can this historic rate of growth and this historic gain in share prices be continued from here, in Franklin? Nobody can answer these absolutely, but we would like to observe that for the first quarter of this year sales were up 17%, premium income, 12%; and investment income 20%. All this, coupled with a mortality experience of less than one-third of what was expected, suggests that Franklin is going to do very well again this year and should have over $3 billion of insurance in force by the end of 1958.

Not only that, but Franklin is the sort of company uniquely equipped to take over and merge unto itself, smaller companies. It has sizable cash resources itself and it would not be particularly surprising if Franklin at some point offered its shareholders the right to subscribe to additional common on attractive terms. One thing appears certain in such an event — the stockholders would love to subscribe. They'd be crazy not to in the face of the past achievements of their company.

Now the enthusiasm heretofore expressed for this company should no doubt be tempered by certain observations about the life insurance industry. Competition is increasing and more companies are entering the field. Group insurance (very low cost and far less profitable to companies on a per unit basis) is leaping ahead; many low cost (and less profitable) all inclusive family policies are gaining wide vogue; and the custom of giving a buyer a better (wholesale) rate if he buys $20,000, than $2,000, tends to narrow profit margins. Against these debits, or partial debits, however, lies the fact that our creeping inflation makes necessary ever larger life insurance coverage for each breadwinner, if he is to leave his bride and brood a comfortable living income in event of his premature departure from this earth.

Just one more note, if this Franklin situation has begun to intrigue you. There's a holding company called Great American Life Underwriters, Inc., with only 72,498 class A common shares outstanding. Great American owns nine shares of Franklin for each share of class A. Now nine shares of Franklin are worth above $900, yet you can buy Great American A around $650—which would suggest that if you like Franklin, you can acquire it at an interesting discount in Great American Life Underwriters "A." (There's "C" stock which carries the vote. More than 90% of this is owned by Mr. Becker.)

In conclusion, Franklin appears to be an extraordinarily energetic life company. It is sales minded and profit minded and stockholder minded. Its directors are all, save one, active in the company's affairs; and most of them are themselves substantial stockholders. Franklin has not gone in for window dressing its board with tycoons from other industries, or prominent personalities in public affairs or public service. It's a life company by, for, and of professional life insurance men. And, to a man, they seem to know how to sell!

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Observations . . .

By A. WILFRED MAY

THE SENSATIONAL STOCK-BOND PERFORMANCE

The persisting bull market in the face of "hard money"—with stocks zooming to all-time highs midst a decline of bonds to new lows — truly harbors wide and important implications. Does this unorthodox performance indicate a *new era* of distrust of fixed-income-and-principal securities, or a permanently changed attitude toward common stocks embracing their higher valuation, or perhaps just a speculative stock market vulnerable to a drastic break?

A. Wilfred May

The current stock-bond divergence is quite unprecedented here and abroad. Traditionally it has been assumed that the greater risk entitles the investor in equities to a higher yield than that from a debtor obligation and that in any event their relative yield is an important determinant of their comparative attractiveness; entailing correlation between their long-term price trends. Only last month was this again demonstrated in Switzerland, where a rise in the bank rate touched off a drastic liquidation, and rise in yield, of equities.

But, in the postwar interval since January, 1946 the yield on our long-term Government bonds has *increased* by no less than 80%, on high grade corporate liens by 50%, and on tax exempts by 140%; while the yield on Moody's 125 Industrial Common Stocks has *declined* by 17% and since January 1955, similarly, the rises in the yield of the bond categories have been 35%, 33%, and 42%; while the yield on stocks has declined by 26%. The persistence of this phenomenon is shown in last week's record, when during the five sessions the yield on the Dow Jones Industrials fell further from 4.53% to 4.41% and the spread between it and Barron's 10 highest grade bonds declined from .49 to .31.

The 40 bonds are now yielding more than the 30 stocks in the Dow Jones Averages; and the ratio of high-grade corporate bond to stock yields is down to 0.95%, a figure only surpassed at the peak of 1929's saturnalia of speculation.

What Explanation?

What is the explanation for this present phenomenon? Of course, there is the public's recognition—belatedly—of the inflation threat, functioning doubly as a discourager to fixed interest and capital investment, and as a stimulant to inflation-hedging stocks. But another and temporary pro-equity motivation seems to have entered, in the souring of potential bond buyers by the terrific shrinkages on their existing portfolios with which they have become burdened emotionally as well as statistically. As a result, former avid buyers of Triple-A State tax exempt obligations on a 2% basis now shy away from them at a 3.10% yield.

Speculative Excrescence's

Then there is the affirmative support to stock-buying from clearly speculative attributes of a bull market. The aim for "capital gains" avoiding a dirty word like market turn is increasingly proclaimed as legitimate investment policy. Surely much of today's investing community doesn't know, or care very much, what his Minnesota Mining or IBM is yielding.

The market rises have been far outrunning the business indicators with the news rationalized to fit the advances. Thus, the past week's rise is "explained" in a leading news report as stemming from the Kremlin's new machinations in supposedly improving the outlook for a lessening of the Cold War. Had a bear movement ensued it would have been ascribed to the same cause "since a lessening of international tension entailing reduced government defense spending *of course* is a depression harbinger."

Also contributing to the deemphasizing of the yield on today's investor's common stock purchase is the ever-increasing degree of Blue Chip-ism, correlated with the broadening use of institutional and other techniques for choosing media for other people's money.

The instalment system applied to stock buying has also accentuated the stock appraisal carelessness. This is aptly set forth in the current letter of Bernstein-Macaulay, Inc., investment counsel, as follows: "Conditions can blunt the price consciousness of even the astute. An instance is the investment of certain institutional funds. Many fund managers continue to buy common stocks, with good names to be sure, at prices they know are too high. Why? Money will come in periodically and so the costs of an investment can be averaged out; the funds are perpetual or accountability is relegated to the distant future, and the standard of living of the fund demands the ownership of certain items. Is this thinking so very far removed from that of Johnny's and Mary's when they buy on the basis of the monthly payments and minimize price? For both the future is expected to bail out the present."

Emphasis on "safety" and "growth" surely have invalidated, at least temporarily, the former scientific findings (by such reputable analysts as Benjamin Graham and O. K. Burrell) that the investor will pay more for earnings disbursed than undisbursed in dividends.

What market prognosis shall we make from all this? A collapse price-wise and disillusionment with just one more instance of "New Era" foolishness? Or have the basic economic factors and investing techniques wrought a permanent change in the yield concept? Perhaps a compromise is the answer, namely near-term readjustment, followed by long-term quantitative and qualitative appreciation of the equity share, both per se and related to bonds.

Business Man's Bookshelf

American Capitalism: Its Promise and Accomplishment—Louis M. Hacker—D. Van Nostrand Company, Inc., 120 Alexander Street, Princeton, N. J.—paper—$1.25.

Career Preview — New magazine to be issued monthly during school year to guide high school seniors in choosing a career in business and industry — Enterprise Publications, 11 North Wacker Drive, Chicago 6, Ill.—$1 per year..

Ceramic Tool, Symposium Papers, —American Society of Tool Engineers, 10700 Puritan, Detroit 38, Mich.—$6 (individual papers, $1 each).

Cultural Heritage of the Swedish Immigrant—Selected references O. Fritiof Ander — Augustana Library Publications, Rock Island, Ill.

Demand and Supply of Scientific Personnel—David M. Blank and George J. Stigler — National Bureau of Econmic Research, 261 Madison Avenue, New York 16, N. Y.—cloth—$4.

European Integration — Edited by C. Grove Haines with introduction by Paul Van Zeeland—The Johns Hopkins Press, Baltimore 18, Md.—cloth—$5.

Freeman, July 1957 containing articles on "Let Anyone Deliver Mail"; Governed by God; Freedom Manifesto; Socialism at Its Best; Price System; Shall the Needy Inherit Our Colleges?; UN—Competent Only for Mischief; Freedom and Security in Ur of the Chaldees; The Right to Work; The Duty to Interpose —Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—50c.

Invitation to Sweden—Lady Sheppard — Pitman Publishing Corporation, New York, N. Y. — $4.50.

Japan Company Directory, 1957—(with Who's Who in Japanese Business) — The Oriental Economist, Nihombashi, Chuo-ku, Tokyo, Japan—cloth—$5.

National Stay-in-School Campaign—Handbook for Communities—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.—15c

Personnel Management and the Professional Employee—A bibliography—Industrial Relations Section, Princeton University, Princeton, N. J.—Paper—20c

Plastic Tooling Symposium Papers —American Society of Tool Engineers, 10700 Puritan, Detroit 38, Mich.—$10 (individual papers $1 each).

Safety Subjects: A discussion of accident causes and costs, plant inspection, etc.—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y.—$1

Supplementary Report on the Constitutionality of American Participation in the Proposed Organization for Trade Cooperation and in the General Agreement on Tariffs and Trade — Association of the Bar of the City of New York, 42 West 44th Street, New York, N. Y.

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Trends in the Money Market

By WOODLIEF THOMAS*
Economic Adviser
Board of Governors of the Federal Reserve System

Our central bank's economic adviser assays the important aspects of the relationship of savings and investments, credit and monetary creation, and the role of banks and the Federal Reserve, in detecting trends in the money market. Mr. Thomas concludes that to meet such unsatisfied credit demand sectors as schools, hospitals and new homes at this time the need is not for the creation of more bank money, but for an increase in the volume of savings held out of current income.

Economic developments in this country — and to a considerable extent throughout the world — in recent years have followed a pattern that has been remarkable in its results and surprising in its persistence. We have experienced an extended period of prosperity with relatively full utilization of resources and demands for goods and for money pressing against available supplies. Although the amount of credit extended has exceeded past records—at least for a period without active war—and inflationary price pressures have been evident, there have been complaints of undue credit scarcity. This situation has presented problems and a challenge for monetary and fiscal policies. There has been a widespread interest in and a growing appreciation of the nature of these problems, but some misunderstanding and misinterpretation of the forces at work frequently appears.

Woodlief Thomas

Nature of Current Boom

Underlying characteristics of recent developments are familiar. The world has undertaken armament programs of vast magnitude in relation to total resources. In addition ambitious development projects for expanding productive capacity have been assumed and carried out. At the same time the volume of consumption has expanded in amount and scope. Resources have generally been utilized close to the fullest practicable degree, with unemployment continuing at a low level. Throughout, the general levels of employment, income, and output have been remarkably free from wide variation. Fears and predictions of serious downturn have failed to eventuate.

This state of affairs has not been free from stresses, strains, and dangers. Nor has it been accomplished without public policies directed toward restraint on expansion, although there has been an encouraging movement toward the freeing of markets and of private enterprise from the strict controls that characterized the periods of war and of postwar readjustment. Governmental stimulants and supports in particular sectors have also been diminished, although a lot more remain than existed 30 years ago.

Not all sectors of the economy have expanded at once. Agriculture has been passing through the inevitable process of adjustment from the upsets of war, when production was curtailed in some areas and stimulated in others. Demands for clothing and other consumer goods have experienced various short but not severe cycles. The automobile industry after a year or more of record sales and output, stimulated by the rapid easing of credit terms, has had to adjust to more sustainable levels. Housing construction, stimulated by governmentally sponsored liberal credit terms as well as by cumulative shortages and growing needs, has in the past year or more undergone some curtailment. These various adjustments, rather than being the cause of more widespread curtailments, have instead released resources for meeting other demands and on balance have been elements of stability.

This process of rolling readjustment at a high level appears to have replaced the short cycles of ups and down considered characteristic of other periods. The recession of 1949 represented a moderate and brief adjustment following the filling of some of the war-created shortages. The downturn of 1953, it seems evident in retrospect, was entirely due to the unexpected, sudden, and sharp curtailment in defense expenditures, and not to any basic maladjustments. The smallness of the over-all decline in the face of so large a reduction in defense spending attests to the inherent strength of the economy.

Aside from the moderate, and on the whole helpful, adjustments in particular sectors, the principal complaints that have been raised about the current situation have been, on the one hand, the difficulties of obtaining financing for all the projects that the community wishes to undertake and, on the other hand, the persistent tendency toward rising costs and prices. These are in part the natural consequences of an economic situation marked by relatively full utilization of resources —particularly with the stimulus of heavy armament expenditures.

Inflationary Threats

During the past two years or more, there has been growing discussion of inflationary threats in this and other countries. The prosperity, stability and growth that this country enjoyed turned into a boom. The high level of private business investment, added to outlays under development schemes inaugurated by a number of governments throughout the world, has produced a record level of investment, which has outrun the flow of current savings. With productive facilities fully utilized, further growth in buying, based in part on credit expansion and the increased use of past savings, as well as the growth in income from current output, has been reflected in rising prices. Wages have risen partly as a result of the ability of powerful labor organizations in a situation of full employment to obtain contracts that provide not only increases in wage rates and fringe benefits but also cost-of-living and other acceleration clauses.

These price and wage rises have become sufficiently widespread to furnish unmistakable evidence that the mechanics of a spiral of inflation was at work. When prices generally are expected to rise, the incentive to save is diminished and the incentive to spend is increased. Prices rise further in the absence of a corresponding increase in output. Credit demands increase, but with loanable funds unavailable to meet all these demands, interest rates rise.

Role of the Federal Reserve

Many complaints about tight money express the belief that policies of the Federal Reserve System are solely responsible for the existing scarcity of credit. Because of these policies, many people seem to think, borrowers are being prevented from obtaining financing for projects that are credit-worthy and needed for expanding productivity of the economy or for vital aspects of public welfare. It is often suggested that if Federal Reserve policies were only changed, we could have more new homes, accelerated construction of vitally needed schools, hospitals, and other community facilities, ability for would-be buyers to finance purchases of automobiles at the rate at which they can be manufactured, more rapid progress on the highway program that is needed to make possible the use of all these cars, and finally sharper increases in plant and equipment additions and improvements so as to expand the productivity of our economy.

It would be a fine world indeed, if, by merely opening wider the spigot of credit, the Federal Reserve could increase the flow of goods and services sufficiently to meet all human wants at any time. It is true that the Federal Reserve has the power to create money. This function of the Federal Reserve to influence the creation of what we call money is an indispensable and important one for the operation of the economic system. But there are limits to the powers of monetary policy

Continued on page 28

*An address by Mr. Thomas before the General Management Conference of the American Management Association, New York City, June 5, 1957.

Food for Thought?

For most people "food chains" mean super-market giants—big name networks with stores from coast-to-coast.

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Business Failures

On Monday, July 8, stock prices moved to new peaks for 1957 in the heaviest trading in five weeks. Many favorite indicators lead business leaders to believe that the business outlook for the second half of 1957 has improved and is more assured for a flourishing and prosperous six months to come.

Aside from the week to week current market influences affecting commodities, securities, real estate and merchandise, some of the outstanding factors which could drastically affect the future financial and political situation in U. S. A. include: the wage spiral and a labor union strike on a national scale; the rejection of the proposal of the Western Powers to impose a 10-month halt to A-bomb tests and a later Russian refusal to reasonably consider the further testing and building of H-bombs for uncivilized warfare; Nikita Khrushchev's autocratic intentions and dictatorship actions; the results of inflation rampant in this country today, and the never-ending Cold War that has cursed the world since World War II.

Spending for new construction put in place rose seasonally in June to a record $4,400,000,000, for the month the Government reported. This topped the previous June record of $4,300,000,000 set a year ago.

For the first half this year, the joint report of the United States Departments of Commerce and Labor noted that construction outlays amounted to a record $21,500,000,000 or 3% above the previous high reported for the first half of last year.

On a seasonally adjusted basis, the departments stated, first-half outlays reached an annual rate of nearly $46,800,000,000. This compared with actual expenditures of $46,100,000,000 for the full year 1956.

June outlays also showed an 8% climb over the previous month. The report observed that almost all types of construction shared in the May-to-June rise.

Private construction last month totaled $3,000,000,000 or 1% under the year-earlier total.

Public construction, on the other hand, reached a new June high this year at $1,300,000,000 or 10% above May and 7% higher than a year earlier.

For the first six months of this year, the report showed, private outlays for construction totaled $15,300,000,000, or less than 1% under a year ago. Public construction totaled $6,200,000,000 or an 11% rise over a year ago.

Major steel users this week were evaluating the effect of the steel price increase on their own products, according to "The Iron Age," national metalworking weekly. Some industries will wait awhile before making price changes. Others are set to act quickly.

An "Iron Age" check of pace-setters among the bigger steel users turned up the following:

Machine Tools: It's a safe guess that tools will cost more, but steel prices will probably be only part of the reason. "Steel prices," says one builder, "aren't the only thing that's gone up by a long shot."

Warehouses: General increases of $8 to $9 per ton for steel can be expected. Larger warehouses will set the pattern for smaller outfits to follow.

Farm Equipment: The base steel price boost will be added to by a general labor cost increase in third quarter. Prices will probably go up about 5%, possibly more—assuming sales hold up at the present rate.

Appliances: No rule of thumb. Most appliance makers have already boosted prices in advance of steel price increases and in anticipation of cost increases in their own plants. Selected price boosts can be expected in individual lines.

Automotive: Prices of 1958 cars will be set just before new models are introduced. Steel prices are only one factor in pricing of a new car. The auto industry's own labor costs are going up. Best bet: Prices will rise, but disguised in "greater value for advanced styling and engineering."

The mills' announced average increase of $6 per ton is borne out by "The Iron Age's" revised Finished Steel Composite price. The new "Iron Age" Composite base price figures out to $119.34 per ton, compared with the previous $113.40. This represent an increase of $5.94 per ton.

Meanwhile, the mills are still counting on August for the first signs of definite upturn in demand for sheet, strip, and other so-called "easy" products. They figure the auto companies will be coming through with heavier tonnage orders. Also, they expect

Continued on page 42

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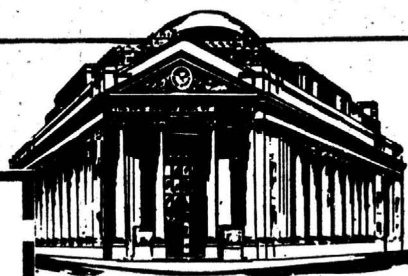

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Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter (No. 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.

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

Chemical Industry—Analysis of outlook—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Fire & Casualty Insurance Company Stocks—Data on 45 companies—The First Boston Corporation, 15 Broad Street, New York 5, N. Y.

Future Growth of the World Petroleum Industry—Study—The Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

Japanese Coal Industry—Analysis—The Daiwa Securities Company, Ltd., 6, 2-Chome, Otemachi, Chiyoda Ward, Tokyo, Japan. Also in the same bulletin is a study of the **Japanese Electric Wire & Cable Industry.**

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

Market Review—Study—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

More Research . . . or Else—Highlights No. 33 on "research-rich companies" with particular reference to **American Research & Development Corp., Collins Radio, Electronic Associates, Electronic Specialty Co., Lithium Corp. of America, Metal Hydrides Inc.** and **Vitro Corporation of America.**

Municipal Market—Discussion in current "Bond Letter"—First National Bank in Dallas, Dallas, Tex. Also in the same letter are discussions of the **Money Market** and **Federal Land Bank Bonds.**

New York City Bank Stocks—Second quarterly analysis of 13 New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Shareowners' Rights—Bulletin—Georgeson & Co., 52 Wall Street, New York 5, N. Y.

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

Tax Exempt Bond Market—Mid-year survey—Halsey, Stuart & Co., Inc., 123 South La Salle Street, Chicago 90, Ill.

Ten Largest Banks in New York City—Quarterly figures—Bankers Trust Company, 16 Wall Street, New York 15, N. Y.

Uranium—Analysis with particular reference to **Cog Minerals Corp.**—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill.

What Price Mergers?—Discussion in current issue of "The Exchange"—The Exchange, 11 Wall Street, New York 5, N. Y.—10 cents per copy; $1 per year. Also in the same issue are articles on "Peoples Capitalism," "Habitual Dividend Boosters, Can-Making Industry," etc.

• • •

Continental Can Company—Analysis—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y. Also in the same circular are brief analyses of **KLM Royal Dutch Airlines, Philip Morris, Inc., Southwestern Public Service Co., First National City Bank of New York,** and **Penn Fruit Company.**

Continental Can Corp.—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are bulletins on **Lone Star Cement, North American Life Insurance Co. of Chicago** and **Colorado Fuel & Iron.**

Harris Seybold Company and **Intertype Corporation**—Bulletin—Mellott, Thomsen, Pitney, Rowan & Co., 29 Broadway, New York 6, N. Y.

Jefferson Electric Company—Report—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

List Industries—Bulletin—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.

McKesson & Robbins, Inc.—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also available are data on **Sterling Drug, Inc.**

Monsanto Chemical Co.—Memorandum—Talmage & Co., 111 Broadway, New York 6, N. Y.

Nemaha Oil Co.—Memorandum—Carothers & Co., Mercantile Bank Building, Dallas 1, Tex.

Northern Illinois Gas Co.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

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.**

Pacific Airmotive Corp.—Memorandum—Prescott & Co., National City Bank Building, Cleveland 14, Ohio.

Park Chemical Co.—Memorandum—William C. Roney & Co., Buhl Building, Detroit 26, Mich.

Philadelphia & Reading Corp.—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Purolator Products, Inc.—Analysis—Blair & Co., Incorporated, 105 South La Salle Street, Chicago 3, Ill.

Southern Pacific Company—Analysis—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

Travis County, Texas Water Control and Improvement District No. 10 Bonds—Circular—Rauscher, Pierce & Co., Inc., Milam Building, San Antonio 5, Tex.

Form Scott, Taylor Co.

Scott, Taylor & Co., Inc. has been formed with offices at 27 William Street, New York City, to engage in a securities business. Officers are Myron Solomon, President and Treasurer; and Lois Solomon, Secretary and Treasurer.

With A. W. Benkert & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Wesley E. Messing has become associated with A. W. Benkert & Co., Inc., of New York City. He was formerly with Daniel F. Rice & Co

Two With A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Henry R. Carpenter and Nicholas G. Morris have become affiliated with A. M. Kidder & Co., Inc., 139 East Flagler Street.

With Sills and Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Laurence J. Lennarts has been added to the staff of Sills and Company, Ingraham Building.

With Baron, Black

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Donald S. Mart has been added to the staff of Baron, Black, Kolb and Lawrence, Incorporated, 253 North Canon Drive.

Baxter Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Walter E. Knowles III has been aded to the Staff of Baxter & Company, 38 South Dearborn Street. He was formerly with Harriman Ripley & Co., Inc.

With Brown Bros.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Charles W. Woodford is now with Brown Brothers Harriman & Co., 135 South La Salle Street.

Joins C. F. Childs

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James J. Stead, Jr. is now affiliated with C. F. Childs and Company, 141 West Jackson Boulevard.

Joins Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Edward A. Lees is now with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

With Farwell, Chapman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Richard T. Newman is now with Farwell, Chapman & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges.

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"More Research . . . Or Else"

W. Alton Jones, Chairman of Cities Service, recently said: "The United States will spend $20 billion in 1962 for new plant and equipment as the result of research made in 1957 alone" . . . The significance of this statement is compelling. It means that industry must spend more and more for research . . . or else.

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Labor Outlook Until 1960

By ROGER W. BABSON

Mr. Babson compares the labor cycle to other cycles, characterizes labor as a commodity subjected to the same forces of supply and demand as other commodities, and contends the supply will be low and demand high —barring a depression — until after 1960. Recommends greater care in selection and treatment of employees, and offers advice to June graduates.

Like it or not, labor is a commodity depending on supply and demand. Labor unions can raise wages temporarily just as a dam can raise the height of a stream. But the dam does not destroy the water; sooner or later the water flows over the dam, or the stream dries up.

Let Us Look at Birth Rates

During the 'thirties, birth rates in the U. S. had been running about 17 per thousand. Just before World War II, in 1938, the birth rate was 17.6 per thousand, and in 1943 it was 21.5. Then it began to fall, and slipped lower through the rest of the war years. This was accompanied by a scarcity of men due to the draft, with a surplus of women workers. While normal manufacturing was greatly curtailed, the war created an excessive demand for labor for war industries. Therefore, labor adjusted itself fairly well.

Roger W. Babson

The war had two closings, but the boys began to return from Europe in May, 1945 and babies began to arrive in 1946. This means that the postwar crop of babies is now under 12 years of age. The birth rate is now running around 24.2 per thousand and the schools are becoming crowded, especially in the elementary grades. As the women who went to work during the war become older, they are dropping out of the job market. This accounts in part, for the shortage of labor, the increased wages, and the inefficiency of much of the labor. Every employer complains about it; but I see nothing that can now be done.

What About the Outlook?

As the oldest of this postwar crop of babies is now under 12 years of age, no relief can be expected (without a severe business depression) for at least five years. The situation is being tinkered with still further by minimum wage and other labor legislation. In the meantime, business is prosperous and production is close to an all-time high. This means that the supply of labor is low and the demand for labor is abnormally high. I repeat that — barring a business depression—I see no relief until after 1960.

Labor-Saving Machinery

As a result of the above conditions, there is constant demand for labor-saving machinery of all kinds. This especially applies to all forms of office labor-saving devices. We hear much talk about automation, that is the running of a factory or office automatically with very few employees; but this is for some time in the future. Changing to automation is both a slow and an expensive process and requires considerable capital investment.

The most practical means of bridging the next five years is to take greater care in the selection of employees and to treat them well. There seems to be a natural average wage for given work in a given community. There is no use attempting to buck this wage during the next five years and little point in arguing as to the efficiency of the worker. Wages, however are not all! Workers have pride and self-respect. They like reasonable hours, good clothes, and a comfortable place to work. Furthermore, the location of the plant or office often demands the expense of an automobile.

Advice to June Graduates

Just now the new graduates are "sitting in the driver's seat." It will be fairly easy for most of this year's graduates to get positions. Moreover, many of them will be paid more than they are worth. This is no reason for them to be careless or to think that their job is secure. They will be watched most carefully, with the idea of a big weeding out after 1960.

Every reader should remember that the labor cycle is constantly revolving—the same as the stock market cycle, the money rate cycle, and the housing cycle. Many June graduates who now find it easy to get jobs will be out of jobs or be "sitting on the tailboard of the cart" in about five years. Therefore parents, as well as June graduates, should realize that the present labor situation will not continue unless their "darling" makes good. The present "honeymoon" will continue for a few years more. But it will surely be followed by a period when employers will "clean house," trim down their personnel, and keep only the most efficient. This applies to both men and women.

Grimm & Co. to Admit G. Kranz & A. Boge

Grimm & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, on Aug. 1 will admit August W. Boge and George Kranz to partnership. Mr. Kranz is an officer of Putnam Fund Distributors, Inc.

D. S. O'Brien With Taylor, Rogers Firm

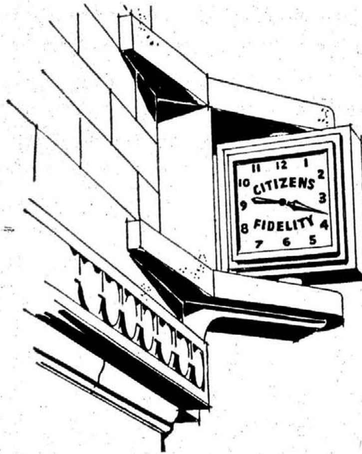
(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — David S. O'Brien, member of the Midwest Stock Exchange, has become associated with Taylor, Rogers & Tracy, Inc., 105 South La Salle Street, members of the Midwest Stock Exchange. Mr. O'Brien was formerly a partner in John J. O'Brien & Co.

With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Paul A. Egger has become connected with Dean Witter & Co., Equitable Building.



CONDENSED STATEMENT

June 30, 1957

RESOURCES

Cash and Due from Banks	$ 63,448,836.11
U. S. Government Securities	46,069,036.16
Federal Reserve Bank Stock	450,000.00
Other Bonds and Securities	8,043,926.81
Loans and Discounts	105,403,360.82
Interest Earned but not Collected	549,990.64
Furniture and Fixtures (All Offices)	1.00
Real Estate	1.00
Customers Liability—Letters of Credit	1,194,516.54
Other Resources	7,758.32
	$225,167,427.40

LIABILITIES

Deposits		$204,571,549.91
Dividend Payment July 1, 1957		200,000.00
Reserves—Taxes, Interest and Expenses		1,508,684.00
Interest Collected but not Earned		1,273,199.58
Letters of Credit Issued		1,194,516.54
Capital Funds:		
Capital Stock	$ 5,000,000.00	
Surplus	10,000,000.00	
Undivided Profits	1,419,477.37	16,419,477.37
		$225,167,427.40

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Federal Tax Reduction Program For Two Financial Problems

By WALTER W. HELLER*
Professor of Economics, University of Minnesota

Nationally known tax expert advocates development of a tax reduction program to not only provide an "on-the-shelf," swift and potent anti-recessionary weapon, but also to provide adjustments to alleviate the tremendous strain on state and local limited tax resources. Contrasting the solicitous treatment tax-wise of private growth industries, and in view of past four year dramatic doubling in the rate of increases of state-local spending over Federal civilian spending, Professor Heller asserts present Federal tax-monetary policies "seem to be rigged against the vast public investment needs of state and local governments."

My comments will be directed, first, to the necessity of gauging not merely the size but also the economic character of a prospective budget surplus before deciding whether it provides a sound basis for tax cuts; second, to means by which Congress can improve its fiscal timing through a broader use of "on-the-shelf" tax reductions like those scheduled for the corporate income tax and certain excise taxes; and, third, to some considerations bearing on the type of tax adjustments that should be made when leeway for cuts develops, with special emphasis on alleviating the intense fiscal pressure on state and local government.

Walter E. Heller

Types of Budget Surpluses

To know that the budget is running, or about to run, a sizable cash surplus is not a sufficient basis for advising the policy maker to turn on the green light for tax reduction. Surpluses, after all, can be used for many purposes: (1) to fight inflation, most effectively by retiring Federal debt in the hands of the Federal Reserve System; (2) to reduce the Federal debt held by the public; (3) to provide tax cuts, either for consumers or business, or both; (4) to provide Federal aids, sharing arrangements or skillfully structured tax cuts to aid state and local government; or (5) an alternative that may be ruled out of order in the present atmosphere, to expand Federal programs.

Whether a surplus should be impounded to fight inflation or released in the form of tax cuts depends on whether it is a "constructive" or "destructive" surplus. Just as a deficit is constructive in the face of recession and unemployment, when it serves to pump financial plasma back into the thinning economic bloodstream, so a surplus is constructive in the face of inflation and overemployment when it serves as a tranquilizer for an overstimulated economy. And just as deficits are destructive during inflations, so surpluses are destructive when the economy needs a stimulant to avoid recession or a slackening in the pace of economic growth.

What does our economic radarscope tell us on this score with respect to our present cash surplus of about $3 billion? Present readings clearly indicate that surpluses now are constructive, that they help hold inflation in check. But if our economic pace should slacken — if productive capacity should outstrip consumption more generally instead of primarily in autos, housing, textiles, and some consumer durables — then they would become destructive. Unless eliminated by tax cuts or increased spending, or offset by an easier monetary policy, they would hold economic growth in check.

Although the over-all economic situation determines whether a budget surplus is destructive or constructive, the way in which it is generated may provide some clue as to the appropriate fiscal action. For example, if it is generated by budget cutting or gutting, it may well be destructive, something to be stamped out by prompt tax reduction so that the cutback of government demand won't interrupt economic growth. If, in contrast, the surplus is generated by inflationary expansion of revenues (which may outpace the inflationary expansion of expenditures, especially early in the course of an inflationary development), it is likely to be a constructive force in economic stabilization policy. If, finally, the surplus is generated by steady, noninflationary growth in employment, income and tax revenues without a corresponding growth in government spending, it is likely to become a retarding, destructive force in the course of time.

Timing of Tax Reductions

Although net tax reduction seems inappropriate at this time, it may become appropriate and necessary next year to keep the economy on a steady upward path. Since economic changes can be very swift and since the Congressional taxing process tends to be slow unless it is operating under extreme pressure (as after Korea), Congress should be on the alert for methods to improve the timing of its tax actions. As a matter of fact, in recent years the Congress has, perhaps unknowingly, added a very useful new tax tool to its kit of fiscal stabilization devices. I refer to the "automatic" or "scheduled" reductions in the corporate income tax and certain excise taxes, e.g. those on liquor and tobacco. In setting automatic expiration dates for some of the tax increases enacted in 1951, the Congress in effect created a "shelf" of tax reductions much like the "public works shelf" often urged as an anti-depression measure.

"On-the-Shelf Tax Reductions"

The analogy is, of course, not complete since the public works projects had to be pulled off the shelf while the tax cuts fall off periodically unless Congress pushes them back up. We might think of them, therefore, as "tax cuts on the half shelf."

The conscious development of a broader program of "on-the-shelf" tax reductions has much to commend it. When inflation threatens, the cuts could be postponed, kept on the shelf, as they have been in 1955, 1956 and 1957. But if economic recession or a slowdown of economic growth faced the country, Congress could pull the tax cuts off the shelf or let them come down on the specified date. This would greatly shorten the lag between an economic downturn and positive tax action to counteract it.

If Congress were to follow such a policy, it would undoubtedly want to improve the product mix of the tax cuts put on the shelf. For example, it would very likely prefer a different set of priorities in excise tax reductions, perhaps putting such taxes as those on communications and transportation higher on the tax-cutting agenda than the ones which are now scheduled to drop. Perhaps the most difficult, and yet the most urgent, segment of the tax reduction package is in the individual income tax field. Even though a cut would be inappropriate now, the terms of a balanced tax reduction could be worked out and put on the shelf side by side with the corporate and excise tax cuts scheduled for mid-1958. Congress could tackle the job of working out the terms of a tax reduction this summer, and thereby gain valuable time. It would then have a swift and potent weapon on the shelf to counter economic slumps or to cope with the less likely eventuality of sizable disarmament.

In passing, one may note the attractions of the June 30 as compared with the March 31 expiration date. By mid-year, Congress has the current year's budget picture well in hand and a good line on appropriations for the following year. Moreover, having had time to test and revise the usual crop of year-end forecasts, the Congress would be in a well-informed position either to let the tax cuts drop off the shelf to help offset a softening economic situation or hold some or all of them on the shelf for another year to keep up our guard against inflation.

It may be argued that personal income tax cuts could not be kept on the shelf, politically speaking, even in the face of inflation. Political pressure would win out over inflationary pressure. But there is considerable evidence of Congressional courage and taxpayer intelligence to contradict this argument: (1) when they clearly saw the need, Congress and the taxpayers accepted $15 billion of new taxes in the 15 months after Korea; (2) the Gallup poll has time and again come up with a strong voter preference for debt reduction over tax reduction; (3) not so long ago, a President was unexpectedly re-elected after twice vetoing a $5 billion tax reduction; and (4) the history of our three major tax reductions since World War II—in 1945, 1948 and 1954—shows that in each case the party in power when the cuts were made lost control of Congress in the next election.

Nature of Tax Adjustments

No doubt, my colleagues on this and other panels will deal with the question of emphasis on expansion of consumption versus expansion of investment as the focus of fiscal actions for stability and growth. I should like to address myself to the state-local stake in any tax leeway that develops at the Federal level.

In our national preoccupation with Federal budget woes, we seem to have lost sight of the dramatic postwar resurgence of state-local government. Since World War II, state-local spending and debt have more than tripled (with expenditures rising from $12½ billion to $40 billion and debt from $16 to over $50 billion), and taxes have more than doubled (from $13 to $33 billion). In the last four years, state-local spending has jumped by an average of $3 billion each year, in contrast with Federal increases averaging less than $2 billion annually. The percentage increase in state-local spending during the four-year period has been more than double the rate of increase in Federal civilian spending.

So, by almost any index we choose, state-local government emerges as one of our most ebullient "growth industries" since the war. It supplies the kind of products demanded by a rapidly expanding population in a period of relative peace and absolute prosperity. People want more and better education, mental and physical health programs, roads, water systems, recreational facilities, and the like. Localities and states are the traditional sources of supply of these products. So it is small wonder that they are suffering severe growing pains and face the necessity of raising their tax rates by at least $1 billion each year over the next decade.

Yet, although our tax laws have shown very considerable solicitude for private growth industries—e.g., through accelerated depreciation and 5-year amortization, capital gains privileges, percentage depletion — little weight has been given to the hard-pressed position of state-local government. In fact our present Federal tax and monetary policies seem to be rigged against the vast public investment needs of state and local government. Preferential tax treatment has helped business to keep feeding the capital boom with internal funds derived, in part, from tax reliefs or interest-free loans from the government. Secretary Humphrey testified just a few weeks ago that the government will have to pay out over $3 billion in additional interest over the life of the 5-year amortization program; one may assume that this much or more is correspondingly being saved by the benefited businesses. These tax-favored funds largely escape the pressure of high interest rates and tight money. But public construction feels the full impact of tight money, in fact, doubly so because upper income groups seem to be reaching the saturation point in their holdings of tax-exempt municipals.

What can Congress do in the tax field to alleviate the tremendous strain on state and local financial resources? First, if a decision is made to "spend" budget surpluses in the form of tax reductions, one may earnestly suggest that the Administration and Congress add to the three traditional criteria of tax adjustment—equity, economic improvement, and ease of administration and compliance — a fourth criterion, namely, the maximum contribution to state and local fiscal capacity.

Limited Tax Base Available

This contribution will be greatest when it is beamed directly at the tax bases which are readily available to state and local governments. Examples of "directional tax cuts" are the excises on amusements, cigarettes, and local telephone service. Though these taxes hardly qualify as "good" taxes under equity and economic criteria, this much can be said: if they must be used, why not give priority in their use to governments which have only limited access to better sources? Cuts in the lower brackets of the individual income tax also have a considerable directional quality. On one hand, they directly expand the tax base and revenues of the 20-odd states whose income taxes allow deduction of Federal income taxes in arriving at state taxable income. On the other, they leave room for rate increases either in state and local sales taxes or in the lower brackets of state or municipal income taxes.

But one should not make the mistake of equating the tax-reducing capacity of the Federal Government with the tax-absorbing capacity of state-local government. The Federal Government has vast advantages in tax-gathering. It has broader geographical jurisdiction, better-financed and more efficient tax administration, freedom from the fears — both fancied and real—of intercity or interstate migration of industry and wealth, and other advantages. It may well be that we prefer to give up some equity and efficiency in taxation in exchange for more self-sufficient, vigorous, and responsible government at the state-local level. Up to a point, our choice may be for a more vibrant state-local government in preference to a more virtuous tax system. But the scope for this kind of exchange is bound to be rather limited under modern conditions.

Leaving aside Federal aids, we

*A statement by Professor Heller before the Subcommittee on Fiscal Policy, Joint Economic Committee, Washington, D. C., June 5, 1957.

Statement of Condition

At the Close of Business on June 28, 1957

Assets

Cash and Due from Banks	$12,794,845.71
United States Government Securities	20,227,925.54
State and Municipal Securities	14,385,738.13
Other Securities	8,197,076.19
Stocks	721,626.20
Bonds and Mortgages	2,016,630.27
Loans and Discounts	21,164,590.91
Bank Building	607,404.11
Other Assets	773,506.55
	$80,889,343.61

Liabilities

Capital	$ 2,420,000.00
Surplus	6,000,000.00
Undivided Profits	935,951.09
General Reserve	632,112.75
Unearned Discount and Other Deferred Credits	87,636.74
Reserves for Taxes and Expenses	126,752.60
Deposits	70,686,890.43
	$80,889,343.61

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are brought to a second possible use of budget leeway on behalf of the states and localities, namely, a direct feedback of Federal tax collections. Congress should give careful consideration to methods of sharing its relative revenue abundance with the states and their subdivisions without at the same time impairing their autonomy. Direct sharing of income taxes would be one possibility, one that is certainly preferable to Federal tax credits in a tax field from which many states are barred by constitutional restraints. Sharing on the basis of origin of collections would probably be unwise on two grounds: (1) origin is difficult to determine; and (2) revenues are heavily concentrated in centers of wealth and finance. A straight per capita sharing system, not necessarily tied to the income tax, might be the easiest and least controversial method of putting a goodly share of Federal budgetary leeway at the disposal of the states.

Summary

The foregoing quick review suggests that tax reduction involves just about as many dilemmas, pitfalls, and hard decisions as tax increases. My remarks have been addressed to the (1) whether, (2) when, and (3) how, of tax cuts. My answers, in brief are: (1) no, not now; (2) put a tax reduction program on the shelf for easy and quick action when the economy slackens; (3) in whatever is done, give the fullest possible hearing to the financial plight of state-local governments.

Scott, Bancroft Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Charles Kosmak has been added to the staff of Scott, Bancroft & Co., 235 Montgomery Street.

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.

Roth & Co. Formed

MAPLEWOOD, N. J.—Roth & Co. has been formed with offices at 71 Park Avenue to conduct a securities business. Partners are Jack Rothauser and Alfred Rothauser. Alfred Rothauser was previously with Eisele & King, Libaire, Stout & Co.

With Merrill Lynch in Fla.

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla. — George C. Mynchenberg III is now with Merrill Lynch, Pierce, Fenner & Beane in the Ft. Lauderdale office, 1311 East Las Olas Boulevard. Mr. Mynchenberg was previously associated with the firm in Columbus, Ohio.

Louis C. Seaverns Joins Alm, Kane, Rogers

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Louis C. Seaverns has become associated with Alm, Kane, Rogers & Co., 39 South La Salle Street. Mr. Seaverns who has been in the investment business for many years has recently been with Barclay Investment Co.

Citrus Secs. Opens

ORLANDO, Fla.—Citrus Securities Company has been formed with offices at 1216 East Colonial Drive to engage in a securities business. Officers are B. V. Smithers, President; W. K. Price III, Vice-President; T. F. Barnes, Jr., Secretary-Treasurer.

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The Economic Outlook and Related Monetary Factors

By LLOYD RAISTY*
Federal Reserve Bank of Atlanta

Central Bank official points out the continued showing of strength by the principal business indicators, emphasizing the upward trend of spending in the various categories and the rise in consumer incomes. Asserts presence of sustaining factors assures long-term economic expansion. Bases confidence in future on: first quarter's expansionary trend, continuing gain in consumers' spending power, strengthening of business confidence through slow price rise, curbing of inflation by monetary restraints, and economy's indicators of high business activity.

Of the many aspects of the business outlook that I might discuss, I have selected for examination five particular points of discussion.

L. B. Raisty

The continued showing of strength by the chief business indicators. (2) The sharp rise that has occurred in consumer incomes. (3) The general upward movement in consumer prices. (4) The reduced availability and higher cost of borrowed money. (5) Sustaining factors in the economy that tend to assure long-term economic expansion.

I have selected these patterns of the economic situation because of their applicability to the problems of marketing and management that you face in your own business operations.

I

Continued Showing Strength by Business

In general, the economic situation is one of continued strength. Total spending, as revealed by first quarter reports on gross national product or expenditure, moved upward to an all-time high of $427.0 billion, seasonally adjusted annual rate. This was about $24 billion higher than for the first quarter last year. Indeed, for each of the last seven quarters in succession the rate of total expenditure has been steadily upward.

In the first quarter this year, personal consumption expenditures were at an annual rate of $275.0 billion. In every major category of such expenditures there was a record total, but with the chief gains being in expenditures for nondurable goods and services.

In the category of spending represented by gross private domestic investment, which includes spending for new construction, producers' durable equipment, and changes in inventories, there was an annual rate of expenditure of $64.5 billion in the first quarter this year. This represented a decline of $4 billion from the fourth quarter of 1956 but a gain of $1.4 billion over the first quarter of 1956. Expenditures for new construction were at about the same level as prevailed throughout 1956, but expenditures for producers' durable equipment were higher. Most notable in the investment picture was the fact that business inventories did not change during the first quarter of this year. In contrast, for the first quarter of 1956, business inventories rose by $4.1 billion, annual rate. Chiefly responsible for the leveling out in new construction expenditures was the decline in residential nonfarm construction.

In the third principal category of expenditures, namely, government purchases of goods and services, there was a further gain for the first quarter of this year. The total of such expenditures for the first quarter was $84.5 billion, annual rate, as against $78.5 billion for the first quarter of 1956. This category of spending has risen quarter by quarter ever since mid-1955. Most notable in the gains in government spending were those for national security and by state and local governments.

Aside from total spending, other business indicators registered gains in the first quarter. Compensation of employees was at an annual rate of $3 billion higher than in the last quarter of 1956. Total civilian employment between mid-March and mid-April rose somewhat more than seasonally and at 64.3 million was at an all-time high for the month, and up 300,000 from April a year ago. The index of industrial production estimated at 146 for March was the same as for January and February and only one point below the all-time high of December 1956. Unemployment was 2,700,000, a decline of 200,000 from March.

As is always the case, there are grounds for nervousness in the existing situation. Tight money continues to be particularly troublesome to small businessmen, home builders, state and local governments, and school authorities. The automobile situation is not yet coming up to some of the more optimistic estimates made earlier in the year, but total output is running along well with that of last year. There is also some nervousness about the decline in steel output and a great deal about the size of the Federal budget.

Notwithstanding the existence of certain anxieties, one thing we can be certain of its that 1957 has started off on a very high level of economic achievement and this momentum, in itself, could give us a satisfactory over-all record for the year even though some slackening might take place in certain sectors.

My own view is that we face a sort of middle course, neither serious inflation nor serious deflation. To me the situation suggests a moderate expansion in business activity that will mean to most of us a continuation of boom conditions. It means to us in our individual businesses that we are going to have to deal with moderately rising prices and moderately rising wage costs. We certainly will have higher taxes. We will have to pay more for our various personal services. Certainly, we can anticipate an intensification of competition, and we can anticipate a continuous and rapid technological change.

This does not mean that all business will prosper in 1957. In isolated instances, in individual industries and individual fields of operations, there are going to be situations that will not approximate boom conditions. We can expect that. We know, for example, that in 1956, we reached the highest level of business activity ever attained. Yet, we know that the automobile industry, in both production and sales, experienced in 1956 a considerable decline from what it recorded in 1955.

So it is in the home building field. In 1956, new housing starts, at an estimated preliminary total, numbered 1,118,100, down almost 200,000 units from 1955. In 1957, we may do well indeed to have a million new home starts for in March the rate was only 880,000 annually. But the economy took the 1956 downward adjustments in the automobile and home building fields in its stride, and went on to new highs. Similar adjustments may well be in store in 1957, but the chances are we can take these in stride also.

By its showing in the first quarter this year, business activity has demonstrated that it is still in an expansionary trend.

II

Rise in Consumer Incomes

One of the most significant factors in the business outlook has been the spectacular upgrading in consumer incomes that has taken place in recent years. People, as a whole, now have more money to spend than ever before.

We have up-to-date and reasonably comprehensive figures on the rapid gains in money income that have been achieved. The annual survey of consumer finances conducted by the Board of Governors of the Federal Reserve System in co-operation with the Survey Research Center of the University of Michigan, outlines this pattern. In early 1957, for example, only 33% of family units had less than $3,000 annual income. In 1956, this percentage was 36: in 1955, 37; in 1954, 37; in 1953, 41; and in 1952, 46.

Those who had annual incomes between $3,000 and $10,000 in 1957 represented 59% of the total. In 1956, 1955, and 1954, this percentage was 58; in 1953, 55; and in 1952, 51. (See accompany table.)

So far in 1957, personal income as a whole has continued its expansionary trend. The expanded number of jobs in March was accompanied by rising wage rates so that personal income in March reached an annual rate of $337.5 billion—$19 billion or 6% higher than for March a year ago.

III

Rising Consumer Prices

A third pattern that has clearly developed over the past several years has been a rise in consumer prices. During the last 12 months, the index of consumer prices has been moving slowly upward. For only one month in the last 12, and that was August last year, did the index show a decline. The last report, that for March, put the index at an all-time high. Translated in terms of dollars, it meant that what the average consumer bought for $114.70 in March last year cost him $118.90 in March this year, or 3.7% more.

Over the long term we can anticipate a continuation of this upward trend. In manufacturing and merchandising, this means that stocks of goods will generally hold their value, and that declines in inventory values that have proved to be so disastrous in the past do not appear to be imminent. At the same time, because of the general abundance of goods of every type now available in the suppliers' markets, the merchandiser need not engage in forward buying beyond his immediate needs.

A factor suggesting that a further and long continued advance in the price level is reasonably certain is our preoccupation with maintaining a high level performance by our economy. Government tax and expenditure programs and over-all monetary policy are directed toward maintaining the economy of maximum performance consistent with sustainable growth. Any important check to our economic expansion will be countered by a reduction in taxes and an increase in government expenditures and by a liberalized monetary policy. All this is designed to maintain maximum employment and, to the extent that this aim is achieved, the labor market will be tight enough to assure a strong bargaining position for labor unions. Rather than forego market opportunities, large industrial organizations will tend to keep work stoppages at a minimum and give in readily to demands for higher wages and extensions of fringe benefits.

Rising wages mean rising costs. The usual type of inflation, associated with an over-rapid expansion of the money supply, has thus given way to the wage-cost inflation spiral in which prices rise because costs rise, and costs rise because wages rise. Average weekly earnings, for example, in all manufacturing were $81.80 in April this year, or $2.80 more than in April last year. Rising wages in the automobile and steel industries, as another example, materially raised the cost of the 1957 automobiles above the cost of the 1956 models.

To put it another way, we are experiencing what has been generally known as "creeping inflation." Whatever the ultimate consequences of such a trend may be, there can be no denying that, so long as it lasts, it will serve as a stimulation to business activity. Moderately rising prices are associated with confidence, optimism, and expanding activity. Moderately falling prices generally mean a loss of confidence, pessimism, and declining activity. Any abrupt reversal in the existing trend is certain to be met with public discontent so widespread and vocal

Continued on page 43

Preliminary Results of the Federal Reserve Survey of Consumer Finances in Early 1957, with Final Results for Early 1952-58

Consumer Financial Positions	1957	1956	1955	1954	1953	1952
Under $1,000	9%	11%	10%	10%	11%	13%
$1,000-$1,999	12	12	13	13	14	15
$2,000-$2,999	12	13	14	14	16	18
$3,000-$3,999	12	14	17	16	18	18
$4,000-$4,999	14	14	14	16	15	15
$5,000-$7,499	24	22	21	21	17	14
$7,500-$9,999	9	8	6	5	5	4
$10,000 and over	8	6	5	5	4	3
All cases	100%	100%	100%	100%	100%	100%

*An address by Mr. Raisty before the Iron and Steel, Non-Ferrous Metals and Related Lines Group, National Association of Credit Men, Miami Beach, Fla.

Commercial State Bank *and* Trust Company of New York

formerly Modern Industrial Bank

STATEMENT OF CONDITION
June 30, 1957

RESOURCES

Cash on Hand and Due from Banks		$ 17,401,511.31
U. S. Government Securities		27,500,473.76
Other Bonds and Securities		2,531,741.22
Loans and Discounts		59,890,608.19
Accrued Interest Receivable		196,702.56
Customers' Liability for Letters of Credit and Acceptances		942,359.56
Furniture, Fixtures and Improvements		832,609.93
Other Assets		116,400.44
		$109,412,406.97

LIABILITIES

Deposits		$ 98,377,216.59
Unearned Discount		1,015,989.58
Liability for Letters of Credit and Acceptances	$1,192,269.96	
Less: Own Acceptances in Portfolio	249,910.40	942,359.56
Reserve for Taxes and Interest		558,002.41
Other Liabilities		521,710.99
Capital Funds:		
Capital Stock	2,188,300.00	
Income Debentures	3,750,000.00	
Surplus and Undivided Profits	1,749,827.84	
Reserves	309,000.00	7,997,127.84
		$109,412,406.97

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Counting on Electric Power and Its Impact Upon the Economy

By FISCHER S. BLACK*
Publisher and Editor "Electrical World"

Noted publisher and editor on electric power emphasizes the inexpensiveness, widespread consumer, commercial and industrial usages, and envisages electric power sales tripling in 1970. Predicting the electric utilities will grow in proportion to this demand, increasing capital expansion investments from $5 billion a year to $11 billion by 1970, Mr. Black indicates what this will mean to electrical manufacturing segment of the industry. Turning to the economy as a whole, the writer opines that the use of electrical energy per worker must double by 1970 if we are to advise an expected increase of 64% in manufacturing production with practically no increase in man hours.

Today, almost every American family is extending its financial resources in order to live better electrically. For example, in 1956, American families bought some 1,585,000 electric ranges, 870,000 electric water heaters, 3,700,000 electric refrigerators, and some 400,000 electric dishwashers. That the American family has accepted the electrical way of life is even more clearly demonstrated by the dynamic growth in sales of the newer electrical appliances. Electric clothes dryer sales have more than quadrupled in six years, room air-conditioner sales went up nine times, and electric space heater sales climbed 62%.

Fischer Black

The heat pump which cools in summer and heats in winter is still somewhat of a luxury item, but it is rapidly gaining acceptance. The heat pump not only has the basic ability to air condition year-round, but it also has the ability to provide in winter an output of about three B.T.U.'s of heat units for each electrical B.T.U. input. This makes electricity even more economical for house heating.

Inexpensive Power

In 1956 the average family spent only about half as much for electrical appliances as for automobiles. They spent $77 for electrical energy to operate their appliances, whereas the cost of operating a car was about that much each month. This illustrates the relatively small amount that it costs to live better electrically. As average disposable income per family goes up to around $7,000 by 1970, we believe the average family will spend for appliances and their electric bills about 6½% of their income. This, in turn, will raise their average annual use of electricity from about 3,000 kilowatt hours per year per family to 8,000 kilowatt hours. Of course many families in St. Louis use more than this today.

The commercial customers, that is, department stores, shopping centers, and office buildings, have likewise accepted this all-electric living as illustrated by their brilliant lighting effects, complete air conditioning, along with electric cooking, calculating machines, water and drink coolers, and many smaller items. By 1970, we expect the average commercial customer to consume electricity at two and a half times today's average.

The industrial use of electricity for every production purpose, from the raw material pile to the finished product, increases at an accelerating rate, for the automatic factories cannot run themselves any more than they can build themselves. The Atomic Energy Commission has increased its use to a total of over 58-billion kilowatt hours annually, over 10% of the total electrical energy consumption for 1956. This consumption of energy by the Atomic Energy Commission installations will not be replaced, as near as we can figure, by an equal output from atomic power plants before 1975, or later.

Since 1950 manufacturing production has increased 27% with only a 7% increase in production workers and manhours. During this period use of electric energy per worker has climbed 37%. Use of electrical energy per worker must double by 1970 if we are to achieve an expected increase of 64% in manufacturing production with practically no increase in manufacturing manhours.

Sees $6 Billion Yearly Investment Rise

In total, sales of electric power will triple by 1970, reaching a grand total of around a trillion and a half kilowatt hours. The electric utilities will grow in proportion. Whereas today they are spending for capital expansion around $5 billion per year, their budgets will have to climb to about $11 billion to handle the load of 1970. Here in St. Louis, Union Electric Co. alone is spending $63 million in 1957 for system construction and $330 million in the next five years.

Total utility revenues from sale of electrical energy were around $8.7 billion in 1956. The electric utilities had some 54,000,000 customers. Of the total customers, around 78% were served by power companies, 8% by electric cooperatives, and some 13% by municipal utilities and power districts.

The suppliers of equipment for these utilities, the electrical manufacturing segment of the industry, like such companies in the St. Louis area as Wagner Electric, Moloney, Jasper Blackburn, Guth, Kearney, and McCabe-Powers, recorded some $20 billion in sales in 1956. These sales represented approximately 4½% of the gross national product. With the growth in demand for their products, we predict that they will account for some 6% of the Gross National Product in 1970, and raise their total volume of sales to $40 billion per year.

But these are only conservative figures which I have presented. If the electric power consumption grows in the next 14 years at the same rate as in the past 14, sales of electrical energy can climb 400% over 1956. Electrical manufacturers' business could then grow to some $50 billion per year, rather than the $40 billion which we currently predict.

This would be good news for your local electrical industry which is doing mighty well as it is.

*An address by Mr. Black before the First National Bank in St. Louis Conference on Tomorrow's Challenge to Business Planning, June 6, 1957.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Frederick Prado is now with Shearson, Hammill & Co., 520 South Grand Avenue. He was formerly with J. Logan & Co.

Joins H. L. Jamieson

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert I. Hermanson has joined the staff of H. L. Jamieson Co., Inc., Roosevelt Building.

With Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Wallace R. Hagglund is now with Francis I. du Pont & Co., 317 Montgomery Street.

Form Demand & Assoc.

EVANSTON, Ill.—H. P. Demand and Associates, Inc. has been formed with offices at 1508 Sherman Avenue to engage in a securities business. Officers are Herman P. Demand, President; John L. Demand, Vice-President; M. H. Demand, Treasurer; and M. L. Demand, Secretary.

J. R. Crossley Joins National Securities

John R. Crossley has joined National Securities & Research Corporation as a wholesale representative in Louisiana, Arkansas, Mississippi and Tennessee, it was announced by Henry J. Simonson, Jr., President.

John R. Crossley

Mr. Crossley has been active in business and the investment field in the South for a number of years. Recently, he completed six years experience as a mutual fund representative.

M. S. Dworkin Opens

PASSAIC, N. J. — Milton S. Dworkin is conducting a securities business from offices at 64 Broadway.

McQueeny-Hendon Opens

KANSAS CITY, Mo.—McQueeny-Hendon, Inc. has been formed with offices at 440 East 64th Terrace to engage in a securities business. Officers are Leo A. McQueeny, President and Treasurer, and Dorothy M. Hendon, Vice-President and Secretary. Mr. McQueeny was formerly with Prugh, Combest & Land.

This is not an offer of these Securities for sale. The offer is made only by the Prospectus.

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July 10, 1957

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From Washington Ahead of the News

By CARLISLE BARGERON

The highly-touted investigation of the country's monetary situation by the Senate Finance Committee has gotten off to a bad start. Advertised as the greatest investigation of its kind in 50 years, it would be more appropriate to say that it looks as though it will take 50 years to finish it.

Carlisle Bargeron

Two weeks have been spent on examining one witness, retiring Secretary of the Treasury Humphrey, and not the slightest dent has been made in his armor. More important to the banking and insurance fraternity which had reason to expect a muckraking investigation with such fireworks as that of the early 30's, the committee's doings have already been relegated to the back pages of the newspapers. There is nothing more likely to take the fire out of a muckraker or a demagogue than this. He simply can't operate without the headlines.

The first two or three days of the examination of Humphrey by Senator Kerr of Oklahoma were amusing but hardly important. It was a spectacle of two multimillionaires matching wits. It came to be handled by the press as a feature story, on the order of a woman giving birth to a baby en route to the hospital, something odd, something different.

It is no secret that Kerr and Senators Douglas and Gore were expecting to have a field day with Humphrey and to develop plenty of political capital out of what they claim is the Republican policy of enriching the bankers and making life hard for the consumer and the small businessman. There is a lot of political unrest in Congress and in the country on this subject but Kerr could not get to first base on it against Humphrey, and Douglas and Gore could not get to him before the newspapers largely lost interest in the story.

The investigation is being conducted by the full committee of 15 members and this means that each Senator takes his turn in questioning, according to his seniority on the committee. After Chairman Byrd comes Kerr and then the questioning goes to the highest ranking Republican, back to the ranking Democrat, etc. Douglas and Gore are at the tail-end of the Democratic side. By the time the questioning gets to them interest in the witness has run out. As of this writing neither Douglas nor Gore had been able to get at Humphrey.

Investigations so conducted are not very productive of headlines or of information either. Usually such investigations are turned over to a general counsel who has had a staff to do his spade work such as in the case of the McClellan Committee. Senators ask questions at pleasure but the committee counsel, young Joe Kennedy, sets the pace. In other instances, one of the members of the committee with a prosecuting knack, runs the show. Joe McCarthy was of this type, so was Justice Hugo Black when he was in the Senate. One man, either a member of the committee or an attache, has got to dominate the hearing if it is to strike fire.

I am not advocating such a type of inquiry into the monetary situation. Rather I think it is fortunate for the country that this widely heralded study of the monetary situation is taking this shape. But such a study will not run the four years prescribed for it or develop any useful information. It will become duller and duller, the committee members will gradually lose their interest and the study will fold up. As of now the committee has only one staff assistant and he has not become grounded in the subject at hand.

Kerr, who has an unusually sharp mind, has been complaining over the criticism that the investigation is political. There is nothing more important to the people than money and the way it is handled, he insists. But if he brought out anything in his session with Humphrey, except that they have different philosophies in the matter of soft and hard money, it was difficult to see.

A thing that tended to take the wind out of Messrs. Kerr, Douglas and Gore was the report at the outset of the hearing by a joint Congressional Committee, dominated by Democrats, approving the Administration's monetary policies.

This is not an offering of these shares for sale, or an offer to buy, or a solicitation of an offer to buy any of such Shares. The offering is made only by the circular.

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Subscription Price $35 per share

The several Underwriters have agreed, subject to certain conditions, to purchase any unsubscribed shares and, during and after the subscription period, may offer shares of Common Stock as set forth in the circular.

Copies of the circular may be obtained from any of the several underwriters only in states in which such underwriters are qualified to act as dealers in securities and in which the circular may legally be distributed.

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July 11, 1957.

Karl D. Pettit & Co. Twenty-Five Years Old

The investment counselling firm of Karl D. Pettit & Co. is observing today (July 11) its 25th anniversary.

It was on July 11, 1932 when trading volume on the New York Stock Exchange barely reached the million share level as the securities markets continued in the doldrums, and unemployment touched another high, that young Mr. Pettit opened his counselling firm with just two accounts. Currently, he still numbers these two original accounts among the many more he added over the years.

Cognizant of the fact that there existed a need for professional guidance among the smaller investors, Mr. Pettit pioneered in the mutual fund movement with the formation of Knickerbocker Fund, a full-mnaged income fund, in 1938. He later added the Capital Venture Fund, designed to meet the double barrelled challenge of inflation and confiscatory taxes.

With State Bond & Mtg.

NEW ULM, Minn. — John P. Gunnison has been added to the staff of State Bond & Mortgage Co., 28 North Minnesota Street.

With David A. Noyes

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Martin C. Rasmussen has become connected with David A. Noyes & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges.

The Movement for Modernization For Our State Corporation Laws

By GEORGE C. SEWARD*

Partner, Meyer, Kissel Matz, Reynolds & Seward
Chairman, American Bar Foundation Committee on Model Corporation Acts
Chairman, American Bar Association Committee on Corporation Laws

An expert working actively in the promotion of better incorporation laws discusses inadequacies of state laws and problems arising from an attempt by one state to regulate the internal affairs of a firm incorporated in another state. Noting the people's growing concern of being left behind in the economic race by other states, Mr. Seward describes the increasing acceptance of the model corporate—and non-profit corporation—acts sponsored by the two national committees he chairs by states seeking a popular and reliable guide in modernizing their statutes. Praising Delaware's law for its excellence, and perplexed, however, by the stigma still attached to that state's law, the noted attorney points out that a law's wording is not enough since a lot depends also upon general attitude and public opinion.

There is always something new in corporation law. Businessmen and their lawyers survive by virtue of their ingenuity. Hence one must be on the alert for surprises. I got one recently when I heard about the troubles of Western Air Lines. You will recall it as one of the air lines which serves the West Coast. It is a Delaware corporation and its shares are listed on the New York Stock Exchange. At its annual meeting of stockholders held in April, 1956, two of the thirteen directors were elected by an opposition group. They got in by use of the cumulative voting privilege contained in the Company's charter. After the 1956 annual meeting, the directors called a special meeting of the stockholders for the purpose of considering a charter amendment which would eliminate cumulative voting. Of course, there was opposition, but the proposal was adopted. The vote was 59% for and 28% against. That was last October.

Geo. C. Seward

The opposition group, however, was not ready to quit and they found comfort in the California Commissioner of Corporations. He took the position on behalf of the State of California that if the Company should file its certificate of amendment in Delaware without his prior approval, it would be a violation of the California law. Furthermore, he contended that the Company ought to have obtained a negotiating permit prior to soliciting proxies from California residents. Faced with attack from this quarter, the Company withheld the filing in Delaware of its charter amendment and instead filed an application with the Commissioner for the requisite permits. Of course, the Company reserved all of its rights and contended that California had no jurisdiction over the internal affairs of a foreign corporation.

This past February, the Commissioner issued an order denying the Company's application. The Company then filed a complaint against the Commissioner in the Superior Court in California contending that the order was discriminatory, arbitrary, an abuse of discretion and beyond his jurisdiction. I understand the present status to be that the matter has, by agreement, been referred back to the California Commissioner for further hearings.

Veto Power Over Foreign Firms

The point I want to make is that the jurisdiction claimed by the California Commissioner to veto the charter amendment rests upon the residence within California of shareholders of Western Air Lines. If he is correct in his stand as to Western Air Lines, he has a serious veto power over the internal affairs of every corporation which has California stockholders. The statute under which he claims authority prohibits any change in the rights, preferences, privileges or restrictions of an outstanding security unless the Commissioner has first decided the change to be "fair, just and equitable." The fact that a majority of the stockholders wanted to eliminate cumulative voting from the Western Air Lines charter did not prevent the Commissioner from deciding that the change was not in the best interests of the shareholders.

Of course, as a practical matter, California would not be able to enforce its decision if Western Air Lines did not have property within the state. It is a qualified foreign corporation there and its executive offices are located there. The basic theory of the case, however, does not depend upon the location of the corporation's property or where it carries on its business. California claims jurisdiction because securities owned by its residents are affected. Under that theory every other state in which Western Air Lines has stockholders could also assert jurisdiction. While it sounds absurd to say it, the logical result of the theory would be that many corporations could be subject to the veto powers of every state in the Union.

Internal Affairs Doctrine

There has been a growing acceptance in this country of the very reasonable conclusion that the internal affairs of a corporation should be regulated only by the state of incorporation. That trend is an evidence of the clarification of our thinking about corporations. The Western Air Lines case is a startling exception to the trend. There are other exceptions which we can mention but fortunately they have in recent years become fewer and fewer. In my own state, New York, a case was decided in 1934 which applied New York law to the dividends of a Delaware corporation. It held that the directors were subject to suit in New York for declaring dividends which were illegal under New York law despite the fact that they were proper under Delaware law. While I think that decision wrong, its theory differs from the Western Air Lines case. The alleged jurisdiction rested upon the status of the corporation as a foreign

*An address by Mr. Seward before the American Society of Corporate Secretaries, Hot Springs, Va., June 6, 1957.

Continued on page 34

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Chemical Research's Impact On Tomorrow's World

By JOHN R. CALLAHAM*
Editor, "Chemical Engineering"

The impact of yesterday's research on today's world means to Mr. Callaham that "never again will life be kind to the smug, the slow or the weary." The Chemical Engineering editor expects current $1 billion investments in chemical research and development to reach $3.5 billion by 1975. Cites titanium metal and uranium resins to illustrate startling contributions being made, and offers a variety of predictions concerning "the biggest revolution the world has ever known."

Never again will life be kind to the smug, the slow or the weary. That's the impact of *yesterday's* research on *today's* world!

And still research grows, and grows apace. This year alone, the chemical process industries alone will spend close to $1 billion — private money — for chemical research and development.

John Callaham

At the rate this has been growing—and will continue to grow—that figure will hit $3.5 billion a year by 1975. The impact of that research will be felt in the business and in the private life of almost every person.

In addition—and this I want to stress — almost 40% of all *basic* research done by all industry is chemical; 20% for the aircraft industry, almost 30% for telecommunications. This can be particularly significant in planning, for *basic research sets the shape and size of things to come.*

Right here, let me add that industry leaders can certainly hold their heads up in pride, for some have been among the nation's leaders in putting such a wallop into the meaning of the words "chemical research."

Since 1950, for example, Monsanto has spent more than $85 million on research and development . . . resulting in the introduction of 230 new products.

Looks at Two Products

Let's take a quick look at two new products of chemical research —titanium metal and urethane resins—that have just reached the commercial horizon; they're still a bit confused by it.

This is titanium, the newest and fastest-growing industrial metal—a laboratory curiosity just 10 short years ago.

Titanium is sometimes called the "It" metal: High strength (almost as strong as steel), light weight (half as heavy as steel), corrosion resistant (one of the very best). The missing "It"—an attractive price—will come with technological improvements.

In 1948, less than 10 years ago, we produced three tons of titanium—three measly tons! Today we can produce at the rate of close to 35,000 tons; by 1975 we'll be hitting closer to a million tons a year.

I make this prediction—and it's considered foolhardy by many—because we must never underestimate the imagination, ingenuity and competence of America's engineers and America's private enterprise—when teamed together under the proper incentives.

Let's look at a new family of plastics: the polyurethanes, most famous foams in all history, foams that are making history almost every day. They're cheaper than rubber, better than rubber, much lighter, non-flammable, resist rot and vermin, can do things rubber can never do.

Here are a few of the new and developing uses for polyurethane foams: as a carpet underlay, furniture upholstery, for sound insulation, wall panels, X-ray positioning block, insulator in outdoor and Arctic clothing, automobile padding, auto safety sun visors and crash pads, as a clothes brush, rigid foam in aircraft and so on.

As resins, the urethanes are finding uses as a floor covering, in synthetic rubber paints, adhesives, disinfectable toys, wire coatings and so on.

Let me summarize it this way: I have no fear for the future of a product that is developing new uses so fast that no one seems to be able—or willing—to say just how many there are!

Research's Future Contribution

But what does research hold for the future. Here are some of the breakthroughs I expect research — especially chemical research — to be chalking up by the time the U. S. celebrates its 200th year of Independence:

Plastics will then be a *major* material for the construction industry. For a preview of what's coming, I urge you to go just a few miles northwest of St. Louis to Monsanto's brand new Inorganics research lab. More than 75 applications of plastics are involved in this building.

Most human diseases—including cancer, tuberculosis, arthritis and the common cold—will be under effective chemotherapeutic control.

Aging processes will be retarded, and the number of people over 65 in the U. S.—which has doubled since 1930—will almost double again. And at 65, they'll be "younger" and healthier, too.

Fresh water will be coming from the sea, probably through mechanisms that imitate the human kidney, the most efficient water demineralization system now known.

Mental illnesses will be brought under control and psychochemotherapy will become the symbol of hope to millions otherwise doomed to a life of mental twilight. This chemical, chlorpromazine, is one of a dozen products already breaking this barrier.

Energy from the sun will be chemically trapped, stored and used commercially. Present forms of energy, including nuclear, will then gradually become archaic.

Faulty or diseased parts of the human body—such as bones, arteries, muscles — can be permanently replaced by synthetic materials, such as by this new type of nylon artery that has already given a new lease on life to more than 500 cripples and victims of arteriosclerosis.

One deadly threat to civilization — an uncontrolled, choking, cancerous population explosion that could lead to a doubling of the world's inhabitants almost each generation — might well be curbed through a simple, harmless chemical regulator of human fertility.

This I believe: In terms of human lives and man's happiness, the next 20 years *can* bring—and *will* bring, if man himself permits it — the biggest revolution the world has ever known.

That will be the impact of *today's* chemical research on *tomorrow's* world!

*An address by Mr. Callaham before the First National Bank in St. Louis' Conference on Tomorrow's Challenge, June 6, 1957.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION, INC.

The 24th Annual Convention of the National Security Traders Association will be held at the Homestead Hotel, Hot Springs, Va., Nov. 3-6, 1957.

The Homestead is one of America's outstanding resort hotels located in the Virginia Alleghanies on an estate of over some 17,000 acres. There are two 18 hole golf courses on the property. The Homestead course is immediately adjacent to the hotel and the Championship Cascade course is but a few miles away.

The hotel maintains its own stables where riding horses are available or one may enjoy a carriage ride through the surrounding country. Tennis courts are adjacent to the hotel and Skeet and Trap shooting are also available.

A most interesting program has been planned which will include several well known speakers. Ample time will be allowed for pleasure as well as business.

Special Pullman cars will leave Chicago, Cincinnati, New York and Philadelphia Saturday, Nov. 2, arriving Hot Springs Sunday morning. The cars from Chicago will operate through Cincinnati in both directions.

Returning, the Pullmans will leave Hot Springs Thursday evening Nov. 7, with arrival in Cincinnati, New York and Philadelphia Friday morning and Chicago Friday afternoon.

The Cincinnati Stock and Bond Club will be Hosts at a Cocktail Party on Saturday evening Nov. 2, for those passing through Cincinnati enroute to the Convention. Reservations have been made for Dinner at the Beverly Country Club Saturday evening for those who are using the Special Pullmans which will leave Cincinnati at 11:30 p.m. for Hot Springs.

The cost of the All Expense Trip which will include round trip rail and pullman also hotel rooms will be approximately $190 each from New York and $230 each from Chicago for one in a roomette or two in a compartment.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities. The offering is made only by the Prospectus.

NEW ISSUE

$20,000,000

Associates Investment Company

5¾% Subordinated Debentures

Dated June 1, 1957 Due June 1, 1977

Offering price 100% and accrued interest

Copies of the Prospectus may be obtained from such of the undersigned as may legally offer these securities in this State.

SALOMON BROS. & HUTZLER — LEHMAN BROTHERS

BLYTH & CO., INC. — MERRILL LYNCH, PIERCE, FENNER & BEANE

BEAR, STEARNS & CO. — DREXEL & CO. — EASTMAN DILLON, UNION SECURITIES & CO.

HARRIMAN RIPLEY & CO. Incorporated — LADENBURG, THALMANN & CO. — LAZARD FRÈRES & CO.

F. S. MOSELEY & CO. — STONE & WEBSTER SECURITIES CORPORATION

WERTHEIM & CO. — WHITE, WELD & CO.

July 10, 1957

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THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks continued to nibble away at the heavy, overhead resistance on the way to the all-time peak in the industrial average. In the latest surge the industrial index was able to forge to within three points of the high of 1956, against the eight-point margin that prevailed at the June top.

New Top Awaited

The sentiment was largely bullish over the prospects of a new record posting. The summer rally a year ago came with 0.10 of the peak and then retreated. But much in the way of spotty and adverse news is no longer any surprise and the uphill strides the list has been able to take showed good strength, although selective, in a wide variety of issues.

Profits for the first half are soon to be in flood tide with some bright spots, as in Chrysler, well anticipated. Steel reports aren't going to be startling, the consensus opinion holds, but for them a bangup final quarter of the year is the prospect when fall orders pick up with the full benefits of the price hikes effective, so the group is still a favored one in view of the high yields available. The glamor issues of the moment —without it showing yet in the profit tabulations — are those in any way connected with the high-energy missile-rocket fuel fields.

Energy Fuel Developments Stimulating

Announcement of a new, supposedly far more efficient such fuel was responsible for a couple of new highs in Olin Mathieson in a row before profit-taking caught up with the issue. And U. S. Borax which is a leader in producing the fuel base, Borax, was able to move into the limelight in a convincing way for its first big market attention since it was listed late in May. In a couple of sessions it raced from about the low since it was listed to a new high that extended its range so far to around 10 points.

Monsanto Chemical, which has held inside a 10-point range this year, supposedly is to be the next to move into the fuel field but so far marketwise it has been a slow-moving issue in tune with the other chemicals since the profit-squeeze started hurting.

Statistically Attractive Carpet Issues

Carpet makers have had little following and, as a result, still offer some of the better statistical values around. James Lees & Sons has been selling substantially below its book value despite an upturn in profits underway for three years now. From \$3.31 in 1954 results picked up to \$4.05 in 1955 and \$5.04 last year with a cash flow of nearly \$7 this year indicated. At that level its price-times-cash flow is an ultra-conservative 4-to-1. If, as possible, the \$2 cash payment is lifted moderately to \$2.50 the yield would be a fat 7½%.

The possibility of a dividend increase in time, with no indication that it is overly imminent at the moment, is also held out in the case of Continental Can which rounded out its wares significantly last year by acquiring Hazel-Atlas Glass and Robert Gair. At present a yield of nearly 4% is available in this issue which also has been somewhat neglected marketwise. In fact, it has lolled in a range that has yet to stretch to half a dozen points.

The shadow holding Continental Can in restraint is governmental disapproval of its two acquisitions. But in talks around the Street company officials indicate their belief that attempts to force them to divest will be unsuccessful. Even without the earnings of the acquired firms, last year's results covered the present \$1.80 dividend comfortably and projections for this year indicate that it will be covered twice over.

Combustion Engineering has been leading a mundane market existence since the fanfare and split in the issue last year and has yet to carve out a full 10-point range for the split shares since they started trading. It still looms importantly as a beneficiary of the heavy expansion plans of public utilities. Incidentally, both Consolidated Edison and Commonwealth Edison lately have indicated that they will be in the market for eight-figure financing later this year to pay for their capital activities.

Combustion is also a candidate for eventual dividend improvement since its current rate is well covered and 1957 estimates indicate that it will be covered more than twice over.

Gold-Investment Stock a Leader

McIntyre Porcupine was, at least until corrective tendencies cropped up, among the market leaders. But it was more of a case of interest in an investment company than in the long-dormant gold shares. Some of McIntyre's investments are sizable, running to \$26 million in Amerada, \$14 million in International Nickel and \$13 million in Standard Oil of Jersey, plus a newly acquired substantial investment in Ventures, Ltd. The question in the latter case was whether McIntyre's interest was responsible for Ventures' good action, despite its recent financing, or whether the strength in Ventures contributed to McIntyre's gyrations.

McIntyre's interest in no idle one. If various options are exercised, the gold producer could acquire up to 31% of the Ventures shares and the commitment would run past \$32 million. At present McIntyre's portfolio comes to approximately \$90 million, representing \$115 a share on its stock. The shares were well under this level until the recent strength appeared and carried them above the line. At least marketwise its gold operations don't figure prominently in the appraisal of the shares' value.

Spotty Strength in Rails

Rails continue to lag. There is nothing new about that but the one added note this week was that they were able to show spotty strength even in the face of the correction in the industrial section. The lack of attention has made the carriers among the higher-yielding quality items. Hopes for better action remain high since fare boosts are currently in the works, but marketwise have produced little.

Consequently, issues of the quality of Southern Pacific have been available at a yield of around 6¾% but at a price from 14 to 20 points lower than in 1956 and 1955 when the dividend rate was the same and profits weren't significantly different. Sopac like others is also a mineral item but has had little pinpoint attention although its multi-million acreage holdings already pay substantial royalties to the carrier.

Southern Pacific's dividend payout has been covered twice over by its earnings for several years now and despite a slow start this year projections indicate better than \$5 in profits for the full year of 1957 against the \$3 dividend.

[The views expressed in this article do not necessarily at any time coincide with t... "Chronicle." They are presented as those of the author only.]

Apportioning Hydroelectric Costs Between Taxpayers and Consumers

By HONORABLE ARTHUR KLINE*

Member, Federal Power Commission, Washington, D. C.

Expressing personal views, Federal Power Commissioner of but a few months suggests taxpayers instead of utility consumers be made to pay for benefits to Federal projects resulting from head water improvements constructed by non-Federal interests. In his resume of some of the FPC's duties and its role in developing hydroelectric resources of the country, Mr. Kline expresses hope that complete and comprehensive private and not Federal development of river basins will materialize as a result of provision, Section 10(f), requiring owners of downstream projects to reimburse the owners of an upstream storage project for power benefits received from the upstream regulation provided at the head water improvement.

During the four-year period which ended June 30, 1956, the total capacity of applications filed with the Federal Power Commission exceeded 18 million kilowatts. This is far greater than the amount of capacity applied for in any like period in the past 30 years. It is more than twice the operating capacity in all of the 238 projects now under license. During this same four-year period ending June 30, 1956, the ultimate capacity under license increased from about 9 million to 15 million kilowatts and the operating capacity from 5.7 million to 8 million kilowatts. These projects under license have about 57% of the total existing non-federally owned hydroelectric capacity in the U. S.

Proposed Projects

New capacity being constructed under Federal Power Commission authorization at the present time totals about 6,000,000 kilowatts, of which about 3,400,000 kilowatts in 9 projects are public developments and 2,600,000 kilowatts in 26 projects are private developments. Pending before the Commission, as of Jan. 1, 1957, were applications for preliminary permits and licenses totaling about 9 million kilowatts of hydroelectric capacity. This figure includes both public and private developments.

This increase in licensing activity has occurred in all sections of the country. Projects of particular interest which are either under license or under consideration by the Commission include the following:

In the Northeast, the 940,000-kilowatt St. Lawrence project and the 2,200,000-kilowatt Niagara project;

In the Southeast, the 420,000-kilowatt Coosa River project;

In the Southwest, the 75,000-kilowatt Markham Ferry partnership project;

In California, projects on the Feather, Stanislaus, San Joaquin, and Kings Rivers totaling about 1,470,000 kilowatts; and

In the Columbia Basin, such projects as Priest Rapids, Rocky Reach, Swift Creek, Cowlitz, Pelton, the Snake River Projects, and Noxon Rapids, totaling some 5 million kilowatts.

Now a few words about the legislative history of the Federal Power Act as a background for the Commission's functions in the over-all picture of the development of our hydroelectric resources.

Prior to 1920 when the Federal Water Power Act was first enacted, authority for the construction of hydroelectric projects was obtained by a variety of means. Under the River and Harbor Acts of 1890 and 1899, permission for the construction of dams over navigable streams required individual acts of Congress. These acts varied widely in their provisions. Many of the grants were perpetual, and those issued for a limited term seldom contained any provision for the disposition of the property upon the termination of the license. Often permits made no provision for the imposition of charges for the privilege of developing an important water site. Then as now, the charge of "giveaway" was raised and it was a laborious, long-drawn out process to obtain authority from Congress for the construction of any hydroelectric project.

In the West where most of the projects were located on the public domain, Congress had passed several laws authorizing the Secretary of the Interior, under varying conditions, to issue permits for the use of the public domain for the generation and transmission of electric power. These authorizations were revocable at the discretion of the Secretary of the Interior and were generally not satisfactory from the developer's point of view. The situation was such that all but the most hardened were discouraged from attempting to develop hydroelectric facilities.

After consideration of water power legislation for several years, Congress finally passed the 1920

Continued on page 45

*An address by Mr. Kline before the 25th Annual Convention of the Edison Electric Institute, Chicago, Ill., June 4, 1957.

REPORT OF CONDITION OF

THE CORPORATION TRUST COMPANY

of 120 Broadway, New York, New York, at the close of business on June 29, 1957, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York.

ASSETS

Cash, balances with other banks and trust companies, including reserve balances, and cash items in process of collection	\$2,632,471.64
United States Government obligations, direct and guaranteed	435,635.36
Corporate stocks	60,000.00
Furniture and fixtures	479,626.78
Other assets	1,046,818.99
TOTAL ASSETS	\$4,654,552.77

LIABILITIES

Demand deposits of individuals, partnerships, and corporations	\$1,351,734.81
TOTAL DEPOSITS \$1,351,734.81	
Other liabilities	1,928,334.80
TOTAL LIABILITIES	\$3,280,069.61

CAPITAL ACCOUNTS

Capital †	500,000.00
Surplus fund	325,000.00
Undivided profits	549,483.16
TOTAL CAPITAL ACCOUNTS	\$1,374,483.16
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	\$4,654,552.77

†This bank's capital consists of common stock with total par value of \$500,000.00.

MEMORANDA

Assets pledged or assigned to secure liabilities and for other purposes	\$109,635.36
Securities as shown above are after deduction of reserves of	786.52

I, CHARLES J. SKINNER, Treasurer of the above-named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

CHARLES J. SKINNER

Correct—Attest:

RALPH CREWS, GEORGE F. LePAGE, WILLIAM R. WATSON — Directors

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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The First National City Bank of New York on July 2 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.

* * *

GUARANTY TRUST CO. OF NEW YORK

	June 30,'57	Mar. 31,'57
	$	$
Total resources	2,955,822,515	2,995,550,025
Deposits	2,457,050,893	2,484,511,333
Cash and due from banks	686,810,593	668,973,388
U. S. Govt. security holdgs.	509,304,841	580,522,949
Loans & discts.	1,590,673,426	1,526,533,434
Undiv. profits	92,680,991	90,015,193

* * *

FEDERATION BANK AND TRUST CO., NEW YORK

	June 30,'57	Mar. 31,'57
	$	$
Total resources	111,456,815	100,440,302
Deposits	101,898,672	91,421,432
Cash & due from banks	23,309,237	16,039,977
U. S. Govt. security holdings	27,578,037	27,615,532
Loans & discounts	47,942,423	44,269,457
Undivided profits	822,781	802,445

* * *

Arthur F. Henning and Joseph R. Thompson have been appointed Vice-Presidents of the **Chase Manhattan Bank, New York,** George Champion, President, announced.

Both are former Assistant Vice-Presidents in the trust department. Mr. Henning, who joined the bank in 1919, has been in the corporate trust division since 1928. Mr. Thompson has been with the bank for 45 years and has been a trust officer since 1929.

Other trust department promotions were: to Assistant Vice-President—John E. Carroll, Milton J. Redlich, Dudley S. Suits, Fred F. Voorhees; to Assistant Treasurer—Albert E. Bedle, Joseph O'Shaughnessy, George J. Uhl; to Corporate Trust Officer—John J. O'Connell and Charles F. Ruge.

In the international department Francisco de Jesus was named Assistant Vice-President, and Earl T. Winters was named Manager, of branches in Puerto Rico.

* * *

COMMERCIAL STATE BANK AND TRUST COMPANY OF NEW YORK

	June 30,'57	Mar. 31,'57
	$	$
Total resources	103,412,407	104,527,017
Deposits	98,377,217	94,112,598
Cash & due from banks	17,401,511	14,121,320
U. S. Govt. security holdings	27,500,474	28,512,809
Loans & discounts	59,890,608	58,229,374

* * *

UNDERWRITERS TRUST CO., NEW YORK

	June 30,'57	Mar. 31,'57
Total resources	$42,645,159	$41,538,691
Deposits	37,944,936	37,597,157
Cash & due from banks	7,097,793	8,256,854
U. S. Govt. security holdings	15,087,989	14,795,770
Loans & discounts	17,091,981	14,496,048
Undivided profits	1,495,817	1,441,149

* * *

KINGS COUNTY TRUST COMPANY, BROOKLYN, N. Y.

	June 28,'57	Dec. 31,'56
	$	$
Total resources	$80,889,344	$73,913,941
Deposits	70,686,890	63,643,232
Cash & due from banks	12,794,846	9,735,344
U. S. Govt. security holdings	20,227,926	17,048,791
Loans & discounts	21,164,591	21,117,342
Undivided profits	935,951	1,000,000

* * *

Long Island Trust Company, Garden City, N. Y. was given approval by the New York State Banking Department to increase its capital stock from $1,282,400 consisting of 128,240 shares of the par value of $10 each, to $1,842,400 consisting of 184,240 shares of the same par value.

The New York State Banking Department on July 1 gave approval of its Plan of Merger of **The Freeport Bank of Freeport, N. Y.** into **Long Island Trust Company** under the title "Long Island Trust Company." The proposed plan was given in the "Chronicle" of June 6, page 2632.

* * *

THE MEADOW BROOK NATIONAL BANK OF FREEPORT, NEW YORK

	June 30,'57	Dec. 31,'56
	$	$
Total resources	320,118,405	289,325,666
Deposits	291,908,030	263,701,803
Cash & due from banks	32,306,895	32,737,053
U. S. Govt. security holdings	78,668,494	75,496,064
Loans & discounts	50,092,475	160,628,538
Undivided profits	2,603,721	2,537,823

* * *

Stockholders of the **Security National Bank of Huntington, N.Y.** and the **Long Island State Bank & Trust Company of Riverhead, N.Y.** have approved the proposed merger of the two institutions, according to a joint announcement by Mr. George A. Heaney, President of Security, and Mr. Dwight J. Corwin, President of the Long Island State Bank & Trust Company.

At a stockholders meeting held at the bank's offices in Huntington, Mr. Corwin was elected a Vice-President of Security and will direct operations of the Riverhead office.

The consolidated bank will have resources of more than $114,000,000 and total capital funds and reserves of more than $10,600,000.

Under the merger agreement, shareholders of the Long Island State Bank & Trust Company will receive nine shares of Security stock for each one share of Long Island State Bank & Trust Company stock.

According to Mr. Heaney, all of the salaried officers and employees of the Long Island State Bank & Trust Company will be retained.

Mr. Heaney said the consolidation will provide residents and businessmen of Riverhead with the enlarged facilities and banking services of the Security organization. "The businessmen and residents of each community should benefit from the consolidation and it is our purpose to extend the area of greater usefulness for all our bank customers to the Riverhead area, a growth section of Suffolk County with immense potential for future expansion for population and industry," he declared.

* * *

The First National Bank of Spring Valley, Spring Valley, N.Y., with common stock of $350,000; and **The First National Bank of Sparkill, Sparkill, N. Y.,** with common stock of $75,000, consolidated as of June 21. The consolidation was effected under the charter and title of "The First National Bank of Spring Valley." At the effective date of consolidation the consolidated bank will have capital stock of $500,000, divided into 40,000 shares of common stock of the par value of $12.50 each; surplus of $750,000; and undivided profits of not less than $304,160.

* * *

RHODE ISLAND HOSPITAL TRUST CO., PROVIDENCE, R. I.

	June 30,'57	Dec. 31,'56
	$	$
Total resources	308,199,983	315,207,220
Deposits	263,776,816	286,957,165
Cash & due from banks	43,956,905	61,246,576
U. S. Govt. security holdings	80,579,292	82,763,427
Loans & discounts	162,877,667	147,721,315
Undivided profits	2,939,799	2,844,432

Additional banking facilities for Henrico County will become available with the opening of the new Highland Springs office of **The Bank of Henrico, Sandston, Va.** on July 15.

Frank R. Marks, Assistant Cashier of the bank and now in Sandston, will be in charge of the new office.

* * *

Farmers & Merchants National Bank of Rensselaer, Ind. increased its common capital stock from $50,000 to $100,000 by a stock dividend and from $100,000 to $150,000 by the sale of new stock effective

Continued on page 30

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

$20,000,000

West Penn Power Company

First Mortgage Bonds, Series Q, 4⅞%

Due July 1, 1987

Price 101.666% and accrued interest

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

BEAR, STEARNS & CO. DICK & MERLE-SMITH HAYDEN, STONE & CO.

HORNBLOWER & WEEKS LADENBURG, THALMANN & CO.

SALOMON BROS. & HUTZLER

STROUD & COMPANY INCORPORATED FAHNESTOCK & CO. FIRST OF MICHIGAN CORPORATION

IRA HAUPT & CO. THE MILWAUKEE COMPANY SCHWABACHER & CO.

VAN ALSTYNE, NOEL & CO. ADAMS & PECK J. BARTH & CO.

BURNHAM AND COMPANY THE ROBINSON-HUMPHREY COMPANY, INC.

SWISS AMERICAN CORPORATION THOMAS & COMPANY

July 11, 1957

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

$30,000,000

Wisconsin Telephone Company

Thirty-Five Year 4½% Debentures

Dated July 1, 1957 Due July 1, 1992

Price 101.25% and accrued interest

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

BEAR, STEARNS & CO. DICK & MERLE-SMITH

EQUITABLE SECURITIES CORPORATION SALOMON BROS. & HUTZLER

SHIELDS & COMPANY BACHE & CO. R. S. DICKSON & COMPANY INCORPORATED

NEW YORK HANSEATIC CORPORATION WEEDEN & CO. INCORPORATED BLAIR & CO. INCORPORATED

WILLIAM BLAIR & COMPANY AUCHINCLOSS, PARKER & REDPATH

SHELBY CULLOM DAVIS & CO. H. HENTZ & CO. BACON, WHIPPLE & CO.

COURTS & CO. FAHNESTOCK & CO. IRA HAUPT & CO. HIRSCH & CO.

JOHNSTON, LEMON & CO. McMASTER HUTCHINSON & CO. SCHWABACHER & CO.

STERN BROTHERS & CO. SWISS AMERICAN CORPORATION

July 10, 1957

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The United States Environment For Private Insurance

By S. S. HUEBNER*

Emeritus Professor of Insurance, University of Pennsylvania
President Emeritus, American College of Life Underwriters
Chairman of the Board of Trustees, American Institute for Property and Liability Underwriters

Insurance Professor Emeritus finds amount of life and health insurance owned by Americans is "pitiful" compared to fire, marine and other forms of property coverage, and particularly so compared to alcoholic beverages and tobacco purchases which exceed total premiums for life insurance and annuities combined. Criticizing the sense attitudinal of obligation toward future family obligations, Professor Huebner believes the existing 3.5% of family's disposable income provides an average amount of coverage which does not represent more than a 10% coverage of what should appeal as a decent level of protection. Praises current remedial educational insurance program and envisages an enormous life and health insurance growth potential.

Vast Extent of Private Insurance in the United States

Private insurance, including all the types of coverage, has become one of the giant business enterprises of the nation. During 1956 life and so-called casualty insurance companies protecting human life values against death, old age retirement, accident and sickness, and other types of disability income losses, received a premium income of nearly $15 billion, while property and so-called casualty insurance companies, protecting property values against insured hazards, had a premium income of approximately $9 billion, or a grand total of about $24 billion. But it should be noted that this huge premium income does not include (1) the premiums paid to reciprocal and Lloyds organizations doing business in the United States; (2) the considerable amount of property insurance premiums exported directly to Lloyds of London and other alien non-admitted underwriters and (3) the premium value of the property coverage provided by the many private self-insurance funds whose large volume of coverage is not disclosed by any central statistical source.

S. S. Huebner

From the standpoint of admitted assets, the giant nature of the private insurance industry in the United States is also apparent. At the close of 1955 United States life insurance companies had under their protective wing total assets of $90.5 billion. To this may be added the assets of fraternal societies, assessment and other life insurance associations, and savings bank life insurance, for a total of another $3.2 billion, or a grand total of assets for all companies and associations protecting human life values of about $93.7 billion. At the close of 1954, the combined admitted assets of property and so-called casualty companies, protecting property values, totaled $19.9 billion. For all private insurers in the United States, admitted assets now exceed a total of $113.5 billion.

Economic Environment for Private Insurance

The prospects for further substantial growth of the insurance industry seem bright, economically speaking, provided we succeed in controlling any severe inflationary trend. Continuing inflation, by cutting down the buying power of the promised dollars upon death or retirement, is the great enemy of life insurance. During the past three years there has been a fair stability in our currency. But as yet there seems to be no assurance as to the future, and it behooves all insurance interests to fight resolutely all forces that tend to debase our dollar.

With a population increase of 16.6% during the decade, 1947-56, the national income (expressed in 1947 dollars) increased from $197 billion to $260 billion, or by 31.5%. The income of employees increased from $129 billion to $143 billion, or 11%; corporate profits before taxes, income from unincorporated enterprises, and rental income remained about the same, while that of farmer proprietors experienced a substantial decline.

Gross National Product increased during the decade (expressed in 1947 dollars) from $232 billion in 1947 to $330 billion in 1956, or by 42%. For the two years this Gross National Product was devoted to personal consumer expenditure of $165 billion for 1947 and $221 billion for 1956, an increase of 34.5%. For the respective two years, government expenditures were $29 billion and $59 billion (increase of 103%), gross private domestic expenditure $30 billion and $47 billion (increase of 57%), and net foreign investment $9 billion and $3 billion (decline of 66%).

Along four other economic lines of inquiry, suggested by the invitation to prepare this paper, the insurance industry of the United States seems fairly well protected.

(1) The role of insurance in the international balance of payments is relatively unimportant. Substantial amounts of marine and aviation insurance are placed with Lloyds of London and non-admitted alien companies, it is true. Moreover, there is admission of companies between the United States and Canada and certain other countries. Yet the balance for settlement is relatively small compared with the enormous volume of life, health, fire, automobile and other forms of insurance placed almost altogether in the domestic market. Unfortunately, exact data is unavailable.

(2) Our banking system is entirely capable of serving private insurance insofar as that service may be needed.

(3) Risk capital is also plentiful with reference to the needs of the insurance industry, as is indicated by the creation of so many new companies in recent years.

(4) Moreover, despite the huge assets of the industry and their rapid increase, present investment outlets for private insurance funds seem reasonably adequate. The huge $90 billion portfolio of life insurance companies is widely diversified among United States Government bonds (9.5%), state, provincial and local bonds (3.0%), railroad bonds (4.3%), public utility bonds (15.5%), industrial and miscellaneous bonds (20.1%), stocks (4.0%), mortgages (32.6%), real estate (2.1%), policy loans (3.6%), and miscellaneous assets (3.9%).

Although life insurance company assets are now increasing annually by $6 billion, as compared with $3.5 billion only 10 years ago, little is heard about investment difficulties. If needed, a modest appropriate liberalization of the investment laws seems adequate to handle the situation. Despite the large annual increase in invested assets of life insurance companies, it should be noted that the return on invested funds, after Federal income taxes, has increased from 2.88% for 1947 to 3.24% for 1954.

Public Attitudes Toward Insurance

To the author it seems highly important to emphasize "public attitudes" towards (1) life and health insurance and (2) property and casualty insurance. To the author these attitudes appear as important as any economic statistics of national income and its distribution among groups making up the population. People are proud of their property possessions and are naturally disposed to manage and protect those possessions fairly well. So with respect to property insurance, including the so-called casualty forms of insurance which protect property values, the growth of the insurance industry will follow the national growth of property values. Fire insurance coverage is estimated to be about 80% of combustible property. Marine insurance coverage is substantially complete. The other forms of property insurance, although newer historically, are rising rapidly in the extent of their coverage of the values involved.

But when we contemplate life and health insurance (both based on the dollar value of human life as it relates to the support of dependents and business associates) the situation is still pitiful. We talk a lot of the $400 billion of life insurance on the books and the $5 billion of premiums paid for health and medical insurance. And yet we fail too often to realize how little this really means from the "moral," "religious" and "conscience" standpoints. Existing life insurance per family in the United States averages only $6,900 in comparison with the annual disposable personal income per family of $5,000. Life insurance premiums were in 1945, and still are, only about 3.5% of total disposable personal income. This is certainly not what ought to be. This average amount of coverage does not represent more than a 10% coverage of what should appeal as a decent level of protection.

Present coverage certainly raises vividly the problem of a wife's right, a child's claim, and the family head's sense of honesty, family obligation, and social responsibility. American families, on the average, are the recipients of fair incomes, but they are too generally unwise spenders. Just to illustrate, annual expenditures for alcoholic beverages and tobacco exceed the total of the nation's life insurance company premiums for life insurance and annuities combined. The same comparison may be made for total life insurance company premiums and the combined annual expenditures for television, radio, cosmetics, toys and sporting goods, and spectator amusements. Annual purchases of passenger automobiles and their operation and maintenance nearly equal twice the total annual premium income of life insurance companies for life insurance and annuities combined.

In the spending of income, too many family budgets are keyed almost solely to present desires. It is about time that we emphasize a budget arranged with two parts: (1) expenditures to meet the present and (2) expenditures to meet the future as regards fundamental family obligations, and then proceed to educate that the portion of the budget relating to the future requires more, from the moral, religious and conscience standpoints, than 3.5% of the family's disposable income. To me it is always astonishing to hear a family head say, and I quiz them frequently, "I must have this and I must have that, and now please tell me where anything is left to carry out your idea of taking care of the family's future." That is a beautiful type of sense of obligation under a system of private enterprise!

The necessity of a proper attitude, involving the sense of obligation, is all too apparent in the areas of life and health insurance when we reflect that the family should be a man's most important "business enterprise," and that that business should be started, managed and liquidated just as soundly and honestly (speaking in an economic sense) as the vocational business is organized, managed and liquidated, and on the basis of appraised values expressed in the nation's medium of exchange, as distinguished from mere sentimental concepts.

From a life and health insurance standpoint, let us not forget that in 1955, according to Federal Reserve Board data, 11% of this nation's 42 million families had total money income of less than $1,000 a year; another 11% between $1,000 and $2,000; 50% with less than $4,000; about 8% with income of $10,000 or over; and that the arithmetic mean income of all families was $5,060. Also let us not forget that 28% of the nation's families had no liquid assets at all; that 26% had liquid assets ranging up to $500 only; that 11% had less than $1,000 of liquid assets; in other words that 65% of this nation's families had less than $1,000 in liquid assets.

Despite the small average life insurance per family, it should be stated that at present (in 1955) policyholders' savings with United States life insurance companies totaled $73.7 billion, an amount equal to nearly one-third of the combined savings in all of the other national media of savings, namely savings and loan associations, mutual savings banks, commercial banks, postal savings, credit unions, and United States Savings Bonds. Yet with a bigger life insurance coverage per family, a corresponding increase in life insurance savings would result. The solution for further progress lies in education to awaken a deeper sense of obligation, the greatest force of all in the realm of insurance.

Political Environment for Private Insurance

The several States of the nation regulate by statute law the organization, supervision and operational requirements of private insurance carriers. Some States are relatively weak from a regulatory standpoint, but fortunately others are strict. Since leading insurance companies are admitted to do business in most states, including the leading and most strictly regulated states, it follows that policyholders in the overwhelming mass of cases are not likely to experience difficulty in the ascertainment of facts relative to solvency, financial standing, and conduct of operations. Insurance is probably the most strictly regulated business in the nation, covering organizations, rates, reserves, investments, contracts, agents' conduct, and even, to an ever increasing extent, agents' licensing examinations involving a considerable amount of insurance education.

Relatively few unreasonable governmental restrictions have been imposed on the flow of insurance across national boundaries. Attempts have been made to impose taxation upon exported insurance premiums, but that is unconstitutional in the sense that the Federal Government may not tax exports. With special permission foreign companies may enter the United States for business purposes. Lloyds of London and non-admitted alien insurance companies receive a considerable portion of our marine and aviation insurance by way of excess reinsurance contracts, as well as some of our property and casualty forms of insurance, but the total is relatively small when compared with the total of all insurance for the domestic market.

Government compulsion of insurance is not extensive, except in workmen's compensation insurance, automobile insurance, and old-age and survivors insurance. Apparently, wherever universality of protection seems vital because of legal liability, like in workmen's compensation insurance and automobile insurance, the fact of insurance, or of meeting a financial responsibility test in the absence of insurance, has been made a definite requirement. But actual government insurance in the liability forms of insurance is not compulsory except in a few states.

However, there is substantial government insurance in veterans life insurance, in old-age and survivors insurance, and in the area of savings deposit insurance. Veterans life insurance under the auspices of the Federal Government comprised 6,439,000 policies in 1955 for a total face value of nearly $43 billion, a sizable amount to be added to other private life insurance of approximately $400 billion. Old-age and survivors insurance in 1955 extended to 101,700,000 persons with wage credits, to 68,000,000 workers with taxable earnings, and to 69,600,000 workers fully insured. The governmental plan of old-age and survivors insurance, for 1955, involved a total of $5,713,000,000 of tax contributions, a total of 7,961,000 recipients of monthly benefits, and a total of $4,968,000,000 of monthly and lump-sum payments for the year.

Social and Educational Environment Appraisal of the Growth Potential for Private Insurance

Attention has been called to the shocking lack of responsibility for the more adequate insurance of the human life value with life and health insurance for the protection of family dependents. And this lack of responsibility exists despite the fact that the level of education for the nation is high. Of all in the population who are 20 to 24 years old or over, 38.5% have had four years of high school education and 6.4% have had four years or more of college education. But the trouble is that our high school and collegiate curricula, until the early thirties, almost completely ignored the economics of insurance, as contrasted with insurance mathematics and law.

The lack of public understanding of the human life value and the family head's sense of obligation to have it properly appraised and protected for dependents is now being remedied with a well organized program of economic education in insurance. This rapidly growing educational program is the most outstanding forward-looking insurance movement in the United States. As a consequence the growth potential of life and health insurance in the United States is enormous. Many are already predicting a trillion dollars of life insurance on the books within 10 to 15 years. And when the first $trillion has been

*An address by Professor Huebner before the International Insurance Conference at the 75th anniversary celebration of the Wharton School of Finance and Commerce.

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attained, the second $trillion will be secured much more easily.

On the one hand, through the efforts of the American College of Life Underwriters and the American Institute for Property and Liability Underwriters, life and property and so-called casualty insurance are rapidly being given a professional status on the collegiate level with their Chartered Life Underwriter (C.L.U.) and Chartered Property and Casualty Underwriter (C.P.C.U.) programs of study. Both programs are equally thorough in their respective fields. Just to illustrate, the number of C.L.U. designation holders now exceeds 6,000, and an additional number who have passed one or more but not all of the examinations now exceeds 8,000. In both the life and property-casualty areas intermediate training and education programs (the Life Underwriter Training Council program in life insurance L.U.T.C. program, and the Insurance Institute of America program, I.I.A. program, in property and liability underwriting) have also been developed and are flourishing. In addition numerous company courses are also raising the level of insurance education.

On the other hand, the number of universities and colleges emphasizing the economics of insurance is growing tremendously—so rapidly that there is difficulty in supplying the demand for well equipped teachers. By 1927 only 56 universities and colleges had courses emphasizing insurance economics, whereas today the number is about 250. Under the leadership of the Life Insurance Institute and the Graduate Workshop for Family Financial Security Education, insurance education of an economic character is also entering the nation's high school system at the rate of several hundred high schools a year.

The two aforementioned insurance educational movements will mean, within the next 25 years, that a greatly enlarged educated field force of underwriters will be contacting a greatly enlarged insurance-educated and property indoctrinated public. The result will be the development of a client relationship between the underwriter and his client, similar to what exists in medicine and law. Then "selling" will become "teaching" and "advisorship," as it should be. Then the present lack of a sense of proper family responsibility will be superseded by a much higher life insurance per family than now prevails. Insurance education for both underwriters and the buying public is the great ally of the private insurance industry and insurance as an institution.

Fitzpatrick, Sullivan Formed in New York

Formation of Fitzpatrick, Sullivan & Co., dealers in State and Municipal bonds, with offices at 40 Wall Street, New York City, has been announced.

General partners of the new firm are Leonard R. Sullivan, Daniel E. Fitzpatrick, Harvey P. Whitcomb and Richard E. Whitcomb, all formerly partners in Phelps, Fenn & Co.

Arthur Krensky Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Illinois — Robert G. Weiss has been added to the staff of Arthur M. Krensky & Co., Inc., 141 West Jackson Boulevard.

Hilliard Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

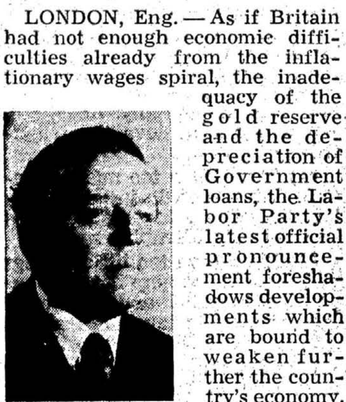
LOUISVILLE, Ky. — Walter Norman has become affiliated with J. J. B. Hilliard & Son, 419 West Jefferson Street, members of the New York and Midwest Stock Exchanges.

Backdoor Nationalization Plans

By PAUL EINZIG

Use of joint employer-employee social security contributions to purchase exclusively equities, and acceptance of death duties in the form of equities, can be expected from the Labor Party, according to Dr. Einzig, in the event of their return to power. This indirect nationalization scheme is said to obviate the need for the usual nationalization consent except for the enactment of legislation allowing the government fund to invest its reserves in equities. The consequences of this for the private investor, management, and the economy are described by the eminent British economist.

LONDON, Eng. — As if Britain had not enough economic difficulties already from the inflationary wages spiral, the inadequacy of the gold reserve and the depreciation of Government loans, the Labor Party's latest official pronouncement foreshadows developments which are bound to weaken further the country's economy. It is the declared intention of the Socialists, if they should assume power after the next general election, to acquire the control of a very large number of industrial firms through gradually buying up majority holdings in their equity capitals. The funds for this purpose are expected to be secured mainly through the operation of a projected large-scale superannuation scheme to which employers and employees would have to contribute considerable weekly amounts. Instead of investing the reserves of the proposed superannuation fund in trustee stock, the Socialist administration would invest them exclusively in equities. And since the amount involved would be very large, the possibility of the acquisition of Government control over a large number of important firms within a relatively short time cannot be ruled out.



Paul Einzig

Equities for Death Duties

This means that, in addition to the nationalization of entire industries by means of their compulsory acquisition, the next Labor Government will engage in "backdoor nationalization" on a large scale. There would be no need for Parliament's consent for this kind of nationalization, beyond the adoption of an Act authorizing the proposed superannuation fund to invest its reserves in equities. The electorate, which rejected the Labor Party in 1951 and in 1955 because of the unpopularity of its ideological dogmatism favoring nationalization for political purposes, will even not be consulted before additional industries will be brought gradually under public ownership.

In addition to purchases on the Stock Exchange, the public ownership of private firms is expected to be furthered also through accepting equities in payment of death duties. Executors of large estates will be tempted to avail themselves of this option, because the realization of large blocks of equities for the purpose of raising funds to pay death duties is at times difficult and tends to cause a fall in the prices of equities.

No change of government is likely before 1959 or 1960, when the next general election is due, but the anticipation of such backdoor nationalizations is already casting gloom in business circles. There are, it is true, a number of firms whose equity capital is firmly controlled by wealthy families. But in the case of the large majority of the firms the possibility of the government acquiring control through purchases and acquisitions of equities in payment of death duties cannot be excluded. The boards and executives of most industrial firms have to envisage that possibility. They may feel impelled to adopt defensive measures in case of the advent of a Socialist Government. Some of the possible defensive measures would be apt to react unfavorably on the national economy.

It is to the interests of the managements of industrial firms that their equities should be overvalued rather than undervalued on the Stock Exchange. To that end they will be tempted to increase dividends to the utmost limit of possibility instead of ploughing back into the firm a large part of the profits. This would necessarily mean a decline in capital investment. There would be less expansion and modernization in industry. Moreover, the evidence of high dividends and Stock Exchange profits through the rise in equity prices would further stimulate wages demands and would further accentuate the inflationary wages spiral.

Traces Consequences

More would be consumed and less invested. Apart from the decline in the total of capital investment, there would be a change for the worse in the direction in which new capital would tend to flow. It seems reasonable to assume that the government would confine its investments to industries producing essential goods and services and would avoid firms engaged in luxury trades, entertainment, and gambling. It would also have to avoid speculative business, because heavy losses through the bankruptcy of firms in which public moneys are invested would give rise to a storm of criticism. The scandal of the loss of £36 million on the groundnuts scheme operated by the publicly owned Overseas Food Corporation is still fresh in the minds of most people. Its frequent repetition might be politically disastrous to the Labor Party.

Private capital seeking investment would be inclined to select firms which are not likely to be taken over by the government. The recipients of increased dividends would invest their savings in firms producing luxuries, or firms in the entertainment or gambling industries, or in highly speculative firms. Essential industries would be starved of private capital. Their requirements would have to be met by the government. Since by then the rate at which the government could borrow is likely to be very high, part of the reserves of the superannuation scheme would have to be diverted to the provision of capital for firms controlled by the government. To the extent to which this is done, the acquisition of additional firms by the government would have to slow down. On balance a larger proportion of the nation's capital resources would be used for the less essential industries, and a smaller proportion for the more essential industries.

Reaction of Private Holders

Stock Exchange quotations of equities of firms coveted by the government would tend to rise as a result of official buying. But once the government has acquired control many private holders would prefer to realize their holdings, for fear that their interests would not be adequately safeguarded by the majority holder. This, together with a change in dividend policy, would tend to cause a fall in the prices of such equities, involving heavy capital losses to the superannuation fund.

The scheme has a distinctly unsettling effect. It is liable to interfere with the long-term investment programs of many private firms. Coming as it does on top of the progressive flight from government securities, it is an unwelcome complicating factor in an already over-involved situation.

With Harris, Upham

BOSTON, Mass. — Robert L. Millane is now connected with Harris, Upham & Co., 136 Federal Street.

Joins Keller Brothers

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Francis G. Doherty is now with Keller Brothers Securities Co., Inc., Zero Court Street. He was formerly with Vickers Brothers.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Louis Hoekstra, Jr., is now with Merrill Lynch, Pierce, Fenner & Beane, Michigan Trust Company Bldg.

Byrne & Phelps Join Phelps, Fenn & Co.

Phelps, Fenn & Co., 39 Broadway, New York City, dealers in municipal, industrial, public utility and railroad securities, announced that William D. Byrne, Edmund C. Byrne and Roger S. Phelps, have been admitted to general partnership in their firm. The new partners were formerly top officers in Byrne and Phelps, Inc.

It was also announced that the entire staff of Byrne and Phelps, Inc. has joined the Phelps, Fenn organization.

With Decker, Barrows

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Bradley C. Bowman is now with Decker, Barrows & Co., Northwestern Bank Building. In the past he was with Craig-Hallum, Inc.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—Orville H. Dornquast, Ernest A. Mohaupt and John F. Oniskin are now with State Bond & Mortgage Co., 28 North Minnesota Street.

Weston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Robert Mellman, Mathew A. Saari and Gerald H. Steinman have been added to the staff of Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard, members of the Pacific Coast Stock Exchange.

These securities have not been and are not being offered to the public. This advertisement appears only as a matter of record.

NEW ISSUES July 9, 1957

Kaiser Steel Corporation

$40,000,000

5½% First Mortgage Bonds, Due 1977

$5,000,000

5⅞% Convertible Promissory Notes, Due 1982

Purchase Agreements relating to the direct placement of the above securities were negotiated by the undersigned.

The First Boston Corporation

Investment Securities

NEW YORK BOSTON PITTSBURGH CHICAGO

PHILADELPHIA CLEVELAND SAN FRANCISCO

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Research's Explosive Effect Upon Long Range Outlook

By MURRAY SHIELDS*
Partner, MacKay-Shields Associates
President, Management Economics, Inc.

The propulsatory ability of our unprecedented sustained research and planning to provide an enormous growth potential impresses Mr. Shields, particularly the sixteen technological revolutions taking place simultaneously which are said to provide profit opportunities and a "solid basis for a second postwar decade of continued progress, growth and prosperity." In favor of a little but not too much inflation and cautioning against insufficient money supply expansion, the noted economist offers a positive program to accelerate growth and prevent depressions. Believes that our revolutionary research in productivity will necessitate rewriting our textbooks in economics.

One of the most reassuring factors in our long range economic outlook is that U. S. industry is spending so lavishly for the research and development activities which assure continued growth, is so carefully measuring the markets of the future on which plant and equipment expansion can be roundly based and is so industriously developing its internal managerial effectiveness to the end that every opportunity for expansion can be fully exploited. As a result, the growth **potential** for the next decade is simply enormous.

Murray Shields

The new and expansionary element in this economic era is research. Ten years ago business, government and our educational institutions were spending less than $2.5 billion annually on research. By 1956 the total had risen to over $6 billion and a rising proportion of our Gross National Product has been devoted to such purposes. Research and development outlays represented .973% of total Gross National Product in 1947, but in 1956 the percentage had reached almost 1.5%.

The aggregate of our research outlays for the past decade has been almost $37 billion. This represents **the most colossal investment in the future ever made by any nation.** Innovation and invention in all prior history came in unpredictable and erratic waves as luck favored lone wolf inventors or as business stumbled on innovations in productive processes. Now research has been organized in a predictably productive process which assures that productivity will continue to rise even from the extremely high level already attained in this country.

If, as seems likely, the percentage of G.N.P. devoted to research continues to rise, we will by 1966 be investing close to $14 billion per annum in research and the total for the decade 1957-1966 will be close to $100 billion. **Our people, our government and our businesses have learned that research pays colossal dividends and they are exploiting this discovery to the hilt.**

Sixteen Revolutions

The meaning of this is that this Nation is not in a single technological revolution, but is in the midst of sixteen different—though overlapping—revolutions:

(1) A revolution in research itself, as our scientists make full use of the new electronic data processing machines, the electron microscope, atomic tracer techniques, etc., etc., to make the research dollar more effective.

(2) A revolution in medical technology which is lowering infant mortality, extending human life, reducing the toll of disease and is in a large part responsible for our "population explosion."

(3) A revolution in population redistribution, as new transportation and communication facilities permit the suburbanization of our population and as our industry and people move to southern areas which, with air conditioning, are tolerable in all seasons of the year.

(4) A revolution in income redistribution creating a huge great new middle-class market as our new technology advances the productivity and income of our workers.

(5) A paper work revolution which, as the office is electronified, will release workers for more productive employment.

(6) A revolution in power production due not only to the development of atomic power, but to new efficiencies in the use of conventional sources of energy.

(7) A revolution in production as we achieve the electronic automation of the factory.

(8) A revolution in distribution which is adapting itself at a furious pace to automatic merchandising, supermarkets, new techniques in packaging, self-service, TV advertising, better materials handling, etc., etc.

(9) A new revolution in agriculture, as new fertilizers, insecticides, machines and chemical techniques cut man-hour costs and raise the output per acre.

(10) A revolution in metallurgy, as new techniques of resource discovery, mining and refining are applied to the old as well as the new metals which are emerging from our laboratories.

(11) A revolution in transportation involving the jet and the gas turbine, as well as our new road system and the opening up of the St. Lawrence waterway.

(12) A revolution in communication, as the transistor comes into application.

(13) A revolution in education which will be more effective and less costly when closed circuit TV comes of age.

(14) A revolution in the art of warfare which is being changed fundamentally by the jet, nuclear physics and guided missiles.

(15) A revolution in planning by government, business and banking which, through use of the new electronic statistical machines, can now obtain adequate statistics and process them for effective planning.

(16) A revolution in management techniques which is slowly evolving into a science, assuring that all of the other fifteen revolutions will be put to use by business to improve productivity and production.

Solid Basis for Progress

In this environment, **it is imperative that all planning and policy making by business and by private and institutional investors be carefully designed to take advantage of the profit potentialities in these sixteen technological revolutions** as they evolve from the research of the past and the future.

Of one thing we can be sure. It is that our sixteen technological revolutions provide a solid basis for a second postwar decade of continued progress, growth and prosperity. After all, any one or two of these revolutions would in the past have justified an optimistic evaluation of the outlook. But we are running all sixteen revolutions simultaneously.

The magnitude of the potentials for growth inherent in a period marked by so many technological revolutions is not adequately appreciated. The organizations with which I am associated have just completed an exhaustive and detailed appraisal of the growth potential for the next decade.

Offers G. N. P. Prediction

The general conclusion from our studies is that, with reasonably full employment, the growth in the labor force—allowing for a moderate reduction in the hours of work per worker per year and a rise in productivity which is practicable in view of our outlays for research and development—will permit **Gross National Product in 1956 dollars** to reach $600 billion in 1966.

No allowance is made for the impact of inflation in the $600 billion figure. If we were to experience a compounded 1½% per annum rise in prices — probably the best working assumption at the moment — Gross National Product in **current dollars** would reach $700 billion by 1966.

The vital point is that it is essential for business management and for investors to make allowance in their plans for the fact that the second postwar decade **can** be—if we plan it that way—another period of vigorous growth in our economy.

The sixteen technological revolutions referred to earlier are likely to play a far more important role in shaping our economic future than are most of the issues with which our economists, politicians, bankers, businessmen and union leaders customarily concern themselves.

The new element which we are introducing into our economic way of life is **sustained expenditure for organized research into productivity.** This is so far-reaching in its implications for the future as to suggest that our textbooks in economics may have to be rewritten.

Neither the "scarcity economics" of the founding fathers of the science, nor the "welfare state economics" of a later day, nor the "mature state economics" of the Depressed Thirties, nor the "new era economics" of the Twenties takes account of the vital role research can play in accelerating growth and preventing depression. What we need is a systematic study of the economics of technology, since some profoundly important changes in monetary, tax, labor, antitrust, farm and other policies may be necessary if the "era of research" is to yield its full benefit to mankind.

Still Not Appreciated

Few observers appear to appreciate the extent to which our economic way of life is being revolutionized by research and technology. There is reason to believe that it is only in the 16 technological revolutions that we will find explanation for the phenomenal growth in our economy in the past decade, for the mildness of the two recessions experienced since the war, and for the success we have had in preventing union-induced wage inflation from having ruinous effects on our economy.

There is every reason for assuming that the potential exists for continued growth at a very rapid rate in the second postwar decade. But will the potentials be realized? We have changed about everything in our economic life except human nature and man has demonstrated an amazing ability at times in the past to botch such opportunities. Occasionally progress has been slowed by an unwillingness to appreciate or to face up to the opportunities which existed. And in many other periods, a refusal to meet the conditions prerequisite to progress has inhibited growth. Will we meet those conditions this time? To do so, we must first identify the factors which could frustrate our growth. There are not many, but they are vitally important. We will not achieve the potential—

(1) If we have too much inflation. While a little inflation may be stimulative, too much would be obviously disruptive.

(2) If we save too little savings which could not help but hold expansion in plant and equipment expenditures to levels lower than necessary to have full growth.

(3) If we permit too small an expansion in the money supply which would subject the economy to monetary anemia.

(4) If we have too much economic instability, for a boom and bust would set us back for years, and

(5) If we adopt anti-business confidence-destroying, enterprise-chilling policies by government.

Positive Program for Progress

A positive program for progress in the second postwar decade must therefore include the following:

(1) A Federal Reserve which possesses the powers — and the freedom to use them—to "spoil the party" when a boom is threatened and to ease money aggressively when recession is the danger; meanwhile, seing to it that the money suply rises over the years proportionately to the growth potential in our economy.

(2) Deliberate recasting of our tax structure within the framework of a slow but steady reduction in the percentage of our income being channeled into government outlays so as to divert funds from taxes to savings at a time when we need colossal amounts of savings to support rapid growth.

(3) A broad attack on the monopoly power of the unions so that the pace of wage cost inflation can be reduced.

(4) Adherence by our government, our business and our families to policies which maintain adequate liquidity, strong finances and generally sound financial policies, and

(5) Support by individuals, businesses and business associations of government policies which will strengthen confidence and encourage enterprise.

We have a tendency in this country to investigate everything under the sun. Most investigations, however, have a negative implication — somebody is being investigated for something. Why should we not have a broad investigation by our most competent authorities of the conditions which must be present if the colossal growth opportunities for the second postwar decade are to be achieved?

*An address by Mr. Shields before the American Marketing Association, Detroit, Mich., June 21, 1957.

With Winslow, Cohu

Winslow, Cohu & Stetson, 26 Broadway, New York City, members of the New York Stock Exchange, announce that J. M. Galanis has joined their organization as director of research. Mr. Galanis was formerly with Tucker, Anthony and R. L. Day.

Washington Water Power Bonds Offered

An underwriting group headed jointly by Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co. and Laurence M. Marks & Co. offered publicly yesterday (July 10) a new issue of $30,000,000 Washington Water Power Co. first mortgage bonds, 4⅞% series, due 1987. The issue was priced at par.

The company will use the net proceeds to repay a like amount of notes incurred for the repayment of bank loans.

The new bonds will be redeemable for other than refundable purposes during the first five years at general redemption prices ranging from 105% for those called in the 12 month period ending June 30, 1958, to 100% for those redeemed in the 12 months prior to due date.

Washington Water Power Co. is an operating public utility which supplies electric power to an area in the central and eastern portions of the State of Washington and in northern Idaho. Properties are owned in Washington, Idaho and Montana. A total of 141,000 customers are served with electric power, including the City of Spokane, Wash. Steam heating service and water service are also supplied in parts of the company's area.

Total operating revenues in the 12 months ended April 30, 1957, amounted to $26,905,000 and gross income before interest and other income deductions was $10,436,000. Comparable figures in the calendar year 1956 were $26,170,000 and $10,276,000, respectively, and in 1955 were $24,441,000 and $10,119,000.

First Boston Arranges Kaiser Steel Direct Bond & Note Sales

Kaiser Steel Corp. has placed $40,000,000 in 5½% first mortgage bonds, due 1977, and $5,000,000 in 5⅞% convertible promissory notes, due 1982, with a group of institutional investors, it was announced on July 9. The financing was arranged by The First Boston Corp. as was the rescheduling of certain sinking funds applicable to $30,000,000 in promissory notes currently outstanding.

In addition, the company has entered an agreement for the purchase by its parent company, Henry J. Kaiser Co., of $10,000,000 subordinated convertible promissory notes, due 1983.

The proceeds of the financing will be applied to the company's 1956 expansion program, supplementing it by about $81,000,000 and bringing the total to $194,300,000. This expansion, which is taking place at the company's plant at Fontana, Calif., is expected to virtually double the plant's capacity, causing it to rise from 1,500,000 ingot tons to nearly 3,000,000 ingot tons per year. When the program is completed next year, Kaiser Steel is expected to be the largest steel producer west of the Mississippi River. The expansion program is designed to increase capacity in those products which are in the greatest demand in the West—plate, sheet, tin, and pipe.

New Coast Exch. Member

William H. Agnew (Shuman, Agnew & Co.), Chairman of the Board of Pacific Coast Stock Exchange, announced the election of George H. Kellerman to membership in the Pacific Coast Stock Exchange, San Francisco Division.

Mr. Kellerman is a voting stockholder, director and Executive Vice-President of Bishop Securities, Ltd., of Honolulu, Hawaiian Islands, upon which firm he will confer his membership privileges.

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Public Utility Securities

By OWEN ELY

Pacific Power & Light Co.

Pacific Power & Light, with annual revenues of nearly $50 million, supplies electricity (also steam heating, water and telephone service) to a very large area in the Pacific Northwest. The electric service area covers about 13,000 square miles, with a population of well over 1 million. Some of the larger communities served are Portland, Ore.; Walla Walla and Yakima, Wash.; and Casper and Laramie, Wyo. Sources of all revenues by states are about as follows: Oregon 61%, Washington 20%, Wyoming 12%, Montana 6%, and Idaho 1%. About 95% of revenues are from sales of electricity.

The company began its operations in 1910 with four small separate systems and has added new properties from time to time. The most important recent additions (in 1954-55) were properties owned by Mountain States Power in Oregon, Montana, Wyoming and Idaho, and those of Western Public Service Co. in Wyoming.

Business activities in the company's service area are highly diversified, including lumber mills, plywood mills, pulp and paper mills, hardboard and particle board plants, oil wells and refineries, oil pipeline pumping stations, commercial fish packing and reduction plants, beet sugar refineries, flour mills, creameries, meat packing plants, railroad shops, irrigation pumping installations, fruit and vegetable processing plants and hop and nut drying plants.

The company owns two important hydro electric properties (Merwin and Yale) and 16 small units, the total rated capacity being 236,000 kw.; and also a number of steam and diesel plants with total rated capacity of 100,000 kw. Of the total electric output in the 12 months ended April 30, 1957, about 35% was generated at the company's hydro plants, 63% was purchased (largely from Government hydro projects) and 2% was generated by steam and diesel units. The company is a member of the Northwest Power Pool, which ties in with Bonneville, and it also buys power in Wyoming from the U. S. Bureau of Reclamation. Some power is also purchased from Washington Water Power.

Pacific Power & Light and four other utilities take a substantial amount of power from Bonneville under 20-year contracts but the company has been notified that, because of increasing sales to public power agencies under the so-called "Preference Clause," the amounts of firm power available to private utilities will begin to decrease in 1960, with no firm power remaining after 1963. Thus it has become imperative for the private utilities to develop new sources of power in the next few years, to replace the Bonneville power.

On June 4, Pacific Power and Light signed a contract with Public Utility District No. 1 of Cowlitz County, covering joint construction of a 274,000 kw. hydro project on the Swift River. The company will construct a dam and generating station with installed capacity of 204,000 kw., while the PUD will build a smaller downstream unit with 70,000 kw. capacity, the whole project to be completed by the end of 1958. The company will pay about 74% of the total cost and the PUD 26%. Power will be allocated on the same basis, but until it has developed sales to its own customers the PUD will sell all its power at cost to the company. The company will also maintain and operate the PUD plant. The cost to the company (including a transmission line) is estimated at $56 million.

The company is also building a third hydro unit at Merwin, with 45,000 kw. capacity, at a cost of only $5 million; and also a 100,000 kw. steam plant (using an adjacent coal mine in Wyoming) to cost $25 million, both projects to be completed by the end of next year. A $7 million transmission line will interconnect the company with Montana Power and Montana Dakota Utilities.

The company is, therefore, going through a period of rapid growth in plant, total construction expenditures being estimated at $56 million this year and $64 million next year—a total of $120 million compared with net plant account of $202 million at the end of 1956. In the two years the company will need about $60 million new money, after allowance for present equity financing and bank loans. Necessity certificates allowing accelerated amortization have been obtained on four projects, and during the five-year period total deferred taxes will approximate $25 million, which amount will be used to pay off bank loans.

As a result of heavy amortization and depreciation the company expects dividends this year to be about 65% "tax free." Amortization of the Yale project will expire next year, but amortization on new projects will more than take up the slack, so that it is possible that all dividends might be tax-free during 1959-64.

Capitalization is approximately as follows, pro forma for new bank loans and the current offering of 376,000 shares of common stock to stockholders on a 1-for-10 basis at 28:

	Millions	%
Long-Term Debt	$135	57
Preferred Stock	23	10
Common Stock Equity (4,141,000 shares)	79	33
Total	$237	100

The common stock record has been as follows in recent years:

	Earned	Paid	Approx. Range
1956	$2.10	$1.50	32 - 27
1955	1.80	1.35	28 - 24
1954	1.54	1.25	25 - 21
1953	1.64	1.13	22 - 18
1952	1.61	1.10	20 - 15

The stock has been selling recently around 31, and based on the current dividend rate of $1.60, the yield is about 5.2%. Share earnings for the 12 months ended April 30 were $2.15, including about 12c tax deferrals (not normalized) and about 11c representing credits for settlement of income taxes for prior years for less than amounts provided in those years.

With Stowers Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Arthur S. Ruppenthal is now with Stowers & Co., 312 West 46th Terrace.

Julian Francis Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, California—Michael J. Amore has been added to the staff of Julian Francis & Co., 291 South La Cienega Blvd.

Ray Hommes Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, California—Etiettne S. D'Artois is now with Ray Hommes & Co., 120 East Camino Drive. Mr. D'Artois was formerly with Boren & Co. and Leonard B. Schneider.

IBA Presents Booklet Of Member Ads.

WASHINGTON, D. C.—Investment bankers and securities dealers have, during the past decade, progressively and unmistakably humanized their approach to advertising, in marked contrast to the "tombstone" and other uninspired copy that characterized the promotion efforts of the investment community since the earliest days of the nation, according to W. Carroll Mead, Mead, Miller & Co., Baltimore, Chairman, Education Committee, Investment Bankers Association of America. In support of his observation, Mr. Mead directed attention to the pictorial record found in bulletins published by his Committee, "Reproductions of IBA Member Advertisements," the July, 1957 issue of which is now being mailed to Association members.

W. Carroll Mead

Publication of "Reproductions" was inaugurated by the IBA in 1949 at a time when many members did little if any advertising, and many other members were still using uninspired copy of the purely informational type, such as business cards, new issue, and other notices. "Reproductions" was designed to stimulate increased and more effective advertising by members and others in the securities business by making available non-tombstone exhibits submitted by members throughout the country. In this way a clearing house for the exchange of ideas, mutual brain picking, was provided with the hope that dealers who were lagging in their advertising efforts might emulate the more advertising-conscious houses.

The current issue of "Reproductions" includes over 300 advertisements representing copy sponsored by 115 member organizations. During the past eight years, approximately half of the 800-odd IBA members have had their advertisements published in "Reproductions"—all told, about 2,500 exhibits. Perusal of these advertisements indicates the extent to which progress has been made in adopting modern advertising techniques. They clearly reveal the attempt to sell and reflect the present-day concept of advertising promotion: Get attention, arouse interest, provide information, and stimulate action. They have eye-catching art, sprightly text, and arresting captions for the most part.

In addition to reproduced advertisements, the "Reproductions" bulletins include articles dealing with advertising and promotion generally. The current issue includes, in addition to reprinted advertisements, the following items:

Advertising Effectively for the Securities Business:

Excerpts from an address by Edward W. Miller, Vice-President and Sales Manager, The Ohio Company, before the Institute of Investment Banking.

Financial Advertising:

A brief review of a 128-page book, "A Century of Financial Advertising in the New York 'Times'," prepared by Burton Crane of the "Times" staff, and a fleeting reference to the program of the Investment Bankers Association of America inaugurated in 1949 to stimulate more and better advertising.

Institutional Advertising:

Program of "Chicago Tribune" designed to publicize Chicago as a financial center benefits individual IBA members.

"Business Today":

Report on a radio program sponsored by an IBA member.

The IBA through publication of "Reproductions" is only one of a number of agencies that have been important factors responsible for the metamorphosis in securities advertising. Other agencies include the various organized groups in the investment community, such as the stock exchanges (and particularly the New York Stock Exchange) and the National Association of Investment Companies, and their respective members. Advertising agencies and business representatives of the newspapers have also provided impetus.

Many of the exhibits published in "Reproductions" are addressed to the new and small investors to appeal to this growing mass market. Much of the copy is of an institutional and educational nature designed to improve public understanding of securities, securities markets, and investing.

Roosevelt & Gourd Adds H. B. Thompson

P. James Roosevelt has announced the admission of Henry B. Thompson III as a general partner in Roosevelt & Gourd, 37 Wall Street, New York City.

Mr. Thompson was most recently an institutional representative with Glore, Forgan & Co., and had specialized in ethical drug and chemical securities as a security analyst with the same company.

Daniel Reeves Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, California—William A. Barnes is now connected with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges.

With W. G. Nielsen Co.

(Special to THE FINANCIAL CHRONICLE)

BURBANK, Calif. — James P. Underwood has been added to the staff of W. G. Nielsen Co., 362 East Olive Avenue.

Two Named Directors

NEW ROCHELLE, N. Y.—The election of Benjamin McAlpin, Jr., of Bache & Co., New York, and Louis Lerner of Lerner & Co., Boston, Mass., to the Board of Directors of Sightmaster Corporation has been announced by Michael L. Kaplan, President.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities. The offering is made only by the Prospectus.

New Issue

376,600 Shares

Pacific Power & Light Company

Common Stock

(Par Value $6.50 per Share)

Transferable Subscription Warrants evidencing rights to subscribe for these shares will be issued by the Company to holders of its Common Stock, which Warrants will expire at 3:30 P.M. Eastern Daylight Saving Time, on August 1, 1957, as is more fully set forth in the Prospectus. Any shares which shall not be subscribed for may be offered by the Purchasers as set forth in the Prospectus.

Subscription Price to Warrant Holders
$28 per Share

Copies of the Prospectus may be obtained only from such of the undersigned and others as may lawfully offer these securities in this State.

Lehman Brothers — Eastman Dillon, Union Securities & Co.

Bear, Stearns & Co. — Dean Witter & Co.

July 11, 1957

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Frear Bill Would Unnecessarily Burden Business in General

By HENRY G. RITER, 3rd*

President, Thomas A. Edison Industries of McGraw-Edison Co.
Chairman, Executive Committee, Nat'l Ass'n of Manufacturers

Edison head and NAM official presents the latter organization's case against S. 1168 which proposes to extend SEC coverage over corporations having more than 750 stockholders, or debt securities of more than $1 million in the public's hands, and $2 million of assets. The former NAM President refers to his previous investment dealer experience in maintaining that for the most part corporate financial information is available and "that isolated instances of a lack of information should [not] be used as a basis for unnecessarily burdening business in general." Mr. Riter believes that the proposed act is arbitrary, goes beyond the original concept of the SEC acts, and is an unwarranted penalty on progress.

Senate Bill 1168, which would extend Government regulations over new segments of industry is opposed by National Association of Manufacturers. We do not believe this is necessary or desirable.

Henry G. Riter, 3rd

A little less than two years ago, I had the privilege of submitting a statement to Senate Committee on Banking and Currency on S. 2054, which as I recall, was an up-dated version of the Frear Bill. My statement was in opposition to S. 2054 largely for the same reasons that we are opposing S. 1168, which it seems to me is another up-dating of the same basic proposal.

NAM does not believe that isolated instances of lack of information should be used as a basis for unnecessarily burdening businesses not seeking capital and not wishing to enjoy the privileges of listing on a national securities exchange. S. 1168 is considered to be such an unnecessary burden.

Says Information Is Revealed

Businesses realize that one of the best things they can do from their own point of view is to let their shareholders, their employees, and the citizens of their communities know as much about the affairs of their companies as possible. To accomplish this, great efforts are expended to make financial reports readable, to encourage attendance at annual meetings and to bring about a widespread knowledge of company operations.

It is respectfully submitted that, for the most part, financial information concerning corporations is available to shareholders. Management is highly responsive to the wishes of its shareholders and is seeking continually to satisfy and even to anticipate those wishes and to bring about an ever-increasing interest in the welfare of the firm. Industry has felt this can best be accomplished through providing the investing public with confidence in management. Great strides have been made by industry in educating the investing public in the problems of business and in explaining management's logic in seeking solutions. Indeed, each year it becomes apparent that increasing numbers of corporations are vying with each other not only to simplify their financial statements, but to make them so eye-catching that they almost compel the attention of the shareholders. In fact, nation-wide contests are now held to select the most outstanding annual reports.

NAM endorses the desirability of advancing the education of the American investor and expanding the number of shareholders in American business. Industry, investment counselors and various publications are performing notable service along these lines. We believe the investing public will be more adequately informed through the continuation of these efforts than can be achieved through Government regulation.

In my previous experience as an Investment Dealer, I found no difficulty in securing adequate information from companies whose securities are held by the public. I am confident that the experience of other Investment Dealers has been the same as mine. Moreover, a great deal of valuable information is made available to the public through various services such as Moody's Investors Service, Standard & Poor's and Fitch Investors Service.

Many States require that annual financial reports be submitted to shareholders. Many also provide that all the books of account and other records of operations be open to shareholders at all reasonable times; save and except for unreasonable and improper purposes. Many States even provide for inspection by other interested persons, including creditors.

Wants SEC Law Unchanged

It is well known that, in cases where corporations issue debt securities to the public, the indentures under which such securities are issued ordinarily create a contract right of inspection of books and records by the holders of the debt securities or by their representative.

The Securities Act of 1933 was to assure the potential investor of full and adequate information regarding a new issue of securities and the Securities Exchange Act of 1934 was to protect against unethical dealings in securities markets. S. 1168 goes beyond the original concept of these Acts. Companies would be affected that are neither seeking new capital through the sale of securities nor seeking the advantages of listing. The present Acts seem to provide some logic in the manner in which companies are exempted or not exempted. Under those Acts, companies seeking new capital or listing must meet certain requirements.

In this connection, it should be borne in mind that no company must have its stock listed on an exchange; but if it does, it acts with the full knowledge that it must submit to certain rules and regulations which have been set down by the Congress and by the Securities and Exchange Commission as well as by the particular exchange. This, therefore, is a voluntary standard. A standard which would apply to corporations having more than 750 stockholders or debt securities of more than $1 million outstanding in the hands of the public, and $2 million of assets is quite arbitrary.

Opposes Centralization Trend

There has been a marked tendency, over the years, toward the centralization of power in the hands of the Federal Government. NAM does not feel this to be a proper or healthy development. Increasingly, the rights of States and localities, and of firms and individuals, have been absorbed and usurped by a central government. The development of a great bureaucracy and the resulting tax burdens are not in the public interest. There is ample evidence on all sides that the benefits of such bureaucratic growth are not proportionate to the costs.

Inclusion of a firm under S. 1168 would subject the company to two methods of reporting. One would be to the State by which the corporation is chartered and the other to the SEC.

Fear has been expressed in view of testimony on previous bills that the present financial and numerical limitations may be considered only as expedient temporary levels. This is evidenced by the comment ". . .we felt it was not wise to undertake too burdensome an undertaking at the start . . ." Therefore, if the principles embodied in this bill are accepted, there is nothing to prevent its ultimate extension to smaller and smaller companies.

Simply because a company has managed to grow and to attract a fair number of shareholders, must it be singled out for additional Government regulation? Does not this appear to be an unwarranted penalty on progress?

Requirements of S. 1168 would impose serious financial burdens upon smaller businesses. An estimate has been made that, even for the smallest companies, an expenditure of from $10,000 to $15,000 a year would be involved to secure the type of accounting and legal assistance necessary to comply with the intricate SEC requirements.

S. 1168 will, without question, put an additional supervisory burden and expense on the Securities and Exchange Commission by enlarging the jurisdiction of SEC. In testifying with respect to S. 2054, the Chairman of the SEC estimated such costs at $500,000 a year plus the cost of initial equipment. These costs would have to be borne by the taxpayers generally which would include the companies affected by this bill. Expenses of this magnitude can be considered in no light other than as large at a time when widespread demand for economy is apparent throughout the country.

We feel it is generally agreed that, if the United States economy is to continue to grow with vigor, every encouragement must be given to new and smaller enterprises with no unnecessary impediments being permitted.

NAM respectfully urges that S. 1168 not be reported out of Committee.

*Taken from Mr. Riter's testimony before Senate Committee on Banking and Currency, Washington, D. C.

With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John M. Lishan is now with Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive.

Joins Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ann D. Plunkett has joined the staff of Samuel B. Franklin & Company, 215 West Seventh Street.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Frank X. Rickinger has been added to the staff of Paine, Webber, Jackson & Curtis, 626 South Spring Street.

With Leo Schoenbrun

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Stephen R. Lanzit is now with Leo Schoenbrun, 1385 Westwood Boulevard.

Guaranty Trust Assails Easy Money Fallacy

One of the nation's leading banks attributes current price inflation to insufficient goods and services being produced and critiques mistaken notions regarding supposed easy-money virtues and the present tight money situation. Refutes claims that: (1) we are suffering from excessively tight money; (2) the Government makes money tight; (3) banks and other financial institutions prosper from tight money at the expense of Government, business and people in general, and (4) more money will bring forth more goods and services.

In the July issue of "The Guaranty Survey," a monthly business and economic review of Guaranty Trust Company of New York, the present level of interest rates is viewed as quite moderate in comparison with previous prosperous periods and present rates in other countries.

The mistaken notions of tight and easy money persist even though, the bank points out, "Federal Reserve officials and others have patiently spelled out the nature of the present world-wide inflationary threat and the elementary fact that, at a time of substantially full employment of human and material resources, artificially easy money is practically synonymous with inflation. Yet the belief still seems to be widespread, even in high places, that however good existing conditions may be, easy money would make them better.

"This is the easy-money fallacy, one of the oldest in economic thinking, one of the most disastrous in its historical effects, and one of the most difficult to eradicate. Centuries of exhortation and even more centuries of bitter experience have failed to bring about a general understanding of the simple fundamentals of the role of money and credit in a free economy.

How Tight Is Money?

"The easy-money fallacy, as it exists in the United States today, appears to be compounded of a number of mistaken ideas regarding the origin and meaning of the current situation. Mistake Number One is the notion that the country is suffering from excessively tight money. Actually, the present level of interest rates is quite moderate for a time of active business. Rates on commercial paper, for example, average about 4%, as compared with 6% in 1929 and 7½% in 1920. Before 1929, a rate below 4% was exceptional. As for the 3% Federal Reserve discount rate, never until 1930 did any Federal Reserve Bank set a rate below that level. Only in comparison with the abnormally low rates of the depression years and the artifically maintained rates of the war and early postwar periods do the present rates appear high.

Nor is the rate structure in the United States high in relation to those elsewhere. Of the 32 foreign central-bank rates listed in the "Federal Reserve Bulletin," only five are below that in the United States. The fact is that countries all over the world are experiencing the same tendency toward inflationary overexpansion of credit, a tendency which has carried interest rates in most countries considerably higher than it has here.

With over-all statistical indicators at their present levels, it would be difficult indeed to argue that tighter money has adversely affected American business.

Housing construction is a business that is sometimes cited as a victim of tight money. Yet housing starts financed by conventional mortgages, which have been exposed to the full impact of the rise in interest rates, have not declined significantly. The decrease has occurred in starts financed by FHA-insured and VA-guaranteed mortgages, rates on which are fixed by law.

It is at least debatable, therefore, whether the decline can properly be attributed to the inability or unwillingness of home buyers to pay higher rates, or whether it should not be ascribed rather to the preference of potential FHA and VA borrowers to await an upward adjustment of their rates to levels more attractive to lenders.

Who Makes Money Tight?

Mistake Number Two is the idea that money has been made tight by governmental policy. Actually, it was more than six years ago that the Treasury relinquished its control of the money market. Since then the Treasury, like other borrowers, has sold its securities in the open market at the going rate of interest, not at an artificial rate established by the Treasury and supported by the Federal Reserve System. Monetary policy has been determined by the Federal Reserve, an independent agency, without interference by either the executive or legislative branch of the Government.

Is it the Federal Reserve, then, that has made money tight? Not in any positive sense. Except for seasonal variations, the amount of Federal Reserve credit outstanding has remained almost constant for two years. This means that the Federal Reserve has played an essentially passive role, simply allowing the money market to tighten itself as the demand for credit increased. What has happened to the money market is substantially what would have happened in a perfectly free market at a time of very active business.

It is not strictly correct, therefore, to say that the Federal Reserve has pursued a tight-money policy. It would be more accurate to say that the Federal Reserve has refrained from pursuing a policy of artificially easy money, a policy which, in a business situation such as has existed for the last two years, would have been a policy of inflation.

The same neutrality that has characterized monetary policy has also characterized fiscal policy. The Federal budget has been brought into approximate balance and held there. At the fiscal level, as at the monetary level, the market has been left very much to itself. If it has become tight, it is because money, along with human and material resources, has been at or close to the "full-employment ceiling," not because any central authority has made it tight.

Who Benefits from Tight Money?

Mistake Number Three is the notion that tight money is a situation from which banks and other financial institutions prosper at the expense of the Government, business, and the people in general. A moment's objective consideration is enough to show how superficial and inadequate this view is. Which is more costly to the Government and the taxpayers, an increase in interest on the public debt or an inflationary advance in prices that raises the cost of government all along the line? Which is more injurious to the Government's credit, a decline in the market prices of Treasury obligations or a shrinking dollar that makes savers fear to buy Government bonds lest inflation more than wipe out the value of the interest and leave them with less purchasing power than they had at the beginning? Which is worse for business, a rise in the cost of borrowed money or an unstable

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currency that upsets all calculations and makes intelligent planning impossible? Which is more damaging to consumers, an increase in their instalment payments or a rise in the cost of living?

What about pensioners, beneficiaries of trust funds, those dependent for their livelihood upon the proceeds of a lifetime of saving? They also are among the lenders of money, and they are the most helpless of all the victims of inflation.

As far as financial institutions are concerned, it is sometimes forgotten that the money they lend is not obtained for nothing. Savings institutions that receive higher rates must also pay higher rates to attract money. Commercial banks can obtain reserves to extend further credit only by borrowing from the Reserve banks at higher rates or by selling securities at higher yields and lower prices.

The normal tightening of money at a time of very active business is not good for some and bad for others. It is a natural and necessary feature of intense economic activity, and in such a situation it is indispensable to the maintenance of a stable currency and a healthy economy. Thus it is good for everyone.

A Needed Stabilizer

Almost all of the mistaken ideas regarding tight money and easy money arise from one basic error, namely, the failure to understand that an interest rate is a price; that, like other prices, it performs vital functions in a free economy; and that it cannot be manipulated with impunity, any more than other prices can.

Interest rates preserve the balance between saving and investment. Artificially low interest rates swell investment demand and at the same time discourage saving, and they can be maintained only by constant injections of additional funds into the money market.

Tight Money and Tight Goods

When consumers and investors desire to buy more goods and services than can be produced by existing plant, labor force, and productivity, they find their buying capacity limited by the fact that total income equals total output, and no more. When they try to borrow in order to increase their purchases, they find that money is tight. They tend to conclude that something is wrong with the money market, whereas in reality the basic difficulty is not a shortage of money but a limited supply of goods and services produced.

Money can be produced at will by governmental authority, but goods and services cannot. The factors of production can be increased only gradually. If the money supply is increased faster, the economy suffers from a situation of "too much money chasing too few goods," and prices in general are forced higher.

Because of this, and because men have clung to the delusion that more money will bring forth more goods and services, economic history through the ages is a record of intermittent currency depreciation, with all the blind injustice, trade disorder, and industrial prostration that follow in its wake. Yet the ancient fallacy refuses to die. The outcry against tight money is its present-day manifestation.

Manheim Director

W. E. Luke, Chairman of The Linen Thread Co., Inc., of New York, has announced the election of Frank J. Manheim to the company's Board of Directors.

Mr. Manheim is a partner of the investment banking firm of Lehman Brothers.

Halsey, Stuart Group Offers Wisconsin Tel. 4½% Debentures

Halsey, Stuart & Co. Inc., yesterday (July 10) headed an underwriting syndicate which offered $30,000,000 of Wisconsin Telephone Co. 35-year 4½% debentures, due July 1, 1992, at 101.25% and accrued interest, to yield approximately 4.43%. The underwriters won award of the debentures at competitive sale on July 9 on a bid of 100.511%.

Net proceeds from the financing will be used by the company to repay advances from its parent organization, American Telephone & Telegraph Co., and for general corporate purposes.

The debentures are to be redeemable at optional redemption prices ranging from 110% to par, plus accrued interest.

Wisconsin Telephone Co. is engaged in the business of furnishing communication services, mainly local and toll telephone service, in the State of Wisconsin. On March 31, 1957, the company had 970,843 telephones in service, of which approximately 60% were in the Milwaukee, Madison, Racine and Green Bay service areas, approximately 45% being in Milwaukee. Toll service is furnished by the company throughout most of Wisconsin, in certain cases in conjunction with connecting companies, and toll service is also furnished between points within and points outside Wisconsin in conjunction with other companies. Services of the company also include teletypewriter exchange service and services and facilities for private line telephone and teletypewriter use, for the transmission of radio and television programs and for other purposes.

For the three months ended March 31, 1957, the company showed total operating revenues of $24,139,187 and net income of $3,088,649.

M. L. Weiss Partner

Judah Kaplan has been admitted to partnership in M. L. Weiss & Co., 123 Greenwich Street, members of the American Stock Exchange.

With J. B. Hanauer

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Alfred L. Alexander has been added to the staff of J. B. Hanauer & Co., 140 South Beverly Drive.

With Walston & Co.

Walston & Co. Inc., 120 Broadway, New York City, members of New York Stock Exchange, have announced that David Robbins has joined the firm as a registered representative.

With W. G. Nielsen

(Special to THE FINANCIAL CHRONICLE)

BURBANK, Calif. — James K. Connell has been added to the staff of W. G. Nielsen Co., 362 East Olive Avenue. He was formerly with McCormick & Co.

Joseph Faroll Branch

LAKE KIAMESHA, N. Y. — Joseph Faroll & Co. have opened a branch office in the Concord Hotel under the direction of Mark L. Greif.

THIS SUMMER, PLAN ALSO TO

see America the BOUNTIFUL

VISIT BUTTE, MONTANA—"THE RICHEST HILL ON EARTH"—AND SEE HOW THE ANACONDA COMPANY MINES THE METALS SO ESSENTIAL TO THE NATION'S ECONOMIC STRENGTH.

Seeing the America that's *Bountiful* as well as Beautiful can be an interesting part of your vacation itinerary. This summer if you plan to take in the scenic spectacle of Yellowstone Park, you will be within easy driving distance of Butte—home of The Anaconda Company and for over 70 years one of the world's most spectacular producers of copper and other important metals.

Butte sits atop a veritable honeycomb of tunnels, shafts and passageways totaling some 2700 miles in length. More than 6500 of its residents are employed by Anaconda in extracting the seemingly inexhaustible mineral wealth of a 32 square-mile area whose output increases year after year.

On guided tours you can go underground in the Kelley Mine and see how 15,000 tons of ore a day are mined by the ingenious block-caving method. You can stand on a ledge 500 feet above the floor of the new Berkeley "canyon," illustrated above. This is a giant open pit operation now nearing an output of 17,500 tons of ore daily. Or, if you wish, you can "do" Butte, the city and its mines, on your own schedule. The Anaconda Company will be glad to send you a do-it-yourself map and guide to a memorable tour of the famed "Copper Trail." Simply write the Company at Butte, Montana.

The Anaconda Company extends a cordial invitation to inspect "The Richest Hill on Earth" and believes your stay will give you a new pride and appreciation of your America the Bountiful.

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Marcus Nadler Finds Boom Ending, With Recovery to Follow Respite

A summer setback should halt inflation, stimulate productivity and efficiency, promote increased savings and, thus, according to Dr. Nadler, provide the basis for a sound upward swing to follow this brief respite and, admittedly, painful correction period.

The Hanover Bank's consulting economist, Dr. Marcus Nadler, in writing on "The Economy at Mid-Year" for the bank's June monthly informal report, believes business activity in the United States may be headed for a sound upward swing.

Marcus Nadler

According to Dr. Nadler, who is also Banking and Finance Professor at New York University, the basis for the uptrend lies, paradoxically, in the possibility that the Summer decline in business may exceed the expected seasonal downtrend.

The brief setback, while it may be painful to some, is desirable on the whole, for it should halt the inflationary forces, stimulate productivity and efficiency, and lead to an increase in savings, he explains.

Any decline in the near future is sure to be moderate and short-lived, for the economy at mid-year is essentially "healthy and robust," Dr. Nadler adds.

"The country is enjoying full employment; Gross National Product and disposable income are rising; and people are spending freely on food, soft goods and services," he points out.

Less Pronounced Inflationary Forces Found Present

Dr. Nadler cautions that the inflationary forces are still present, though not as pronounced as at the end of last year.

"Wages are rising, the consumer price index has increased consistently for the past eight months, and the end is not yet in sight," the economist says.

Moreover, wages of unionized workers will automatically follow an increase in consumer prices, thus touching off another round of price increases in various commodities, Dr. Nadler states.

The economist foresees no change in Federal Reserve credit policies until business shows more signs of weakness than now prevails.

In view of the current leveling-out process in business activity, the "no-change" attitude of the Reserve authorities in regard to tight money policies has caused some surprise, Dr. Nadler reports.

Finds Reserve Authorities Attitude Understandable

However, the attitude of the Federal Reserve is "fully understandable," the economist maintains, for "If they were to change this policy now and make money easier, the inflationary forces would continue unabated," he explains.

"Moreover, the Reserve authorities cannot be sure whether the present minor decline in business activity is only a lull before an upswing sets in again," Dr. Nadler insists.

The six conclusions drawn up by Dr. Nadler follow:

"(1) **Business activity at the end of May, although somewhat lower than at the end of last year, is healthy and robust.** The country is enjoying full employment; Gross National Product and disposable income are rising; and people are spending freely on food, soft goods and services. Capital expenditures by corporations are large and government purchases of goods and services are mounting. But, despite the general prosperity, there is a feeling of uncertainty about the business outlook which changes almost from week to week.

"(2) **The pattern of the American economy in the postwar period has assumed a rolling character in that some sectors rise while others tend to decline.** This is particularly true at present. The output and sales of durable consumer goods, notably automobiles, have not come up to expectations. While employment in the service industries has increased, it has declined in manufacturing, and the number of hours worked per week has been reduced. Fewer home starts reflect the tight mortgage market, and there are signs of a decline in other types of construction.

Economy Is Sound

"(3) **The immediate outlook for business will depend primarily on whether strong or weaker forces will predominate and this in turn will be influenced by the psychology of management and of the ultimate consumer.** The economy of the United States is one of a high standard of living and only about half of the total consumption expenditures is for necessities; the rest are optional in character. Moreover, the buying habits of the people change constantly.

"At times they spend more on durable goods, at times on soft goods, and at other times they decide to save more and spend less. The same volatile attitude may be observed as regards the willingness to increase their debt. The movement of the equity market also has a pronounced effect on business sentiment. These psychological factors are primarily responsible for the constant changes in attitude from optimism to pessimism. Basically, however, the economy is sound and the only real question, as stated above, is whether the strong or the weaker elements will prevail.

"(4) **Although the forces of inflation are not as pronounced as at the end of last year, they are still present.** Wages are rising, the consumer price index has increased consistently for the past eight months, and the end is not yet in sight. The uptrend in itself will lead to an automatic increase in wages of many workers. And many others will receive substantial increases based on contracts concluded last year. The cost of transportation as well as local taxes continues to rise and thus the cost of doing business increases despite the great efforts to increase productivity.

"(5) **The inflationary pressures continue to determine the credit policies of the Reserve authorities.** The monetary authorities are fully aware of the fact that the boom has reached its peak and that the economy is leveling out. They cannot be sure whether the strong or the weaker forces operating will predominate in the near future. Nor can they overlook the inflationary pressures.

"While the demand for bank credit has slowed, the demand for capital by corporations and political subdivisions continues to exceed the volume of savings. The money market has remained tight. Money rates—notably long-term—have moved upward, and until business shows more signs of greater weakness than now prevails, no change in the credit policies of the Reserve authorities and in the money and capital markets can be expected.

Readjustment Period

"(6) **While predictions about the trend of business are hazardous because of the conflicting underlying economic forces, it is becoming more and more evident that the boom has run its course and that we are in the midst of a period of readjustment.** What is not known is whether the economy in the third quarter will remain at the present plateau or continue to decline moderately. Since productive capacity is greater than effective demand, inventory accumulation has ended, money continues tight and consumer credit is increasing at a slower rate.

"It is possible that the decline in the summer months will be more than seasonal. However, the economy is essentially sound, the pent-up demand for public works great, and disposable income continues to rise. Thus the expected decline in the summer months can be only moderate and of short duration. A brief respite, while it may be painful to some, is desirable on the whole. If this respite should halt the inflationary forces, stimulate productivity and efficiency, and lead to an increase in savings, it would lay the foundation for a sound upward trend of business activity later on.

Associates Investment Debentures Offered

Public offering of $20,000,000 Associates Investment Co. 5¾% subordinated debentures due June 1, 1977 was made yesterday (July 10) by an underwriting group headed jointly by Salomon Bros. & Hutzler and Lehman Brothers. The debentures were priced at 100%, plus accrued interest.

Net proceeds to be received by Associates Investment, the fourth largest automobile finance company in the United States, will be used to increase or maintain the working capital of the company but will be initially applied to the reduction of short-term notes due within one year.

The debentures will not be redeemable prior to June 1, 1967. After that date they will be redeemable at the election of the company at prices ranging from 103½% to 100%, depending upon the year of redemption.

Sinking fund provisions of the debentures, designed to retire 93.31% of the issue by maturity, require the company to redeem $1,333,000 principal amount of the debentures annually beginning June 1, 1963.

The company in 1956 had total income of $117,439,000 and net income of $19,508,000, the latter equal after preferred dividends to $5.93 per common share.

The business of the company and its subsidiaries is conducted through 161 offices located in 30 states, the District of Columbia and Canada and includes, in addition to its financing operations, a life insurance business, an insurance business other than life, and manufacturing and other business.

Charles Salik Forms Fleetwood Securities

SAN DIEGO, Calif.—Charles E. Salik has formed Fleetwood Securities Corporation with offices in the Bank of America Building. Mr. Salik is President of Salik & Co.

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Public Utility Financing and Money Market and SEC Regulation

dentures securing mortgage bonds, debentures and notes of registered holding companies and their subsidiaries, and in the charter provisions defining the rights and privileges of holders of the common and preferred stocks of those companies.

Codification of Principles and Policies

In this connection, I should like to digress for a moment and tell you about a novel approach to regulatory procedure which the Commission worked out in 1956. On Feb. 17 of that year, it adopted Statements of Policy with respect to first mortgage bonds, such as bondability of property, sinking fund, renewal and replacement fund, limitation of dividends, etc., and to preferred stocks of public utility companies such as limitation on unsecured debts, voting rights limitation on common stock dividends, etc. In effect, these Statements of Policy represented a codification of certain principles and policies prescribed for the protective provisions of securities announced on a case-by-case basis over a period of 15 years, as modified in the light of experience, and a reappraisal of those principles and policies in the further light of comments received from the numerous interested persons whose views had been solicited prior to adoption of the Statements. This development has already brought about substantial simplification in our administration of the Act and it has provided the means of achieving a greater degree of uniformity of treatment and interpretation than was possible under the case-by-case method formerly used. The Statements of Policy also provide investors, the issuing company, and the professional practitioners who specialize in this field with a convenient guide to enable them to determine in advance the basic standards required by the Commission.

The SEC is not the only authority having regulatory responsibility over the financing of those electric and gas utility and natural gas pipeline companies which are associated with registered holding company systems. The State public utility commissions, which regulate the rates charged by the electric and gas utility subsidiaries of registered systems for the service which they provide their customers, also have jurisdiction over the issuances of their securities. The Federal Power Commission has certain jurisdiction over the financing proposals of natural gas pipeline companies which are also subject to the Act we administer.

Congress did not intend that our jurisdiction overlap or duplicate the powers of the State commissions or of the Federal Power Commission. Rather, it was designed to supplement and strengthen the jurisdiction of those agencies. A financing proposal by any company in a registered holding company system cannot be considered as just the problem of an individual company. It must be viewed as an important part of the over-all financing program of the entire system. The issuance of securities by one company in a holding company system must be so designed that it will not impair the financial integrity of the holding company system as a whole.

While I could spend hours discussing all the problems which arise in connection with our review of financing proposals under the Holding Company Act, there are two which would probably have the greatest interest at this particular time. The first relates to the preservation of sound capital structures and the second pertains to that warmly debated topic of call prices on fixed income-bearing securities.

Sound Capital Structure

The interest paid by a public utility company on its bonds and the dividends which it pays on its preferred and common stocks are geneerally regarded by regulatory authorities as an important element in the rate-making formula. Indirectly, of course, the interest and dividends paid by a registered holding company to its security holders influences the capital costs incurred by its subsidiaries. If a holding company is over-capitalized with debts, its subsidiaries must even stint on maintenance in order to pay up enough dividend income to support the parent's capitalization. In fact, this was one of the abuses which led to passage of the Act.

We do not regulate rates under the Holding Company Act. However, we are concerned with the costs of capital to the public utilities and holding companies under our jurisdiction, not from choice but by mandate of the Congress of the United States.

The policy guide lines laid down by the Congress which we and the courts are required to follow in interpreting the Holding Company Act, are set forth in Section 1(b). This section states in part, ". . . it is hereby declared that the national public interest, the interests of investors in the securities of holding companies and affiliates and the interests of consumers of electric energy and natural and manufactured gas, are or may be adversely affected. . ." "When, . . . control of such companies is exerted through disproportionately small investment . . ." and ". . . when in any other respect there is . . . lack of economies in the raising of capital." The Act further directs that ". . . all the provisions of this title shall be interpreted to meet the problems and eliminate the evils as enumerated in this section." (Section 1)

Ever since the Holding Company Act became law in 1935, the Commission has consistently urged that registered holding company systems maintain strong capital structures. As stated on numerous occasions: "A balanced capital structure provides a considerable measure of insurance against bankruptcy, enables the utility to raise new money economically, and avoids the possibility of deterioration in service to consumers if there is a decline in earnings."

The SEC has not attempted to prescribe optimum or ideal capitalization ratios. In certain cases we have expressed the policy that debt ratios should not exceed 60% and that common stock equity should not be less than 30%. Nevertheless, it is realized that these standards might not be applicable to all holding company systems and under all conditions.

Capitalization Ratio Study

In September 1956, our Division of Corporate Regulation undertook a broad gauge study for the purpose of determining the advisability of recommending that the Commission issue for comment by interested persons a proposed Statement of Policy concerning appropriate capitalization ratios for registered holding company systems. Essentially what the

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study sought to determine were the maximum debt and minimum common stock equity ratios which the Commission should permit under the standards of the Act; what the optimum or ideal capitalization ratios, if there be such things, should be; and whether or not the Commission should promulgate such a Statement of Policy. It is still too early to say what will come out of this study. However, I might say that many of the interesting comments received indicate that the setting up of specific capitalization ratio standards can lead to harmful inflexibility and that we should continue our present practice of judging the appropriateness of ratios on a case-by-case basis, which takes account of the many variations existing among utility companies as well as the economic climate at any given time when securities are issued.

That the achievement and preservation of sound capitalization ratios are essential to the financial health of the public utility industry has been recognized not only by the Commission, but by other regulatory bodies and also by informed writers on the subject. Most of these authorities are generally agreed on the necessity for an adequate "cushion" of common stock equity to take up the shock of a severe decline in earnings. Debt securities should not be issued in excessive amounts notwithstanding the attractive tax advantages presently accruing from this type of financing. A strong capital structure assures maintenance of a company's high credit rating in periods of falling security prices and thus enables a company to keep its capital costs at the lowest levels obtainable in the market place at all times. In this connection, I am also referring to excessive preferred stock capitalization. If dividends are passed on these issues, it might well reflect on the over-all credit of the system even though its debt obligations have not been defaulted.

A number of authorities urge that a utility company should not use up all of its property bonding credit in periods of low-interest rates, but rather that it should reserve a substantial portion of that credit for the inevitable time when it may become difficult, if not impossible to sell common stock. Furthermore, it is a matter of record that in a period of severe declining bond prices, such as we are witnessing today, the interest costs on issues of lower investment quality have increased to a greater degree than the interest costs of top quality offerings.

Inverse Relationship of Interest Rate and Quality

Let me illustrate. Boston Edison Company, whose bonds are rated "Aaa," sold an issue on June 4 of this year at an interest cost of 4.58%. The company's previous bond issue on July 27, 1954 brought an interest cost of 2.96%. Thus, the company sustained an increase of interest cost resulting from the tightening trend of the money market in the interim of 162 basis point. This represented a 55% advance in cost. Community Public Service Company, whose bonds are rated "A," sold bonds on May 28 of this year at an interest cost of 5.49%, compared with an interest cost of 3.19% obtained on its previous bond sale on April 7, 1954. The rise in interest rates during the interim cost this company an additional 230 basis points, or an increase of 72%.

The present state of our bond market with interest rates at the highest levels in 25 years is giving the public utility industry some painful headaches. Because of the continuation of serious inflationary pressures and increasing outlays for construction of plant and equipment by all industries, no immediate relief seems to be in sight. The latest estimates of plant and equipment expenditures by the electric, gas and water utility industries, as compiled by our Division of Trading and Exchanges, indicates that expenditures planned for the first nine months of 1957 will reach a level of $4.63 billion, or 34% above the total of $3.44 billion recorded in the corresponding period of 1956. While increasing prices for capital goods accounts for a substantial portion of this dollar increase, the public utility industry will have to raise the money to pay for this increased investment and the major portion of it will have to come from our public securities market. No one knows how long this pace will continue, but the utility industry had to expend money for plant additions even in the depths of the great depression of the early 30's.

It is not generally realized that public utility companies cannot turn their plant expansion programs on and off like the spigot at the kitchen sink. This is because of the long lead time required for construction of major plant items, such as the electric generating stations which take up to two and one-half years to build. Consequently, whether we like it or not, public utility companies will have to resort to public financing at regular intervals of from one to three years, regardless of the levels of security prices.

Timing and Flexibility

This brings me to one final thought before I close my remarks on capital structures. It is a point that I want to emphasize very strongly; and that is the important matter of timing in long-range financial planning. Because utilities have to go to the capital markets at such frequent intervals, it is of the utmost importance that plans be kept as flexible as possible. In our experience over the years, we have seen a number of companies borrow so heavily on short-term notes from commercial banks and extend their notes so many times, that they get backed into a corner and are forced to take whatever the market will pay for their securities at a particular moment and frequently this is a time when security prices are low.

By this I mean that a public utility company or a holding company should always try to keep as much leeway as possible so that it can switch its financing plans on short notice if it appears to find itself in a falling securities market. In a market like the present one, where quality bonds have to be sold at the highest interest costs in 25 years but when new common stock offerings can be sold at the most attractive rates in many years, it seems to be a good calculated risk to sell as much common stock now as can possibly be sold in anticipation of

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new gift from the sea!

Locked under the floor of the Gulf, one of Nature's most stubbornly held treasures. Natural gas! Trillions of cubic feet, now freed by sea-going drillers.

Long metallic fingers of pipeline reach it . . . gather and tie these offshore fields into the 9,800 mile system of Tennessee Gas. Swell its reserves to a record high of 15 trillion cubic feet!

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funding requirements for as much as two or more years ahead. Similarly, try to stretch out bond financing until some later date when we all hope that interest rates will have receded to a more attractive level.

By way of illustration, let me illustrate with two security offerings which took place on June 18. Southern Bell Telephone & Telegraph Company, a subsidiary of A. T. & T., sold $70 million of Moody's "Aaa" rated debentures due 1986, at competitive bidding, and received an interest cost of 4.9136% on a 5% coupon. The bonds were reoffered on a 4.85% basis and are non-callable for any purpose for five years. At the same time, Gulf States Utilities Company, whose bonds are rated "Aa" by Moody's, sold 200,000 shares of common stock at competitive bidding and received a price of $37.88 per share with a dividend cost of 4.22%. The shares were priced for public offering at 39¼ to yield 4.08%. The stock earned $2.28 per share in the 12 months ended April 30, 1957, with the result that the stock cost the company an earnings-yield basis of about 6.02%.

Call Prices on Fixed Income-Bearing Issues

Now, I would like to say a few words about call prices and so-called "freezes" on refundability. This subject has been widely discussed in the industry and in the financial community during the past six months. Let me say that the Commission is fully aware of the terrific pressures which are being brought to bear on the financial officers of public utility companies and holding companies when they start getting a new bond offering ready for market.

As I indicated earlier, we are not free agents in this debate. Because of the strong mandate contained in Section 1(b) of the Act against ". . . lack of economies in the raising of capital," the Commission has always felt compelled to concern itself with the prices at which bonds, debentures, or preferred stocks may be redeemed for refunding purposes. In a number of cases the Commission has set forth its long established policy that senior securities should be fully redeemable at the option of the issuing company upon the payment of a reasonable redemption premium. It has strongly opposed the use of non-callability provisions or redemption premiums which are so high as to preclude any foreseeable possibility of refunding at lower interest or dividend rates. In the *Arkansas-Louisiana Gas* case (35 SEC 317, 1953), the Commission stated: "Without attempting to predict the future state of the money market, we feel strongly that the proposed provision for non-callability of the bonds over the next ten years introduces a potential 'lack of economies in the raising of capital.'" In the *Indiana & Michigan Electric Company* case (35 SEC 326, 1953), which followed a few days later, the Commission stated further: "It is our opinion, however, that non-redeemable features in senior securities, even though the period of non-redeemability is as short as three years, should not be resorted to as a means of reducing the cost of money, and we shall in the future insist that all reasonable efforts be made to keep this undesirable feature out of financing programs."

SEC Rule of Thumb

In the Statements of Policy, to which I alluded earlier, the Commission prescribed that the first mortgage bonds and preferred stocks of public utility companies subject to the Act be redeemable ". . . at any time upon reasonable notice and with reasonable redemption premiums, if any." This has been our policy for a number of years. The problem is one of determining what is a "reasonable premium" under varying market and other conditions. In recent years we have employed a rule of thumb formula for this purpose, one which until recently had been used widely throughout the utility industry. This formula provides that the initial call price for refunding and general purposes should be the initial public offering price plus the interest coupon or dividend rate.

Certainly no one would contend that this formula produces the best measure of reasonableness in all situations, and the Commission carefully considers all of the circumstances in each case coming before it strictly upon a case-by-case basis. However, I would like to point out that the formula approach does contain a considerable degree of built-in flexibility. In periods of low-interest rates, when investors are not particularly concerned with the risk of loss from refunding, the formula produces comparatively low redemption prices which give the investor reasonable protection and also give the issuer some leeway in the event of a further substantial decline in interest rates.

At times like the present, when interest rates are very high interest or preferred dividend rates operate to produce higher call prices and greater margins of compensation against any subsequent losses from refundings. Thus, we have seen call prices in excess of 10% on the two recent issues of 6¼% bond offerings by Michigan-Wisconsin Pipe Line Company and Michigan Consolidated Gas Company, where the purchasers were provided by the formula with a protection of 6¼ points, which is the coupon rate, over the initial public offering price.

On Aug. 25, 1954, Arkansas Power & Light Company sold 3¼% bonds at a public offering price of $101.93 which, if we had applied the formula, would have given the purchasers a net call premium over the initial public offering price of only 3.25%. Actually, in this case the company used a slightly lower initial call price than the formula.

At the present time, I know utilities are being subjected to a great deal of pressure to put a "freeze" on refundability for five years or more in the indentures securing new bond and debenture issues. There has been much discussion of the amount of any savings which may accrue to the issuer from using such a non-callable provision. While, as I mentioned earlier, the Commission regularly follows its long established policy of opposing non-redeemable features or call prices which are so high as practically to preclude refunding, our staff has done considerable research on this question.

However, one pair of new electric utility offerings came out recently which sheds some light on the subject. On May 15, 1957, New York State Electric and Gas Corporation sold $25 million of 30-year 4⅝% bonds. They were rated "A" by Moody's and "A-1" by Standard-Poors. They brought an interest cost of 4.575% and were reoffered to yield 4.53%. This issue carried a five-year freeze on refunding.

On the following day, May 16, Florida Power & Light Company sold $15 million of 30-year 4⅝% bonds at an interest cost of 4.5524% and the bonds were reoffered to yield 4.50%. This issue was rated "Aa" by Moody's and "A-1" by Standard and carried an initial call price for refunding and general purposes of 107.046—equivalent to the initial public offering price plus 5, which is only nominally different from the formula.

The Florida bonds enjoyed an immediate sell-out at the syndicate price. The New York bonds, with the five-year freeze, moved slowly on the first day of the offering. The issue picked up speed the next day when the Florida issue started to move out and ultimately was entirely sold at the syndicate price.

A comparison was made of the market quotations for seasoned bonds of the two companies carrying comparable maturity and other security provisions. The market for seasoned corporate bonds of investment grade is extremely thin because such bonds are invariably purchased by institutional investors who hold the bond permanently or for long periods of time. Nevertheless, the market quotations for several pairs of comparable seasoned bonds of Florida and New York indicate that when the two companies sold their new bonds in the middle of May, their outstanding seasoned bonds were valued at virtually the same figures in the market place. Since the Florida and New York bonds were offered at about the same time, and carried closely comparable terms and security provisions, it would seem that the five-year non-callable feature of the new New York State Electric bonds did not give them any significant price advantage. At the time of the offering, the "Wall Street Journal" reported that the New York company had received approximately seven basis points lower interest cost as a result of putting in the freeze.

In this connection, I would like to refer again to the recent Southern Bell Telephone bond offering with the five-year freeze. The company received an interest cost of 4.91% and the bonds were publicly offered on a 4.85% basis. The bonds were rated "Aaa" by Moody's. At the time of this offering, the previously offered New York Telephone bonds, which carry a five-year longer maturity, an initial call price of $106.755 for refunding purposes and also a Moody's rating of "Aaa," were trading in the Over-the-Counter market at around a 4.63% yield basis. These bonds were offered at $101.755 as recently as May 22, and the offering syndicate was terminated with a substantial amount of the issue still unsold. The higher interest cost received by the Southern Bell Company, as compared with the 4.63% yield on the New York bonds, indicates that the value placed by the market on the five-year freeze was not great. In the June 19 issue of the "Wall Street Journal," the comment was made in the "Financing Business" column: "Yesterday's lofty rate came about notwithstanding the fact that Southern Bell agreed to make the 29-year securities non-callable for the first five years."

This question is not one of mere academic importance. No one knows what the future trend of interest rates will be. But history could repeat itself in the next one to five years and we all remember the big wave of refundings which occurred late in 1953 and early in 1954 following the period of sharply rising interest rates which ended in the summer of 1953. One company refunded an issue of bonds which had been outstanding less than six months. In the first three years following the close of World War II, there was a much larger volume of refundings of both bonds and preferred stocks.

Up to this point we have not had presented to us any real concrete evidence as to just what saving can be obtained by increasing the call prices for refunding purposes. However, as I indicated earlier, the Commission has a long established policy against non-callability. Against any saving which might be demonstrated as flowing from an increased call price or a freeze on refundability, you must weigh the added cost to the issuer, resulting from surrendering a possible opportunity to refund the bonds at a substantial interest saving in from one to five years following the initial offering.

In closing this discussion of call prices, I would like to deal briefly on the results of an informal survey our staff has made of the market responses to six new offerings of utility bonds. The first four of these carried conventional call provisions without freezes on refundability. They were the Florida Power & Light 4⅝s, El Paso Electric 4¾s, National Fuel Gas 5½s, and Columbia Gas System 5½s. The two remaining issues, New York State Electric and Gas 4⅝s and Public Service Company of Colorado 4⅞s carried five-year freezes on refundability.

The information obtained was not complete. Nevertheless, it indicated that the patterns of distribution of the bonds of each issue among institutional investors were generally similar. The "Big Five" insurance companies in the New York metropolitan area did not buy any of the issues and the interest shown by the large New York commercial banks administering personal and pension trust funds was not great. With one minor exception the large insurance companies in the Hartford, Connecticut, area did not buy any of the issues.

Denies Blocking Cooperative Efforts

In the June 6, 1957 issue of the "Public Utilities Fortnightly," the Hon. Eugene S. Loughlin, Chairman, Connecticut Public Utilities Commission, has taken an opportunity to comment on the Holding Company Act administered by the SEC. The tenor of his comments is that "when business-managed companies seek to join forces for purposes of joint financing, and other cooperative efforts, they find themselves blocked by provisions still left on the statute book by the old Holding Company Act."

I think that the learned gentleman has raised a very interesting question. In this connection, you may find some interest in reading page 161 of our 22nd Annual Report. Without the benefit of new legislation, and wholly within the concept of the statutory standard, several large generating companies sponsored by registered holding company systems as well as several non-affiliated utility companies were organized to furnish power to installations of the Atomic Energy Commission. These financing applications were authorized by the Commission.

In the past fiscal year, Yankee Atomic Electric Company, sponsored by 12 utility systems operating throughout New England, presented the first formal proposal under the Act relating to the construction of an electric generating plant powered by atomic energy. I cannot see how the conclusion can be drawn that the Act is inflexible or is administered without flexibility. The Commission, in the Yankee Atomic case, authorized all of the proposed transactions and granted the requested exemptions to the sponsoring companies, two of which operate principally in Connecticut.

We found that the proposed acquisition of Yankee Atomic's securities by the sponsoring companies would not be detrimental to the carrying out of the integration and corporate simplification provisions of Section 11 of the Holding Company Act and that the joint project tended towards the economical and efficient development of the integrated utility system in the New England area.

Personally, I do not believe that S. 2643, known as the Pastore Bill, would accomplish more than is provided for by the Act. In fact, I am not aware of any specific example of a utility financing recently submitted to the Commission which was blocked "by provisions still left on the statute book."

In a more recent case, Power Reactor Development Corporation, located outside of Detroit, was organized by utility and non-utility business interests for the purpose of research and development in the field of atomic power. This Commission, under the Holding Company Act, found that Power Reactor Development Corporation was not an electric utility company within the meaning of Section 2(a)(3) and was therefore exempt from the Holding Company Act. Thus the sponsoring companies, a number of whom were industrial corporations, did not by virtue of their relationship to Power Reactor Development Corporation become holding companies subject to regulation under the Holding Company Act. We have made it quite clear that the Holding Company Act was maturing and growing with the state of the art and that undue fears as to the reach of the Act were unwarranted. I might also point out that the Commission had previously promulgated Rule U-7 under the Act to make our position quite clear, that companies such as PRDC which produce heat or steam and are primarily engaged in research and development in the power reactor field and organized not for profit, are not subject to the Act. I again offer this as an illustration to you that the Holding Company Act and the standards that must be met thereunder need not, and have not, been so interpreted so as to preclude the development of the art of power generation and distribution.

In Holding Company Act Release No. 13292, we refused to investigate the American Gas and Electric System's construction of a proposed 450,000 kilowatt generating station in western Indiana, over 130 miles from AG&E's nearest generating plant and distribution area. It was alleged that the mere location of the plant would put the company in a position to render service in the territory serviced by another utility company and that as a result such action would violate the integration standards of the Act.

Need Not Fear SEC Administration

Our refusal to investigate was the clearest expression that the Act can mature concomitantly with the state of the art. We found that there is no statutory requirement that all generation and transmission facilities of an integrated electric utility system must necessarily be entirely within its service area. This would answer the sometimes expressed industry fear that larger and more economic generating facilities cannot be constructed because the Act would preclude it. The fear may possibly be that the administration of the Act, and not the provisions themselves, constitutes the threat. I think that the record shows that this fear has no basis in fact.

S. 1168, better known as the Fulbright bill, is current legislation with which we are vitally

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concerned. This bill was introduced by Senator J. W. Fulbright, of Arkansas, Chairman of the Committee on Banking and Currency, on Feb. 11, 1957, and is identical, with one exception, to S. 2054, introduced on Aug. 5, 1955 at the previous session of the Congress following Senator Fulbright's stock market study. That exception is that the exemption for insurance corporations in S. 2054 does not appear in the present S. 1168.

Financial Reporting and Proxy Practices

On May 25, 1956, following intensive study of the financial reporting and proxy practices of a great many companies, this Commission presented its report on the Fulbright bill which would make companies having 750 or more stockholders, or $1 million of debt securities outstanding in the hands of the public and $2 million of assets subject to the financial reporting, insider trading and proxy provisions of the 1934 Act, Sections 13, 14 and 16. Approximately 1,200 corporations with total assets of $35 billion would come within the scope of this legislation. Thus we are not here talking of small business but rather of big business.

As a result of our study, the Commission unanimously took the position that the principles and objectives of the bill are sound and supported its enactment subject to certain changes. One of these changes, following another detailed study of financial reporting and proxy practices of insurance companies, was the recommendation that the exemption for insurance companies be deleted from the bill, which was adopted by the Senate Committee. There would be 169 insurance companies having total assets of about $24 billion which would meet the size provisions of the bill. Of these 169 companies, 44, having total assets of $5 billion, are presently required to file financial reports with the SEC pursuant to Sec. 15(d) of the 1934 Act. The other 125 companies with total assets of $19 billion would for the first time be obligated to make such filing.

We also found that most of the companies, not presently subject to our proxy rules, issued proxy material that was inadequate to furnish investors with sufficient information to enable stockholders to cast informed votes in corporate elections. The typical proxy was accompanied by a notice of meeting with no proxy statement. In 75% of the cases we reviewed, the identity of the management slate of directors was not disclosed. In many cases where proposals were submitted for stockholder action, no ballot was provided on the proxy form by which the shareholder could vote for or against the proposal. Many of the proxies provided only for a "yes" vote, making no provision for the stockholder desiring to vote in the negative.

It has been almost 23 years since the Securities and Exchange Act was enacted. Our report indicates, for many not subject to the jurisdiction of this Act, self-regulation has not succeeded to any great degree. Our recommendation is based on our study and the obvious fact that after almost a quarter of a century of SEC jurisdiction, many large corporations who have not been required by law to give information to their stockholders have not done so because they have not felt morally impelled to do so.

Abuses Under Rule 133

I would like to discuss some recent developments in our rules and regulations. On June 6, 1957, the former Chairman of this Commission, J. Sinclair Armstrong, in a speech given at the annual meeting of the Illinois Society of Certified Public Accountants, concluded that Rule 133, the "no-sale" theory, was an unsound interpretation of the Securities Act of 1933. Rule 133, in effect, provides that no sale is involved in the submission to the stockholders, of a corporation, of a plan or agreement for a statutory merger, consolidation, or reclassification of securities which vote will authorize the plan and bind all but the dissenting shareholders. Mr. Armstrong's reasoning is most persuasive. Our proposal to amend the Rule so as to require registration has been withdrawn recently, but the problems presented by this Rule are of great concern to industry, to the bar and to me. Those who opposed our amendment or recision of the Rule seem to overlook the abuses that have occurred by individuals using the guideposts of Rule 133 to free-up stock and facilitate a distribution. I would like to call attention to the difficulties I have with the Rule as an interpretation by pointing out that the end result of a vote of the shareholders constitutes an "attempt . . . to dispose of . . . a security for value." as those words are used in the Securities Act.

It has been argued that an administrative interpretation of such long standing cannot be altered without consultation with the Congress, especially where the Congress had amended the very section to which this problem applied and did nothing about the Rule. But this is no argument supporting the correctness of the Rule. Suffice it to say that the Second Circuit in *F. W. Woolworth vs. U. S.* 91 F2d 973, 976, stated. "To suppose that Congress must particularly correct each mistaken construction under penalty of incorporating it into the fabric of the statute appears to us unwarranted." The issue is now whether or not the Rule is valid. If invalid, this would not of necessity mean a plethora of reports as some people seem to imagine. On the contrary, if these corporate acts require filing with this Commission, these can be facilitated by incorporating by reference other reports required to be filed with this agency. Companies subject to the proxy rules would not have the slightest difficulty if the Commission saw fit to adopt a form which would incorporate by reference the proxy soliciting material which is otherwise filed with this agency.

The Commission has recently adopted its note to Rule 460 which explains its policy in accelerating the effective date of a registration statement. The note to Rule 460 recites a number of situations in which acceleration may not be granted. These situations include cases where the registrant will indemnify its directors for liabilities arising under the Securities Act of 1933, where the registrant likewise indemnifies its underwriter: where an investigation is currently being made of the registrants, its controlling person or underwriter: where one of the underwriters violates the net capital rule, and where persons connected with an offering may have conducted activities which indicate a cause of artificial market action. This has been the Commission's policy for many years and the note for the first time clearly sets forth these cases. We have had much discussion about provisions which provide for indemnification of directors.

It is the Commission's view that a provision which specifically indemnifies a director narrows down the class of persons Congress sought to make liable for violations of the Act. In effect, these indemnification provisions, even though valid in the state of incorporation, limit the effect of Section 11 of the Securities Act of 1933.

If acceleration of the registration statement is desired, the Commission requires that the registrant insert a statement that the issue of indemnification will be submitted to a court of competent jurisdiction if the problem is ever raised. As a practical matter, the issue has never been raised.

On Nov. 23, 1956, Rule 434A was adopted which permitted certain issuers to use a summary prospectus. The Rule is limited to registrants filing in Form S-1 or S-9, where at the time of filing such registrants are required to file reports under Section 15(d) of the Securities Exchange Act of 1934, or if such issuers are listed companies on a national securities exchange.

Rule 434A is on trial for it can easily be abused. Brief solicitation materials can be false and misleading, as was evident in the 1920's when one-page brochures were utilized in the distribution of securities. However, I have high hope that this new summary prospectus, urged by industry, will be used to secure broad dissemination of information about new issues consistent with the spirit of disclosure under the Federal securities acts. We have every indication that issuers are using these summary prospectuses and that the Rule is being utilized more often.

Charles A. Bianchi In Kenny Fund Appeal

Charles A. Bianchi, senior partner in the investment banking firm of Winslow, Cohu & Stetson, 26 Broadway, New York, will represent investment bankers in the 1957 Sister Elizabeth Kenny Foundation fund appeal, August 20 through September 30.

Charles A. Bianchi

Commerce and Industry's goal for Greater New York is $200,000 toward the over-all Eastern Area figure of $474,000. Mr. Bianchi also served the Kenny Foundation in its 1955 and 1956 fund-raising campaigns. He holds various directorships.

"I have followed the polio situation quite closely," Mr. Bianchi said, "and while I am encouraged, especially by the recent advancements, I know that polio must be considered a dangerous enemy until ultimate victory is achieved. We can't afford to take any chances.

"The Kenny Foundation is to be commended for its accomplishments in the polio battle. It still faces a big task, when you consider the thousands of old cases in need of treatment and rehabilitation. Today, too, finds it expanding into the field of other neuromuscular ailments. It deserves our help to the fullest extent."

There is no charge for the Kenny treatment, the Foundation depending upon public contributions for its support.

New Blair Branch

TULSA, Okla.—Blair & Co., Inc., has opened a branch office in the Atlas Life Building under the management of John L. Rowe. Mr. Rowe was formerly with A. C. Allyn & Co.

To Be Reeves Partner

SHERMAN OAKS, Calif.—Robert I. Higgins on July 18 will become a partner in Daniel Reeves & Co. Mr. Higgins is manager of the firm's Sherman Oaks office at 14221 Ventura Boulevard.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market continues to make a better showing because of the more favorable trend which has been in evidence in the corporate and tax-exempt markets. It is reported that while there has been a minor pick-up in the demand for all Treasury issues, the action of these securities is still not out of the professional stage, since a sizable amount of the recent price recovery is attributable to quotation mark-up. Another factor in this upward trend in quotations of Treasury issues has been the lack (or nearly so) of offerings of these issues.

The supply of short-term money continues to be very large, and the downtrend in the yield of Treasury bills is ample proof of such a condition. Also of late there has been a minor amount of switching from some of the recent new offering of bonds into Treasury bills, which has added to the demand for the most liquid Government obligation.

More Demand for Treasury Bonds

The money market is still very much on the tight side but, in spite of this, there is an improved tone in the Government market. The whole list of Treasury obligations has been moving in the direction of lower yields because there is a slightly better demand for these securities, while at the same time offerings have been very much limited. It should be borne in mind that the investment demand for Government issues is not very sizable yet, because there is not enough of this kind of money around, nor is the yield which is available in these obligations as favorable as the return that can be obtained in corporate or tax-exempt securities.

It is the opinion of money market specialists that the trend in prices of non-Government bonds is very much the bellwether as to what the bond market will do, and not the course of action in Government bonds.

Smaller Commercial Banks Disheartened

The very poor showing of the Government bond market in the second quarter of 1957 has not been a good thing as far as many institutional investors are concerned, particularly the smaller commercial banks. It is very evident from the disorganized and disorderly way in which Government securities were allowed to act, that it will be a long time before Treasury issues will regain the investment position which they formerly enjoyed. Because of this, when funds are at the disposal of not a few institutional investors they are not and will not be put to work in Government securities, but in corporate and tax-exempt issues, which give a higher yield and in many instances have had market action which has been better than the Treasury obligations.

Monetary Policy Geared to Inflation

The inflationary psychology is showing no signs of abating and the strong upward movement of the equity market is taken as proof of this belief. Because of the fear that the purchasing power of the dollar will continue to decline, the rush to buy common stocks goes on. Under conditions such as these there will be no let-up in the pressure on the money market by the powers that be. This is not particularly bullish, as far as fixed income bearing obligations are concerned, and this applies to Governments as well as corporates and tax-exempt bonds.

Even though there has been a rally in prices of all bonds in the past fortnight, and this uptrend may carry somewhat further, it is the opinion of a number of money market followers that this is not more than a recovery from an over-supply of new issues and a recovery from an over-sold condition in the older outstanding issues of corporates and tax-exempt bonds. Treasury bonds went up in price in line with the general bond market betterment.

August Refunding Terms Awaited

The August refunding operation by the Treasury is getting more in the spotlight as the time approaches when the terms for this sizable operation will have to be made known. It appears to be the opinion of some money market followers that a split-offering will be made to holders of the maturing obligations. To be sure, whatever comes in the way of a refunding offer, it will have to be a short maturity. The lower yield for Treasury bills indicates that some holders of the August issues are doing their own refunding ahead of time.

The cash-ins of Government savings bonds continue to be sizable in spite of the higher rates of return for these securities. According to advices, the bulk of this money is still being reinvested in non-Government obligations.

Brown & Stark Formed

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Brown and Stark, Inc. is being formed with offices at 3024 Central Avenue to engage in a securities business. Officers are Casper Gunther, President; William E. Comstock, Vice-President; and J. C. Stark, Secretary-Treasurer. Mr. Comstock was local manager for Security Associates, Inc. with which Mr. Gunther was also associated.

With Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William G. Wendt is now with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

Smith, Clanton Adds

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Wesley L. Snelson, Jr. has been added to the staff of Smith, Clanton & Company, Southeastern Building.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—J. Edward Finneran, Jr. is now associated with Paine, Webber, Jackson & Curtis, Union Commerce Building.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Edward F. Saville has become affiliated with Paine, Webber, Jackson & Curtis, Huntington Bank Building. He was formerly with W. E. Hutton & Company.

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As We See It

individuals, though it may frequently do much more than repay it to a great society."

These ringing words of Adam Smith, a great liberal of his day, are all but forgotten by all too many of us, but they are as true today as they were when they were first published in 1776 and inspired the founding fathers. And what a vast relief and simplification of duties their observance would bring to harried and often confused government leaders! And what a godsend to the overburdened taxpayer!

Precepts Confirmed

Oddly enough, or perhaps naturally enough, the arguments and the efforts of government to perform functions in recent years which it was never intended to undertake have provided the best of demonstrations of the eternal soundness of these ancient precepts. Observe the attempts to solve the so-called agricultural problems of recent years, that is to say to cajole, to bribe, to guide the farmer into courses of action which the paternalistic national government thought or claimed to think would bring better times to both the farmer and the rest of us. Federal farm programs included in the budget for this fiscal year are scheduled to cost the nation more than a thousand dollars per farm. If only those farms are included which will receive most of this largesse, the amount to be laid out comes to two-and-a-half times that figure. Yet surpluses still plague us, and little or no progress has been made in reducing them.

The administrators of these farm programs themselves confess failure. Secretary of Agriculture Benson recently wrote the chairman of the Senate Agriculture Committee that "controls (imposed by government) are not effective in reducing over-all agricultural production, despite the severe restrictions they impose on farmers' freedom to produce and market." Then, somewhat enigmatically, he observed that "since we apparently cannot legislate scarcity, we must learn how to live with abundance. If any product is abundant, it cannot long be priced as if it were scarce." Upon another recent occasion he bluntly pointed out that it was price supports which priced American cotton out of the world markets, and that production controls had tended to make that loss permanent and to raise costs in such a manner that our cotton could not compete with that of other producers.

Upon the assumption that prosperity could in this way be promoted and made secure, minimum wage and other laws and administrative acts have undertaken in recent years to raise the share of wage earners in the current output, and have succeeded in doing so. A long continued policy of forcing interest rates down to a clearly abnormal level encouraged borrowing for all sorts of purposes. Feverish activity in business generally was one result, and inflation and the threat of further serious inflation was another. At present some of the branches of business which had been stimulated by this monetary policy are not as active as a good many of the politicians and some of the economists would like—despite all these efforts — and there is wide divergence of opinion as to what ought to be done about it. Obviously, government has been something less than omniscient in these instances.

Cheap Money Obsession

Under the influence of Lord Keynes and his followers, the New Deal soon became obsessed with the idea that the way to raise prices and restore prosperity was deficit spending—compensatory spending, it was called—and proceeded accordingly. It did not take the dreamers long to go a step further and to set up the claim that not only deficit spending but any sort of spending by government tended to create or to sustain prosperity. One result of an all too wide acceptance of this notion is the possibility of defending the swollen budget of the President and the extraordinary volume of public spending currently effective by simply pointing out that no deficit is involved but actually a small surplus—as the accounts are kept. But these chickens have come home to roost, too. We have a shortage of funds available for investment when compared with current demand, a situation which to the distress of many soft money advocates is creating relatively tight conditions in the money market and higher interest rates than have ruled since the New Deal came into the picture in the early 'Thirties.

The situation thus created inspired a leading authority on the money market (Aubrey G. Lanston & Co., Inc.) to say recently that "it seems unnecessary to engage in a lot of intangible generalities about why money rates have soared during the past few months. The impairment in the cash surplus of the Treasury during the first six months of 1957 is ample explanation. And, the real threat of future inflation arises from the difficulties that seem to stand in the way of insuring an adequate budget surplus for the 12 months that lie ahead and thereafter. If we should fail to achieve an improved budget result, only a downturn in business activity will resolve the problem, and such a resolution would be temporary." And we ourselves do not hesitate to add that an adequately improved budget result must embody reduced expenditures and not depend for its improvement merely upon enlarged receipts.

These, of course, are only a few examples selected more or less at random. There are many, many more. All of us, whether in private or public life would do well to restudy the advice of Adam Smith.

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Trends in the Money Market

as well as responsibilities for exercising them in the public interest. The limits work in both directions; there is a limit to how much expansion of real output monetary policies can assure, as well as a limit to the ability of these policies to slacken booms and avoid busts.

But not only is its influence limited, the power carries with it responsibility given to the System by Congress to regulate the creation of money in accordance with the needs of sustainable and orderly economic growth. The mere creation of money does not assure the availability of goods which the money can buy. To increase buying power without expanding production can only result in rising prices.

In considering the causes and consequences of the present monetary situation, it is of primary importance to recognize that the existing level of interest rates is not the result of any policy of the Federal Reserve System, the Treasury, or any branch of the Government. The current level and structure of rates are the result of a condition, not of a "tight-money policy." They are the inevitable consequence of an economic situation in which demands for credit by borrowers exceed the supply of savings available for lending. Higher interest rates are an unavoidable accompaniment of prosperity. Easy money occurs when there exists a serious slack between total demand and total productive capacity, and savings exceed investment demands.

Operation of the Credit Mechanism

Public comments, even by informed people, indicate an inadequate understanding of the processes of savings and investment, of credit and monetary creation, and of the role of banks and the Federal Reserve in these processes. At the risk of oversimplifying a complex subject, I shall endeavor to summarize the important aspects of these relationships in six basic propositions:

(1) **Relative magnitudes of credit supply.** The total volume of public and private debt in this country outstanding amounts to nearly $700 billion and has increased recently by an average of over $30 billion a year, with a peak of $50 billion in 1955. Compared with the past, this rate of growth does not indicate a credit scarcity. Most of this credit is supplied from savings, past and present, of individuals and businesses invested directly or through financial institutions.

Commercial bank credit outstanding totals around $170 billion and has increased in recent years by between $4 and $10 billion a year. A reasonable average in a period of full employment would be around $5 billion. Bank credit thus is only a small part of total credit; it covers only the amount of savings that businesses, individuals, and governments choose to hold as cash on deposit in banks or in the form of currency. These cash balances tend to grow with the economy but they also vary considerably from month to month and day to day. Banks must be prepared to adjust to these variations while keeping the longer term growth within appropriate bounds.

The Federal Reserve's task is to furnish the reserves that banks need to hold against their deposits, as well as to supply most of the currency needs. Some of these basic reserves stem from the country's gold stock; most of the remainder are derived from Federal Reserve credit operations. Total Federal Reserve credit amounts to $23 billion. The annual growth in demands for currency and reserves has averaged less than a billion dollars in recent years, but the normal seasonal variation in the total during the course of the year may be close to $2 billion. Because of various temporary factors affecting the supply of bank reserves, demands for reserve funds often vary by hundreds of millions of dollars within a few days. Most of the Federal Reserve operations are concerned with adjusting the availability of reserves to these short-term variations.

In summary, the first proposition is that, although bank credit and particularly Federal Reserve credit show relatively wide short-term variations, their dollar magnitudes and long-term growth rates comprise but a small portion of the total credit needs of the economy. The bulk of these needs are supplied from current savings.

(2) **Leverage capacity of Federal Reserve credit.** The second point to keep in mind is that Federal Reserve credit has a tremendous leverage value. A relatively small amount of Federal Reserve credit supplies bank reserves on the basis of which commercial banks can create additional credit amounting to many times the reserves supplied. This elementary fact is frequently ignored in proposals for the Reserve Banks to meet directly particular credit needs. There may be little relation between the immediate purposes for which Federal Reserve credit is initially supplied and the ultimate uses of the funds created on that base. It is for this reason that the Federal Reserve must keep its operations within relatively small limits.

(3) **Velocity of money.** The third proposition is that relatively small balances in the hands of the public can serve to finance a large volume of transactions in the course of time. Commercial bank credit expansion and monetary creation also have leverage values. Checks drawn against demand deposits in banks in the course of a year amount to 25 or more times the average volume of deposits outstanding. When financial and duplicating transactions are eliminated, the dollar value of the total national output of goods and services (Gross National Product) currently amounts to about three times the money supply (demand deposits and currency).

These rates of turnover, moreover, have varied considerably over the years. The GNP/money supply ratio was close to four-to-one in many years of the 1920's and fell to around two-to-one during the war years. This ratio has increased by nearly 10% since early 1953, while the money supply also increased by 10%. In this period GNP in current dollars rose by 18% and commodity prices by 8%, indicating a growth of 10% in GNP in constant dollars —a growth that approximated the limits of capacity. In view of this limit and of the rise in prices that occurred, it is evident that the availability of money has been more than adequate.

(4) **Limited scope of Federal Reserve credit.** Since the potential effect of a relatively small amount of Federal Reserve credit is so great, it follows that such credit should not be used to supply directly particular credit demands that might have difficulty finding funds. A few hundred million of Federal Reserve credit would be a small factor in the market for mortgages, or Government securities, for example, but the additions to bank reserves resulting could have a very large impact on the availability of bank credit in general and the use of money for all sorts of purposes. There can be no assurance that banks would lend or invest in the sectors that are suffering from scarcity of credit. The more reasonable presumption might be that the funds would flow to those areas that lenders already find most appealing. Allocation of available credit for particular purposes is determined by the decision of borrowers and lenders operating through the processes of the market and influenced by the forces of demand, supply, prices and interest rates.

(5) **Effect on interest rates.** The next proposition is that in the face of strong credit demands, the Federal Reserve cannot keep interest rates down without creating additional bank reserves and thus permitting uncontrolled expansion of credit. Such a monetary expansion, in a situation of full utilization of resources, would be self-defeating. It would result in rising prices, a speculative fervor, further growth in credit demands, and a renewed rise in interest rates. History shows that the highest interest rates have occurred in connection with inflationary monetary expansion.

Any attempt to maintain artificially low rates for particular sectors can also be self-defeating. Private funds will move from those areas to meet other demands paying higher rates, and to persist in the pegging operations will require the creation of more and more money with eventual inflationary consequences. This lesson was learned in connection with the attempts to peg interest rates on Treasury bonds in the postwar period; it is being illustrated today in the scarcity of funds available for VA guaranteed mortgages at the fixed 4½% rate, when there are so many other attractive uses of funds at higher rates.

(6) **Credit, savings, and output.** The final proposition is that the creation of more money and credit cannot produce more goods if resources are already fully utilized. Newly created credit cannot be

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used as a substitute for savings. In a balanced economy incomes correspond to output; borrowing by some must be offset by saving on the part of others. In any given period, in order to keep a balance between the total of goods and services produced and the total of amounts consumed and going into capital investment, the total volume of new net saving and the total volume of investment must correspond. Banks cannot create savings and they should create only enough money to cover that part of savings that the public wants to hold in the form of cash balances.

If bank credit is expanded at a time when all available savings are being fully invested and the holders of funds do not want to add to their cash balances, then total demands for goods and services will exceed the available supply. If there is slack in the economy such an increase in bank credit might stimulate increased output and employment, but if the resources of the economy are fully utilized, then prices will be bid up and inflation result.

Conclusions

It follows from these propositions that Federal Reserve operations can and do influence both the volume of money and the level of interest rates. It also follows, however, that such operations cannot stabilize both of these elements at the same time. If the supply of money is maintained at a level consistent with economic resources, then the level and structure of interest rates must vary in accordance with the strength of credit demands. Appropriate interest rates under the circumstances are those that help to bring the demand for credit and the supply of savings into equilibrium in the various sectors of the money and capital markets.

Since a very small amount of Federal Reserve credit can have multiplied and widespread effects upon the supply of credit in general, Federal Reserve credit should not be used to provide special aid to any particular sector of the market—whether that be Federal Government securities, home mortgages, the borrowing needs of State and local governments, or business credit. Each of these sources of demand for credit must compete with others for the funds available for lending and pay the interest rates that become established by the forces of the market.

The total supply of funds available is determined largely by the volume of savings past and present that the owners are willing to lend. The task of the banking system is limited to that of supplying the amount of cash that the public wishes to keep for medium-of-exchange purposes or as a store of value. Additions to this supply comprise only a very small part of all the monetary transactions that are involved in current economic activity.

With respect to interest rates, it should be kept in mind that although they are largely the result of basic economic forces, they also affect decisions. If the current level and structure of interest rates are permitted to reflect the impact of market forces generated by investment demands upon the supply of savings, then rising interest rates tend to curtail investment and stimulate saving. To keep interest rates down would prevent such a balance from being attained. The same may be said with respect to any individual sector of the economy. Interest rates perform an allocative function, but they are only one of many factors that influence the allocation of available funds.

In the final analysis the problem of meeting demand for goods and services is one of the availability of resources, as well as their allocation. More money will not produce more goods when productive resources are being fully utilized. Allocation of existing resources and money is ordinarily accomplished in a free economy through the competitive market mechanism of prices and interest rates, together with the exercise of the powers of Government to appropriate and tax. It can be done through processes of direct controls and rationing, but this would require a system of socialistic dictatorship that is repugnant to our principles because it would be inefficient and unequitable.

If society wants more resources allocated to housing or to schools, then measures have to be adopted to draw resources from other uses. Any community can have all the schools or roads or business it is willing to pay for, but when the limits of resources are reached selective judgments must be exercised. The creation of new money in order to meet special needs or to maintain artificially low interest rates can only result in inflation, which will raise prices and costs by much more than would higher rates of interest. Inflation is the most inequitable form of taxation. Once the course of inflation is entered upon, degree and extent soon pass beyond controllable limits, and the ultimate result is rapid deterioration of the value of the currency and collapse of the economy. The price of stability in the value of the dollar and in employment is the limitation of wants to availability of resources, the keeping of investment within the bounds of saving.

It may be concluded that, to meet unsatisfied credit demands at this time, the need is not for the creation of more bank money, but for an increase in the volume of savings held out of current income. This would entail less consumption by some, so as to free resources that can be diverted to investment or to consumption by others based on borrowed money. Federal Reserve policy can contribute more to the attainment of this objective by permitting demand pressures to bring about the level of interest rates that will encourage savings and discourage borrowing, than it can by creating additional bank money to meet all credit demands. Under such a policy, it may be hoped that the process of rolling adjustment brought about by market forces and caution engendered by fears of a subsequent downturn will maintain stable economic growth without inflation or other excesses.

Problems of Policy Determination

Determination of current policies to carry out these objectives is by no means a simple and easy task. The mechanism of Federal Reserve operations and their consequences upon the supply of money may be readily described and measured quantitatively. But the decision as to what amount of money is appropriate in any situation and determination as to what amount might ultimately result from any particular Federal Reserve operation are difficult matters of judgment. Much of the elaborate organization and machinery of the System for decision making, for ascertainment and appraisal of facts and opinions about current economic developments and prospects, is used to aid in making these judgments. Even when the broad judgments have been reached, the operations necessary to effectuate them require delicate day-to-day and even hour-to-hour decisions. Policy decisions and actions cannot be based on rigid mechanistic guides but must be adjusted to changes in the economic climate.

The influence of the Federal Reserve, moreover, should not be overrated; Federal Reserve operations alone cannot guarantee sustainable growth in output or complete stability of the dollar. The Federal Reserve plays an indispensable role, because it must make possible the creation of enough money to maintain growth and stability, while endeavoring to avoid the creation of an excessive supply of money. At any time, however, shifts in the use of savings and changes in the rate of turnover of existing money can create unstabilizing developments that it may be difficult if not impossible for the Federal Reserve to correct. The whole community —governments, businesses, labor, and consumers—must share in the tasks of avoiding unsound commitments and excessive spending, of refraining from practices that add unduly to costs, of allocating an appropriate part of current incomes to essential social services, and of maintaining savings adequate for expanding our productive capacity.

Trends in the money market, it may be concluded, should be and are determined by the volume of borrowing demands—for investment or consumption, by governments, businesses, and individuals —relative to the supply of savings available for lending. Federal Reserve operations, as long as they are appropriately directed toward the objective of keeping the supply of money adjusted to the basic needs of sustained economic growth without inflation, should not interfere with market adjustments to the more fundamental forces of demand and supply.

Market Telecast Success

Apparently Pacific Coast investors like their stock reports with their breakfast, according to McDonald, Holman & Co., investment banking firm, which sponsors what is believed to be the first regular telecast of New York stock market reports via the CBS-TV Pacific Network program, "Panorama Pacific" twice each morning.

As a matter of fact, in the three months since the show began "on a trial basis," the response has been so enthusiastic, Hugh McDonald, President of the investment banking firm, reports, that it has decided to continue the program indefinitely.

The first market quotations are presented to viewers from Tacoma, Wash., to San Diego at 7:35 A. M., PST (10:35 A. M., New York time). This gives Pacific Coast stockholders the day's opening quotations in New York. The second telecast at 8:35 A. M., PST, updates stock movements on the New York exchange and brings coast stockholders the Dow Jones averages as of 11 A. M., New York time.

A specially designed stock board is utilized with reports being teletyped direct to CBS' Hollywood studios from the McDonald, Holman office in New York. The quotations are presented in an informal, easy to understand way with trends and special developments.

New Montor Branch

BALTIMORE, Md.—Henry Montor Associates, Inc., have opened a branch office at 225 East Redwood Street, under the management of Norbert L. Grunwald.

Oppenheimer to Admit

Oppenheimer & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, will admit Jack Nash to partnership on Aug. 1.

Form Hynes Secs.

Hynes Securities Corporation has been formed with offices at 180 Madison Avenue, New York City, to engage in a securities business. Eugene J. Hynes is a principal of the firm.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

An anomaly that has been evident among the leading New York City bank stock statistics for some time has been the divergence between the operating earnings trend and the trend in the dividend pay-out ratio. To this commentator the condition spells further dividend increases as we go along.

Leading New York City Bank Stocks

	Operating Earnings		—Dividend Payout—	
	1952	1957*	12/31/52	6/29/57
Bankers Trust	$3.97	$5.32	57%	56%
Bank of New York	14.62	27.92	60	43
Chase Manhattan	3.02	3.93	59	61
Chemical Corn	3.28	4.22	54	47
Empire Trust	9.82	16.73	27	18
First National City	3.98	5.52	53	54
Guaranty Trust	3.37	4.90	72	65
Hanover Bank	2.53	4.00	61	50
Irving Trust	1.63	2.71	62	63
Manufacturers Trust	2.65	3.91	50	51
J. P. Morgan & Co.	17.26	22.27	53	45
New York Trust	4.35	5.73	59	57
United States Trust	4.03	5.87	75	55

*Twelve months ended June 29, 1957.
NOTE—Where mergers have taken place the 1952 data is on a pro forma basis. Adjustments made for stock dividends and splits.

Now, here in this period the earnings improvement has been pronounced, about 50% for the average of the group. Paranthetically, it will be recalled that recently we brought out that statistics of Tucker, Anthony & Co. and R. L. Day had shown that over a slightly longer period bank operating earnings had shown a better rate of improvement than had the earnings on the 30 industrial stocks making up the Dow Industrial Average. To return: but on the other hand the dividend pay-out ratio declined from, approximately, 57% to 51%. This niggardly treatment of the bank shareholders by some bank managements is one of the reasons why bank bank stocks have fallen into some disfavor with investors, although by no means the principal or only reason.

But there is a sizable body of investors who invest for growth rather than for current income, and with the earnings trend what it is in the banks, these stocks ought to have appeal, for the plowback of earnings has been a consistently high one, and contributes to growth.

The President of General Electric Co. recently estimated that by 1965 the gross national product would be at some $550 billion. Economist Burns, until recent Chairman of President Eisenhower's Council of Economic Advisers, predicted that it would reach $600 billion by 1966. But whatever estimate or prediction we utilize, if the country's economy is to attain any such level of production, certainly the banks will have to take their part in supplying the credit and other bank facilities to support such a growth. And, while immediately among the leading New York City banks the need for new capital is not so pressing, such growth in the economy as these figures, connotes such a need over a period.

Most of the stocks of the large New York City banks are selling at or above conservatively stated book value. In the cases where they are at prices below book, modest increased cash payments, or, possibly, stock dividends, would give them the necessary price fillip to make new financing possible. Indeed, if true book values were used generally, it is probable that bank stock prices would today be higher than they are. First National City Bank's price on the new shares being sold via rights is close to book value, and the issue is expected to be closed out without undue difficulty.

Banks thrive on the turnover of their funds; and if we are to see the predicted upsurge in the economy, bank deposits will increase and earnings will continue to expand even more than they have. Several years ago one of the specialist houses in bank stocks issued a circular titled "Neglected Blue Chips." This aptly describes their position among investment media; but the fundamental values in the group will not be shrugged off much longer.

Daniel Reeves Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Paul Massari is now with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges. Mr. Massari was previously with J. Logan & Co.

Two With Walston

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Francis Carr and William L. Rose are now with Walston & Co., Inc., 265 Montgomery Street. Mr. Rose was previously with Quincy Cass Associates.

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Head Office: 26 Bishopsgate, London, E. C. 2.
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Continued from page 17

News About Banks and Bankers

June 25. (1,500 shares, par value $100.)

* * *

By the sale of new stock the common capital stock of the **Marion National Bank of Marion, Ind.** was increased from $600,000 to $800,000. effective June 26. (80,000 shares, par value $10.)

* * *

THE FIFTH-THIRD UNION TRUST COMPANY, CINCINNATI, OHIO

	June 30, '57	Dec. 31, '56
	$	$
Total resources	350,924,034	378,384,649
Deposits	317,321,883	346,301,583
Cash and due from banks	84,095,486	100,871,579
U. S. Government security holdings	84,254,105	88,644,311
Loans & discounts	163,283,396	164,582,379
Undivided profits	4,705,307	4,211,364

* * *

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST CO., CHICAGO, ILL.

	June 30,'57	Dec. 31,'56
	$	$
Total resources	2,560,632,886	2,769,263,134
Deposits	2,293,343,573	2,496,971,565
Cash and due from banks	636,140,311	671,049,561
U. S. Govt. security holdgs.	573,628,719	731,057,258
Loans & discts.	1,166,566,922	1,166,841,545
Undiv. profits	22,938,263	21,117,750

* * *

At a special meeting on July 9, shareholders of **Manufacturers National Bank of Detroit, Mich.** ratified the proposal to increase the common stock by 156,600 shares, to be offered to shareholders at $35 per share. The book value of the Bank's shares outstanding on June 30 was $39.66.

Under the proposal, which is subject to approval by the Comptroller of the Currency, each shareholder will be given the opportunity to buy one new share for each seven shares held. Rights will expire on July 26. This offering will be underwritten by a group headed by Blyth & Co., Inc., First of Michigan Corporation and Watling Lerchen & Co.

William A. Mayberry, bank President, reported that $1,566,000 of the proceeds of the sale would be added to Capital, $2,434,000 to Surplus and $1,481,000 to Undivided Profits. Total Capital Funds of the Bank would then be $48,953,835, including $13,953,835 of Undivided Profits.

* * *

THE NATIONAL BANK OF DETROIT, MICHIGAN

	June 30,'57	Mar. 31,'57
	$	$
Total resources	1,938,060,968	1,944,640,693
Deposits	1,778,551,850	1,752,136,620
Cash and due from banks	434,337,374	438,779,828
U. S. Govt. security holdgs.	610,110,536	611,035,747
Loans & discts.	721,884,149	719,678,251
Undiv. profits	19,449,512	17,733,061

* * *

The Security National Bank of Duncan, Okla. increased its common capital stock from $100,000 to $200,000 by a stock dividend effective June 25. (2,000 shares, par value $100.)

* * *

By a stock dividend the common capital stock of the **National Bank of Commerce of Pine Bluff, Ark.** was increased from $500,000 to $600,000 and from $600,000 to $700,000 by the sale of new stock effective June 26. (70,000 shares, par value $10.)

* * *

CITIZENS FIDELITY BANK AND TRUST COMPANY, LOUISVILLE, KENTUCKY

	June 30, '57	Dec. 31, '56
	$	$
Total resources	225,167,427	271,348,721
Deposits	204,571,550	250,953,253
Cash and due from banks	63,448,836	84,943,495
U. S. Government security holdings	46,069,036	65,124,354
Loans & discounts	105,403,361	110,612,865
Undivided profits	1,419,477	1,450,582

* * *

First National Bank and Trust Company in Asheville, Asheville, N. C., with common stock of $350,000; and **The First National Bank of Waynesville, Waynesville, N. C.**, with common stock of $120,000; and **Transylvania Trust Company, Brevard, N. C.**, with common stock of $100,000, consolidated as of June 22. The consolidation was effected under the charter and title of "First National Bank and Trust Company in Asheville."

At the effective date of consolidation the consolidated bank will have capital stock of $585,000, divided into 58,500 shares of common stock of the par value of $10 each; surplus of $1,200,000; and undivided profits, including capital reserves, of not less than $581,436.99.

* * *

The Farmers and Merchants National Bank of Abilene, Texas, changed its title as of June 28 to the **First National Bank of Abilene.**

* * *

The common capital stock of **The First National Bank of Fort Worth, Texas** was increased from $6,500,000 to $7,500,000 by the sale of new stock and from $7,500,000 to $8,000,000 by a stock dividend effective June 26. (800,000 shares, par value $10.)

* * *

Chairman Elliott McAllister stated that **The Bank of California, San Francisco, Calif.** shareholders at a special meeting held on July 2 voted their approval of the merger of **Placer County Bank, Auburn, Calif.,** into The Bank of California.

Shareholders of Placer County Bank in a similar meeting July 1 also ratified the union of the two banks. The merger is to become effective at the close of business July 12.

Placer County Bank was organized in 1887 and has assets of over $12,000,000. H. L. Rosenberry, President of the bank, will become Vice-President of The Bank of California and Manager of the Auburn office.

The Bank of California was incorporated in 1864 and in its Statement of Condition as of June 30, 1957 reported total resources of over $550,000,000. The addition of this office increases the number of Bank of California offices to 15.

* * *

A branch in Guatemala City was opened July 1 by **Bank of America (International), San Francisco, Calif.,** wholly owned subsidiary of Bank of America, NT&SA.

Located in the Passarelli Building in the capitol city, the new branch is headed by William H. Bolin, formerly an Assistant Vice-President in the international banking department in San Francisco.

Seventeen countries are now served by Bank of America, NT&SA, and Bank of America (International).

* * *

The First National Bank of Vista, Calif. increased its common capital stock from $105,000 to $210,000 by a stock dividend and from $210,000 to $270,000 by the sale of new stock effective June 26. (27,000 shares, par value $10.)

* * *

New managers at the Eugene and Klamath Falls branches of the **United States National Bank of Portland, Ore.** were announced the end of June by E. C. Sammons, President. All appointments were effective July 1.

W. A. Huggins, Klamath Falls branch manager since 1952, was named Manager of the bank's Eugene branch following retirement of Godfrey C. Blohm under the benefits of the bank's retirement program.

L. C. Offield is the new Manager at Klamath Falls. He has been Assistant Manager at the branch since 1944.

At the same time, Mr. Sammons announced that J. D. Monteith was being transferred from the Medford branch to Klamath Falls to fill the vacancy created by Offield's appointment as Manager. N. H. Gladfelter was named Assistant Manager at Medford branch.

Mr. Huggins, new head of the Eugene branch, has had more than 21 years in banking including 11 years with the national bank examiners.

Mr. Offield began his banking career in Klamath Falls with the old **American National Bank.** He joined U. S. National in 1937 when the American National became the Klamath Falls branch of the U. S. National. He was named Assistant Manager in 1944.

Mr. Monteith, the new Assistant Manager at Klamath Falls, joined U. S. National in 1940 at the Medford branch and was named an Assistant Manager in 1949. Mr. Gladfelter, who now becomes an Assistant Manager at Medford to fill the vacancy created by the transfer of Mr. Monteith to Klamath Falls, began his banking career in New York City in 1930. He became associated with U. S. National in 1946 at the head office in Portland. Two years later he was transferred to the Medford branch.

Lowell R. Brisbin was appointed Manager of U. S. National bank's methods department at the monthly meeting of the bank's board of directors June 28. Effective July 1.

Mr. Brisbin succeeds John N. Raleigh, Assistant Vice-President, as head of the methods department. Mr. Raleigh will now be in charge of the bank's rapidly growing electronics department.

Three veteran U. S. National staff members retired July 1 under the benefits of the bank's retirement program.

G. C. Blohm, Vice-President and Eugene branch Manager since 1946, and C. F. Gleason, Assistant Manager at the Oregon City branch, were honored at a luncheon.

J. M. McKinney, the third U. S. National man to retire July 1, joined the Corvallis branch in 1943.

Mr. Blohm began his banking career more than 50 years ago with the old **Ladd & Tilton Bank.** He moved to **West Coast National** in 1923 and joined U. S. National in 1930 upon acquisition of the West Coast National by U. S. He has served as Manager at Peninsula branch in Portland, at Klamath Falls and at Eugene. He was named a Vice-President in 1946.

Mr. Gleason entered the banking field in 1909. He joined the **Bank of Oregon City** as Cashier in 1932 and was appointed Assistant Manager when that bank became a U. S. National branch in 1933.

Mr. Huggins has been appointed Manager of the Eugene branch, succeeding Mr. Blohm. He has been Manager of U. S. National's Klamath Falls branch since 1952. L. C. Offield has been promoted to Manager at Klamath Falls, filling the vacancy created by Mr. Huggins' transfer to Eugene.

Bache Adds to Staff

(Special to The Financial Chronicle)

MIAMI BEACH, Fla.—Nicholas C. Seminara has been added to the staff of Bache & Co., 1 Lincoln Road Building.

With Phelps Co.

(Special to The Financial Chronicle)

MIAMI, Fla. — Robert C. Lau, Jr. has become connected with The Phelps Company, 168 Southeast First Street.

Joins A. M. Kidder Co.

(Special to The Financial Chronicle)

WINTER PARK, Fla.—Margaret E. Arcady has been added to the staff of A. M. Kidder & Co., Inc., 221 West Fairbanks Avenue.

Continued from first page

Tight Money and Inflation

question of whether prices will continue to rise over, say, the next decade. Those who argue that the trend of prices will be upwards generally rest their case on what is called the "cost push." By this they mean that wage rates will be pushed up more rapidly than output per man-hour of work. Thus, the labor cost per unit of output will move steadily higher, and prices will be pushed up.

At first glance, this appears to be only elemental common sense. The public prints abound with news reports of wage increases gained through labor management negotiations. Anyone who has tried recently to employ a college graduate in any field, or a stenographer, knows all about the rise in wages and salaries. Almost every business now faces rising labor costs.

Fallicies of Inflation Trend Assumption

However, it seems to me that there are two things wrong with this argument. One is that it ignores the lessons of the past. We have always had ups and downs in our economy, with upward pressure on prices and wages in good times, followed by reserve pressures. While I believe we know how to moderate the swings of the business cycle by adopting appropriate policies, I do not believe we have eliminated the cycle. Thus, experience would suggest that periods of inflation will be followed by periods when prices are stable or declining.

A second, and more fundamental, point is that I do not believe our economy can hope to prosper and continue to advance unless we can contain inflationary pressures. In fact, it seems to me that inflation is the one thing on the domestic economic front that could upset our prosperity.

Consider for a moment what would be involved in even a moderate upward trend in prices of, say 1½% per year. That doesn't sound like anything very formidable. Yet it would cut the value of the dollar almost 50% in 25 years. Think of what that would do to the incentives to save, to invest in insurance, or mortgages or any type of bonds. It seems clear that there would be a rush to buy common stocks and to speculate in commodities or real estate. Businessmen could pile up inventories and expand their facilities in the full knowledge that inflation would bail them out.

Consequently, it seems to me that a little bit of inflation must inevitably snowball into a very great deal of inflation. In the process we would have the sort of a boom that has always led to a bust. The boom can take a number of forms—in the distant past it was the South Sea Bubble and the Tulip Boom in Holland—more presently it was the Florida land boom and then the great stock market boom in the late 1920's. Yet the consequences of an inflationary boom of any variety have always been the same—they have led to an extended period of difficult adjustments. The term "difficult adjustments" is, of course, polite jargon which means unemployment, depressed earnings and general economic stagnation.

While I think that it is virtually inconceivable that we could have the sort of runaway inflation that plagued Germany after World War I, I would not rule it out if we should adopt the inflationary route.

In this connection, I've always thought the story about the German hardware dealer in the period after World War I gave the most graphic illustration of the effects of runaway inflation. He sold a keg of nails, which cost him 50 marks for 100 marks. But prices were soaring so rapidly that the 100 marks would buy only half a keg of nails to replenish his stock. He sold the half keg for 500 marks but this sum bought only a quarter keg. He went on selling nails at higher and higher prices, but the proceeds enabled him to buy fewer and fewer nails. Finally, he was down to two nails in stock. He sold one for a million marks—and he hung himself on the other.

General Outlook

I, as an economist, consider inflation as comparable only to the black plague. If we try to live with it, I believe it will destroy us.

Having displayed my credentials as an enemy of inflation, let me hasten to add that I believe we can bring inflation under control, and thus avoid the dire consequences I have just set forth. One reason for this belief is that we had a period of four years—from the middle of 1952 to the middle of 1956—during which prices were stable while the nation enjoyed record prosperity. This was also a period when wage rates in manufacturing rose almost one-fifth. Thus, we have recently gone through a four-year period during which we enjoyed stable prosperity and growth. It seems to me that this shows that we can have prosperity without inflation.

Lists Growth Factors

Moreover, there are a number of impressive reasons why our economy should continue to move ahead in the next few decades if we can avoid inflation. Many of the reasons have been cited innumerable times. Yet I think it is still worthwhile to make the point that the basic factors of underlying strength are still operative:

Our population is growing, so that basic consumer demand should rise. While total population is growing, the increase in people of working age is a low ebb because of the low birth rate in the 1930's. Thus, there is a premium on capital investment that raises output per person.

The benefits of our prosperity are being broadly shared — the purchasing power of the middle income market has grown much more rapidly than total income. The middle income market consists of families with income of $4,000 to $10,000 a year.

Business is spending vast sums on research—over $7 billion this year—to develop and market new products.

Government has assumed the responsibility for moderating business ups and downs. And, with this year's Federal tax bill topping $80 billion, the Federal Government has the wherewithal to make a very considerable contribution towards moderating a business downturn by cutting taxes.

This is a very brief outline of the reasons for my belief that our nation faces a truly amazing economic outlook if, and this is a big IF, we can avoid further inflation, and the boom-and-bust pattern it would generate.

Recent Inflation

This brings us to the question of why we have had inflation in the past year. Before we can move on to a discussion of what we need to do to contain inflation, we need to look at the forces that have given us a rise of 4% in consumer prices in the past year.

This is a complex, not to say a

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controversial question. I cannot hope to explore all of its ramifications in this short discussion. Yet, it seems to me that there are several things that can be said that are useful in attempting to appraise future economic prospects.

First, it seems to me that the dominate economic feature of the past two years is the tremendous rise in business investment in new plant and equipment. In two years these expenditures have gone up almost 50%.

Second, this attempt to expand business investment in face of a high level of government expenditures and a high level of consumer expenditures has placed great pressure on our economy. We've been trying to do too much, too quickly. No single factor qualifies as the villain in this process, even though business investment has shown the greatest rise. It is, rather, the combination of strong demand in all major fields that has kept our economy under pressure.

In this situation of strong demand, wage rates and other costs have gone up. Thus, businesses have raised prices to maintain profit margins, a perfectly normal reaction. Price increases have been much larger in construction and machinery than in consumer lines, reflecting the greater pressure of demand in these areas. Prices of capital goods have gone up 15-20% in two years as against an increase of about 4% in prices in the consumer area. It would appear that this widening gap between the costs of things to produce consumer goods and what consumer goods can be sold for cannot last indefinitely.

Government Policies

The government authorities have been making a valiant effort to contain inflationary forces. Despite all the talk you have heard about government spending and inflation, the Federal Government has been running a surplus. In the past year the government has taken in from taxes $3½ billion more cash than it has spent. That's anti-inflationary since it siphons cash out of the private economy.

In addition, the Federal Reserve has been pursuing a tight money policy for more than two years. Let me see if I can explain what this esoteric business of tight money really is and why it is so important.

In an inflationary situation everybody is trying to get hold of more money to spend. Consumers are trying to borrow to help finance purchases of new cars, appliances and houses. Businesses are trying to borrow more to finance inventories and new plants and equipment. And state and local governments are borrowing more to pay for schools, roads and other public works.

If this borrowing can be financed out of current savings, then it should not be inflationary. The people who save cut down their buying enough to offset the increased purchases by those who borrow. The trouble is that the demand for credit in the past two years has far outrun the nation's savings. In this situation the creation of more credit will merely bid up prices. It cannot add to the supply of goods since the economy is operating at capacity. But it does add to the supply of money. So prices are bid up.

The objective of tight money is to keep the increase in credit in line with the nation's savings. If pursued vigorously enough, a tight money policy can bring an inflationary rise in prices to a halt. This is true even if the main source of inflationary pressure is a rapid rise in wages that produces a "cost push." By holding down demand through keeping money tight, the authorities can make it unprofitable for employers to go on paying higher wages.

At this juncture, you might well ask: "If this is so, why have we had inflation in the past two years?" I think the answer is that we as a nation have not been willing to pursue a policy of credit restraint with sufficient vigor. We have been worried that tight credit might upset our prosperity and lead to unemployment.

Nevertheless, it seems to me that tight money is beginning to work. The rise in wholesale prices has been checked—they actually declined slightly in May. While wage rates are still going up, it appears that productivity—output per man-hour—is rising at least as rapidly. Thus I am confident that we shall soon achieve stability in prices. And we shall do so in a condition of general prosperity and low unemployment.

Longer-Term Outlook

Well, what of the longer-term outlook? Even if we succeed in bringing inflation under control for the moment, won't it break out again?

As I pointed out earlier, I conceive this to be the greatest threat to our continued prosperity and growth. Unless we are willing to exercise restraint in times of prosperity, I believe we can look forward to periodic outbreaks of inflation. These will—sooner or later, but inevitably—undermine our prosperity and bring our growth to a halt.

However, it seems to me that the record of the past few years, while far from perfect, provides the basis for cautious optimism. Government policies of restraint through a cash budget surplus and tight money have been working in the right direction. The demands of pressure groups for special treatment have not led to any significant erosion in policies of restraint. Moreover, the public has reacted to rising prices with caution. Instead of paying higher prices, many people have increased their savings. Savings deposits have increased 7% in the past year.

For our purpose, it would be nice if someone could invent a dramatic and eye-catching new remedy for inflation. Alas, this is impossible. All that can be offered is the same old prosaic measures—a government surplus, tight money, increased savings. What is wanted is not new measures but more vigorous use of the standard remedies.

I believe it is of the utmost importance that we contain inflation. I also believe firmly that, if we can achieve price stability, we shall have a prosperity and a rate of economic growth in the decades ahead that will surpass even the most optimistic estimates.

Three With D. F. Rice

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—George S. Losey, Helen W. Lynch and Dale W. Teagarden have become affiliated with Daniel F. Rice and Company, 937 Northeast 19th Avenue.

With Link, Gorman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—June E. Carlson has been added to the staff of Link, Gorman, Peck & Co., 208 South La Salle Street. Miss Carlson was previously with First Securities Company of Chicago.

2 With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Clinton B. Pennebaker and Joseph B. Campbell have become connected with Dempsey-Tegeler & Co., 209 South La Salle Street.

Lincoln McRae Adds

(Special to THE FINANCIAL CHRONICLE)

ROCKLAND, Maine—Irving W. Blackman is now with Lincoln E. McRae, Inc., 292 Main Street.

Railroad Securities

By GERALD D. McKEEVER

Pennsylvania R. R.

Our previous review of the Pennsylvania R. R. situation on April 19 last year was something less than enthusiastic. This, however, was largely on account of the price of the road's stock which had been in the 28 area shortly before that time. Now that it has declined some 25% and, at about 20½, is only fractionally above this year's low, another examination is in order. Since there has not been any deterioration in the meantime other than the decline in traffic and higher costs that are common to the industry generally, and possibly temporary as far as the decline in traffic is concerned, the sharp downward readjustment in the price of Pennsylvania R. R. stock makes a world of difference.

In spite of a 9% decline in carloadings for the period, freight revenues of the Pennsylvania were up 0.6% for the first five months of this year and total revenues were up 1.1% as compared with the corresponding 1956 period. What has been more disturbing, however, is that the downtrend was aggravated in May, revenues for which were down 4½% from May, 1956, reflecting the greater year-to-year drop of 11% in carloadings in May. Thus despite the Dec. 28 boost in freight rates which the road calculates as representing a $43 million increase in revenues for the full year or an average increase of 5.4%, the benefits of this increase and of the 5% increase in coach fares on Jan. 1 have been nullified for the time being by the decline in traffic. As a result, net income of only 84 cents per share was reported for the first five months of this year, representing a 39% drop from the $1.37 per share figure for the first five months of 1956 and May net income of 20 cents per share was almost 57% less than the 46 cents per share earned in May of last year. The May result was further penalized, of course, by the 3-cent per hour wage increase that became effective May 1 under the "cost of living" escalation arrangement of the 1956 wage settlement.

These things are no less discouraging for the road's stockholders than for its management, particularly in the light of the expenditure of over $1 billion since the end of World War II on renewal and modernization of physical plant and which includes $86 million so spent last year. A large part of this expenditure was for dieselization and other modernization designed to reduce costs, and all that can be said is that results would have been unimaginably worse if these expenditures had not been made. Plagued by mounting costs of labor and materials, it has become a case of "treading water" in order to stay afloat, not for the Pennsylvania alone, but for the industry in general.

Thus the best course is more of the same and one of the hopeful aspects of the Pennsylvania R. R. situation is that much more can be done. While it is likely that operations are largely diesel or electric powered at the present traffic level, especially with the delivery this Summer of the 50 additional diesel units ordered last Fall, there is room for substantial cost cutting elsewhere, particularly in yard modernization and in CTC installation. The road's 1956 report states that consolidation of tracks and facilities was continued during the year and that 47 miles of track were equipped with signal indication in both directions. A much more comprehensive project has been announced, however, in the plan to install Centralized Traffic Control on some 300 miles of road between Rockville, Pa., and Buffalo, N. Y., over the next three years.

Yard modernization can be a very fruitful source of further savings. It is understood that all but a handful of some 140 freight yards in the Pennsylvania System are the old-fashioned "flat" yards. While it is likely that many of these are not normally busy enough to warrant the expense involved in conversion to modern hump-retarder yards, the good results which the Pennsylvania is getting from its new $35 million "push-button" yard at Conway, Pa., could lead to further development along the same lines. Only the eastbound half of this yard was placed in operation last year and for only part of the year. The westbound tracks went into partial operation in April and completion is scheduled this Fall. Estimated savings of $10 million annually from this new facility represent a return of almost 30% on the $35 million investment when completed. In the meantime the Samuel G. Rea Shop at Hollidaysburg, Pa., the world's largest car shop, which went into operation last June, is expected to return 20% annually on the investment.

By such means the Pennsylvania is striving to overcome its obstacles of heavy "built in" costs in expensive terminal operations and what seems to be an unyielding passenger deficit which amounted to $55 million last year. While it is a tribute to the management of the Pennsylvania that with the operation of 800 passenger trains daily, the deficit from this source can be held at a level not proportionately greater than the heavy passenger deficits of the Union Pacific or the Santa Fe which operate roughly only half as much passenger train-mileage, it is nevertheless a serious hurdle to take. It is particularly so because the Pennsylvania lacks the element of growth in anything like the same degree enjoyed by these other roads as a means of absorbing the deficit.

As a result, Pennsylvania R. R. stands close to the bottom of the list of roads ranked according to the percentage of gross carried through to pretax net income, and in the case of the Pennsylvania R. R. there has not been much difference between pretax net and reported net income in recent years. Although the rate of accrual in 1956 was substantially higher at 15%, the rates for 1954 and 1955 were only 7.4% and 3%, respectively, as against the nominal rate of 52%. This has been due in no small part to a rather sizable factor of tax deferment resulting from accelerated amortization which, on a per share basis, amounted to 89 cents in 1956, or 27% of the $3.16 per share reported for last year. However, this factor drops to 73 cents this year and to about 67 cents in 1958.

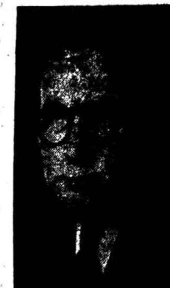
Earnings of the Pennsylvania R. R. for 1957 are presently estimated at $3.10 per share providing there is at least a 5% further increase in freight rates under the pending ex parte 206 application within the next six weeks or so, and this estimate also allows for a 10-cent increase in the hourly wage rate on Nov. 1, 7 cents of which is scheduled and another 3-cent per hour "cost of living" escalation, both of which were provided for under last year's wage settlement. This estimate might conceivably permit the declaration of a 10-cent extra to bring the total for this year more into line with the $1.55 regular and extra paid in 1956. The Pennsylvania dividend was placed on a 35-cent regular quarterly basis in April of last year, thus establishing the $1.40 regular annual rate.

At the present price of about 20½, "Pennsy" yields just under 7% based on the regular dividend alone, and this stock is now more realistically priced in relation to per-share earnings also. This ratio is a little over 6½ times the $3.10 per share estimate for this year according to the conventional reporting to the ICC, but only some 5¼ times consolidated per share earnings which run some 80 cents to 85 cents higher. In 1956, for instance, consolidated system earnings were stated at $3.99 per share as against $3.16 conventionally.

Consolidated earnings of the Pennsylvania System are defined as including, in addition to those of the parent road, earnings of affiliates, 100% of preferred and common stocks of which are owned directly or indirectly by the parent road excepting the Long Island since 1949, but including the West Jersey & Seashore and others operated under long term agreements. In time the consolidated earnings of the Pennsylvania may take on even greater significance due to the road's policy of acquiring minority holdings in subsidiaries. For years, however, there has been little change as measured by gross revenues, for instance. These, on the conventional parent company basis have held quite steadily around 95% of consolidated System revenues.

Advisory Board for Loeb Journalism Awds.

The recently-established Loeb Awards for business and financial journalism were given their first organizational framework July 8 as an Advisory Board of five men prominent in the business-financial field was appointed by the University of Connecticut, Storrs, Conn.



G. M. Loeb

Albert N. Jorgensen, President of the university which administers the new journalism awards, announced that Laurence J. Ackerman, Dean of the School of Business Administration, was named Board Chairman, and other appointees are:

Frank M. Folsom, Chairman, Executive Committee of Board of Directors, Radio Corporation of America; Gerald M. Loeb, a senior partner of the stock brokerage firm of E. F. Hutton & Co.; Raymond L. Hoadley, President, New York Financial Writers' Association, Inc., and financial columnist for the New York "Herald Tribune" and Herbert E. Dougall, C.O.G. Miller Professor of Finance, Graduate School of Business, Stanford University, Stanford, California.

An initial grant of $50,000 from the Sidney S. Loeb Memorial Foundation, Inc., which was founded by his brother, Gerald, established the Loeb Awards Fund in January.

While the Advisory Board is responsible for the final choice of prize winners, it will form a Selection Committee of six editors from various regions of the country to submit preliminary recommendations.

Requests for Loeb Awards application blanks should be addressed to Dean Ackerman at the University of Connecticut.

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The Economics of Prosperity

under which monetary and fiscal policies are expected to operate. Neither analysis will be comprehensive, but it may be possible to make some pertinent suggestions that may be helpful in an attempt to analyze both short-run and long-run economic conditions.

The short-run picture of business activity is an anomalous one. The expansionary and contractionary forces maintain the economy in a precarious balance. In short, this is the high and stable level of industrial activity which has been sought. As nearly as it is possible to translate ideals into actualities, the current business situation fulfills the objectives of the Employment Act of 1946. There are industries that are depressed but they are balanced by industries in which activity is extremely high. From a short-run point of view, the analyst of business activity is attempting to determine whether this "rolling readjustment" will continue to maintain business at the existing level.

In order to determine whether the short-run factors in the economy will continue to maintain a high level of activity, it is necessary to analyze current activity in the consumption, business investment, and governmental sectors.

Use of Disposable Income

The rate of activity in the consumption sector is influenced greatly by the level of disposable income, that is, personal income minus income taxes. The income which individuals have to spend has been advancing steadily for the last several years. There is, however, evidence that the rate of increase is slowing, and some of the recent advance in personal income can be traced, not to increased wages and salary payments, but to increased transfer payments as more people have begun to receive Social Security payments. The way in which this disposable income is spent determines to a large extent the course of business. Last year, for example, personal consumption expenditures amounted to $266 billion out of a total output of $412 billion.

The behavior of retail sales gives an indication of how consumers are spending their money and retail sales are flattening out. Over the last few months retail sales have fluctuated between $16.3 billion and $16.5 billion. There is evidence that a large part of the increase in retail sales over the corresponding period a year ago is due to increases in prices rather than to an increased volume of goods. The sale of non-durable goods is apparently advancing slowly and the textile business is somewhat better than it was last year. The greatest slowdown in consumer spending is taking place in some sectors of the durable goods producing industries, although the dollar volume of expenditures has risen in the last two quarters. There has been over the last six months a series of downward revisions in the forecasts of the number of automobiles which will be sold this year and the private forecasts are below the publicly released figures. Reports of layoffs and business terminations indicate the critical state of sales of household appliances. The problem is to attempt to explain why consumers are not spending money for these items.

Sag in Auto Demand

The failure of automobile demand to respond is probably due to the fact that there is little psychological pressure for a new car. The model changes and the equipment changes made over the past three or four years have not been great enough to make individuals feel that they "need" a new car. Likewise, little impetus can be given by an additional relaxation of credit terms. Probably much the same thing is true of household appliances but the decline in housing starts has also been an important factor. Over the short-run, therefore, it is probable that individuals are not likely to increase their expenditures for durable consumers' goods. The advance in expenditures for services may not be quite so great but the trend is still upward. The consumer expenditures sector will, therefore, probably continue to grow slowly; there is little reason to expect a sharp departure from present trends over the remainder of the year.

Total business investment represents a second sector about which some analysis is necessary. Business investment includes private construction expenditures, inventory changes, and plant and equipment expenditures. Residential construction has been in a declining phase since the end of 1954 and there are few signs that any recovery can be expected over the next few months. The reasons for the decline are many. One of the most important is that we have caught up at last with the abnormal demand created as a result of a failure to build houses during the depression and war years. What probably is more important is that, while better homes could be constructed, individuals with scarce resources are apparently unwilling to utilize a larger portion of them in order to house themselves more satisfactorily. Family formation is below the extremely high levels reached in the immediate postwar period. It is likely for these reasons that housing starts will remain close to the present level during the remainder of this year and, probably, next year as well. Non-residential private construction is being maintained at a high level. Many projects are being completed, however, and the rate of increase probably will decline in much the same way in which the rate of increase in plant and equipment expenditures is expected to decline. Construction contract award figures are declining for non-residential private construction currently.

The surveys of plant and equipment expenditures indicate that expenditures this year will be above expenditures last year but the rate of increase will be substantially lower. It is difficult, however, to foresee a substantial decline in business activity in the short-run as a result of a sharp decline in the rate of increase. Depressions don't result from the fact that business is growing less rapidly than it was.

Inventories Declining

Inventory investment is falling rapidly. In the last quarter of 1956 inventory accumulation occurred at a seasonally-adjusted annual rate of $4.1 billion. By the first quarter of 1957 inventory decumulation was taking place at an annual rate of $1.2 billion. In that period, therefore, there was a change of roughly $5 billion. On the basis of data now available, it is probable that inventory liquidation has continued in the second quarter. In some cases orders are falling behind expectations. If involuntary inventory accumulation is taking place in any sector of the economy, production will be reduced. Another reason for anticipating further inventory liquidation is that there are almost no "scarce" commodities. At the same time, inventories in relation to sales are not markedly excessive, and, consequently, sharp reductions are not anticipated.

Governmental expenditures are advancing. In spite of the efforts of the Federal Government to cut the budget, each year finds it a little higher than the last. State and local governments likewise are increasing their expenditures. Increases in governmental expenditures are tending to offset somewhat the decreases in expenditures in other sectors of the economy. The highway program must be mentioned at this point, but it is not likely to influence business activity over the remainder of the year.

It is necessary to examine at this point the increase in foreign investment which has occurred recently. This took an increased portion of the gross national product in the first quarter of 1957 but it was due in great part to the shipment of oil resulting from the Suez crisis. With the termination of that crisis we are likely to see net foreign investment declining to previously established levels.

The current business situation has been covered briefly because there is not much now that can be said about the factors of strength that has not been apparent for many months. Likewise, the depressive forces in the economy have been obvious for many months. The existence of excess supplies, the profit squeeze, the unsettled demand-supply relationships may be slightly more unfavorable than they were when economists analyzed the business situation early in the year, but there is no significant change which foreshadows any cumulative decline or any cumulative advance. I do not mean to minimize the contractionary forces, because they have exerted sufficient pressure to reduce activity below levels reached earlier in the year, and this moderate decline has been accompanied by an absence of strength in commodity market prices. These forces will probably continue during the remainder of the year. The expansionary forces are still strong but there are indications that they, too, will not increase in intensity during the remainder of the year.

Economy's Basic Strength

The conclusion to be drawn from the preceding analysis is that the economic forces which are influencing the economy at the present time are generally not unfavorable. The underlying strength of business conditions at the present time is sufficiently great that any possible downward adjustment will probably be minor. The current business situation, however, does have implications which are serious enough that they should not be ignored or buried beneath a tide of optimistic forecasts. This is not a "maybe up, maybe down" forecast, but a "maybe it will change but probably not much" forecast.

During the remainder of this paper I shall examine some of the longer-range forces which are now influencing economic development. It is these factors which bring about the great industrial crises and spectacular inflationary upsurges.

After 1929 it was possible to look back at the halcyon 'twenties and observe internal structural weaknesses which finally brought about the great collapse in the fall of that year. It is difficult to know whether these forces could have been recognized in the 1920's; the literature of that period shows little awareness of some of the factors that brought about the break. After the cataclysmic collapse there was general agreement about many of the reasons for the Great Depression. It is even more difficult to know whether it is possible to identify the weaknesses which are now present in the economy and to determine whether they are of sufficient magnitude to bring about a major depression. One conclusion seems relatively certain. The post-war economy has demonstrated repeatedly that it can withstand minor disturbances. The stresses which are necessary to create a shambles of unemployment and bankruptcy will have to be severe, basic and pervasive.

It must be realized that an undertaking such as this one is subject to many hazards. It is entirely possible that I will find as areas of weakness sectors which will actually be the strong ones and *vice versa*. This is not basically a monetary problem; the possible maladjustments are more fundamental. Actually, it is an attempt to determine whether economic maladjustments are appearing that are likely to affect the economy adversely. It is an attempt to find out whether paper profits are covering up cracks in the plaster and that we, therefore, are experiencing a prosperity which is not real, however real it may seem. It is extremely difficult to know which economic advances are sustainable and which are not. From the point of view of the businessman or the worker, economic growth brings economic advancement. To say that a certain amount of growth is unsustainable is almost like saying that we are living on a higher plane than we should be. To paraphrase a popular slogan of another day, we don't deserve to have it so good. Such an argument is not likely to be accepted by people generally; they refute such arguments by pointing to the standard of living itself.

There are always weaknesses in the economy, or stresses and strains which could bring about serious economic and financial crises. It is not particularly difficult to identify such enervating forces. The real difficulty occurs when an attempt is made to determine when and if these forces will exert sufficient pressure to bring about a substantial collapse.

Excess Capacity

One of the most important areas in which danger signs can be seen is the rapid rise in capital investment which has resulted in the creation of excess capacity in many industries. The list of industries suffering now from overcapacity is a long one. It includes the automobile industry, the textile industry, the aluminum industry, copper, lead, zinc, paperboard production, and certain types of steel.

The existence of excess capacity, however, is not necessarily a harbinger of cut-throat competition and price discrimination. Actually, surveys indicate that industrial plant managers prefer to have a certain amount of excess capacity. It is believed that firms can operate on a more efficient basis, if they operate at rates less than capacity. In a few cases the excess capacity is more apparent than real because it is frequently high-cost equipment which would only be brought into production if abnormal demands were to develop. Finally, there are cases in which industry has deliberately created excess capacity because it is believed that within a relatively short period normal growth will absorb that capacity. Thus, for example, the excess capacity which exists in some sectors of the chemical industry does not seem to be causing too much concern because it is expected that the normal expansion of that industry will provide a market for that output within a year or so.

But when all the justifications have been given for the existence of excess capacity, there is still danger that in some industries excess capacity may result in the creation of unstable market conditions. In the first place, the existence of excess capacity has a tendency to cause a reduction in the level of capital expenditures. The firms in an industry that already is experiencing excess capacity conditions are likely to reduce their planned capital expenditures. This is probably true in many industries at the present time, and it may go far to explain the reported intention of businessmen to reduce substantially the increase in the volume of capital expenditures this year. There have been reports, for example, that some automobile factory plans have been postponed because existing productive capacity is adequate for the market. This may also explain why one of the large paper manufacturing companies postponed its expansion program. There is also a tendency to cut prices in order to find a market for the unused capacity, and this in itself leads to price weaknesses which ultimately might unstabilize the industry involved. The business firms with excess capaicty might attempt to continue to operate as long as they earn their variable costs and a small part of their fixed costs. In this way markets could become glutted, which would lead to price weakness and unemployment.

Slow Down in Capital Expenditures

The conclusion to be drawn from this brief survey of capital expenditures in relation to capacity is that the rate of increase is likely to be small in the future, and the possibility of reductions should not be ignored. This is why the indices on new orders in the capital goods industries must be watched with care. The present record does not give any cause to hope that the sharp upward trend will be resumed in the near future.

This analysis would tend to reach the conclusion that capital expenditures in the near future will be of decreasing significance. In the present dynamic economy "conditions" are changing rapidly. The vast expenditures upon research and development of new products are stimulating a great amount of investment and production of new commodities. The introduction of new commodities may be taking place at a more rapid rate than can be maintained over the next few years. Consumer expenditures may not expand rapidly enough to provide the demand for all of these new products. Those economists who have made a specialty of studying capital expenditure figures believe that the amount which is being spent currently for expansion and the introduction of new commodities is somewhat greater than has been characteristic of previous periods. The dynamic expansion in capital investment, therefore, is probably coming to an end, and it is likely to be replaced by a period in which the expansion in capital investment will be more modest. As further evidence of this trend, the McGraw-Hill survey shows that over the next three years a larger proportion of gross capital expenditures of manufacturing companies will be for the purpose of repairing and modernizing plants rather than for expansion. The decline in the rate of expansion in industry will tend to remove one of the dynamic aspects of our economy. It represents a change. Too much can be read into this conclusion. It cannot be interpreted as a forecast of sharply falling capital expenditures nor can it be interpreted as a decline in the capital goods production industries; it can be interpreted only as a slowing in the rate of growth.

Growth of Labor, Income and Output

Another reason cited for the sharp break in industrial activity in 1929 was that the income of

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the working population was not increasing rapidly enough to absorb the increased output of goods resulting from increased productivity. No final answer has ever been given to this argument, and it is cited here only because it stimulates inquiries concerning the current situation. In the last ten years, total output of manufacturing industries has risen 45% as measured by the Federal Board Index of Industrial Activity. The number of production workers in manufacturing industries rose from 102.8% of the 1947-49 average in 1948 to 106.5% in 1956. The weekly payrolls, on the other hand, rose from 105.1% of the 1947-49 average in 1948 to 161.2% in 1956. A relatively small increase in manufacturing employment was accompanied by a very sharp advance in total output and an increase in the total payrolls.

It is possible to put this fact in another way. Workers in professional, clerical, sales, and administrative classificatios are becoming relatively more important. In the last ten years the number of workers of this type has risen from 19.8 million to 26.3 million, or from 36% of the labor force to 42% of the labor force. Moreover, there has been an increase in the number of workers employed in manufacturing industries that are not production workers. In the period from 1947 to 1956, the number of production workers in manufacturing industries rose almost 400,000, or 3%, but the number of non-production workers rose 1.2 million, or almost 50%. In the manufacturing industries the increase in non-production workers has been the result of expanded research and development activities, increased capital expenditures, increased record keeping and overhead activities. These changes have undoubtedly brought a new dimension to employment problems under changing business conditions.

It is difficult to argue that workers employed in manufacturing are not sharing in the gains from technology. Probably, the point could be made that the workers have gained an abnormal share of the advances resulting from technology and that the rewards to capital are insufficient. The current studies on productivity will probably show the extent to which this assertion is correct. Whether the relative increase in the number of non-production and service workers has placed an undue burden upon the economy is not demonstrable. But it seems certain that these trends are not as yet serious. While recognizing that these changes are taking place, I am unable to decide whether they represent maladjustments which will unfavorably affect the economy. It is, however, certain that the fact that wage income has tended to keep pace and that non-production workers have advanced in relative importance create problems that were not confronted in preceding periods of business weakness.

Economic Stabilizers

Perhaps, the most significant change which is taking place in the economy is the abandonment as either incorrect or inadequate of many of the defenses erected in the 1930s against depression. The 1930s were years of great social turmoil and there was resolution that such a catastrophe should never again occur. We built into our economy stabilizers which were designed to maintain some portion of income in the event of a substantial decline in activity. Unemployment insurance, farm price support, payments, and public works were three methods utilized. It is generally recognized that the farm price support program, as well as the soil bank plan, has proved ineffective as a method of dealing with the burdensome surpluses of the agricultural community. The farm price support program has been amended in such a way that it has reduced the level of support prices, although the supports now in force are probably higher than they were in the period before World War II.

Now, however, some people are advocating the abandonment of the program because a high level of farm price cannot be maintained without creating burdensome surpluses. If this program is abandoned, it means, of course, that agricultural income will not be protected against the deterioration of a business depression. Much the same thing can be said of the unemployment insurance program. It was originally designed to insure that the worker would, if he became unemployed, receive a modest portion of his income. Wages have risen rapidly, and the advance in benefit payments has not kept pace in many states. To offset a part of the possible loss in income, some industries have adopted supplemental unemployment benefit programs. These are supposed to insure that the worker will receive 60% of his "take-home" pay. The coverage is not widespread, however.

The economic theory upon which economic policies for the control of the business cycle are based has been modified as the result of additional economic research. The fiscal measures involved programs designed to create deficits in periods of depression and to create surpluses in periods of prosperity. There have been many versions of this general theory but essentially they involve the same basic concept, namely, that the government would offset decreases in expenditures by other sectors of the economy by increases in its own expenditures. These were expected to have not only a direct stimulus but an indirect stimulus as well. The monetary measures sought to prevent an expansion of money which would not be offset by an increased flow of goods in periods of prosperity. This meant that in a period of prosperity when production was close to maximum capacity, measures had to be taken to prevent a further expansion in bank credit. This was accomplished through higher discount rates and limitations upon the ability of banks to secure additional reserves. By these measures it was believed that the supply of credit would be held within reasonable bounds. In periods of depression, it was believed that the monetary authority would stimulate investments by making additional reserves available to the banks and by permitting lower rates of interest.

Experience over the last 15 years has brought into question some of the basic concepts upon which these principles are based. It can be shown that consumers do not spend a relatively fixed proportion of their income or a relatively fixed proportion of an increase in income. As a result, it is now realized that it is much more difficult to predict what the effect of a given increase in investment or in governmental expenditures will be upon total income.

If it is assumed for the moment that there is no multiplying effect of an increase in investment or in the deficit, it is obivous that the government would be forced in a period of depression to offset dollar for dollar decreases in consumer income. This would result in the creation of a budgetary deficit much larger than anyone believes is desirable, and such a budgetary deficit might have harmful side effects. It might result in the creation of a lack of confidence in the value of the currency and the country might experience a severe inflation accompanied by great unemployment. Obviously, this is an extreme case, but the point to be made is that the behavior of consumers is not as predictable as was once thought and, consequently, the effectiveness of some counter-cyclical measures may be somewhat less than was originally believed.

Ineffectiveness of Monetary and Fiscal Policies

The central monetary authority has also discovered that it faces a number of difficult problems in attempting to control inflationary pressures. At a high level of business activity, it is almost forced to choose between inflation and unemployment. To curb the inflationary tendencies it has been necessary to limit credit, but the limitation of credit brings about a declining level of activity in certain sectors and, therefore, unemployment. The word "unemployment" still carries an element of fear in this country and, consequently, there is a tendency to prefer inflation as the alternative. It is hard to convince an individual or an industry that their unemployment is in the national interest.

What is equally important is to realize that for some of the reasons mentioned earlier, as well as one or two to be mentioned now, existing monetary and fiscal policies may be inadequate to deal with a period of depression. I have already alluded to the difficulty of estimating the effect of an increase in either governmental expenditures or commercial investment. Monetary policy in a period of depression is expected to create conditions which stimulate investment, but monetary policy in these circumstances can only influence general business confidence and the supply, availability, and cost of credit. The studies of economists now apparently show that businessmen consider many more factors than the level of interest rates in deciding upon which investments to make and which investments to avoid. Here again, the effectiveness of the policies developed by theoretical analysis may be somewhat less than was originally envisaged.

Briefly, enough has been said to show that the theories of automatic and discretionary actions to be taken to control the business cycle which were formulated over the last two decades are open to serious question. As a practical matter, reference should be made to the fact that it is extremely difficult politically to maintain governmental surpluses in periods of prosperity. It would make this paper over-long to attempt to speculate upon the nature of economic theories which may emerge from further examination. It will be enough to say that the existing cycle theory will undergo some change.

Is Inflation Inevitable?

It would unduly inflate the length of this discussion to go into the concept of permanent inflation, but it is necessary at least to allude to it. The period of 1951 through 1955 was one of relatively stable prices because agricultural prices were declining rapidly enough to offset the advance in industrial prices. One scholar has described this period as the "lull that came to stay." Wholesale prices rose in 1956 mainly because agricultural prices ceased to decline, but in the first five months of the year, the general price index is again stable. Industrial prices have shown some slight weakness and the strength in agricultural prices is lessening. Agricultural prices almost certainly will decline further, and the price weakness observed in the non-ferrous metals will undoubtedly continue. There is probably some reason to suspect that the "inflationary bias" has been over-stressed. We may again be in a lull.

The record of the past can be cited to show that even though the value of money has diminished over centuries, there have been periods when it has risen in value for long periods. The idea that the trend of prices is always upward is motivating speculative undertakings on the part of some businessmen. This speculation on the general price level is dangerous and the experience of the past seven years is indicative of the fact that a great economic expansion can occur with a small advance in prices. From an historical viewpoint, it probably can be shown that great inflations of the past have been the result of war or monetary mismanagement. Seldom, if ever, has inflation resulted from cost increases. I hope to discuss this general subject at another time, but enough has been said to raise question about the uncritical acceptance of the "permanent inflation" bias. It might be well also to remember that in a period of generally rising prices serious maladjustments can develop because not all prices advance at the same rate.

International Developments

Finally, some comments should be made concerning the maladjustments which may be developing in the international economic situation. The political struggle between Soviet Russia and the United States has almost obscured significant economic developments which have taken place in the years since the end of World War II. World trade as measured by the dollar volume of exports has risen from $24 billion in 1937 to $93 billion in 1956. Even after allowing for an increase in prices, the volume of world trade has increased sharply. It would be difficult to prove, but it is probable that world trade is now more important in the economies of many nations of the world than it was formerly. The Western hemisphere and the European Payments Union have both increased their relative share of world trade while the Far East, Australia, and the sterling area have experienced a decrease in the relative share of world trade. Moreover, the economies of many nations of the world have not grown at the same rate. Latin America, for example, has grown more rapidly than Europe and even more rapidly than the United States. In the past, periods of rapid economic growth have been followed by sharp though relatively short declines, and it is possible that a sharp decline in industrial activity in any one of these rapidly growing nations would affect adversely the economies of other nations. Although it is not possible to describe the nature of the maladjustment which may be developing, it is possible to emphasize that the imbalance has not reached such a joint that a sharp downturn can be expected.

Conclusions

In summary, I have attempted to analyze some of the short-run as well as the long-run forces which are influencing economic trends. The short-run trends are relatively well balanced so that we have achieved a high and stable level of employment and activity over the last several months. There is evidence that the deflationary forces are slightly stronger than the inflationary forces, and a slow but not serious decline is apparently taking place. This decline may continue for several months but there is little reason to expect that it will grow either in intensity or speed over the short run. It would not be surprising if the expansionary forces outweighed the contractionary forces from time to time.

I attempted to analyze some of the long-range maladjustments which may be developing within the economic system. There are, of course, others that could have been examined; for example, the rise of debt both public and private, the growth of the population. An appraisal of their strength seem to indicate that they are not yet of great enough significance to foreshadow a sharp downtrend and a world-wide depression. It is impossible to determine at this point whether these forces will grow in intensity over the next several years but it is helpful to suggest that they should be watched with care.

Prediction is always difficult, no matter what the science or art. Human beings do not always respond in the expected—or approved—ways. Although this fact must be conceded, it does not argue against attempts to analyze economic trends. By the study of economics we have learned and unlearned much about the manner in which our system operates. The analyst always must remind himself that there is the possibility that some unexpected event will introduce an unforeseen element in the picture. In economics the unexpected has a way of happening when it is least expected. Contrary to the usual accusation that economists deal with a "dismal" science, the record of unexpected events has been generally so favorable that economists should be, as most of them are, cautiously and apprehensively optimistic.

Harry Lange & Bert Queen Join McCluney & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Harry J. Lange and Bert J. Queen have become associated with McCluney & Co., 418 Olive Street. Both were formerly officers of H. J. Lange & Co., Inc.

With John H. Kaplan Co.

John H. Kaplan & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have announced that John F. Roche and Jack Jablow have become associated with them as registered representatives. Mr. Roche was formerly with E. F. Hutton & Company.

This man is looking into your future

How does it look? Rosy? Free of cancer? You hope! But hoping isn't enough. Of every 6 Americans who get cancer this year, 3 will die because science still has no cure for them. It will take *lots* of research to find that cure. Pitch in and help. Send a generous check right now to "Cancer" in care of your local Post Office.

American Cancer Society

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Continued from page 14

The Movement for Modernization For Our State Corporation Laws

corporation conducting business in New York.

I believe and hope that the New York courts would not now decide a dividend case in the same way. And I hope California will see how ridiculous its position is before the Western Air case is finally determined. If California does finally decide that it has jurisdiction over Western Air Lines it may be difficult to find legal machinery to overrule the decision. The most effective means of removing such roadblocks is public opinion. The improvement of corporation law results from the change of public attitude and thinking. Public opinion makes its weight felt upon our legislatures and upon our courts. Corporations, therefore, should avail themselves of every opportunity to "sell" their point of view to the public.

An American Contribution

Corporation law as we know it in this country is peculiarly an American product. It has developed in a short period of time because our country has developed rapidly and its progress has been a product of economic necessity and public opinion. When our country was being settled, corporations were formed by Crown grants. The next step was the corporation created by special act of a state legislature. Corporation law as we know it was then practically non-existent.

Those early corporations were almost all monopolies of one sort or another. They were banks, insurance companies, canal companies, toll bridges, turnpikes, water supply companies and other semi-public enterprises. The railroads were in the same category even though they came a little later. The corporate form of doing business was desired by businessmen because it was better suited to raising capital than the other forms of business then in use. Also, there were often other rights granted simultaneously with the corporate charter, such as an exclusive franchise or the power to condemn property. Special privilege, monopoly and the corporate privilege were found together so often that they became associated in the public mind. Consequently, corporations were distrusted and feared. Let me give you an example. In the debates during the California Constitutional Convention of 1878, one of the participants made it very clear how he felt:

"Corporations are not creators of wealth. Corporations do not go out and work. A corporation is a sieve that runs around the state and sieves in the hard-earned money of those who do work. We could live without corporations in the State of California, and, with nine-tenths of them wiped from existence, we would be much better off than we are now."

Remember that that was said in 1878, less than 80 years ago, and I am sure that similar statements dated much later can be found.

One result of the public suspicion of corporations was the imposition of limitations on the legislative power to grant special charters. Another was the enactment of general corporation laws granting the right ot incorporate to any group willing to comply with the regulations set forth in the law. This equalized the opportunity. The privilege of doing business in corporate form was no longer a political favor.

Slowness and Limited Applicability

But it took a long time for general incorporation laws to be developed. It was not until 1811 that the New York Manufacturing Corporation Act was adopted. It was the first corporation law of fairly general application. Even now in Georgia a petition must be filed with the court for permission to form a business corporation. And in New York at present the approval of a justice of the Supreme Court is a prerequisite to the formation of a membership corporation or for the amendment of its charter.

When I said that the New York Manufacturing Corporation Act of 1811 was of fairly general application, I may be misleading because it was far from the type of general incorporation act to which we are now accustomed. Corporations could be formed under it to manufacture woolen, cotton or linen goods, to make glass, to make certain specified iron products and certain specified lead products. Not many of the corporations today could qualify. In 1817 the act was amended to permit corporations to be formed to manufacture leather. It was not until 1866 that New York granted permission to incorporate for any lawful purpose. That was only about 90 years ago.

Moreover, other restrictions were imposed upon such corporations as could be formed under the early so-called general corporation acts. Their existence was limited in time, that is, they could not be incorporated for perpetual existence but only for a maximum period of years specified in the statute. Such time limitations were pretty general in most of the states as late as 1900. Even now there are states which impose time limitations.

Also, limitations were placed upon the amount of capital which the early corporations could have. The New York General Manufacturing Act of 1811 limited captal stock to $100,000. I mentioned the 1817 amendment which permitted corporations to be formed to make leather. It imposed a limit of $60,000 for leather corporations; and in 1821, when the act was further amended to permit the incorporation of companies to manufacture salt, a limitation of $50,000 on capital was imposed. Not until 1905 did the great industrial state of Pennsylvania remove limits on the capital of corporations, and Michigan, another great industrial state, did not give way until 1921.

The amount of debt a corporation could incur was limited, too. I thought all such restrictions had been removed long ago, but last year while I was representing a lender who was making a loan to an Arizona corporation, I was surprised to find that the debt of Arizona corporations is still limited by statute.

My purpose in discussing history has been to demonstrate to you the process of evolution which our corporation laws have gone thourgh in this country and how short the time has been during which we have had available good corporation laws. To some extent the advances in corporation law were made as result of competition among the states, but many of the states were and still are slow to recognize the economic advantage to themselves of having up to date incorporation acts. Social, economic and political problems vary from state to state and hence public opinion is different. It is only natural that corporation law has made greater progress in some states than in others.

Realization of Economic Advantage

One of the first really popular corporation laws was that of New Jersey which, commencing in 1875 made a real bid for the corporation business. It capitalized upon the backwardness of the New York laws and during the last decade of the 19th century it was said that New Jersey very largely ran its state government on revenues derived from New York enterprises.

Maine and Delaware, and then a number of other states, saw the advantages of competing for the corporate business and sought to attract it. For one reason and another, all the competitors fell behind in the race and Delaware has for many years been the acknowledged victor. That victory is not solely the result of having a good corporation law. It does have that but it has more than that. It has a favorable attitude toward business corporations. Its courts are sympathetic and its legislature is sympathetic. It has not been greedy for taxes. It has a history of stable relations with corporations. So long as that attitude continues, Delaware has a good chance to remain the number one domicile for larger corporations. Delaware's competitors lost out in the race for many reasons. Maine, because of unsympathetic court decisions, others because of greed for taxes, and still others fell into disrepute because they cut prices too much and attracted so many wildcat corporations that investors became wary of corporations organized under their laws.

Importance of Public Opinion

A state's attractiveness as a corporate domicile depends not only upon the wording of its corporation statutes but also upon the general attitude and public opinion of the state. In the long run those intangible factors are the most important. The great surge of economic development in our country since the 1930's has made people aware of the advantages of corporations and consequently has compelled many states to modernize their corporation laws in order not to be left behind in the economic race. I think that there is slowly growing in our country an awareness of the fact that corporations are good, not bad, and that the large aggregations of capital which only a corporation can gather together are necessary to provide the goods and the jobs necessary to keep our country prosperous. More and more people are becoming investors and stockholders and are acquiring a realization of the benefits of corporations. This is offsetting the fears and distrust which grew out of the early corporate monopolies.

I mentioned the victory of Delaware in the competition for corporation business. The Delaware corporation laws are good, and for a corporation which wants to carry on business in a number of states as a foreign corporation, I think they are the best laws available. The general impression throughout our country, however, is that the Delaware laws are too liberal. When I try to pin down that criticism, I find it very difficult. However, public opinion is a fact which must be given weight. The fear and distrust of corporations has not been eliminated. The result is that a jurisdiction which wants to modernize its corporation laws finds it unpopular to select the Delaware statute as a model. The opposiiton will most assuredly rally around the charge that the state is planning to bid for corporation business. And that will be regarded as a bad thing to do. There is no surer way to defeat a proposed new corporation law than to charge that it is basically Delaware law.

Model Act

That fact is undoubtedly one of the reasons why the Model Business Corporation Act sponsored by the Section of Corporation, Banking and Business Law of the American Bar Association has been so favorably accepted by so many jurisdictions. The Model Act is the product of many years of labor. The work commenced in the early 1940's. A first draft was submitted to the Section in 1946. A very substantially revised edition was prepared in 1950 and released at that time for wide circulation. Since then there have been a few further changes. The present edition was published in 1953 and an addendum was published in 1955.

Almost immediately after the publication of the 1950 edition, the Model proved useful. Some of its provisions were used in the Maryland Act of 1950 but the first state to follow it closely was Wisconsin in 1951. Then began a rapid succession: Oregon in 1953, District of Columbia in 1954, Texas in 1955, Virginia in 1956, and this year North Dakota and Alaska. In addition, North Carolina in 1955 used it but added so many provisions which are foreign to the theories of the Model that our committee has made a point of noting for the record at every opportunity that it is not to blame for the novel provisions in the North Carolina Act.

Illinois is another state which ought to be mentioned. Its corporation statutes are similar in many respects to the Model Act. In searching for a place to start in the preparation of the Model, the general arrangement and many provisions of the Illinois law of 1933 were used. The Illinois statute had been unusually well drafted. Equally important, however, was the fact that Illinois was not one of the states which had been bidding for corporation business. We did not adopt the unusual provisions of the Illinois act, such as the prohibition against non-voting shares. And on the problem of cumulative voting which as you know from the Montgomery Ward case, is another characteristic of Illinois law. We have concluded that it is advisable to be neutral. We have given alternate provisions without any recommendation and we are glad to let the states take their choice.

Illinois has now, by amendments already made and others proposed, moved closer to the Model Act category of states.

Acceptance of Model Act

As the score stands at present there are **seven** Model Act jurisdictions (Wisconsin, Oregon, District of Columbia, Texas, Virginia, North Daktota and Alaska) and there are three others (Maryland, North Carolina and Illinois) which are similar in many respects. Thus, ten of the 52 jurisdictions in our country show the influence of the Model Act. I say 52 because you must take into account in addition to the 48 states, the District of Columbia, Alaska, Hawaii and Puerto Rico.

No corporation act heretofore has ever had as wide an acceptance as that already accorded to the Model Act. It is a very concrete accomplishment in the modernization of corporation laws. Further, you will remember that it has been done within a period of less than seven years.

You might well ask at this point what difference it makes to a company to have the Model Act being used in the places I have mentioned. Firms do not expect to organize a subsidiary in Alaska or North Dakota — perhaps not even in Virginia or Texas.

Covers Domestic and Foreign Firms

The Model Act applies not only to domestic corporations organized in states where the Act is in force, but also to foreign corporations doing business in those places. As I pointed out in the beginning foreign corporations have been kicked around in many states. We have tried to make the life of the foreign corporation easier. I don't suggest that we have found the perfect solution. There is much more study and work required, but we have made a start.

First on the question of internal affairs. Remember the Western Air Lines case and the New York dividend case I mentioned? The Model Act contains the following provision in Section 99:

"A foreign corporation shall not be denied a certificate of authority by reason of the fact that the laws of this State, and nothing which such corporation is organized governing its organization and internal affairs differ from the laws of this State, and nothing in this Act contained shall be construed to authorize this State to regulate the organization or the internal affairs of such corporation."

The determination of what constitutes "doing business" in a state is one of the difficult problems of the corporate secretary's office. In some states you will recall a contract made by a foreign corporation which ought to have qualified and has not, is completely void.

We have tried a new approach to that problem. We have enumerated activities which can be safely done without incurring the obligation to qualify. The latter part of Section 99 is as follows:

"Without excluding other activities which may not constitute transacting business in this State, a foreign corporation shall not be considered to be transacting business in this State, for the purposes of this Act, by reason of carrying on in this State any one or more of the following activities:

(a) Maintaining or defending any action or suit or any administrative or arbitration proceeding, or effecting the settlement thereof or the settlement of claims or disputes.

(b) Holding meetings of its directors or shareholders or carrying on other activities concerning its internal affairs.

(c) Maintaining bank accounts.

(d) Maintaining offices or agencies for the transfer, exchange and registration of its securities, or appointing and maintaining trustees or depositaries with relation to its securities.

(e) Effecting sales through independent contractors.

(f) Soliciting or procuring orders, whether by mail or through employees or agents or otherwise, where such orders require acceptance without this State before becoming binding contracts.

(g) Creating evidences of debt, mortgages or liens on real or personal property.

(h) Securing or collecting debts or enforcing any rights in property securing the same.

(i) Transacting any business in interstate commerce.

(j) Conducting an isolated transaction completed within a period of 30 days and not in the course of a number of repeated transactions of like nature."

Model Non-Profit Act

As a companion for the Model Business Corporation Act, we have prepared a Model Non-Profit Corporation Act. It is applicable to membership corporations, charitable corporations and the like. This field of corporation law too is developing rapidly.

The Model Non-Profit Corporation Act was published in 1952. Its general form follows that of the Business Corporation Act so that they will fit together in a state's legislative policy. To date, the Non-Profit Corporation Act has been followed in Wisconsin, 1953, Alabama, 1955, North Carolina, 1955, and Virginia, 1956. There are very similar acts in force in Illinois and Missouri.

In a number of states movements are afoot to use one or both

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of the Model Acts in a corporation law modernization program. I hesitate to be specific about the names of the states because it is so difficult to keep up with all of them. Sometimes nothing comes of the work despite great effort. On other occasions, enactment has come amazingly fast. Alaska is an example of the latter. Before our committee could confirm that the Model Business Corporation Act had been introduced, it was adopted. Among the states where our committee has been in contact with work on new corporation laws are Alabama, Arizona, Arkansas, Colorado, Iowa, Mississippi, New Mexico, New York, Massachusetts, South Dakota and Utah. I am sure there are others of which we do not know.

Status in New York

New York is a very important financial state which has just waked up to the realization that its corporation laws are antique. A legislative commission has been appointed and is doing a careful, thorough job. Both Model Acts have received favorable mention there and the Business Corporation Act is now under study. However, I have heard much talk in New York about the Delaware Act which of course many New York lawyers know better than they do the New York statutes. I have a little feeling that a new New York act based upon the Model Act would have more chance of success in our legislature than would the Delaware act but we shall have to wait and see. A new law based upon either would be a step forward.

Rewriting a state's corporation laws is a very substantial undertaking. Ideally, one should study and compare the statutes of all the states and perhaps even those of foreign countries, with the purpose of taking the best from all of them. That is too much to undertake and one would try to narrow his labors in some fashion. If one could find a reliable standard to be used as a starting point, one's labor would be shortened. One could reach for the Delaware law and, I am sure, would not make a mistake from the standpoint of drafting. However, as I have already pointed out one would probably be open to attack from the many people who think, rightly or wrongly, that the Delaware laws are too liberal. The Model Acts are ideally suited. They represent the collective experience of a widely diversified group of lawyers in active corporate practice, coming from all sections of the country. When you study the Model Acts I believe that you will be impressed by their style. Our committee has sought conciseness, simplicity, and clarity of expression. No attempt has been made to sell revolutionary ideas. Both acts are middle-of-the-road products. They have been attacked by conservatives on the ground that they are too liberal and by professors on the ground that they are too conservative.

Revived Model Law

One other fact gives me great confidence. When we finished our job, I worried about how the Business Corporation Act would stand up when subjected to outside scrutiny. Wisconsin, the first state to use the Model in substantially its full form, did a very careful job. Their bar association researched the laws of a number of states, compared the Model Act provisions with the old Wisconsin law and with other state laws and finally accepted our product, section by section, after critical study. They had public forums and bar meetings extending over a considerable period of time.

When they finished their work, we turned the tables on them. We compared their job with ours. Each change which they made was carefully studied by us. I think it is only fair to say that our 1953 edition reflects a number of suggestions by the bar of Wisconsin.

Our committee did the same sort of critical re-analysis each time another state went through our work. Texas and Virginia particularly deserve mention in that regard. Texas spent about three years in its preliminary work. A committee of the Texas Bar Association went from place to place in that great state attending discussion meetings and analyzing their act, our act and the acts of a great many of the states.

The point I want to make is that the Model Acts—both of them —are now not the product merely of an American Bar Association committee. They are the product of untold hours of work by lawyers and businessmen too numerous to count, from all parts of our country. That is good evidence that we have salable products.

But our job is not done.

We have now embarked upon still another project to make the Models more useful. A few moments ago when I speculated about how one might go about the job of modernizing a state's corporation laws if that task were given to someone, I mentioned the ideal procedure of first studying and comparing the statutes of all the states. Our committee thought that there was a need for such study and we are now trying to do it.

Preparing Annotations

I believe that you will have noted from my brief summary of American corporation law history that the basis for corporation law is largely statutory. Corporations are creatures of statute. The decisions of our courts are of great importance but they are usually interpretations of our corporation statutes. Strangely enough, there has been no overall analysis of corporation law from a statutory viewpoint. There are encyclopedias of corporation law but they do not go at the problem in relation to the statutes.

We wanted to prepare annotations to the Model Acts which would: **first**, show the source of each section and compare it with other comparable provisions in the statutes of the various states; **second**, analyze the relevant statutes in all of the states and territories; **third**, analyze the important relevant court decisions; **fourth**, comment generally upon the state of the law; **fifth**, refer the reader to all principal text and other source material; and lastly, refer the reader to all the relevant statutes in all the American jurisdictions. Our object was to provide in each annotation a bird's eye view of the law.

We realized the task we were setting for ourselves was a huge one and one that we could not do by ourselves. We successfully enlisted the support of the American Bar Foundation and entered into a cooperative agreement with it whereby its facilities at the American Bar Center in Chicago were made available to us, but the American Bar Foundation had no funds to give us. It was up to us to find the money to pay our staff and defray the other expenses of our project.

Financing the Research

We estimated that the job would require about four years. We estimated our budget at $182,000 and set out to raise it by asking law firms interested in corporation law to become sponsors of the project and agree to contribute annually to our budget. A great many were willing to do so. Then, we found, fortunately, that corporations too were interested in our undertaking and we got some very fine donations. A thousand dollars a year does not make a serious dent in a corporation's donation fund, but it means a lot to us. And since the contributions are to the American Bar Foundation (American Bar Center, 1155 East Sixtieth Street, Chicago 37, Illinois) they are deductible for Federal tax purposes. We now have pledges for about one-half of our needs and at the moment our cash position will carry us until about December of this year. We are going ahead on faith and fortunately our faith so far has been justified. Our staff has been working since July 1, 1956 and we are making real progress.

Sponsors

I note that a number of the corporations have become sponsors of our project and we are deeply grateful to them not only for their support but for the helpful suggestions that many of them have made about our work. I sincerely believe that when our job has been finished, they will be proud to see their names listed among those who have made it possible.

They will be proud too, I believe, to have been a part of this great movement for modernization of corporation laws. The interests of every corporation are being served by this project. As the corporation laws of our country are improved, our country becomes a better place to carry on business, and we all benefit.

With R. J. Steichen

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Newton B. Brisley has become associated with R. J. Steichen & Co., Roanoke Building. In the past he was with Thomson & McKinnon.

With E. F. Hutton

(Special to The Financial Chronicle)

CHICAGO, Ill.—William L. Carroll has become associated with E. F. Hutton & Company, Board of Trade Building. He was formerly with the First National Bank of Chicago.

A Beginning, But Only A Beginning, of Wisdom

"Several Federal spending programs appear to contain built-in expansion features. Federal Government commitments for old-age assistance, Social Security benefits, and highway expenditures are but a few examples of Federal programs which will increase under present law provisions. Refunding maturing issues of the public debt may be expected to result in increases in interest costs, so long as the present tight money conditions persist. In addition, cost and price increases tend to result in increasing levels of Federal spending, even when no change in real terms is made in existing programs. Merely continuing present programs, therefore, may well result in rising levels of Federal spending over the next several years.

"Substantial reductions in Federal spending in fiscal 1958 and subsequent years will require downward revision of existing programs as well as foregoing new expenditures. Rising prices and costs particularly in defense spending, suggest that such revisions may well be necessary even to hold fiscal 1958 expenditures to the level estimated in the President's Budget Message of January, 1957."—Subcommittee on Fiscal Policy of the Joint Economic Committee.

This may well qualify as the understatement of this year of our Lord, 1957.

Securities Salesman's Corner

By JOHN DUTTON

PROSPECTING

Following are a few suggestions that can be made a part of your everyday's activities and which may help you to build a larger and more productive clientele.

Train your mind, your eyes and your ears, to record possible new clients whom you may contact. When you read the daily paper watch for clues to guide you in locating probable investors. Business items, social events, and reports concerning people who are prominent and influential, should be placed on a "suspect list." Have a brief form letter prepared that you can mail to these people which contains an "idea" that may be of interest to them. This letter should be timely and then followed up with other mailings for a limited period.

At the present time, if your firm handles "tax exempt bonds," the very attractive income return provided by these securities can be brought to the attention of those people you think may be in the upper income brackets. If you have a mailing list that contains the names of people who are interested in "tax free" bonds, you can suggest in your letter that you are placing the prospect's name on this list to receive attractive offerings.

If your research department is developing interesting situations that might be suitable mediums for capital gains, you can use this same approach (the brief letter offering a complete investment service, and the special situation follow up). It is important to give your prospect A SPECIFIC IDEA. People are too busy to become interested in generalities. The idea must appeal to their natural desire to obtain a benefit, with the least amount of effort on their part.

After you have sent several mailings to the prospect, wait until you have an attractive bond or stock and make the offering. You can do this over the telephone providing you introduce yourself properly. You should tie in the letters you have been sending with your call. Either make an appointment to meet the prospect at his convenience, or in the case of certain well known securities it is possible you may obtain his interest and order during the telephone conversation. If you receive a turndown you can then determine whether the name is worthwhile following or not.

Telephone Contacting

Today, the modern way to save time is to use the telephone. The approach that you use, however, is what takes your telephone conversation out of the "pitch class" and places it on a highly dignified basis. One Stock Exchange firm has developed this approach: as a result of their continued advertising offering well researched reports, and assistance in developing planned investment programs they receive letters from investors who show some degree of interest in opening an account. A letter is mailed in answer to such inquiries naming a specific registered representative, and the suggestion is put forward that if the prospective new client wishes further information that he should contact this party. In this way, if the prospect receives a telephone call from the registered representative it is tied in specifically with his request for service, for a report, or anything else that he may have requested. No attempt is made to sell any specific security but a personal contact is established.

The plan I have outlined here is definitely within the realm of good business practice, but it must be used without pressure and with the realization that the majority of names you place on your suspect list and follow through via the mails and by telephone, will for one reason or another not be productive. It is, however, a direct and positive method of using the law of averages, which is primarily based upon prospecting in a group that should contain a higher ratio of investment prospects. The success of this program will be achieved through consistency, a short and concise form letter offering a specific benefit, several mail follow-ups, and your own ability to meet people over the telephone on a pleasant and confidence inspiring basis.

If you decide to give it a trial, don't become discouraged. I know of some investment accounts running into the millions that have been established because someone went after them in just this way.

Pacific Power & Light Offering Underwritten

Pacific Power & Light Co. is offering its common stockholders rights to subscribe at $28 per share for 376,600 additional common shares at the rate of one share for each 10 shares held on July 10, 1957. Rights will expire at 3:30 p.m. (EDT) on Aug. 1, 1957. An underwriting group headed by Lehman Brothers; Eastman Dillon, Union Securities & Co.; Bear, Stearns & Co. and Dean Witter & Co. will purchase any unsubscribed shares.

Net proceeds from the sale of the stock together with other funds will be applied by the company to its construction program.

Pacific Power & Light Co. is engaged primarily in the business of generating, purchasing, transmitting, distributing and selling electric energy in Oregon, Washington, Wyoming, Montana and Idaho.

Other members of the underwriting group include: Hayden, Stone & Co.; A. G. Becker & Co. Inc.; Foster & Marshall; Pacific Northwest Co.; Walston & Co., Inc.; Johnston, Lemon & Co.; and W. C. Langley & Co.

David A. Gimbel

David A. Gimbel, associated with Lehman Brothers, passed away at the age of 29 following an extended illness. Mr. Gimbel was the son of Bernard F. Gimbel, Chairman of the board of Gimbel Brothers, Inc.

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Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

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. (7/18-19)
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 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.

★ Artesian Water Co.
July 2 (letter of notification) 65 shares of class "A" non-voting common stock and 55 shares of common stock. **Price**—At market (about $34.50 per share). **Proceeds**—For payment of dividends to fractional shareholders. **Office**—501 Newport & Gap Pipe, Newport, Del. **Underwriter**—None.

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.

★ Banner Life Insurance Co.
July 3 (letter of notification) 24,958 shares of common stock (par $2.50). **Price**—$10 per share. **Proceeds**—To increase capital and surplus. **Office**—1210 Gloucester St., Brunswick, Ga. **Underwriter** — None. Reuben Henry Shipp is Vice-President and Secretary.

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. (7/15-19)
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. (7/24)
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.

★ Champion Paper & Fibre Co., Hamilton, Ohio
July 1 (letter of notification) an undesignated number of shares of common stock (no par) to be purchased by key employees of the company and its subsidiary or affiliate. Interests in the plan to be operated by trust; employees' contributions are not to exceed $300,000 in one year. **Proceeds**—For the benefit of the plan. **Underwriter**—None.

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.

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.
July 5 filed 248,132 shares of common stock (par 10¢). **Price**—At market. **Proceeds**—To selling stockholders. **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.

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.

● Emerson Electric Manufacturing Co.
June 18 filed $3,390,000 of 5½% convertible subordinated debentures due July 15, 1977, being 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**—100% of principal amount. **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.

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.

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 Automatics Corp., Atlanta, Ga.
May 23 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To establish production facilities for manufacture and assembly of controls; and for other corporate purposes. **Address**—c/o Positronic Corp., 2572 Ridgemore Road, N. W., Atlanta, Ga. **Underwriters**—Armstrong & Co., Atlanta, Ga.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers. Application is still pending with SEC.

General 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.

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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.

★ **Graphic Controls Corp.**
July 2 (letter of notification) 45,000 shares of class A stock (par $5), of which 41,491 shares are to be offered in exchange for class B stock of Technical Charts, Inc. at rate of 8.0484 Graphic shares for each Technical share. The remaining 3,509 shares are to be offered for sale to employees of subsidiaries. **Price**—$6.66⅔ per share. **Proceeds**—For working capital. **Office**—189 Van Rensselaer St., Buffalo, N. Y. **Underwriter**—None.

★ **Graybar Electric Co., Inc., New York**
July 2 filed voting trust certificates relating to 675,000 shares of common stock. All of the 647,217 issued and outstanding shares of common stock is presently held under a voting trust agreement which expires Jan. 14, 1958. The directors have voted to recommend to holders of voting trust certiifcates renewal of this agreement by means of a new agreement to be dated Oct. 15, 1957 and to expire Oct. 14, 1967.

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. **Office**—216 E. Monroe St., Springfield, Ill.

Ignacio Oil & Gas Co., Denver, Colo.
May 20 filed 650,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For drilling and completion of test wells; for acquisition and exploration of additional properties; and for working capital. **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.

★ **Inter-River Corp.**
July 1 (letter of notification) 300,000 shares of common capital stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—555 San Pablo Drive, Las Vegas, Nev. **Underwriter**—None.

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.

★ **Keystone-Peerless Mining Co.**
July 1 (letter of notification) 150,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—Suite 504, Mile High Center, Denver 2, Colo. **Underwriter**—None.

★ **Lake Central Airlines, Inc.**
July 1 (letter of notification) $300,000 of 6% convertible subordinated debentures, due July 1, 1962. **Price**—At par. **Proceeds**—For working capital. **Office**—Weir Cook Airport, Indianapolis, Ind. **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)
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.

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.
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.

★ **Microtech, Inc., Hamden, Conn.**
July 3 (letter of notification) 1,500 shares of non-cumulative voting redeemable preferred stock (par $100) and 15,000 shares of common stock (par $1) to be offered in units of one share of preferred stock and 10 shares of common stock. **Price** — $110 per unit. **Proceeds** — For machinery, equipment, tools and working capital. **Office**—2975 State St., Hamden, Conn. **Underwriter**—None.

★ **Military Publishing Institute, Inc.**
July 3 (letter of notification) 67,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—55 West 42nd St., New York 36, N. Y. **Underwriter**—None.

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NEW ISSUE CALENDAR

July 11 (Thursday)
Minneapolis, St. Paul & Sault Ste. Marie Ry. ____ **Equip. Trust Ctfs.**
(Bids noon CDT) $1,740,000
Seaboard Air Line RR. ________ **Equip. Trust Ctfs.**
(Bids to be invited) $5,460,000

July 15 (Monday)
British Industries Corp. ________ **Common**
(Kidder, Peabody & Co.) $300,000
Cameron Industries, Inc. ________ **Common**
(R. G. Worth & Co., Inc.) $300,000
Chicago & North Western Ry. ________ **Trust Notes**
(Bids noon CDT) $8,000,000
C. I. T. Financial Corp. ________ **Debentures**
(Salomon Bros. & Hutzler) $100,000,000
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
Phoenix Investment Co. ________ **Common**
(Clement A. Evans & Co., Inc. and The Robinson-Humphrey Co., Inc.) $1,900,000
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)
Altamil Corp. ________ **Common**
(Van Alstyne, Noel & Co.) $1,375,000
Chicago, Rock Island & Pacific RR. ________ **Eq. Tr. Ctfs.**
(Bids noon CDT) $3,000,000

July 19 (Friday)
Mercast Corp. ________ **Common**
(Offering to stockholders—no underwriting) 420,778 shares
Precision Transformer Corp. ________ **Debentures**
(John R. Boland & Co., Inc.) $299,880

July 22 (Monday)
Pacific Natural Gas Co. ________ **Notes & Common**
(White, Weld & Co. and Wm. P. Harper & Son & Co.) $1,125,000 notes and 79,000 common shares

July 23 (Tuesday)
Pacific Gas & Electric Co. ________ **Bonds**
(Bids to be invited) $60,000,000
Tennessee Gas Transmission Co. ________ **Debentures**
(Stone & Webster Securities Corp.; White, Weld & Co.; and Halsey, Stuart & Co. Inc.) $25,000,000
Tung-Sol Electric Inc. ________ **Preferred**
(Harriman Ripley & Co. Inc.) $5,000,000

July 24 (Wednesday)
Carter Products, Inc. ________ **Common**
(Eastman Dillon, Union Securities & Co.) 500,000 shares
McLouth Steel Corp. ________ **Preferred**
(Ahe First Boston Corp.) $10,500,000
Sears Roebuck Acceptance Corp. ________ **Debentures**
(Goldman, Sachs & Co.; Halsey, Stuart & Co. Inc.; and Lehman Brothers) $50,000,000

July 25 (Thursday)
Southern Pacific Co. ________ **Equip. Trust Ctfs.**
(Bids noon EDT) $6,000,000

July 30 (Tuesday)
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 10 a.m. CDT) $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 8 (Tuesday)
Commonwealth Edison Co. ________ **Bonds or Preferred**
(Bids to be invited) $25,000,000 to $50,000,000

October 15 (Tuesday)
Indiana & Michigan Electric Co. ________ **Bonds**
(Bids 11 a.m. EST) $20,000,000

October 22 (Tuesday)
Consolidated Edison Co. of New York, Inc. ________ **Bonds**
(Bids 11 a.m. EDT) $50,000,000

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

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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 twenty shares held; rights to expire on 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.

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.

Mutual Investors Corp. of New York
May 17 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire real estate properties and mortgages. **Office**—550 Fifth Ave., New York 36, N. Y. **Underwriter** — Stuart Securities Corp., New York.

Nassau Fund, Princeton, N. J.
May 8 filed 250,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—10 Nassau St., Princeton, N. J. **Investment Advisor** — Harland W. Hoisington, Inc., same address.

National Lithium Corp., New York
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York. Statement expected to be amended.

● **National Tea Co., Chicago, Ill.**
June 12 filed 48,720 shares of common stock (par $5) being 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. (7/30)**
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 10 a.m. (CDT) on Aug. 13.

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 up to 8:30 a.m. (PDT) on July 23.

● **Pacific Natural Gas Co. (7/22-26)**
May 28 filed $1,125,000 of 6½% subordinate interim notes due 1963 and 79,000 shares of common stock (par $1), of which the notes and 45,000 shares of stock are to be offered in units of a $25 note and one common share. The remaining 34,000 shares of stock are to be offered by company for subscription by common stock on a 1-for-3 basis to about July 31. **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.

● **Pacific Power & Light Co. (7/12)**
June 4 filed 376,600 shares of common stock (par $6.50) being 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 scheduled to be mailed on July 12. **Price**—$28 per share. **Proceeds**—For construction program. **Underwriters**—Lehman Brothers, Eastman Dillon, Union Securities & Co., Bear, Stearns & Co. and Dean Witter & Co. (jointly).

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.

★ **Peerless Co., Inc.**
July 2 (letter of notification) $250,000 of 10-year 6% debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds** — For capital expenditures. **Office** — 231 Main St., Pawtucket, R. I. **Underwriters**—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.

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. (7/15-19)**
June 14 filed 380,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be loaned to Peachtree Road Development Corp. and to Mimosa Corp. in order to permit these companies to pay the balance of contract prices and closing costs incident to the purchase of certain parcels of land. **Underwriters**—Clement A. Evans & Co., Inc., and The Robinson-Humphrey Co., Inc., both of Atlanta, Ga.

Plymouth Fund, Inc., Miami, Fla.
Feb. 5 filed 500,000 shares of capital stock (par $1) **Price**—At market. **Proceeds**—For investment. **Underwriter** — Plymouth Bond & Share Corp., Miami, Fla Joseph A. Rayvis, also of Miami, is President.

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. (7/19)**
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**—E. L. Aaron & Co., New York. **Offering**—Date indefinite.

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.

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 850,000 shares of common stock (par $5) being 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 2nd Ave., Miami, Fla. **Underwriter**—Floyd D. Cerf, Jr. Co., Chicago, Ill.

★ **Sears Roebuck Acceptance Corp. (7/24)**
July 9 filed $50,000,000 of debentures due July 15, 1982. **Price**—To be supplied by amendment. **Proceeds**—To purchase customer installment receivables from Sears, Roebuck & Co. **Underwriters**—Goldman, Sachs & Co., Halsey, Stuart & Co. Inc. and Lehman Brothers, all of New York.

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** — For development of oil and gas properties. **Underwriter**—Albert & Co., Inc., New York, N. Y.

Sire Plan, Inc., New York
May 14 filed $1,000,000 of nine-month 8% fund notes. **Price**—At par (in denominations of $100 each). **Proceeds** —For working capital and other corporate purposes. **Underwriter**—Sire Plan Portfolios, Inc., New York.

Southeastern Fund, Columbia, S. C.
June 3 filed $2,000,000 of 6½% sinking fund subordinated debentures due June 15, 1972, of which $1,500,000 principal amount are to be offered for subscription by stockholders; the remaining $500,000 principal amount, plus any unsubscribed debentures, to be publicly offered. **Price**—To stockholders, 95% of principal amount; and to public, at 100%. **Proceeds**—For working capital. **Underwriters**—Smith, Clanton & Co., Greensboro, N. C.; Powell & Co., Fayetteville, N. C.; and Frank S. Smith & Co., Inc., Columbia, S. C. **Offering**—Expected this week.

★ **Southern Industrial Corp., Jacksonville, Fla.**
June 25 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To be added to the general funds of the company. **Underwriter** — Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla.

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) being offered for subscription by common stockholders of record May 31, 1957 on the basis of two new shares for each five shares held; rights to expire on July 19. **Price**—$3 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—Santa Monica, Cal. **Underwriter**—Daniel Reeves & Co., Beverly Hills, Cal.

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.

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Telestudios, Inc.
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.

★ **Teletray-Eastern Corp., Silver Spring, Md.**
July 9 (letter of notification) 5,000 shares of common stock (no par). **Price**—$7 per share. **Proceeds**—To purchase a 50% interest in Teletray Service, Inc., and for working capital. **Office** — 8416 Georgia Ave., Silver Spring, Md. **Underwriter**—None. Sales to be made by officers and directors.

★ **Tennessee Gas Transmission Co. (7/23)**
July 5 filed $25,000,000 debentures due Nov. 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term loans. **Underwriters**—Stone & Webster Securities Corp., White, Weld & Co. and Halsey, Stuart & Co. Inc., all of New York.

Texam Oil Corp., San Antonio, Texas
May 29 filed 200,000 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** — To be received up to noon (EDT) on July 15 at Room 2033, Two Rector Street, 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.

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.

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. (7/23-24)**
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.

★ **Turbo Dynamics Corp.**
June 27 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To purchase machinery and equipment; payment on company plant facility; and for working capital. **Office** —Virginia & Truckee Bldg., Carson City, Nev. **Underwriter**—None.

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.

★ **West Bend Aluminum Co.**
July 2 (letter of notification) not to exceed 3,450 shares of class B common stock (par $5) to be offered to members of company's field sales force not residents of the State of Wisconsin. **Price**—$14.42 per share. **Proceeds**—To help defray the cost of a new administration building. **Office**—92 Island Ave., West Bend, Wis. **Underwriter**—None.

★ **Westates Corp.**
July 2 (letter of notification) $300,000 of 5% convertible subordinated debentures due 1967 (convertible into common stock at $25 per share). **Price**—At par (in denominations of $100 each). **Proceeds**—To retire current debt and for working capital. **Office** — 5507 White-Henry-Stuart Bldg., Seattle, Wash. **Underwriter**—None.

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 Plains Oil & Gas Co.**
July 1 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incidental to the development of gas and oil. **Office**—213 C. A. Johnson Bldg., Denver 2, Colo. **Underwriter**—None.

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.

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.

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.

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.

Byers (A. M.) Co.
May 7 stockholders approved a proposal to authorize a new class of 100,000 shares of cumulative preference stock (par $100) and to increase the authorized outstanding indebtedness to $15,000,000, in connection with its proposed recapitalization plan. There are no specific objectives involved. **Control**—Acquired by General Tire & Rubber Co. in 1956. **Underwriter**—Dillon, Read & Co., Inc., New York, handled previous preferred stock financing, while Kidder, Peabody & Co. underwrote General Tire & Rubber Co. financing.

★ **Carolina Natural Gas Co.**
July 2 it was reported company plans to issue and sell $1,600,000 of first mortgage 6% bonds, $800,000 of 6% subordinated sinking fund debentures due 1977 and 112,000 shares of common stock in units of $100 of bonds, $50 of notes and seven common shares. **Price**—$164 per unit. **Proceeds**—For construction program. **Underwriters** —Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala. **Offering**—Expected in August, 1957, with registration about the middle of July.

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.

★ **Central Telephone Co.**
June 5, stockholders approved a proposal to increase the authorized common stock from 1,000,000 shares to 1,250,000 shares. It is reported that a convertible debenture issue may be offered publicly. **Proceeds**—For construction program (estimated at $7,000,000 for 1957). **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

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 at Chicago, Ill., up to noon (CDT) 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. (10/8)**
June 25 company stated that it plans to offer $25,000,000 to $50,000,000 of new securities (kind not yet determined). **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 bididng. Probably bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. **Bids** — Expected to be received on Oct. 8.

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

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★ Consolidated Edison Co. of New York, Inc. (10/22)
Charles B. Delafield, Financial Vice-President, on July 8 announced that the company has tentatively decided to issue and sell $50,000,000 of first and refunding mortgage bonds (probably with a 30-year maturity). This may be increased to $60,000,000, depending upon market conditions. **Proceeds**—From this issue and 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. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on Oct. 22.

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.
July 9 it was announced company plans to issue and sell $35,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly).

● Consumers Power Co.
July 9 it was announced that the company plans, in addition to the bond financing, to offer to its common stockholders the right to subscribe for $35,156,760 convertible debentures maturing not earlier than Sept. 1, 1972, on the basis of $100 of debentures for each 25 shares of stock held. **Proceeds**—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); Ladenburg, Thalman & Co.

● 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** — If determined by competitive bidding, probable bidders may be 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).

Eastern Utilities Associates
April 15 it was announced company proposes to issue and sell $3,750,000 of 25-year collateral trust bonds. **Proceeds** — For advances to Blackstone Valley Gas & Electric Co., a subsidiary. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co. (jointly).

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. **Offering**—Expected in late August or early September.

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.

Louisville & Nashville RR.
Bids are expected to be received by the company some time in the Fall for the purchase from it of $14,400,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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
July 9 stockholders approved an offering to stockholders of 156,600 additional shares of capital stock (par $10) on the basis of one new share for each seven shares held as of July 9; rights to expire on July 26. **Price**—$35 per share. **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.

Montana Power Co.
May 20 it was reported company may issue and sell in the fall about $20,000,000 of debt securities. **Proceeds**—For construction program and to reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Kidder, Peabody & Co.; Smith, Barney & Co., and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly).

New England Electric System
May 23 it was announced SEC has approved the merger of the five following subsidiaries: Essex County Electric Co.; Lowell Electric Light Corp.; Lawrence Electric Co.; Haverhill Electric Co. and Amesbury Electric Light Co., into one company. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, to be known as Marrimack-Essex Electric Co. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Company; Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co., and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., and White, Weld & Co. (jointly). **Offering**—Expected in first half of 1957.

New Jersey Bell Telephone Co. (9/11)
May 1 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—Together with proceeds from sale of 900,000 shares of common stock (par $100) to parent, American Telephone & Telegraph Co., will be used to pay for expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Shields & Co.; White, Weld & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received on Sept. 11.

New Jersey Power & Light Co.
Sept. 12, 1956, it was announced company plans to issue, and sell $5,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

Niagara Mohawk Power Corp.
April 22 it was reported company tentatively plans to issue and sell this fall about $40,000,000 of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly).

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Norfolk & Western Ry. (7/31) (9/18)
Bids are expected to be received by the company up to noon (EDT) on July 31 and Sept. 18 for the purchase from it of $8,580,000 additional equipment trust certificates in two installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern 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.
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).

★ **Pittsburgh & Lake Erie RR.**
July 9 company sought authority from the Interstate Commerce Commission to issue and sell $2,220,000 equipment trust certificates to mature annually on Aug. 15, 1958 to 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ **Sanders Associates, Inc., Nashua, N. H.**
July 8 it was reported company plans to issue and sell some additional class A common stock (par $1), sufficient to raise between $750,000 and $1,000,000. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Expected late this month.

★ **Seaboard Air Line RR. (7/11)**
Bids are expected to be received tomorrow (July 11) by this company for the purchase from it of $5,460,000 equipment trust certificates, series R, maturing annually from Aug. 1, 1958 to 1972, inclusive (these are the first instalment of an authorized issue of $16,350,000. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 will be received by this company in New York up to noon (EDT) on July 25 for the purchase from it of $6,000,000 equipment trust certificates, series XX, to be dated June 1, 1957 and to mature in 15 equal annual instalments. 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.

★ **Thompson Products, Inc.**
July 6 it was announced stockholders will vote Aug. 9 on approving a new issue of $20,000,000 convertible subordinated debentures, which are to be offered for subscription by common stockholders. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Smith, Barney & Co., New York, and McDonald & Co., Cleveland, O.

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.

Valley Gas Co.
April 15 it was announced company, a subsidiary of Blackstone Valley Gas & Electric Co., plans to issue, within one year, $4,000,000 of bonds, $1,100,000 of notes and $900,000 of preferred stock to its parent in exchange for $6,000,000 of notes to be issued in exchange for certain assets of Blackstone. The latter, in turn, proposes to dispose by negotiated sale the first three new securities mentioned in this paragraph.
April 15 it was also announced Blackstone plans to offer to its common stockholders (other than Eastern Utilities Associates its parent) and to common stockholders of the latter the $2,500,000 of common stock of Valley Gas Co., it is to receive as part payment of certain Blackstone properties. **Dealer-Manager**—May be Kidder, Peabody & Co., New York.

Virginia Electric & Power Co. (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.

★ **Wisconsin Southern Gas Co., Inc.**
July 8 it was reported company plans to offer up to $300,000 of additional common stock to its stockholders. **Underwriter**—The Milwaukee Co., Milwaukee, Wis.

Our Reporter's Report

Distributors of new securities, both underwriters and their dealer affiliates, continued to find the atmosphere in the marketplace rather pleasant this week. But they still were keeping their fingers crossed.

The last run of new issues appeared to have presented a pretty good picture of the terms that would attract the investor, particularly the large institutional buyers of securities.

However, it was recognized also that the start of the season of larger business borrowings soon will be approaching and there is a disposition around to wait and see if this factor has any preliminary effects in the money market.

But for the moment things are in good order. New issues have been moving decidedly well and, in addition, dealers have been able to work off such shelf stocks as had accumulated during the earlier sluggish spell.

The calendar for the weeks immediately ahead is not to be considered overburdensome if you set aside CIT Financial Corp.'s unique offering on which books are slated to open next week and remain open for an extended period.

However, the forward calendar is building in a substantial way, with Consumers Power Co., and Consolidated Edison Co. of N. Y., Inc., between them having raised the potential by $120 millions.

Can't Afford to Step Out

While the investor element, notably the pension funds, have been turning a more kindly eye on new corporate issues recently, there is nothing to suggest that investment bankers can afford to "step out" to pick up an issue.

On the contrary, the opposite seems to be the case. Take the Wisconsin Telephone Co. offering this week. Bankers paid the company a price of 100.511 for a 4½% coupon on the 35-year issue.

They proceeded to reoffer at 101.25 for an indicated yield of 4.43%. The bonds were reported moving, but buyers evidently were not in any particular rush to take the issue down.

Two Big Ones Shaping Up

Consumers Power Co. disclosed plans to market some $70 million of new debt securities when it filed with the Michigan Public Service Commission for permission to raise that amount of funds.

It proposes to sell $35 million of bonds and $35.1 million of debentures and to limit the interest cost to 5¼%. The bonds go via competitive bidding, the debentures by offering to shareholders.

Consolidated Edison Co. of N. Y., meanwhile, proposes to sell $50 million of new mortgage bonds next October by the bidding route. The issue probably will be of 30 years maturity and the size of the offering will hinge, it was indicated, on the nature of the market at the time of sale.

Next Week's Prospects

Buyers of fixed term corporate securities are assured of diversification, if nothing else, in next week's calendar of new offerings.

As noted before, C. I. T. Financial Corp.'s unique offer for a possible $100 million will be on tap. Also on Monday Texas Electric Service Co. will open bids for $16 million of bonds.

Tuesday will bring $15 million of Jersey Central Power & Light bonds up for bids, and on Wednesday bankers will be offering an industrial obligation, Inland Steel Co.'s $50 million of bonds.

Jack Pearlove Opens

MINNNEAPOLIS, Minn.—Jack E. Pearlove is conducting a securities business from offices at 1937 Girard Avenue, South.

Forms Michael & Co.

BROOKLYN, N. Y. — Michael Satnick has formed Michael and Company with offices at 20 Crooke Avenue to engage in a securities business.

J. P. Morman Opens

HOUSTON, Tex. — James P. Morman, Jr., is conducting a securities business from offices at 742 Blalock Road under the firm name of J. P. Morman & Co.

L. J. Nied Opens

IRVINGTON, N.Y.—Leo J. Nied is resuming his investment business from offices at 435 East Sunnyside Lane.

Two With Laurence

MIAMI BEACH,, Fla.—Joshua L. Becker and Kenneth E. Benson have joined the staff of Alfred D. Laurence & Co., 9575 Harding Avenue, Surfside.

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Halsey, Stuart Group Offer West Penn Power 4⅞% 1st Mtge. Bonds

Halsey, Stuart & Co. Inc. and associates are offering today (July 11) $20,000,000 of West Penn Power Co. 4⅞% first mortgage bonds, series Q, due July 1, 1987, at 101.666% and accrued interest, to yield 4.77%. Award of the bonds was won by the underwriters at competitive sale yesterday (July 10) on a bid of 100.806%.

Net proceeds from the sale of the bonds, together with cash resources and proceeds from the previous sale of additional common shares, will be applied by the company toward expenditures in connection with its construction program.

The new bonds will be redeemable at regular redemption prices ranging from 106.55% to par, and at special redemption prices receding from 101.67% to par, plus accrued interest in each case.

West Penn Power Co., a subsidiary of The West Penn Electric Co., is an electric utility operating in 18 counties of western and north central Pennsylvania. The company and its subsidiaries form an important part of the electric system of The West Penn Electric Co. and its subsidiaries. Territory served by West Penn Power Co. covers about 8,775 square miles, and has a population estimated at about 1,145,000.

Consolidated operating revenues of the company for 1956 were derived about as follows: residential—37.3%; commercial—13.9%; industrial—45.9%; other—2.9%. For the year 1956, the company and its subsidiaries had consolidated operating revenues of $73,479,236 and consolidated net income of $13,262,102.

With Smith, Barney

Walter J. Gruber has become associated with Smith, Barney & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, in the Underwriting Department.

With Englander Secs.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Thomas E. Lehoe has become affiliated with Englander Securities Corp., Miami National Bank Building.

Joins Gibbs & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Aime P. La Fosse has become affiliated with Gibbs & Co., 507 Main Street. He was formerly with B. C. Morton & Co.

Advertising is one of the most useful tools in securing new customers.

So it's smart to place your advertisement in

THE COMMERCIAL AND FINANCIAL CHRONICLE

25 Park Place, New York 7

Continued from page 6

The State of Trade and Industry

other flat-rolled users to step up their orders after plant vacation shutdowns.

The auto companies already have put through token orders for their new models. Some mills report automotive orders for August delivery are encouraging. A further pickup is expected for September delivery.

Demand for heavier steel products—structurals, plate, and oil country goods — continues strong. Construction, shipbuilding, freight car building, and oil country activity are expected to buttress the market until other industries come in for the expected last-half upsurge.

Inventory cutbacks are expected to taper off in third and fourth quarters. Some industries may be holding their steel stocks to fairly low levels into the fourth quarter. But others are expected to start rebuilding inventories in the near future.

July to Be Low Point in Steel Output

The low point in steel production so far this year will be reached in July, according to "Steel" magazine.

Slowness prevailed right from the start of the month, with production in the week ended July 7 being 78.5% of capacity, a drop of 7.5 points from the preceding week's rate.

Production lethargy stemmed from the July 4 holiday, the beginning of summer vacations and the continuation of inventory reduction at steel consumers' plants, the weekly metalworking publication pointed out.

Current needs for steel are reduced by the universality of metalworking plant shutdowns for summer vacations. The weeks immediately following the July 4 holiday are favored. Some metal consuming plants are closing down so completely they won't even take in steel shipments from mills.

Slow as it was, last week's rate was far better than that in the corresponding week of last year when a steelworkers' strike held the pace to 14% of capacity. Some 2,009,200 net tons of steel for ingots and castings were turned out last week, compared with only 344,655 tons produced in the year-ago week.

"Steel" estimates that while steel production will be off this month, July's total likely will be 5½ times that of the strike-affected month last year. Absence of a steelworkers' strike this year will permit the industry to turn out as much steel in 1957 as it did last year, while operating at a lower average.

Steel prices will likely remain stable at their new level for the next 12 months, "Steel" said. Last year they were increased in the summer and again in the winter.

These factors will make for price stability: (1) Steel users are finding it difficult to pass on or absorb increased costs. (2) Numerous segments of the public are expressing resistance to price increases. (3) Steel companies covered part of their current cost increases through upward adjustments in price extras several months ago.

The base price increases last week averaged $6 a ton.

Prices of steelmaking scrap were not influenced upward by new steel prices. The reverse happened. Scrap eased off a bit and lowered "Steel's" price composite on steelmaking grades to $55.33 a gross ton, a decline of 50 cents from that of the preceding week.

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 80.4% of capacity for the week beginning July 8, 1957, equivalent to 2,057,000 tons of ingot and steel for castings, as compared with 78.5% of capacity, and 2,009,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,495,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 86.5% and production 2,214,000 tons. A year ago the actual weekly production was placed at 317,000 tons or 12.9%.

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.

The Iron & Steel Institute also announced this week that the estimated payroll of the Iron and Steel industry in May reached the prodigious sum of $338,000,000 which contrasts with $331,000,000 in April and $333,570,000 a year ago. The average hourly payroll cost during the May month amounted to $2,824, which does not include 29 cents an hour for pensions, social security and other benefits. April hourly charges amounted to $2,837 and in May, 1956 the hourly charge averaged $2,619.

Holiday Curtailment Plunged Passenger Car Output 41% Under Previous Week While Low Priced Auto Production Fell Only 32%

This week's holiday-curtailed passenger car output plunged 41% under last week, "Ward's Automotive Reports," reported July 5, but low-priced field auto production fell only 32%.

"Ward's" said that producers in the low-price field scheduled Friday (July 5) operations of 37% of their assembly plants for the week—23% of the industry's total plants—thus avoiding a "long" Thursday (July 4) through Sunday holiday weekend.

Last week's production was counted by the statistical service at 73,280 cars and 15,491 truck completions in U. S. plants compared with 125,909 and 24,091 in the earlier period. The same week in 1956 netted 68,110 car and 11,561 truck completions.

"Ward's" said the strong output by low-price cars is in keeping with their new postwar II record market penetration of 62% this year and finds Chevrolet consistently matching Ford in weekly and monthly production since April.

U. S. plants built their 4,000,000th car or truck of the year last week, a 4.3% rise from a year ago. In Canada, motor vehicle output is running 4.9% behind last year.

Electric Output Last Week Registered Substantial Rise Above That of Prior Period

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 6, 1957, was estimated at 11,056,000,000 kwh., according to the Edison Electric Institute.

The past week's output increased 665,000,000 kwh above that of the previous week; it rose above the comparable 1956 week and 1,297,000,000 kwh. over the week ended July 9, 1955.

Car Loadings Below 1956 Corresponding Week

Loading of revenue freight for the week ended June 29, 1957 totaled 732,349 cars, the Association of American Railroads announced. This was a decrease of 22,930 cars or 3% below the corresponding week in 1956, but an increase of 36,508 cars or 5.2% above the corresponding week in 1955.

Loadings for the single week ended June 29, were 14,415 cars or 1.9% below the preceding week.

Business Failures Down in Holiday Week

Commercial and industrial failures fell to 190 in the holiday week ended July 4 from 271 in the preceding week, as reported by Dun & Bradstreet, Inc. At the lowest level this year the toll was slightly below the 208 a year ago and the 204 in 1955. Some 9% fewer concerns failed than in the comparable week of pre-war 1939 when 208 occurred.

Casualties with liabilities of $5,000 or more dropped to 158 from 226 last week and were slightly below the 169 of this size a year ago. Among small failures, those involving liabilities under $5,000, there was a dip to 32 from 45 in the previous week and 39 last year. Seventeen businesses failed with liabilities in excess of $100,000, the same number as in the preceding week.

Tolls declined during the week in all industry and trade groups. The sharpest declines appeared in wholesaling, down to 9 from 25, and in commercial service, down to 14 from 25, while milder decreases prevailed in retail trade, off to 102 from 137, in manufacturing with 34 as against 41, and in construction with 31 as against 43. Casualties were less numerous than last year in all functions except construction which showed a moderate rise from the 1956 level.

Failures were considerably lower in the holiday week in all geographic regions save the East North Central States where the toll rose to 37 from 27, and in the South Atlantic States, up to 27 from 18. Marked declines occurred in most of the other seven regions; Middle Atlantic casualties dropped to 51 from 83, Pacific to 43 from 75, and West South Central to 9 from 25. While five regions reported fewer failures than a year ago, three areas, namely the South Atlantic, East North Central and West South Central, had heavier casualties. No change from 1956 appeared in the East South Central States.

Wholesale Food Price Index Reaches New High For Year

The wholesale food price index, compiled by Dun & Bradstreet, Inc., moved moderately higher last week to stand at $6.23 on July 2, as against $6.20 a week earlier. This represented a new high for the year, and the highest since Sept. 27, 1955 when it was $6.28. The current figure compares with $6.05 a year ago, a rise of 3.0%.

Higher in wholesale price this week were wheat, corn, oats, beef, lard, milk, cottonseed oil, cocoa, steers, and lambs. Lower were flour, rye, barley, coffee, and eggs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Fluctuates Mildly In Latest Week

The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., moved within a narrow range this week. On July 8 it stood at 292.11 fractionally above the 292.06 a week earlier, and it exceeded the 286.91 of the comparable date a year ago. Price declines were reported on some grains, rubber, steel scrap, and coffee.

Following a rise at the beginning of the period, grain trading slackened at the end of the holiday week. Wheat prices fell moderately following reports that weather conditions in growing areas were improved. There was a slight decline in rye and oats prices, and purchases lagged.

Although the buying of corn dipped moderately, prices advanced somewhat. Despite a decline in soybean purchases in Chicago, there was a slight rise in prices. Soybean trading on the Chicago Board of Trade amounted to about 74,494,000 bushels for the week, compared with 90,596,000 bushels in the preceding week and 105,677,000 bushels in the similar 1956 period.

Reflecting the improved weather conditions in winter wheat growing areas, flour prices fell moderately this week. Flour buying was sluggish, as most buyers waited for a clearer picture on the crop outlook. Flour receipts at New York railroad terminals on Friday totaled 76,090 sacks, including 31,615 sacks for export and 44,475 sacks for domestic use.

Rice prices continued at the level of the prior week, and trading was high and steady; wholesale stocks were limited. There was an increase in exports of rice to Cuba and Puerto Rico. Reports indicated that crop damage in Texas and Louisiana in the recent storm was not serious.

Although a slight decline in sugar orders occurred, prices were close to those of the preceding week. There was a moderate decline in coffee prices, as trading fell noticeably at the end of the week.

Increased trading somewhat boosted cocoa prices this week. New York cocoa stocks expanded somewhat to 288,169 bags during the week, but were less than the 406,501 bags of the similar week last year. Cocoa arrivals for the season so far totaled 2,137,921

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bags compared with 2,607,561 bags in the corresponding 1956 period.

Wholesalers reported a noticeable rise in hog buying, and prices rose sharply. Hog receipts in Chicago fell considerably. Cattle prices were sustained at the levels of the preceding week, while receipts climbed somewhat. Lamb trading advanced, but prices dipped slightly. There was a moderate rise in lard futures prices, and trading was high and steady.

Cotton trading slackened at the end of the week, and prices fell moderately, according to the New York Cotton Exchange. The decline in prices was attributed to the failure of the mid-June parity price to show an expected advance. Except for some scattered transactions in print cloths, bookings in cotton gray goods lagged; prices were close to those of the prior week.

Dun & Bradstreet's Trade Review of the Week

WOMEN'S SUMMER APPAREL HIGH—Consumer interest in women's Summer apparel was sustained at a high level the week ended July 5, while volume in household goods slackened somewhat. Women shoppers were primarily interested in Summer sportswear, cotton dresses, and some fashion accessories; the buying of men's ligthweight suits, sportswear, and beachwear was sluggish. Cooler weather somewhat discouraged sales of air conditioners and fans, but volume was close to that of last year. A slight rise occurred in them all for television sets, while sales of major appliances were sluggish. Purchases of barbecue equipment and garden implements equalled those of the previous week. There was a slight rise in the call for new and used passenger cars, and sales remained close to those of a year ago.

REGIONAL ESTIMATES—The total dollar volume of retail trade in the week ended this Wednesday was 1 to 5% 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 +9; Middle Atlantic +2 to +6; East North Central and East South Central —2 to +2; West North Central and West South Central —1 to +3; South Atlantic and Pacific Coast +1 to +5; Mountain 0 to +4.

CONSUMER INSTALMENT CREDIT UP—At the end of May consumer instalment credit amounted to about $32 billion, up $369 million from that of the preceding month. This increase slightly exceeded that of the year ago month, but was less than the rise that occurred during May 1955. An upsurge in automobile credit accounted for more than half of the May 1957 increase. Total consumer credit outstanding at the end of May, including instalment and non-instalment, climbed to $41.7 billion, up 7.2% over a year ago.

APPAREL ORDERS HIGH—Wholesale orders for women's Fall dresses, coats, and suits were sustained at a high level, and slightly exceeded those of a year ago. Bookings in girls' back-to-school clothing rose appreciably, while purchases of boys' apparel lagged. There was a noticeable rise in orders for light-weight coating fabrics from automobile manufacturers; transactions in cotton drills and work fabrics slackened. Retailers increased their orders for air conditioners and fans in an attempt to replenish depleted stocks; sales of major appliances and television sets fell somewhat. Food buyers were interested in fresh meat, canned fish, and frozen foods, but volume in poultry, dairy products, and baked goods remained close to that of the prior week.

HEAVY CONSTRUCTION CONTRACTS CLIMB—The total dollar value of heavy construction contracts rose noticeably in May, and exceeded that of a year ago by 48%, according to F. W. Dodge Corp.; principal gains were reported in the building of streets, highways and electric power and water supply systems. However, residential construction was fractionally below that of May 1956. Total construction contracts showed a year-to-year gain of about 14%.

STEEL OUTPUT DOWN—Anticipating curtailed production schedules for the Independence Day holiday, steel mills set output at 79.1% of rated capacity this week. Although this rate was moderately below that of the preceding week, it was sharply higher than the corresponding 1956 level when the steel strike entered its first week. Ingot production in the previous week was at the lowest level since the first week of August 1956. Many steel producers raised their prices, but the increases were somewhat less than expected.

AUTO PRODUCTION HIGH—Total passenger car output in the first half of 1957 exceeded that of the comparable year ago period by 5.5%. Manufacturers stepped up the production of cars and trucks nearly 4% last week, and output was 18% higher than last year. Producers expect shutdowns for the long holiday weekend will moderately reduce output this week. . . . Initial claims for unemployment insurance in the week ended June 22 dipped 6%, but were 5% higher than a year ago. There was a seasonal slackening of layoffs in the apparel, food processing, and textile industries.

Bank Clearings Up for Past Week

Bank clearings this week will show an increase compared with a year ago. Preliminary figures compiled by us based upon telegraphic advices from 109 cities in U. S. A. indicate that for the week ended Saturday, July 6, clearings for all cities of the United States (for which it is possible to obtain weekly clearings) will be 2.6% above those of the corresponding week last year. Our totals for these 109 cities stand at $21,229,161,140 against $20,696,706,913 for the 1956 week. At this Center there is a gain for the week ending Friday of 6.6%. Our compilation of bank clearings for the preceding week, ended June 29, showed the total for the 109 cities to be $23,753,016,608 (of which $11,681,164,690 were clearings outside of New York) as against $23,223,786,319 or a 2.3% increase.

Our comparative summary for each week is given on page 43 of the Monday edition of "The Chronicle," under the heading viz: "The Course of Bank Clearings."

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index increased slightly in June after allowance for the usual seasonal change. The adjusted index is estimated at 127% of the 1947-49 average, compared with 125% for May and 124% for June a year ago. Total dollar sales were 2% greater than a year ago in the first half of 1957.

Retail trade volume in New York City last week advanced 4% to 6% above the corresponding period a year ago, store executives report.

Continued hot weather was an important factor in stimulating trade during the June 29 week.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended June 29, 1957, increased 5% above that of the like period of last year. In the preceding week, June 22, 1957, an increase of 11% was reported. For the four weeks ending June 29, 1957, an increase of 3% was registered. For the period of Jan. 1, 1957 to June 29, 1957, the index recorded a rise of 4% above that of the corresponding period of 1956.

Continued from page 12

The Economic Outlook and Related Monetary Factors

that effective counter measures will be promptly adopted by fiscal and monetary authorities.

IV
Tight Money

A fourth definite pattern that is present in 1957 is the reduced availability and higher costs of borrowed money. During 1956, and in 1957 so far, there was much public concern over tight money, but in recent months the criticism has lessened. This concern has been particularly notable with three very sensitive groups, namely small businessmen, home builders, and school authorities.

As the chief monetary authority of the country, the Federal Reserve System has been a target for some critics of tight money. In reality, the Federal Reserve System, in following a tighter money program has benefited rather than harmed the general public.

The tighter money policy has taken the form of refusing to supply the banking system with reserves sufficient to meet all the demands for funds that were made. It has been a policy of omission rather than of commission.

Notwithstanding the tighter money policy, funds for the most insistent demands have been available. Commercial bank loans, for example, are currently about $7 billion higher than they were a year ago. Mortgage debt outstanding at the end of 1956 was about $15 billion more than for a year earlier. Consumer credit outstandings at the end of February this year were $3 billion higher than for a year ago.

The injection of this additional credit during the past year was sufficient to permit a substantial expansion in over-all business activity. Inasmuch as the economy was generally operating at capacity levels, the additional credit use was associated with rising prices. Indeed, somewhere near a half of the total gain in value of output was represented by price rises.

If the Federal Reserve System had proceeded to supply all the reserves needed to meet the extraordinary demand for funds, then instead of having a 3.7% rise in prices, we might well have had an 8 to 10%, or even greater, rise. To put it another way, if the Federal Reserve System had seen to it that interest rates were kept low, we would have experienced a price inflation somewhat like that following World War II, or that following the beginning of the Korean War. Such an inflation would, no doubt, have been accompanied by an unsustainable rate of expansion. It could have got us into such a situation that there would have been no avoiding the familiar boom-bust cycle that has marked similar over-expansion periods of the past.

So long as business continues at its present high pace, it is going to have to operate in a somewhat tight financial market. In the event there is any considerable slackening in the pace of business, then we can expect a return to a deliberate policy of easier money with the purpose of avoiding undue inflation.

V
Sustaining Factors

The fifth and last point I would like to discuss refers to sustaining factors in the economy that tend to assure long-term economic expansion. I am not going to say that we never need to have a depression again like we had in the 1930's. This would be too much like assuming, as many did back in the 1920's that we had reached a new era and had conquered the business cycle. Those of us who are old enough to recall the sentiment of the 1920's are somewhat wary of assuming that we can continue indefinitely the long upward movement that, on the whole, began back in 1933. But whatever ingrained pessimism we may have about our economic future, we nevertheless must deal with the realities of the existing situation.

One of these realities is the continued and growing expenditures for goods and services by government. This stream of spending amounted, at an annual rate for the first quarter this year, to $84.5 billion, out of a total of $427.0 billion. This means that about $20 of every $100 that are spent in our economy are spent by government. This spending for goods and services by government induces additional spending on the part of consumers and business, and thus represents a sustaining factor and also a well established pattern.

I can see no sharp reversal in government spending in the months ahead. On the contrary, the troubles in Egypt and Jordan, the armed truce in Korea and Indo-China, and the threats from Russia all seem to imply a stepping-up rather than a reduction of government expenditures for national security. Moreover, the need for improved highways is paramount, and we are just now in the beginning stages of spending billion of dollars for a limited-access highway network. Our needs for school facilities and health and governmental facilities are expanding more rapidly than we can supply them.

Another reality is our existing pattern of income distribution. Nationally, we are deliberately following a program designed to sustain effective demand. We have a ceiling on hours and a floor under wages. We have a vast and growing social security program. We have a tax program designed to maintain the purchasing power of the lower income groups. We have a price-support program designed to maintain purchasing parity in agriculture. I look for no discontinuance of these programs. To the extent that they contribute to the maintenance of mass purchasing power, they represent insurance against depression.

A third sustaining factor is intelligent and sensitive over-all monetary control. More than ever before, we have developed monetary techniques that permit the restraint of undue and undesirable credit expansion and the restraint of undue and undesirable credit contraction.

Just how long these sustaining factors will be permitted to operate no one can forecast with precision. But they are in operation now and I see no immediate possibility of their discontinuance.

And so I would say that the business community can look forward with confidence to the future. I say this in consideration of my five principal points.

(1) Business has shown an expansionary trend in the first quarter this year, and there appears to be no immediate check to expansion.

(2) Consumers are almost certain to experience a continued gain in spending power.

(3) The slow rise in prices that is likely to continue will strengthen business and consumer confidence.

(4) Over-all monetary restraints promise to be sufficiently effective to prevent inflation from getting out of hand.

(5) There are strong sustaining factors in the economy that suggest the continued maintenance of a high level of business activity.

William M. Carson

William M. Carson passed away July 9 at the age of 66. Mr. Carson was associated with Hemphill, Noyes & Co., in Boston.

With L. F. Rothschild

(Special to The Financial Chronicle)

CHICAGO, Ill.—Anne K. Sherman has joined the staff of L. F. Rothschild & Co., 231 South La Salle Street.

Joins Straus, Blosser

(Special to The Financial Chronicle)

CHICAGO, Ill.—Neal S. Breskin has become connected with Strauss, Blosser & McDowell, 39 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Hodgdon Adds to Staff

(Special to The Financial Chronicle)

BOSTON, Mass. — Ernest J. Mooney has become connected with Hodgson & Co., 10 State St. He was formerly with Jackson & Company, Inc.

Now With Keller & Co.

(Special to The Financial Chronicle)

BOSTON, Mass.—Leon Semonian, Jr. is now with Keller & Co., 31 State Street. He was formerly with Palmer, Pollacchi & Co.

Joins Merrill Lynch Staff

(Special to The Financial Chronicle)

BOSTON, Mass.—Donald C. Uppendahl is now connected with Merrill Lynch, Pierce, Fenner & Beane, 18 Milk Street.

Schirmer Atherton Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—Harry D. Farren has been added to the staff of Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Richard Harrison Adds

(Special to The Financial Chronicle)

SACRAMENTO, Calif. — Winston K. Jackson has been added to the staff of Richard A. Harrison, Inc., 2200 16th Street.

Lamson Adds to Staff

(Special to The Financial Chronicle)

CHICAGO, Ill. — George F. Sutherland has been added to the staff of Lamson Bros. & Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges. Mr. Sutherland was previously in the research department of Cruttenden, Podesta & Co.

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Mutual Funds

By ROBERT R. RICH

The Half-Year Summarized by Fund Association

In the first half of 1957 the nation's investment companies continued to grow, registering gains in the number of shareholder accounts, accumulation plans, and in capital additions and total assets.

The number of shareholder accounts in the 26 closed-end and 136 open-end investment company members of the National Association of Investment Companies passed the three million mark during the period with an estimated 3,100,000 at the end of June. This compares with 2,497,254 at the end of June, 1956 and represents an increase of over 600,000 in the past 12 months according to the Association.

Open-end company "accumulation" accounts were an important factor in the overall increase in shareholder accounts. Their number passed the 500,000 figure in March to reach a total estimated at 540,000 on June 30, 1957. This is a net gain of 147,350 plan accounts in 12 months. Accumulation plans enable an investor to make regular purchases of mutual fund shares on a monthly or quarterly basis. Over 16,000 such plans were opened by investors in each of the first six months of this year.

Shares of closed-end investment companies listed on the New York Stock Exchange may also be purchased monthly or quarterly under the Exchange Monthly Investment Plan. The estimated 3,000 MIP plans using closed-end companies at the end of June represented a gain of 42% in the past 12 months.

Assets of the Association's member open-end companies at the end of the first half year were $9.7 billion compared with $8.6 billion reported a year ago. For the 26 closed-end companies, assets on June 30 were approximately $1.4 billion, as compared with the June 30, 1956 total of $1.3 billion.

Growth in industry assets results from several factors the Association points out including investments by new shareholders, net additional investment by existing shareholders, and changes in the market value of securities held in investment company portfolios.

Investor purchases of open-end investment company shares during the first six months of 1957 were estimated at $705,000,000, above the $669,625,000 recorded for the first half of 1956. Repurchases of fund shares (redemptions) were estimated at $225,000,000, slightly under the $235,000,000 in same period last year.

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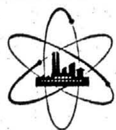

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Mutual Fund Club Started

Kalamazoo has supplied a new twist to the investment club idea of buying stocks which may be the first of its kind in the United States.

Known as the Initial Open-End Mutual Fund Investment Club, the group was formed at the suggestion of H. E. G. Clarke, office manager of B. C. Morton and Co. He had conceived the idea that if the investment club principle would work in purchasing individual stocks, it would have added advantages of diversity and safety if the clubs selected each month an open-end mutual fund, which already may represent a portfolio of 100 or more companies' stocks and generally is not restricted to kinds of stock purchased or sold.

Mr. Clarke said that as far as he knows this is the first investment club in the United States dealing exclusively with open-end mutual funds.

The club has embarked on an educational program to acquaint the 15 members with mutual funds and the system whereby their managements buy stocks and bonds to provide a diversified investment. At the first meeting, a sound movie on the subject, entitled, "Your Money at Work," was shown.

The second club, following the same pattern, now is in the process of organization under the title, F. M. C. Club.

Investment clubs for the purchase of common stocks are a comparatively new development in the financial world, but have spread like wildfire recently. The New York Stock Exchange says that there are roughly 10,000 investment clubs now with a membership of more than 100,000. One local broker estimated that there are now 35 or 40 in Kalamazoo.

However, the pattern in the past has been for members to meet monthly with a broker or other advisor and review the financial records of several stocks, choosing one each month for purchase. Each member agrees to provide $10 or a larger amount which goes into a common pool for purchase of the stock agreed upon.

Keystone Forecasts 2nd Half Gains

A slight improvement in business is in prospect for the second half of 1957, according to the mid-year Economic Business and Financial Outlook just published by Keystone Custodian Funds, Inc.

Economists for the $340 million mutual fund organization expect Gross National Product to average $438 billion in the last half of the year and to exceed $440 billion by year's end, up approximately 6% from 1956. Corporate profits will show little change, but corporate dividends are expected to rise approximately 8% from last year.

In a special study, the Keystone report analyzes the corporate profit picture, comparing figures for 1950 with those of 1956 in the light of changes in accounting procedures. Included are such items as changes in inventory evaluation, accelerated amortization of defense facilities, and optional methods of depreciation accounting.

The Keystone economists point out that numerous factors must be considered in comparing the two periods. The report states, "The difference between 1956 and 1950 gross earnings is largely due to increased expenditures for research, $2.8 billion more; increased depreciation, $8.7 billion more; and decreased inventory profit, $2.4 billion less. These differences between the two years total $13.9 billion."

The Keystone specialists point out that corporate cash flow, which is generally considered a better measure of overall corporate progress than corporate profits, is up 48% from 1950. The stock market has reflected these basic improvements rather than reported profits figures.

Included in the Keystone report is a chart indicating the close relationship between prices and labor costs from 1927 to the present. This is an extension of the figures starting in 1947 as reported by Ewan Clague of the U. S. Department of Labor to the Joint Economic Committee.

As usual, the Keystone economic outlook presents a full page of financial and economic indices and data showing the prewar (1935-39) average as compared with significant years to the present.

Group Securities' Assets Gain

The semi-annual report of Group Securities Inc. shows total net assets for the company of $102,360,727 on May 31, 1957, an increase of $3,274,000 during the six months and of $4,896,000 over a year ago.

Regarding the business and market outlook, the report states that much has been accomplished by the Federal authorities in eliminating the possibility of "boom and bust" in the future. The report adds that Group Securities management now believes that a basis has been laid, through corrective market action, for a substantial forward movement of the economy.

Personal Progress

Massachusetts Life Fund Distributors announces the appointments of Mr. M. Richard Kynaston as wholesale distributor of Massachusetts Life Fund in the Washington-Baltimore area and Mr. Lawrence K. Carpenter as wholesale distributor in the New York City area.

Bullock Fund Assets Now $35 Million

Bullock Fund, Ltd., recorded gains in shares outstanding, total net assets and in asset value per share in the first half of its 25th fiscal year, Hugh Bullock, President, told shareholders in the report covering the six months ended May 31, 1957.

The value of total net assets on May 31, 1957, partly as a result of increased purchases of shares by investors and partly due to appreciation in the price of securities owned, reached $34,536,940, a new high for any fiscal reporting period, compared with net assets of $31,158,363 at Nov. 30, 1956. Net asset value per share was $13.26 on 2,605,065 shares outstanding, a gain of 6.25% over the $12.48 per share on 2,497,357 shares six months before.

The production of American industry has continued at near capacity levels during the past six months, Mr. Bullock said; employment and payrolls were also near the peaks established in 1955-56. Corporate expansion programs, based on optimistic estimates of the future, have been substantial.

"Nevertheless," he said, "there are developments which create problems of investment selection and timing. One is the relatively high quotations for common stocks in relation to current and anticipated earnings. Another is the continued high interest rates, reflecting the heavy demand for money. And, although there has been a considerable decline in the price for raw materials, especially base metals, costs of production have risen in many fields, with a resulting adverse effect upon net earnings.

"In such an environment, your management feels that, while long-term prospects are generally favorable, the holding of reserves—cash and U. S. Government securities—in a moderate amount is warranted. Opportunity to employ such reserves on a selective basis and at more attractive levels for individual stocks, in a manner similar to that of the past six months, would appear to be possible as the year progresses."

Canada General Invests Now in Ungava Region

Canada General Fund Limited reports net assets of $88,896,840 at the close of the third quarter of its present fiscal year on May 31, 1957, equal to $14.29 per share. Both figures are new quarter-end highs and compare with net assets of $69,552,576, amounting to $12.48 per share, on May 31 of last year. During the 12-month period the number of shares outstanding increased from 5,573,481 to 6,220,368, also a new high.

Henry T. Vance, President, notes that at the close of the May quarter, the Fund's investments were divided among more than 100 issues of securities in 18 industry classifications, of which the largest were: oil and gas, 22.09%; forest products, 12.24%; utilities, 11.00%; mining, 9.95% and stores 9.07%.

A feature of the report is a section headed: "For Long-Term Growth" which points out that although "the dynamic quality of Canadian industry is such that it is very easy to think of an investment in Canada as one which should offer quick 'trading' profits," such trading is not the purpose of the Fund.

Citing as an example the management's approach to the oil industry, where Canadian production has grown from about 8,000,000 barrels in 1939 to 170,000,000 barrels in 1956, the report observes that:

"The future of well-managed Canadian oil properties looks bright indeed. We have, however, followed a consistent plan of diversifying holdings over a number of selected oil securities so as to avoid the risk naturally inherent in holding just a few possible 'long shots.' Further, each oil security in the portfolio has been most carefully appraised in order to make sure that it meets all the standards we have established for holdings in this industry."

Noting that the same investment philosophy has characterized the Fund's investments in mining stocks, and giving as an example its purchase of shares of companies participating in the current development of recently-discovered nickel deposits in the Ungava region, the section concludes:

"In pointing out these two examples of our investment policy in the natural resource fields, we should, of course, emphasize that the same criteria of selection of investments are utilized by the Fund in all other fields, including manufacturing, commercial and service enterprises where we feel that the long-range potential is promising."

Energy Fund Total Assets Up 63% in Past 12 Months

Total net assets of Energy Fund, an open-end investment company of the "no-load" type managed by Ralph E. Samuel & Co., New York City, rose to a record $4,354,896 in the 12 months ended June 30, 1957, an increase of 63.4% over the $2,665,666 at the beginning of the period June 30, 1956. In the same period, the net asset value per share increased 14.4% representing a rise to $176.07 per share from $153.92 12 months ago. Including the capital gain distribution during the period of $4.72 per share, the increase amounts to 17.5% while the Standard & Poor 500 stock average increased less than 1%. Increased investor interest in Energy Fund is indicated in the rise of more than 42% in shares outstanding during the period to a record 24,734.

The fund, which specializes in investments in industries and companies whose activities are related to the field of energy and its sources, announced the following portfolio changes in the most recent quarter: New commitments: 3,000 Fansteel Metallurgical, 1,500 Foster Wheeler, 1,700 Safety Industries, 3,000 Tampa Electric, 9,000 Ultramar, Ltd. Significant additions: 1,000 Joy Manufacturing, 600 Lindsay Chemical, 700 Royal Dutch Petroleum, 1,000 Texas Instruments and 2,500 Ventures, Ltd. Eliminations: Borax (Holdings) Ltd., Consolidated Denison Mines (stock and warrants), Home oil "B" and Northspan Uranium.

Current holdings in the Energy Fund portfolio are:

Oil and Gas (31.6%): 6,000 British Petroleum; 1,500 Colorado Interstate Gas; 2,200 Gulf Oil; 7,100

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Royal Dutch; 2,000 Skelly Oil; 9,000 Ultramar, Ltd.; 2,500 Union Oil & Gas "A."

Utilities (10.2%): 2,000 Florida Power & Light; 2,400 Houston Light & Power; 2,400 Peoples Gas Light & Coke; 3,000 Tampa Electric.

Manufacturing (33.5%): 4,600 Babcock & Wilcox; 2,000 Cutler Hammer; 3,000 Fansteel Metallurgical, 1,500 Foster Wheeler; 3,000 General Cable, 1,000 General Electric, 2,500 Joy Manufacturing, 4,500 Machlett Laboratories, 500 Minneapolis Honeywell, 2,000 Newport News Shipbuilding, 2,000 North American Aviation, 1,000 Nuclear Development Corporation of America, $12,500 Nuclear Development Corp. of America 5/67, 1,700 Safety Industries, 3,000 Texas Instruments.

Materials (24.7%): 3,000 Algom Uranium Mines; 2,000 Algom Uranium Mines, warrants; 3,000 American Potash & Chemical, 2,500 Brush Beryllium, 1,000 Foote Mineral, 2,600 Lindsay Chemical, 630 Magma Copper, 500 O'Okiep Copper, 3,000 Philadelphia & Reading, 5,500 Ventures Limited.

Resources Fund Share Value Up 16 Percent

Net assets per share of International Resources Fund, Inc., after adjusting for a capital gains distribution, increased 15.8% during the six months period ended May 31, 1957, the first half of the company's fiscal year, President Coleman W. Morton said in a report to shareholders.

Net assets at May 31, 1957 were $19,264,151, equal to $5.02 per share on the 3,834,640 shares outstanding. This compared with $14,337,722, equal to $4.61 a share on the 3,106,970 shares outstanding Nov. 30, 1956, the close of the last fiscal year.

During the past quarter portfolio holdings were increased in certain existing investments, the most important being additions to the holding of Anglo-Ecuadorian Oilfields, Ltd.

New investments included five companies which are producers of various energy fuels. Investments in steel stocks were augmented by initial acquisitions of shares in Kaiser Steel Corp., Jones & Laughlin Steel Co. and Antillian Steel Corp., a newly established specialty steel producer in Cuba.

The fund is substantially fully invested in common stocks, Mr. Morton declared, such investments being diversified in over 60 different companies.

He added, however, that reasonable concentration in those stocks considered as most attractive, is an important element in successful portfolio performance. Hence, 14 leading companies represent 41.5% of total net assets.

National Securities Sales Make New Record

Purchases of the National Securities Series of mutual investment funds in the six months ended June 28 set a record for this period at $41,849,049, an increase of nearly $10 million or 35% over the $30,963,403 for the similar period last year.

Philadelphia Fund recorded a sales increase of 62.4% in the first half of 1957, according to Roy R. Coffin, President. Gross sales for the period amounted to a record total of $1,066,654 as compared with $656,746 in the like period of 1956.

Lehman Corp. Assets Rise to $247 Million

A total net asset value of $247,449,178 equivalent to $26.74 per share at June 30, 1957, was announced jointly today by Robert Lehman, President, and Monroe C. Gutman, Chairman of the Executive Committee, in The Lehman Corporation's mid-year report. At the end of the preceding quarter, the net asset value of the portfolio amounted to $228,273,514, equivalent to $24.67 per share.

Unrealized appreciation at June 30, 1957 was $143,627,967, an increase of $14,439,655 for the quarter, while undistributed capital gains amounted to $6,825,286 or $4,433,593 more than at the end of the first quarter.

Common stocks comprised 94.3% of the corporation's net asset value at the end of the second quarter, with U. S. Government bonds and net cash items of $10,539,243 representing 4.2% of net asset value and miscellaneous investments the remaining 1.5%. At the end of the previous quarter, common stocks comprised 95.1% of the corporation's net asset value and U. S. Governments and net cash items of $8,245,222 represented 3.6% of net asset value.

Among new additions to the portfolio during the second quarter were: 27,000 shares of the Murphy Corporation; 5,000 shares of Thompson Products; 5,000 shares of Potlatch Forests, Inc.; 5,000 shares of Emery Industries; 12,000 shares of Radiation, Inc.; 5,000 shares of American Smelting & Refining; 3,000 shares of Ideal Cement; 25,000 shares of Southern California Edison, and 25,000 shares of Pacific Gas & Electric.

Purchases which increased portfolio holdings included: 5,000 shares of Westinghouse Electric; 6,500 shares of Babcock & Wilcox; 6,000 shares of Falconbridge Nickel Mines Ltd.; 10,000 shares of Home Oil "A" & "B"; 2,000 shares of International Petroleum.

Other portfolio additions were: 5,000 shares of U. S. Vitamin Corp.; 4,900 shares of Florida Power Corp.; 3,347 shares of Houston Light & Power; 5,100 shares of Tampa Electric; 5,000 shares of United Gas Corp., and 650 shares of International Business Machines.

Portfolio eliminations were: 10,000 shares of National Airlines Inc.; 8,961 shares of Owens-Illinois Glass Co.; 5,000 shares of Ventures Ltd.; 74,700 shares of Britalta Petroleum; 5,000 shares of British American Oil Ltd.; 9,800 shares of Corning Glass Works; 20,200 shares of British Petroleum; 5,000 shares of Eastern States Corp.; 10,000 shares of Consumer Power Co., and 5,000 shares of Ohio Edison.

Sales which reduced portfolio holdings included: 12,000 shares of Sperry Rand; 2,000 shares of Coca-Cola; 2,000 shares of Briggs & Stratton; 8,600 shares of Honolulu Oil; 7,000 shares of Mission Development; 15,100 shares of Monterey Oil; 15,400 shares of TXL Oil; 5,000 shares of St. Regis Paper; 30,700 shares of General Public Utilities; 22,000 shares of Middle South Utilities; 21,800 shares of Penn Power & Light; 10,000 shares of Public Service of Indiana, and 26,700 shares of West Penn Electric.

Oil and gas continued to be the corporation's largest single category for investment with the $79,264,319 invested in that industry representing 31.9% of the corporation's net asset value. The next two largest investment categories were public utilities with $37,050,924 of investments representing 14.9% of net asset value, and metals & mining with $25,629,741 of investments representing 10.3% of net asset value.

Continued from page 16

Apportioning Hydroelectric Costs Between Taxpayers and Consumers

act creating a Federal Power Commission composed of the Secretaries of Interior, Army and Agriculture. In 1930 the act was amended to replace the three secretaries with an independent commission composed of five members appointed by the President and confirmed by the Senate. In 1935 the Federal Water Power Act with minor changes was incorporated as Part I of the Federal Power Act and Parts II and III were added. These additions extended the jurisdiction of the Commission over the interstate transmission of electric energy and over public utilities owning or operating facilities for such transmission.

Power Commission's Functions

The Federal Power Act provides for coordination and control by the Commission over the orderly development, for power production and other purposes, of the rivers over which Congress has jurisdiction. Part I of the Act deals largely with non-federal projects, and authorizes the participation by public and private interests in the development of our water resources. Some of the principal objectives under Part I of the Act are: (1) to encourage the development, conservation and full utilization of the water resources of the country; (2) to make available to all responsible persons or agencies, public or private, the right to construct, own, and operate hydroelectric projects in and along streams and on lands subject to the jurisdiction of Congress; (3) to provide for orderly development of the nation's water power resources in accordance with approved comprehensive river basin plans; and (4) to preserve the rights of the public in its water power resources by limiting the period for which a license may be issued.

These four objectives which I have just mentioned have often been referred to by the Courts and students of the legislative history of the Federal Power Act. You have heard much about the comprehensive development of water resources and of the protection of the rights of the public by limiting the terms of the license. The other two objectives, encouragement of the development of our water resources, and the right of all responsible persons to avail themselves of the opportunity to construct and operate hydroelectric projects on streams and lands subject to Federal jurisdiction, also deserve emphasis. As long as the Federal Power Act remains in its present form, it is the duty of the Commission to encourage in every way the development of our water resources by all responsible persons applying for such permission.

As I have stated, the Federal Power Commission is responsible for the orderly development in the public interest, by private and non-federal agencies, of the water-power resources on waters subject to the jurisdiction of Congress. This responsibility is carried out by the exercise of its licensing functions under which it is required that the Commission make such studies and investigations of comprehensive river basin developments as will insure that any projects which may be licensed are best adapted to comprehensive plans for water-sheds as related to the needs of power, flood control, irrigation, municipal water supply, recreation, fish and wildlife, navigation, pollution abatement, and other public water uses.

In carrying out its licensing functions, it is the responsibility of the Commission to see that each project will make efficient and adequate use of water-power resources in order to prevent waste of these resources and to conserve exhaustible fuel resources provided that such use is consistent with the other beneficial public purposes which I have just mentioned. While the Commission must require that each licensed project be adaptable to a comprehensive plan for the basin, it is seldom the case that an entire river basin program is carried out by simultaneous construction of all of the projects included therein. With this in view, the Commission may require that the specific project under consideration be designed and constructed for its efficient use under the circumstances as they exist, and at the same time require that the project design be adapted to such feature modifications as may be required in order to insure its greatest conservation use as further developments are carried out under the comprehensive plan.

The "308 Reports"

It became apparent soon after enactment of the Federal Water Power Act in 1920 that sufficient information for enlightened development of water resources of the Nation was not available. Consequently, in a joint report to Congress transmitted on April 12, 1926, the Federal Power Commission and the War Department recommended that the river basins throughout the Nation be investigated and surveyed in order to obtain the engineering and economic data needed to formulate comprehensive plans for all public purposes. That report was designated House Document 308, 69th Congress, 1st Session. Since that time, Congress has authorized investigations and surveys of practically all river basins within the United States and such investigations and surveys have come to be known as "308 Reports." Investigations made by the Army Corps of Engineers prior to the "308 Reports" dealt almost entirely with navigation requirements. In more recent years, navigation has decreased in importance and present day river development plans under the Federal Power Act center around development of hydroelectric power, flood control, conservation and enhancement of fish and wildlife resources, the provision of recreational opportunities and, in certain parts of the country, the providing of water for irrigation. In those instances where irrigation is an important factor, the revenues from the sale of hydroelectric power sometimes pay a share of irrigation cost thus making it possible to provide irrigation water which would not otherwise be economically feasible.

The South San Joaquin and Oakdale Irrigation Districts are now constructing under a Federal Power Commission license three dams on the Stanislaus River in California to provide irrigation water as well as to generate power. The irrigation feature of this project was made possible because the power from the dams has been sold under a 50-year contract to a privately owned utility company thus providing sufficient revenues to make possible the issuance of the bonds required to provide the money to construct the facilities.

An example of comprehensive development of a stream is afforded by the Cowlitz River in the State of Washington. In 1951, the City of Tacoma, Washington, secured a license authorizing it to build the Mayfield and Mossyrock dams on the Cowlitz River. Under this license, the City will develop a substantial block of much-needed power and at the same time supply sufficient flood control storage to keep the Cowlitz River below the dams within its natural banks should the worst flood of record reoccur. The Cowlitz River is an important salmon fishery stream and under the license the City is required to construct facilities to conserve the fishery resources to the extent practicable. There was substantial opposition by fish and wildlife interests to the licensing of the Cowlitz project because it was felt the project would have a very detrimental effect on the fishery resources in the stream, principally with respect to the inability to pass downstream fingerlings over high dams. As a result of a license condition, the City of Tacoma, in cooperation with the State and Federal conservation agencies, has conducted experiments resulting in the design of a so-called "skimmer device" for collecting the downstream migrants so they can be passed over high dams. Present plans call for this device to be installed in the Pelton Dam on the Deschutes River and in the Brownlee Dam on the Snake River, both of which are high dams under construction pursuant to Commission licenses.

Hydroelectric projects constructed under the Federal Power Act in many cases provide large inland reservoirs which offer great opportunities for recreation of types not formerly available in the area, including sport fishing, boating, swimming and summer home sites. With the tremendous development of our means of transportation today, the rapid growth in population, and the shorter working hour week allowing increased leisure time, the development of our water resources for recreational purposes has become a highly important factor in the licensing of hydroelectric developments under the Federal Power Act. Also it should be pointed out that the utilization of these recreational opportunities has a substantial impact on the economy of the country by reason of the increased demands for recreational equipment such as fishing tackle, boats, outboard motors, etc.

Expansion of Hydro Projects

In the early 1920's hydroelectric projects were constructed principally to serve the area immediately surrounding the project and were to a large extent operated as isolated plants. However, with the improvements that have been made in the ability to transmit electric energy and the tremendous load growth that has been experienced over the years hydroelectric plants are now closely integrated with thermal electric plants to supply integrated electric systems, many of which extend into several states. To the extent that energy from these projects enters into interstate commerce and is sold for resale, the regulations under Part II of the Federal Power Act become applicable.

Electric energy as you all know cannot be stored as such but the same effect is obtained by the storage of water in hydroelectric reservoirs. This ability to store water makes it economically feasible to install more generating capacity than would be justified in run-of-river operation. Consequently, storage enables modern hydro plants to be utilized for short periods of time to supply peak loads and thereby reduce the cost that would be otherwise required in providing the same capacity and energy from thermal electric plants. Thus hydroelectric storage projects are becoming increasingly valuable because of

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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 14	§80.4	*78.5	86.5	12.9
Equivalent to—					
Steel ingots and castings (net tons)	July 14	§2,057,000	*2,009,000	2,214,000	317,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	June 28	7,187,900	7,237,900	7,418,450	7,034,350
Crude runs to stills—daily average (bbls.)	June 28	¶7,515,900	7,859,000	8,132,000	8,144,000
Gasoline output (bbls.)	June 28	27,339,000	27,313,000	27,476,000	27,482,000
Kerosene output (bbls.)	June 28	1,783,000	1,895,000	2,119,000	2,125,000
Distillate fuel oil output (bbls.)	June 28	12,737,000	11,751,000	13,055,000	12,358,000
Residual fuel oil output (bbls.)	June 28	8,052,000	7,716,000	8,003,000	7,962,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 28	188,523,000	189,225,000	195,285,000	181,446,000
Kerosene (bbls.) at	June 28	28,212,000	27,975,000	25,020,000	25,779,000
Distillate fuel oil (bbls.) at	June 28	114,997,000	110,282,000	97,019,000	93,672,000
Residual fuel oil (bbls.) at	June 28	44,662,000	43,885,000	40,067,000	38,374,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 29	732,349	746,764	671,785	755,279
Revenue freight received from connections (no. of cars)	June 29	615,406	623,086	590,672	639,015
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 4	$483,609,000	$330,135,000	$442,699,000	$389,798,000
Private construction	July 4	210,232,000	136,239,000	233,529,000	191,410,000
Public construction	July 4	273,377,000	193,896,000	209,170,000	198,388,000
State and municipal	July 4	177,365,000	155,184,000	186,655,000	145,737,000
Federal	July 4	96,012,000	38,712,000	22,515,000	52,651,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 29	7,900,000	*10,395,000	8,900,000	7,198,000
Pennsylvania anthracite (tons)	June 29	690,000	639,000	545,000	672,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	June 29	107	119	110	105
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 6	11,056,000	12,111,000	11,550,000	10,391,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 4	190	271	289	208
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 30	5.670c	5.670c	5.670c	5.179c
Pig iron (per gross ton)	June 30	$64.56	$64.56	$64.56	$57.17
Scrap steel (per gross ton)	June 30	$54.50	$54.83	$50.83	$44.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 3	28.800c	28.850c	31.400c	45.425c
Export refinery at	July 3	26.250c	27.325c	29.275c	39.350c
Lead (New York) at	July 3	14.000c	14.000c	15.000c	16.000c
Lead (St. Louis) at	July 3	13.800c	13.800c	14.800c	15.800c
‡Zinc (delivered) at	July 3	10.500c	11.000c	12.000c	14.000c
Zinc (East St. Louis) at	July 3	10.000c	10.500c	11.500c	13.500c
Aluminum (primary pig. 99%) at	July 3	25.000c	25.000c	25.000c	24.000c
Straits tin (New York) at	July 3	97.875c	97.375c	98.500c	92.875c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 9	87.50	87.25	88.19	94.49
Average corporate	July 9	92.64	92.50	94.41	104.48
Aaa	July 9	96.38	95.92	98.57	108.34
Aa	July 9	95.16	94.86	97.31	106.39
A	July 9	93.82	93.67	95.16	104.14
Baa	July 9	85.85	85.98	87.45	99.52
Railroad Group	July 9	90.77	90.77	92.79	102.96
Public Utilities Group	July 9	93.67	93.67	95.62	104.83
Industrials Group	July 9	93.57	93.08	95.01	105.86
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 9	3.58	3.60	3.50	2.93
Average corporate	July 9	4.23	4.24	4.11	3.46
Aaa	July 9	3.98	4.01	3.84	3.26
Aa	July 9	4.06	4.08	3.92	3.37
A	July 9	4.15	4.16	4.06	3.50
Baa	July 9	4.72	4.71	4.60	3.78
Railroad Group	July 9	4.36	4.36	4.22	3.57
Public Utilities Group	July 9	4.16	4.16	4.03	3.46
Industrials Group	July 9	4.16	4.20	4.07	3.40
MOODY'S COMMODITY INDEX	July 9	426.1	425.5	426.4	415.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 29	270,298	230,949	261,409	257,108
Production (tons)	June 29	272,591	275,348	261,684	281,600
Percentage of activity	June 29	92	93	88	97
Unfilled orders (tons) at end of period	June 29	370,740	372,551	384,116	418,186
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 5	110.18	110.15	110.20	108.87
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	June 15	1,955,570	1,248,990	1,700,920	1,316,350
Short sales	June 15	344,190	219,690	323,020	252,850
Other sales	June 15	1,687,310	1,043,990	1,457,520	1,065,650
Total sales	June 15	2,031,500	1,263,680	1,780,540	1,318,500
Other transactions initiated on the floor—					
Total purchases	June 15	430,790	211,520	389,380	280,500
Short sales	June 15	24,800	15,800	23,000	26,800
Other sales	June 15	394,930	218,520	376,960	251,960
Total sales	June 15	419,730	234,320	399,960	278,760
Other transactions initiated off the floor—					
Total purchases	June 15	611,225	371,930	658,420	490,697
Short sales	June 15	124,640	102,450	132,590	73,260
Other sales	June 15	690,795	387,990	584,170	508,375
Total sales	June 15	815,435	490,440	716,760	581,635
Total round-lot transactions for account of members—					
Total purchases	June 15	2,997,585	1,832,440	2,748,720	2,087,547
Short sales	June 15	493,630	337,940	478,610	352,910
Other sales	June 15	2,773,035	1,650,500	2,418,650	1,825,985
Total sales	June 15	3,266,665	1,988,440	2,897,260	2,178,895
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 15	1,499,134	1,040,077	1,424,509	1,001,127
Dollar value	June 15	$82,069,610	$58,590,113	$76,726,917	$53,593,000
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 15	1,284,529	887,430	1,313,262	794,360
Customers' short sales	June 15	7,924	7,490	14,739	4,234
Customers' other sales	June 15	1,276,605	879,940	1,298,523	790,126
Dollar value	June 15	$65,663,329	$44,688,041	$67,472,968	$40,651,871
Round-lot sales by dealers—					
Number of shares—Total sales	June 15	341,980	237,090	374,080	182,600
Short sales	June 15				
Other sales	June 15	341,980	237,090	374,080	182,600
Round-lot purchases by dealers—					
Number of shares	June 15	547,810	354,260	487,490	433,030
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 15	564,120	428,110	575,790	415,260
Other sales	June 15	13,337,630	8,802,590	13,034,650	8,948,610
Total sales	June 15	13,901,750	9,230,700	13,610,440	9,363,870
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	July 2	117.4	117.1	117.5	113.9
Farm products	July 2	90.4	90.2	90.6	89.2
Processed foods	July 2	105.7	*105.1	106.5	102.1
Meats	July 2	93.1	*91.3	95.7	80.4
All commodities other than farm and foods	July 2	125.4	125.2	125.3	121.4

*Revised figure. ¶Includes 1,200,000 barrels of foreign crude runs. §Based on new annual capacity of 133,495,150 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
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of March	135,706	119,039	145,895
Stocks of aluminum (short tons) end of Mar.	160,501	166,324	19,249
AMERICAN GAS ASSOCIATION—For month of April:			
Total gas sales (M therms)	6,961,100	7,592,400	6,585,900
Natural gas sales (M therms)	6,739,400	7,333,000	6,215,400
Manufactured gas sales (M therms)	22,500	25,300	29,100
Mixed gas sales (M therms)	199,200	234,100	341,400
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of May	9,808,000	*9,814,780	10,490,376
Shipments of steel products (net tons)—Month of April	7,349,752	7,821,616	7,783,873
AMERICAN PETROLEUM INSTITUTE—Month of March:			
Total domestic production (barrels of 42 gallons each)	264,820,000	238,815,000	250,454,000
Domestic crude oil output (barrels)	239,214,000	215,099,000	225,625,000
Natural gasoline output (barrels)	25,573,000	23,682,000	24,790,000
Benzol output (barrels)	33,000	34,000	39,000
Crude oil imports (barrels)	25,904,000	21,852,000	28,942,000
Refined product imports (barrels)	19,492,000	18,196,000	15,224,000
Indicated consumption domestic and export (barrels)	310,706,000	291,391,000	294,698,000
Decrease all stocks (barrels)	484,000	12,528,000	78,000
AMERICAN RAILWAY CAR INSTITUTE—Month of May:			
Orders for new freight cars	3,423	6,429	2,403
New freight cars delivered	8,824	8,961	6,667
Backlog of cars on order and undelivered (end of month)	97,006	105,190	133,072
AMERICAN TRUCKING ASSOCIATIONS, INC.—Month of April:			
Intercity general freight transported by 377 carriers (in tons)	5,249,544	5,270,498	5,092,354
AMERICAN ZINC INSTITUTE, INC.—Month of May:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	96,855	96,506	81,238
Shipments (tons of 2,000 pounds)	89,611	80,332	69,568
Stocks at end of period (tons)	112,775	*105,531	59,577
Unfilled orders at end of period (tons)	31,539	42,102	34,003
ASSOCIATION OF AMERICAN RAILROADS—Month of May:			
Locomotive units installed in service	119	114	126
New locomotive units on order (end of month)	582	693	885
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of May	11,986	12,078	13,142
COAL EXPORTS (BUREAU OF MINES)—Month of April:			
U. S. exports of Pennsylvania anthracite (net tons)	362,198	363,360	244,136
To North and Central America (net tons)	102,520	84,404	116,727
To Europe (net tons)	248,673	270,461	126,795
To Asia (net tons)	11,005	8,486	
To South America (net tons)		9	504
Undesignated			110
COAL OUTPUT (BUREAU OF MINES)—Month of June:			
Bituminous coal and lignite (net tons)	39,030,000	43,280,000	39,241,000
Pennsylvania anthracite (net tons)	2,564,000	2,306,000	2,442,000
COKE (BUREAU OF MINES)—Month of April:			
Production (net tons)	6,440,263	*6,894,121	6,631,233
Oven coke (net tons)	6,221,182	*6,631,662	6,379,919
Beehive coke (net tons)	219,081	262,459	251,314
Oven coke stock at end of month (net tons)	2,153,940	*2,108,147	1,742,772
COPPER INSTITUTE—For month of May:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	105,619	*110,070	118,897
Refined (tons of 2,000 pounds)	151,045	144,013	145,740
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	120,351	116,716	142,961
Refined copper stocks at end of period (tons of 2,000 pounds)	155,365	139,842	56,203
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average = 100—Month of June:			
Adjusted for seasonal variations	127	*125	124
Without seasonal adjustment	122	*123	119
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate consumers—Month of March (000's omitted)	46,167,336	46,216,760	43,905,715
Revenue from ultimate customers—month of March	$762,232,000	$775,742,000	$712,949,000
Number of ultimate customers at March 31	54,202,840	54,125,853	52,816,874
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of May:			
Gas-fired furnace shipments (units)	52,900	49,600	63,800
Gas conversion burner shipments (units)	8,300	9,600	12,000
Gas-fired boiler shipments (units)	6,600	6,000	6,100
Domestic gas range shipments (units)	157,200	165,100	179,700
Gas water heater shipments (units)	238,600	240,900	244,300
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of May (1947-49 = 100)	76.8	78.0	81.3
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOTIVE MANUFACTURERS' ASSN.—Month of June:			
Total number of vehicles	593,387	632,637	538,052
Number of passenger cars	500,669	531,727	445,758
Number of motor trucks	92,349	100,485	91,791
Number of motor coaches	369	425	503
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of May:			
Total operating revenues	$906,512,551	$886,054,051	$924,857,006
Total operating expenses	713,552,984	690,355,315	701,077,691
Operating ratio	78.71	77.91	75.80
Taxes	$91,009,454	$92,471,419	$100,469,035
Net railway operating income before charges	80,798,427	81,201,633	102,637,490
Net income after charges (estimated)	65,000,000	61,000,000	86,000,000
ZINC OXIDE (BUREAU OF MINES)—Month of April:			
Production (short tons)	14,747	*16,854	15,938
Shipments (short tons)	15,914	*15,366	13,504
Stocks at end of month (short tons)	28,710	29,877	26,646

*Revised figure. ‡By 382 carriers (in tons).

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"Blind Optimism"

"It is necessary to warn against a blind optimism that all of our major economic problems have been solved, that 'built-in' stabilizers can 'automatically' prevent maladjustments from becoming acute, and that cyclical problems are now only historical.

Sen. Paul H. Douglas

"While it is true that much has been done to offset economic declines by way of unemployment insurance, social security, and fiscal and monetary policies properly applied, and while it is also true that the size of the defense budget alone is some hedge against disastrous recession, these facts, instruments and institutions are not omnipotent. As the economy has expanded and the price level has risen, the failure of social security and unemployment compensation payments to keep pace with the price level means that their potential countercyclical impact in times of recession has become proportionately less year by year."
—Senator Paul H. Douglas.

There is, we suspect, a good deal of "blind optimism" about "built-in" stabilizers and the like. We are glad to commend Senator Douglas for his warning.

We wonder, though, if such "stabilizers" as the Senator mentions are in the long run anything of the sort.

Continued from page 2

The Security I Like Best

moted, not just a few featured products.

The campaign, which is being expanded, seems to be catching fire. Sales which had increased from $15,772,142 in 1952 to $32,613,771 in 1956, shot up by 58% in the quarter ended March 31, 1957. Sales in that quarter were $10,561,933 compared with $6,638,196 in the initial period of 1956.

Perhaps even more encouraging, earnings also increased in the first quarter in spite of the enlarged advertising budget. Net income amounted to $788,830, equal to 37 cents a share on the 2,115,500 shares of class A and common stock outstanding at March 31 last. Comparable earnings in 1956 were $660,594, or 31 cents a share on the same number of shares.

Management is keenly interested in solidifying its position in the industry at a higher level than in the past. They have budgeted for sales approaching $40,000,000 in the current year. During the build-up, earnings are not expected to fully reflect the gain in the volume, although per share profits should reach $1.25 in 1957, up from 95 cents in 1956. However, when one realizes what a large percentage of the sales dollar goes for advertising and promotion in the cosmetics industry, the element of control management has over earnings becomes apparent. Moreover, if sales exceed the level for which advertising expenditures are planned, the incremental sales dollars will carry a higher profit margin.

The necessary plant expansion to take care of the increased production demands is largely behind the company. However, any new facilities, such as those now under construction in Paris, France and Mexico City, Mexico, can be readily financed from internally generated funds.

Holders of Max Factor class A stock (listed on American Stock Exchange) are in the enviable position of receiving a good yield of about 5% (50 cents annual dividend on a recent price of just under 10) and yet avoiding dilution of equity since expansion is coming from retained earnings. This is because of the company's dividend policy. The class A, about 29% of the 2,115,500 total shares outstanding, is largely in the hands of the public. It has full voting privileges, and as to dividends, it can receive more, but no less, than the common stock. The common stock is held by the Factor family. During the period of heavy capital expenditures, dividends paid have been very modest in relation to earnings.

The class A stock is now selling a little under $10. This is eight times predicted earnings of $1.25. The dividend of 50 cents (probably coming in the form of two regulars of 20 cents and two extras of five cents as it did last year) is well covered, especially in view of the usually lower dividend paid on the much larger issue of common stock. With the pressure on the capital expenditures lessening, this could be a candidate for a dividend increase.

In sum, I consider this stock an attractive purchase at the current price because: (1) the company is a leader in an industry whose products today have become "necessities"; (2) it has able and seasoned management; (3) it is experiencing sharply rising sales; and (4) perhaps most important, it shows definite indications that a strong surge in earnings is in the near offing.

Continued from page 45

Apportioning Hydroelectric Costs Between Taxpayers and Consumers

their ability to meet system peak loads.

One of the license conditions which is becoming more important with the continued construction of storage reservoirs is that provision in Section 10(f) of the Act which requires that the owner of a downstream project reimburse the owner of an upstream storage project for power benefits received from the upstream regulation provided at the headwater improvement. This provision which requires a sharing of costs in proportion to benefits received is one designed to encourage complete and comprehensive development of a river basin and in many instances is an important factor in the economic justification for construction of upstream storage.

The annual charge to be paid by each non-Federal downstream beneficiary is determined by the Commission as an equitable part of the annual interest, maintenance and depreciation charged against the headwater improvement to which the benefits are attributable. These studies and determinations become more complex as additional projects are added to a particular river basin.

Under the present law the Federal Government is not required to pay for benefits received from upstream facilities constructed by non-Federal developers. Since 1951 the Commission has consistently recommended to the Congress that the Federal Power Act be amended to require payments by the United States for benefits to Federal projects resulting from headwater improvements constructed by non-Federal interests. Since the cost of such payments, like other utility expenses, is paid from revenues obtained from consumers, it would seem equitable to make no distinction between customers of Federal projects and other utility customers. Furthermore, it appears that such an amendment would further encourage upstream hydroelectric development.

Flood Control

Another important function performed by the Federal Power Commission involves the planning of Federal flood control and reclamation projects. The staff of the Federal Power Commission cooperates with the Army Engineers and the Bureau of Reclamation particularly in planning the power features of such projects. The staff makes the necessary studies which lead to recommendations as to the amount of capacity that should be installed in a particular project. Where it is not found feasible to provide generating facilities initially, recommendations are made as to whether penstocks should be constructed as part of the initial development so that power generating facilities may be added at less cost in the future.

Under the Bonneville and Fort Peck Acts and the Flood Control Act of 1944, the Federal Power Commission has been given some general responsibility for the approval of rates for the sale of power produced by projects constructed by the Corps of Engineers. However, the Commission has no such general authority with respect to the sale of power produced at other Federal projects. This authority which has been granted to the Commission provides merely for the confirmation and approval of rate schedules submitted by the Federal marketing agencies. In other words, the Commission has only a veto power with no authority to modify rate schedules or to initiate changes.

I have attempted in this to give a brief resume of some of the duties of the Federal Power Commission and the role which it plays in the development of the hydroelectric resources of the country. My discussion has necessarily been somewhat general and on the "dry" side. I would much prefer to have illustrated some of my points with concrete examples and to have discussed some of the many interesting legal problems which confront us. Unfortunately I have been on the Commission only a few months and most of the matters which have arisen during my tenure in office are now pending either before the Commission or in the Courts or, like Hells Canyon, are before the Congress, and I am precluded from discussing them at this time. In closing, I wish to make it clear that insofar as I may have expressed views on any controversial matter that they are my personal views and I am speaking only for myself and not the other four members of the Commission.

Halsey, Stuart Adds

(Special to The Financial Chronicle)

CHICAGO, Ill. — Thomas M. Kelly has been added to the staff of Halsey, Stuart & Co. Inc., 123 South La Salle Street, members of the Midwest Stock Exchange. He was previously with Paul D. Speer.

Joins Boren Staff

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Daniel Nadler has joined the staff of Boren & Co., 9640 Santa Monica Boulevard.

With Central States

(Special to The Financial Chronicle)

MANFIELD, Ohio—Michael F. Russell has become connected with Central States Investment Co., 271 Poplar Street.

DIVIDEND NOTICE

WORLD-WIDE BANKING
CHASE MANHATTAN
CHARTERED 1799
THE CHASE MANHATTAN BANK

DIVIDEND NOTICE

The Chase Manhattan Bank has declared a dividend of 60c per share on the 13,000,000 shares of the capital stock of the Bank, payable August 15, 1957 to holders of record at the close of business July 10, 1957.

The transfer books will not be closed in connection with the payment of this dividend.

MORTIMER J. PALMER
Vice President and Secretary

Forms Kesselman Co.

Kesselman & Co., Inc., has been formed with offices at 79 Wall Street, New York City to engage in a securities business. L. Jerome Kesselman is a principal of the firm.

DIVIDEND NOTICES

DIVIDEND NOTICE

On July 3, 1957, the Board of Directors declared regular quarterly dividends on Preferred Stock of this corporation, payable to stockholders of record July 15, 1957, as follows:

	Date Payable	Rate Per Share
Preferred Stock, $100 par value 5% Series	8-1-57	$1.25
Preferred Stock, $25 par value 4¾% Sinking Fund Series	8-1-57	$0.29¹¹⁄₁₆

B. C. REYNOLDS, Secretary

COMMON STOCK DIVIDEND

The Board of Directors of Central and South West Corporation at its meeting held on July 10, 1957, declared a regular quarterly dividend of forty cents (40c) per share on the Corporation's Common Stock. This dividend is payable August 30, 1957, to stockholders of record July 31, 1957.

LEROY J. SCHEUERMAN
Secretary

CENTRAL AND SOUTH WEST CORPORATION
Wilmington, Delaware

DIVIDEND NO. 178
ON COMMON STOCK

The Board of Directors of Consumers Power Company has authorized the payment of a dividend of 60 cents per share on the outstanding Common Stock, payable August 20, 1957 to share owners of record July 19, 1957.

DIVIDEND ON PREFERRED STOCK

The Board of Directors also has authorized the payment of a quarterly dividend on the Preferred Stock as follows, payable October 1, 1957 to share owners of record September 6, 1957.

CLASS	PER SHARE
$4.50	$1.12½
$4.52	$1.13
$4.16	$1.04

CONSUMERS POWER COMPANY
JACKSON, MICHIGAN

Serving Outstate Michigan

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—The Defense Department appropriation bill that will be sent to the White House for the President's signature is likely to total about $34,000,000,000.

The tremendous appropriation will affect the economy and the pocketbooks of the nation and its people. Never in the history of the world have there been such fast changes in military weapons.

Missiles are being incorporated into the aircraft inventory slowly. Manned aircraft will continue in both fighter and bomber inventories in the immediate years ahead. No one knows now when this country, if ever, will no longer build manned aircraft.

The Senate- and House-passed versions of the Defense appropriation bills are in conference where the differences will be ironed out. The Senate measure provides for $34,534,229,000 or $971,504,000 more than the House approved and $1,593,771,000 under President Eisenhower's budget recommendation to Congress.

The Senate-passed bill, increasing the House appropriation, that went to conference included these provisions: Air Force $16,384,093,000, Navy $10,054,225,000, Army $7,397,156,000, Interservice Activities $682,375,000, and Office of Secretary of Defense $16,350,000.

Behind the appropriation were 2,352 pages of testimony in the House of Representatives. These included extensive hearings dealing with United States versus Soviet Russia air power. Some pertinent testimony is included in those volumes. This includes testimony by Secretary of Defense Charles E. Wilson and the Joint Chiefs of Staff.

High Cost of Defense

One thing is certain—the cost of weapons is soaring all the time along with increased complexity of the weapons. Aircraft deliveries will continue to decline as missiles come into the inventories, according to testimony.

The antimissile missile is a promising research and development project and is included in the fiscal 1958 program. The Air Force, Army and their contractors are working on it. The Army plans to spend the largest number of its research and development dollars on this program.

The Pentagon higher-ups insist that it is inevitable that another World War would be an atomic war. Therefore, they maintain that it is necessary that atomic weapons must be kept in our arsenals. At the same time they contend that it would be foolhardy for the United States to lay down its conventional weapons.

Navy's Weapons Program

The Navy in the new fiscal year is going to place its highest priority in connection with the proposed development of a fleet ballistic missile, antisubmarine warfare and fleet air defense. The fleet ballistic missile will be suitable for installation on both nuclear-powered submarines and surface ships. In fleet air defense the Navy will emphasize the development of long-range search and acquisition radars, controlling mechanisms, and data computers.

The Navy's research and development is being particularly directed toward the anti-submarine warfare field. Testimony shows that a new conventional aircraft and a new helicopter, both to be carrier based, are being developed to obtain more effective detection and destruction of enemy submarines. Navy experts say another promising project is the remotely controlled (drone) helicopter which could provide battlefield surveillance, airborne early warning, and increased cargo lift; and may be utilized in anti-submarine warfare.

The high cost of weapons appears likely to go considerably higher, in the opinion of both industry and government people. A World War II submarine cost about $5,000,000. Today a nuclear power submarine costs about $45,000,000. A five-inch shell in World War II cost about $100. A single "Terrier" missile, including spares, today costs about $62,000. The Navy's most advanced fighter planes that helped to bring the Japanese to their knees cost about $120,000 each. Comparable fighter planes today, including spare parts, cost about $1,200,000 each.

School Aid Bill Doubtful

There appears to be no chance of passage at this session of the pending Alaska and Hawaii statehood bills. Despite tremendous pressure from the White House, the school aid bill remains in doubt. Many Southern members of Congress, who would like to get the assistance, are afraid that the aid would mean subsequent control of the schools.

Supreme Court on Griddle

The controversial Civil Rights bill will keep the spotlight of the Senate for days. A filibuster could prolong Congressional adjournment, now expected sometime in August.

There is marked criticism in Congress as a result of some of the sweeping Supreme Court decisions. At no time since 1937, when there was such an uproar caused by President Roosevelt's ill-fated efforts to enlarge (called court-packing), has there been such sharp criticism of the Nation's highest tribunal. The criticism is coming from all political faiths in Congress.

Despite the outcries against the nine black-robed justices and discussion of proposals to curb their judicial powers, no legislation affecting the tribunal seems likely to pass this year.

Postal Savings on Wane

A bill to provide for the discontinuance of the Postal Savings System, established in 1910, is still pending on the House calendar, but its fate this session remains in doubt. A member of the House Post Office and Civil Service Committee said that efforts will be made to get the measure up on the floor.

Expansion of banking and improvement of transportation in the past 47 years have nullified the importance of postal savings in the rural sections of the United States. Records of the Post Office Department in connection with the Postal Savings System for 1956 show that most of the deposits are concentrated in the large cities where banking facilities are readily available and deposits are insured up to $10,000.

Of the 40,000 post offices in the country, only 7,622 were designated as depositories on June 30, 1956. Postal savings deposits reached their peak in 1947 with $3,400,000,000 when there was a period of low interest rates. Since then deposits have dropped to $2,000,000,000 in 1956.

The number of depositors has decreased from more than 4,000,000 in 1947 to less than 2,500,000 today. The rate of decline in deposits for the past three years has been in excess of $200,000,000 a year. The decline in the number of accounts for the same period has been, respectively, 228,000, 223,000 and 229,000.

Many of the post offices have been going out of the postal savings business by simple attrition.

Like weapons of warfare and nearly everything that the housewife buys, the cost of public education is costing more. As a result there is increasing discussion, pro and con, about a 12-month school, four-quarter school term, so that the existing school plants can be used.

12-Month School Term?

With the school population increasing at a rapid rate, the Department of Health, Education and Welfare is making preliminary studies of increased cost. Meantime, the various states are looking into possible longer year-round use of their plants.

A 12-month school term does not mean the pupils would go to school the year-round. It means the schools would operate on a yearly basis with a staggered system of vacations. It would mean the teachers would work longer during each calendar year.

Virginia, North Carolina and South Carolina may conduct a joint study of a 12-month school year, and their findings could serve as a guide for other states.

There are arguments on both sides of the plan. Proponents contend that the physical plant is there, and it would save buying new equipment and libraries and other expense involved in operating a separate school. At the same time, they point out that fewer teachers would be needed if the teachers taught 11 months each year instead of nine. Advocates also maintain that the cost of air conditioning in the summer months would be no more expensive, if as much, as heating in the cold winter months.

Public education is one of the biggest businesses in the land. Whether or not the parents of the children will stand for any radical departure from the current system remains to be decided. Each state has its own peculiar problems. There are several instances where the four-quarter staggered system has been tried. However, the evidence is not decisive. The fact that they were discontinued does not mean that the plan would not work today.

Global Lending

International Finance Corporation thus far has made loans totaling about $3.1 billion for development of under-industrialized countries. Of this amount about $1 billion has been made directly to private industry. Most of the remaining $2.1 billion, made directly to the various governments, will be spent through private industry in those countries.

An ICA spokesman said the loans included funds for power plants, steel mills, railroads, paper mills, a gas pipeline, and general services.

A few of the loans include: Brazil Traction Light and Power $120,000,000 for power development; India $75,000,000 for building a large steel mill; Australia $300,000,000 for steel industry development; Indian Iron and Steel Company $220,000,000; Pakistan $14,000,000 for the building of a gas pipeline, and dozens of others.

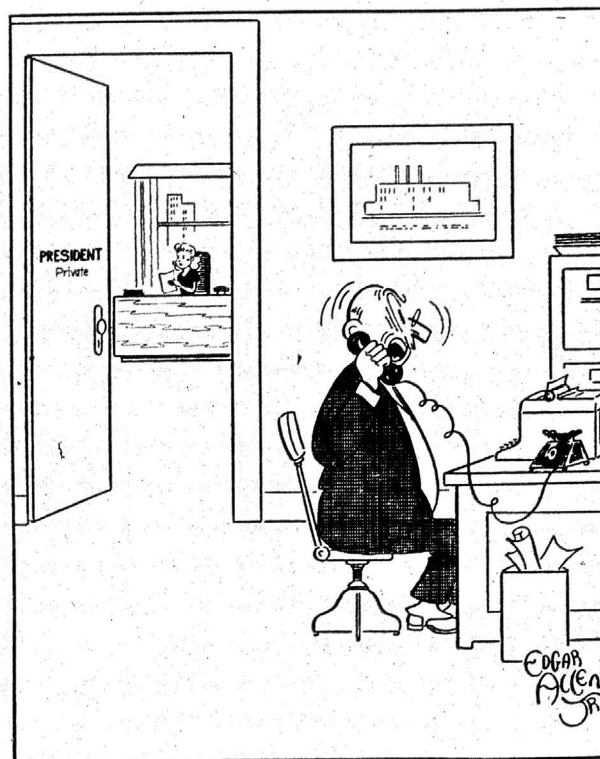
Engineer Pirating

The chief counsel for the House Postoffice and Civil Service Committee said that additional hearings may be in the offing on manpower utilization pertaining to defense contracts. He said there are new and strong indications that tax money is being used to subsidize the pirating of engineers for government defense contracts. However, the attorney said that Chairman James C. Davis (Democrat of Georgia) and his subcommittee colleagues would make a final determination about the future hearings.

Pirating of engineers and other technical personnel has created an inflated demand for engineers, and has been highly unfair to companies without defense contracts.

[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



"Doople's Employment Agency?—I know I asked for a Secretary with plenty of 'Get Up and Go' But——"

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