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EDITORIAL

As We See It

Several of the Federal Reserve banks have raised their discount rate. It is generally taken for granted that the others will soon follow suit. Obviously, these increases leave the rates at a level well below those member banks ordinarily charge their customers, although the margin of profit theoretically available to member banks through borrowing at the Reserve banks and lending to their customers is reduced. The fact is, in any event, there has been no particular disposition on the part of member banks to take advantage of the spread between rates. The most recent action on the part of the Reserve authorities is therefore at most of psychological significance. The general conclusion, and quite probably a correct one, is that the increase in discount rates at this time may be taken to indicate that the Reserve authorities intend to continue their so-called hard money policy at least for the present.

It is this latter conclusion which irks a good many in the political world, and, for that matter, in some sections of the business community as well. There can be no question that the rate of activity in some segments of business is not what many would have it, and to certain observers it seems strange that the Reserve authorities steadfastly refuse to provide "a needed stimulus" or incentive to those branches which are something less than fully occupied. Charges that the Federal Reserve, or in fact that central bankers generally, are responsible for adverse business developments are hardly new. Complaints of the sort have been heard from time to time for many decades. It may be questioned, however, whether

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Same Old Railroad Problem —Too Little and Too Late

By THOMAS G. CAMPBELL
Railroad Analyst, Cohen, Simonson & Co., Members New York Stock Exchange

Mr. Campbell, citing the railroad industry's exclusion from our general prosperity, points out the lag in its revenues behind the past decade's growth in the national economy. Maintains freight rates are unrealistic and often arbitrarily established; and bear no relationship to costs. Shows sharp decline in steel industry's percentage of price devoted to transportation cost; making the carriers the casualty of inflation. Advocates an increase in the average ton-mile rate to 1.65 cents, producing a $2 billion increase in gross and of $600 million in net income; entailing a bill that American industry can well afford.

This year 1957, may eventually be recorded if not the most prosperous, then certainly the second most prosperous year to date in the history of the United States. It would seem an appropriate time therefore to call public attention to the fact . . . that one industry, the railroad industry of this country, has not been permitted to share in the general prosperity.

Thomas G. Campbell

The specific reason can be summed up in just one short sentence; the problem confronting railroad management is the impossible one of balancing each $1.00 of 1956-1957 —operating costs with only 73¢ in revenues based on comparative figures for the year 1946.

Last year, the out-of-pocket costs for fuel, materials and supplies, together with wages and salaries paid were $1.90 per $1.00 of similar costs in 1946. In comparison, operating revenues in 1956 were equal to only $1.41 per $1.00 of 1946 revenues. The basic reason is easily stated; freight rates are unrealistic and bear no relationship to costs. Further, and in many cases, they

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Railroad Leaders View The Industry's Outlook

Chief executives of many of the nation's leading carriers and suppliers, also ICC Chairman, in articles especially written for "Chronicle," outline their opinions as to prospects for individual roads and industry as a whole.

The "Chronicle" is privileged to present today the opinions of the chief officers of a representative cross-section of the nation's railroads and suppliers, also of the Chairman of the Interstate Commerce Commission, on the economic outlook for the industry as a whole and specific carriers. These articles, especially written for the "Chronicle," begin herewith:

OWEN CLARKE
Chairman, Interstate Commerce Commission

With monotonous regularity we are told that the American railroads, for the last decade, have been carrying a declining share of the nation's traffic. Standing alone, this fact seems ominous so far as the industry's future is concerned. Actually, however, the rails have been transporting an increasing volume of traffic, under a number of encouraging signs, they have every reason to look forward to significant future gains, including perhaps a reversal of the percentage trend.

Owen Clarke

The generally upward volume of rail traffic which has obtained over the years was interrupted slightly during the first quarter of 1957. During the second quarter the trend resumed and reached the approximate level at which it stood at the beginning of 1956. This rise is expected to continue during the remainder of the year, particularly since October and November are traditionally the best months from a traffic volume standpoint.

The fluctuations which occurred this year reflected changes in inventory policies, industrial production, and

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PICTURES IN THIS ISSUE—Candid pictures taken at the Summer Outing of the Bond Club of Denver and the Rocky Mountain Group of the IBA appear on page 33.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Servo Corporation of America—N. Leonard Jarvis, partner, Hayden, Stone & Co., New York City. (Page 2)

Topp Industries, Inc.; Barnes Engineering Co.—Harold S. Munroe Jr., partner, Hay, Fales & Co., New York City. (Page 2)

N. LEONARD JARVIS

Partner, Hayden, Stone & Co.
New York City

Servo Corporation of America

Although a relatively small company, Servo Corporation of America may, in my opinion become one of the essential suppliers to the railroad industry in the future. While Servo has been active for the past 11 years in the electronic, automation and weapons systems fields, it has recently achieved an extremely dynamic aura by virtue of its newly developed products in the infrared radiation and other fields. Through its work in these areas, Servo has been able to develop products with an outstanding potential. Of major importance, is the Servosafe Hot Box Detective which is a patented automatic electronic system functioning on the infrared radiation principle installed at the side of a railroad track. The hot box detective is believed to be the first reliable system for detecting overheated journal boxes which cause the majority of derailments, crack ups and wrecks that put over 10,000 cars a month out of commission. The hot box detective detects instantaneously and automatically by means of infrared radiation waves potentially dangerous journal boxes without interference with other normal operations. The system also indicates the position of the cars in which an overheated journal box is brewing and the exact location of these defective journals on the car itself.

N. Leonard Jarvis

In 1953 the Chesapeake & Ohio Railway signal department started investigating the use of infrared pyrometers to detect hot boxes on moving freight trains. The C & O started correspondence with several manufacturers of electrical or electronic devices, including Servo Corporation of America. Late in 1956 using Servo equipment, the C & O installed its first automatic hot box detector at Norge, Va. Three objectives were aimed at and attained: (1) develop proper location of the detector heads along the track; (2) develop a method of mounting to withstand extreme vibration caused by passing trains; (3) prove operations under outdoor weather conditions.

After the installation of the detectors, the operator, besides watching the train as it passes, checks the graph sheet made by the recording instruments. If he sees a "pip" that indicates a hot box, he sets up the flashing-lunar signal to stop the train. During the first five months this detector was in service, six hot boxes were detected and none of these had been observed by the train crew or the operator at Norge. The C & O intends eventually to replace the graphic recorder with an alarm-operating mechanism and journal counters made by Servo that will instantly report the location of a hot box in a train.

A number of the country's leading railroads have purchased this system to explore its possibilities. For example, the New York Central Railroad is putting a two-way detector at its Erie, Pa., yard. Also, the New Haven Railroad is permitting the company to put in a test installation at Pelham Bay, N. Y. Servo is presently building five detectors on specific orders from railroads. It is also building an additional 10 (the first lot out of the laboratory) of which six have already been sold. By the end of the summer, the company expects to have shipped 12 to 15 units. The present initial installment cost of the hot box detector is about $14,750. While it is too soon to estimate the full potential sale of the hot box detective, I believe it is safe to assume that if the railroads decide to purchase it in large quantities, this product could then attain a volume of millions of dollars.

There are many other potentials for infrared: for example, it has applications in guided missiles, bombing and fire control and counter measures in our defense system. Servo Corporation has adapted the principles of infrared radiation for remote temperature measurement and control in industrial processes where direct contact is not possible. These Servotherm Pyrometer Systems are now serving such industries as: fabricated metals, ceramics and glass, plastics, machinery, textiles, paper and printing and rubber and petroleum products.

The company was one of the first to develop the method whereby various electronic and other components are combined to perform different functions in industrial automation systems and new missiles and aircraft design. This concept was translated into reality through development of the Servomation Building Blocks. There blocks fitted to customers' individual needs, permit custom and quantity production runs with cost-saving efficiency. Servomation is believed to be the only electro-mechanical control equipment that performs as an automatic production control system, data processing center, design and test laboratory and as a computer for solution of complex mathematical equations. These electronic automation systems include such products as Servoscope used in designing and testing many kinds of equipment such as airborne weapons, computers, radar systems and automatic flight controls. This multiple signal generator presently accounts for about $700,000 annually in sales. Another product of this nature, Servoboard, permits rapid, economical synthesis of automation control equipment for adaption to specific functions.

Servo is working in many other fields, including new techniques in radio communication, navigation systems and instruments. The company produces such products under this broad field as radio direction finders, VHF radio receivers, spectrum signal generators and radio transmission sonar buoys. One of the most interesting products is a dead reckoning tracer. Members of the navigation crew of aircraft only need to glance at a tracer map to find exactly where the plane is at any moment during flight. It gives the crew a continuous indication and permanent record of their plane's course during the flight. It automatically shows the exact geographical position of the plane on a map.

Last year, Servo Corporation had sales of $3.6 million with 40% of its total business coming from the Government, 40% from commercial products and 20% from industrial sales. This compares with $4.1 million in sales in 1955. Earnings last year were $0.41 a share against $0.52 a share. Sales in 1957 may approach the $4.5 million mark and it seems reasonable to assume, that on the increased volume, net earnings after taxes could approximate $0.60 a share, even allowing for some increase in costs. It is, however, too early to estimate earnings because the company is awaiting a ruling from the Treasury Department concerning write-offs on development costs. The final regulations of the Treasury Department, governing the amortization of deferred engineering development expenses have not been issued as yet and the management has refrained from making write-offs until such time as a program insuring maximum tax benefits can be promulgated.

Obviously, to a company of this nature which spends several hundreds of thousands of dollars each year on research and development, the accounting treatment of these expenses is important. For instance, such charge offs including Sessco, a wholly-owned subsidiary, by the end of the year could amount to approximately $500,000 and, in the event of a favorable ruling from the Treasury Department (and if the company elects to write off all such deferred charges this year as a non-recurring expense) then earnings in 1958 could conceivably reach about $1 a share in my opinion. I also feel that earnings per share in the next several years might expand quite substantially. Back log at present amounts to about $3.3 million.

Dividends are currently at the rate of $0.20 annually. In view of the company's heavy emphasis on research, which requires substantial outlays of capital, it is doubtful that cash payments would be increased in the near term.

In conclusion, it is my opinion that Servo Corporation of America appears to have outstanding speculative merit for future appreciation based not only on its devlopment of the hot box detector, but also on its many other interesting products.

The stock is listed on the American Stock Exchange and at this writing is selling at 6¾.

HAROLD S. MUNROE, Jr.

Partner, Hay, Fales & Co.,
New York City
Members New York Stock Exchange

Topp Industries, Inc.
Barnes Engineering Co.

We are in a period in the market where it is getting increasingly difficult to find situations carrying prospects for really substantial capital appreciation over the next six months to one year. Certainly the standard growth stocks selling at 25-30 or more times earnings appear to be discounting favorable developments for a long time in the future. Nevertheless, there are situations wherein given a break or two, the investor in due

Harold S. Munroe, Jr.

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Stocks and Security

by G. M. LOEB*

Partner, E. F. Hutton & Co., Members N. Y. Stock Exchange
Author—"The Battle for Investment Survival"

Market authority advocates following alternative programs based on adjustment to inflationary and deflationary potentials: (1) For the inexpert, splitting of purchases between government bonds and equity-type mutual funds; (2) For the individual having some market know-how, his own selection of common stocks, emphasizing the leaders but with wariness about permanence of growth; and (3) for the really knowledgeable investor, careful selection from the entire number of listed companies. Maintains any well-conceived financial program must combine offensive as well as defensive efforts for one's savings, and analyzes the media in each category. Concludes a changing and flexible policy is vital, with concentration on individual securities rather than forecasting the general market.

Financial security in a troubled world is something no one can dodge. There are those who through ignorance or fear bury this problem in the sand but it lives with them just the same.


G. M. Loeb

The problem starts with the value of money. Back in 1931, my brother was killed while motoring on his way to California. We were very close at the time in a business way, sharing a double desk in the same office. In my despair and grief I decided to have no more of business and to retire. I checked my capital—I checked my probable income from it—I checked my life expectation—I checked my probable financial needs. Everything balanced out with a safe margin to spare. The trouble began when as a man in the investment business I began to check the probable future value of the dollar. After I did that, I felt I had to go on working. I could not possibly know the cost of existence in 1965 when I would be 65 years old, if still alive. No insurance company in the world, not even Lloyds, would write me a valid annuity tied to the cost of living. Today the insurance people are talking about "variable annuities" but even these are not tied directly to the cost of living.

Rising Living Cost Relative

The rising cost of living is a relative thing and has been with us a long time. Years ago, as a native son of San Francisco, I used to go to the Alcazar Theatre on O'Farrel Street and see "Kolb & Dill" and in one show they sang a song about the high cost of living driving them mad. I imagine this might have been around 1919 or thereabouts. After 1919, they did not have to worry about the rising cost of living for the general price pattern turned down, taking the cost of living with it until the low levels of 1932 were reached. In recent years, the decreasing value of money has grown more and more in the public consciousness under the general label of inflation. This has divided us into three camps. As far as I know, there are no figures as to the relative sizes of each group. I rather guess that the biggest camp perhaps is made up of those who still think a dollar is a dollar. The fastest growing camp contains those who feel continuing inflation is inescapable. The smallest camp is made up of mostly oldsters who feel that dollars at times increase in value. They are the ones who feel bearish or cautious today.

I think if we could correctly predict the coming value of money, the greatest cause of error in trying to achieve financial security would be eliminated. Just before I left New York, I was a guest on a radio program and I was asked my opinion on the difference between the Republican and Democratic parties as far as the investor and businessman are concerned. In giving my answer, I said that while I preferred the Republican party, the policies of the two had been growing much closer together than I preferred. I said this was inevitable because in the final analysis parties exist to elect their members and hence must pattern their policies towards the wishes of the majority of the voters. I felt that my desires were too conservative for any party to follow and win office. Briefly, the condition I wanted most was a realistically stable and sound dollar. I mention it not because I feel it will ever really be achieved but because I feel that the more people who understand its vital importance, the nearer we will come to at least somewhat limiting fluctuations in purchasing power of the dollar.

The public as a whole likes what looks to be the easy way either because they do not understand or because it is human nature to want to enjoy the present and not worry about the morning after. It was this public spirit which prevented the first Eisenhower Administration from giving us a sound dollar.

One Side of the Coin

On my way west, I stopped in Kansas City. A farm radio station announcer there asked me what

*A paper delivered by Mr. Loeb before the Town Hall Forum, San Francisco, Cal., Aug. 8, 1957.

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Our Current Monetary And Fiscal Policies

By W. RANDOLPH BURGESS
Under Secretary of the Treasury

Mr. Burgess cites monetary policies followed by Federal Reserve and Administration's fiscal policies employed to resist inflationary pressures. Declares equal restrain should be exercised throughout all segments of the economy, including business, labor, consumers, and state and local governments.

In the following statement before the Senate Finance Committee Hearings on the Fiscal Condition of the United States, Under Secretary of the Treasury W. Randolph Burgess on Aug. 9 summarized the most important facts which had been developed.

(1) **The economy is, and for some time has been, operating at a very high level:** Employment is at an all-time peak. We are producing more goods and services than ever before. Personal income is at a high level and is widely shared throughout the population. This has encouraged a large volume of purchases, with resort to extensive credit to augment purchases further, and without the usual resistance to price increases.


W. R. Burgess

(2) **After four or five years of stable prices, we have been faced with a renewal of inflationary pressures, and it is important that this be curbed:** As Secretary Humphrey said in his opening statement, "The threat of renewed inflation, . . . is perhaps our most serious domestic economic problem."

While some few benefit from inflation, it is a cruel injustice to the great majority of our people and ultimately saps the economic vitality of a Nation.

It runs the risk of "boom and bust."

(3) **The Federal Reserve has been following monetary policies intended to resist inflationary pressures:** Its principal policy has been to limit the growth of credit and, hence, exercise some restraint on the demand for goods and services, and thereby restrain prices.

As a consequence of this policy and the heavy demand for funds, interest rates have been rising.

(4) **This Administration has followed fiscal practices designed to resist inflationary pressures:** For the past two years, the budget has been balanced and the surplus has been applied to debt reduction. Some of the public debt has been shifted from banks and into the hands of the public, and the floating debt has been reduced. Governmental expenditures were reduced through 1955, but both defense and nondefense items increased in the 1957 and 1958 budgets.

It is true that, in cutting taxes in 1954 and in helping housing, small business, and the farmer, the Administration may have increased demands, but these measures simply gave some relief in those areas where the impact of credit restraint has been felt most severely.

(5) **To date, these monetary and fiscal practices have not fully overcome the inflationary pressures:** Consumer prices have risen for 15 of the past 16 months. While the amount of these monthly rises has been small, the consumer price index is now nearly 5% higher than it was 16 months ago.

There is some evidence that the current inflationary pressures may abate in the near future, though this is uncertain. Furthermore, such abatement may prove temporary unless measures are taken which affect the underlying causes.

(6) **This raises the question whether these policies should be relaxed or whether there is some better way to deal with inflation:** The relaxation of these policies has serious dangers. It would result in increasing the demand for goods and accentuating the inflation.

(7) **We should not underrate the effectiveness of present policies but should have patience to allow them to work:** These are the policies which have been effective in this country and in other countries over many years. They have proved historically powerful influences for economic stability. They require time and patience to become effective.

(8) **No feasible alternatives to present policies have been presented in these hearings:** The alternatives of direct controls are not desirable. Governmentally-enforced wage or price controls, or forced savings, during peacetime, are inconsistent with our traditions of freedom.

Specific curbs on credit for particular purposes during peacetime are an unnecessary interference with the individual's freedom and discriminate against a particular segment of our society.

(9) **A more anti-inflationary governmental fiscal policy is desirable:** In the present high state of prosperity in this country, the Federal Government should have a larger surplus and should be retiring debt more rapidly. This is probably the most effective step which could be taken by the Federal Government.

(10) **Similar restraint in excessive spending should be practiced by states and municipalities, businessmen, and consumers:** All such segments of the population have been increasing their debts at much more rapid rates than the Federal Government. There needs to be greater public recognition of the dangers of over-expansion and over-consumption — on bororwed money—at a time like this. The citizens of the country cannot look to the Federal Government alone for the necessary restraint in meeting this situation.

(11) **Such restraint should be matched by equal restraint on the part of business and labor in their demands for profit and wage increases:** As was pointed out by one of the meembers of your committee, a principal cause of the current renewal of inflationary pressures is the continued "increases in profits and wages greater than increases in productivity."

President Eisenhower, in his Economic Report of last January, said: "Business and labor leadership have the responsibility to reach agreements on wages and other labor benefits that are fair to the rest of the community as well as to those persons immediately involved. . . . Businesses must recognize the broad public interest in the prices set on their products and services."

(12) **Such restraint throughout all segments of the economy is necessary for lasting abatement of inflationary pressures:** The monetary and fiscal practices of the past several years may be bringing about a lessening of the current inflationary pressures. But continued vigilance must be maintained against their recurrence.

(13) **The needed economic statesmanship on the part of Federal, state, and local governments, the consumer, business, and labor, will arise only from an appreciation of the evils of inflation:** Restraint is inevitably unpopular. It can be achieved only if the alternatives are recognized as even less desirable.

(14) **It is for these reasons that I believe that such a hearing as your committee is conducting may prove a most useful instrument:** Such a hearing develops and disseminates the information needed to make the public aware of the disastrous results of inflation and the necessity for self-restraint to prevent it.

The State of Trade and Industry

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

Total industrial production the past week held to its rather indecisive course with steel production reflecting some slight improvement. Output of cars rose moderately while truck building declined, resulting in a modest decrease in overall automotive production. Electric power distributed by the electric light and power industry also showed mild curtailment for the period.

Latest available figures on employment reveal that new jobless pay claims declined by 7,200 during the week ended Aug. 3 to a total of 224,200, according to the United States Department of Labor. A year earlier, initial claims totaled 199,100.

The agency also said insured unemployment for the week ended July 27 dropped by 67,600 to a total of 1,230,600, the biggest weekly decline this year. The improved picture was attributed mainly to the reopening of plants closed for temporary seasonal shutdowns and better employment opportunities in a number of industries. The biggest declines were reported by New York, Illinois and Michigan.

The number of individuals claiming unemployment benefits totaled 1,170,000 in the corresponding week last year.

The Government further reported that jobholders climbed to a record 67,200,000 at mid-July, or close to 1,000,000 above a year earlier.

Unemployment fell 300,000 between mid-June and mid-July to 3,000,000—more than 100,000 fewer jobless people than in July, 1956.

In a companion report, the Labor Department said factory workers' average weekly pay rose to $82.99 in July, up 19 cents a week from the previous month. The average factory work week was 39.9 hours in July, or about the same as the 40.0 hours in June.

The gathering strength of the steel market is more of a "feel" than an actuality for the moment, states "The Iron Age," national metalworking weekly, this week. On the surface, the market is dawdling along at a snail's pace. Except for structurals, plate and oil country goods, demand is sluggish. But a look behind the scenes reveals why steel men are looking for an upturn in the near future, it declares.

Some reasons "The Iron Age" gives for a market perkup in the next several weeks are that automotive steel inventories are at low ebb and will need replenishing soon. Metalworking purchasing agents are eyeing steel stocks in the light of a probable business upturn after Labor Day and further, plant vacation shutdowns have about passed the summer peak, which fact should mean a renewed spurt in steel consumption.

The competitive race among the automotive Big Three assures a continuing strong demand for steel once new model production gets underway and the possibility of an auto strike next year is further assurance of a fast production pace in the months ahead.

"The Iron Age" says some steel firms are doing better than others in the present market, adding that mill location is as much responsible for this as better salesmanship. A few mills are stocking up semifinished steel as a hedge against a sudden upturn in demand later in the year.

The metalworking weekly reports that the Senate subcommittee hearings on competition and prices in steel are not following the pattern of previous hearings. The steel makers are doing a better job of presenting their side on the case. They're taking an offensive rather than a defensive position. The probable outcome will be a better public understanding of steel's problems in setting prices to offset rising costs and help finance expansion and modernization, it further notes.

As for the oil industry of the United States, the Department of Interior currently reports that the nation's crude oil stocks rose 581,000 barrels in the week ended Aug. 3.

Stocks of domestic and foreign crude totaled 285,822,000 barrels, the agency added. This compared with 285,241,000 barrels the week before.

The increase was accounted for by a 731,000 barrel boost in foreign crude stocks, which more than offset a 150,000 barrel decline in domestic crude.

Gasoline stocks throughout the nation dropped 662,000 barrels during the week ended Aug. 2, the American Petroleum Institute, trade organization for the oil industry, reports.

Motor fuel in storage at the weekend amounted to 176,360,000 barrels as against a year-ago total of 177,561,000 barrels.

Heating oils continued to move seasonally higher. The heavy grades, such as are used by industry, were up 206,000 barrels to

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Observations . . .

By A. WILFRED MAY

MR. BARUCH TAKES A BACKWARD LOOK

Over this weekend the dean of financier-statesmen is offering a share in the celebration of his eighty-seventh birthday to 50,000 "guests," via publication of that number of first-run copies of his memoirs (*My Own Story. By Bernard M. Baruch.* **337 pp. Henry Holt and Company; $5**). Long overdue is this authoritative self-revelation and self-examination of one of our generation's most varied careers. Reared midst his family's South Carolina background, a Wall Street office boy at nineteen, a full-fledged partner of a brokerage firm at twenty-five, a self-made millionaire ten years after, a super speculator-finder-promoter of the Street's golden pre-SEC days, a leader of his country during two wars, a counselor of Presidents of both political parties, Mr. Baruch writes a story that is enriching as it is glamorous.

A. Wilfred May

Bernard M. Baruch

With his "eye-witnessing" ranging from participation in the highest echelons of the country's industrial and railroad pioneering, to a charter membership in the glamorous "Waldorf Crowd" of low-down speculators, he makes a number of authentic contributions to the historical literature of finance.

In addition to a personal documented tribute to the genius of Col. Edward H. Harriman, he gives original sidelights on that tycoon's several defeats of the elder J. P. Morgan (who nevertheless persisted in referring to the railroad builder as "that two dollar broker"). Mr. Baruch who lived at first-hand through the mighty battles for control as well as the stock market-place manipulations between Harriman and Hill, represented respectively by the investment banking gladiators Kuhn Loeb and J. P. Morgan, contributes much to the historical annals of the struggles for Great Northern, the Union Pacific, and the Northern Pacific. The epochal Northern Pacific Corner of 1901 he details from the floorbroker's and arbitrageur's on-the-spot observation. Included is disclosure of a decisive error of Kuhn Loeb's Jacob H. Schiff in refusing to authorize the purchase of a key block of 40,000 N. P. shares on that pre-tornado Saturday morning, May 4.

On less well-known deals for other roads, as Atlantic Coast Line and Louisville Nashville, Mr. Baruch also supplies original data through his own direct, if sometimes abortive, participation.

In the industrial area, his account of the initiation of the sulphur industry, including the Texas Gulf Sulphur Company, which he got into with Morgan (but only briefly when Mr. Morgan gagged at Baruch's use of the ugly word "gamble") highlights the ideal combination of ability in industrial research, promotional know-how in its most legitimate sense, financing strategy, and plain commonsense.

Appraisal of the Leaders

Valuable through their authenticity, as well as interesting, are Mr. Baruch's first-hand appraisals of leaders of yesteryear.

Harriman was unique in being a great builder who was also able to acquire the technique of the stock market. Hill, who built the Great Northern, "was like a child" when it came to market operations.

The Guggenheims he persistently revered, with detailed chapter and verse, for their unfailing integrity. In the metals field also, he pays tribute, with "inside" factual detail, to Daniel C. Jackling for his able and daring pioneering in mass-production. Again in the mining area, Mr. Baruch gives enlightening accounts of his doings (some in the Waldorf Men's Cafe) with William Crocker, son of one of the builders of the Central Pacific Railroad, and Senator George Nixon of Nevada involving Goldfield Consolidated

Continued on page 47

Rating the Rails

By DR. IRA U. COBLEIGH

Enterprise Economist

Summer comments about certain rail shares, their traffic trends, and prospects, if any, of dividend increases.

Rail shares, like long skirts, are either in or out of fashion. Until 1920 they were the lions of the market and any substantial investor who didn't own Union Pacific, Pennsylvania, Atchison, Central or Southern Pacific, just wasn't reading his market letters. Came the trucks for freight and cars and buses for the folks and, pow, the rails moved from the round house to the dog house—and the dismal 30's found one-third of our trackage operated under court orders.

Ira U. Cobleigh

The entire rubbing out of many rail common stocks, and the drastic erosion of the equity in many lines, via reorganization, alienated share buyers from rail purchase either for years, or forever, so that even today, with a number of really solid railway shares about, only two are found in the "Favorite Fifty" top stocks held by the trusts. (The e two, in case you're curious, are Southern Railway and Atchison.)

Withal, however, in recent weeks the most solid group of performers on the NYSE have been the rails and some, such as B & O, have almost acted like growth stocks. Well, what's sending investors back to the tracks? First of all, yields. A very respectable list of rails averaging above a 6% return can presently be assembled, and rising interest rates have made investors far more yield conscious. Second, there's the recent ICC freight rate boost. The increase of 7% for eastern and western carriers, and 4% for southern ones, while not as generous as had been hoped for, will hike annual gross railroad revenue by some $430 million and substantially offset the seven cents an hour union contract rise effective Nov. 1, 1957, and whatever the cost of living escalator clause may entail.

A third reason for considering the rails presently is that, in general, the physical plant is in splendid shape. For most lines, 100% dieselization has now been achieved with its attendant economy; roller bearing cars, and redesigned and radarized classification yards have increased efficiency and the sustained effort to slough off losing passenger mileage is showing results. All most roads need now is more traffic; and if they get it, the carry-over into net earnings could, in certain instances, be quite dramatic.

Finally, the prudent rail buyer selecting stocks today finds himself looking beyond the rails for extra income sources — oil wells, real estate, or investment income.

So having notated a few of the motivations for some slight resurgence in the popularity of the rails, let's take a quick trip through the list (without stop-overs) to see what are some of the issues entitled to a merit rating at the moment. We can't cover them all, but we'll thumb-nail sketch a few.

A quality issue with interesting prospects is Louisville and Nashville. Still a heavy carrier of soft coal, it has benefited by expanded and diversified industrialization in its territory so that miscellaneous freights and manufactured goods represent increasing percentages in the gross revenue column. Integration of operations and improved earnings should also result from the forthcoming merger with the Nashville, Chattanooga & St. Louis. LN earned $10.70 per share for 1956. It could do better this year. The buyer here not only gets a well covered $5 dividend and a yield, at 80, of 6.25%, but some prospects of a higher cash payout and a stock split. LN is a very comfortable if not a spectacular value.

New York Central generates the second largest annual railway revenue in the U. S. and its 6½ million shares have a lot of leverage by virtue of the $1 billion in funded debt and $220 million in equipment trusts lying ahead. The greatest single problem it has is its money-losing passenger traffic, which in 1956 accounted for 11.5% of its revenues. Some progress is being made, however, on this problem. On the plus side is the magnificent territory served, with 10,613 miles of track in the highly industrialized terrain between New York and Chicago. Real estate income is important, creating $17 million in net revenue for 1956. CN earned $6.02 per share last year. It should hit $6.30 this year and the establishment of a regular $2 dividend should shortly be possible. In 1951 CN grossed $683 million. If it duplicated that figure under present operating conditions, it would earn upwards of $11 a share. There's nothing wrong with CN that a 10% rise in traffic wouldn't correct. Meanwhile, at 32 the stock looks substantially underpriced.

Many people are taking a kindly look at B & O these days. Just loaded with leverage, the common here (only 2½ million shares) had, in 1956, $183 of gross per share. Only 4.1% of revenues were from passenger service. Excellent traffic volumes in coal and ore and steel and rising manufacturing production in the Ohio Valley give the road a forward look. B & O earned $10.85 last year. It could do a little better this year. On a $2.50 dividend, this common at 55 yields 4.55%. A higher cash payout in the near future is possible, and the long term prospects here are quite as bright as those of any Eastern Road.

Chesapeake & Ohio earned $8.26 per share for 1956 and should exceed $8.50 this year. This is plenty of coverage for the $4 dividend and provides at 64 a 6¼% yield. C & O has traditionally enjoyed a fine management, it successfully weathered the Depression, and its sustained and uninterrupted record of cash dividend payments since 1922 is a factor promoting investor confidence.

It's really quite remarkable that Southern Ry. and Atchison, mentioned earlier as favored by institutional investors, should still be available on such an attractive yield basis. Atchison at 24 indicates (with extras) a 1957 distribution of $1.80 per share (the earnings should run around $2.70). Today, thus, Atchison, an absolutely top-flight carrier, with $12½ million of outside annual income, provides a 7½% return. Southern this year should earn $5.70 and on the $2.80 present dividend yields 6½%. Now it's true that the "growth" factor in these equities is not particularly significant, but yields of this order on authentic blue chips should certainly interest income-minded buyers.

Along the same line of reasoning, Great Northern, which has paid dividends steadily since 1940, offers substantial earning power (about $5.40 per share) in protection of its $3 dividend. The current yield here at 46 is above 6½%.

If mergers interest you, the possible one involving Chicago, Milwaukee, St. Paul & Pacific and Chicago & Northwestern should be inspected; and may suggest to you that Milwaukee 4½'s are a particularly undervalued bond at 61. Then the Erie and the Lackawanna may, in the fullness of time, arrange a marriage. They have already merged their passenger terminal and ferry service in New York harbor. In the case of both of these possible mergers, operating economies running into the millions may be expected.

This piece is not intended as extravagant propaganda for rail equities. It is, however, designed to suggest that the industrial list in market altitude; that higher yields may be had here than in industrial or utility shares of comparable quality; and that, should there be any major upsurge in rail traffic, some of the issues we've noted could rise rapidly in earnings and dividends and, quite possibly in market price.

With Carter Harrison

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Herbert O. Phillips has joined the staff of Carter H. Harrison & Co., Schroeder Hotel Building.

Joins W. J. Brand

(Special to THE FINANCIAL CHRONICLE)

SHEBOYGAN, Wis.—Konrad C. Testwuide III is now connected with Walter J. Brand & Company, Inc, 607 North Eighth Street.

Don't Underestimate the Stamina of American Business

By DWIGHT W. MICHENER*
Economist, The Chase Manhattan Bank of New York

Bank economist cites and analyzes the following developments slated to change our economic future: population changes, technological progress and research, shifts in the importance of individual industries, money management, and the new prominences of Federal finances. Maintains American business has the capacity to make the necessary adjustments provide free market conditions remain.

It is popular these days for business people to try to forecast the level of business for periods many months or years ahead. It is important, it seems to me, to acquire the capacity to observe in our present economic environment those changes which are going to make the future different from the past. Economists of note in the past have been those whose economic senses were sufficiently keen to enable them to observe critically that which was going on and to pick out of the economic welter of the day the changes which were significant. For example, Adam Smith observed in his day those things which were contributing to the wealth of nations. Alfred Marshall later centered attention upon monetary developments which were destined to shape much of later economic history.

D. W. Michener

Our particular era is a time of extraordinary economic change. In fact, basic changes are now almost taken for granted. So it is that, for all of us, taking time to observe the significant new characteristics of our economy is a particularly rewarding venture.

Changes in five factors, most of them coming during the time of our own generation, stand out as of major importance. I should like to call attention to these and then perhaps to draw from them a few conclusions with respect to our economy.

Population Changes

In the first place, population statistics, after being tiresome and dull reading for some decades, have now become alive. They are now replete with information significant for every businessman in every part of the country.

There has been a sharp increase in the rate of population growth, the causes being the increase in the birth rate — now approximately four million annually — the fact that people are living longer and, at the same time, more people are coming into the country than are emigrating. The population is changing rapidly in over-all age composition. More than 40 million children have been born in this country since the War and with the span of life now extended, the population has much larger proportions of the very young and the very old, with relatively fewer people in the working-age group. Ten or 15 years from now, the working population will be much larger than it is today.

Our population is also changing its location within the country. There is movement from country to city, from city to suburbs, from the center of the country to the west and southeast. Oregon is gaining population at a more rapid rate than is most of the country. Its splendid achievement in the expansion of electric power production is attracting new industries. Business is thriving, and the rate of failures is less than it is for the United States in general. Thus, population changes are of vital importance in the State of Oregon.

The labor force of the country now totals some 70 million people. About one-fourth—largely industrial workers—are now unionized. One of the results of unionization, in a time of great demand for labor, has been to hasten the increase in wage rates, an increase which has been well in advance of current increases in productivity. During the past 10 years, for example, rates paid to labor have increased some 61%, and productivity has increased only about 26%. This increase in wages has naturally had important bearing on the increase in industrial costs and the increase in prices generally. Also, it has stimulated demand for credit as industrialists found it necessary to expand working capital.

Finally, the working population has, in recent years, in Adam Smith's language, increased in "skill, dexterity and judgment." Generally, all of us engaged in productive activity like our work, and we like what we can get with what we earn. Inspired by opportunities which our economy affords, we are more active, more ambitious and more imaginative. Never before in the world has a population of this size worked with such enthusiasm and efficiency.

Age of Production and Research

Our generation in the United States has witnessed the beginning of a new Golden Age of machine production. Technology and mechanical improvements have opened up a whole new era of industrial progress. Research has become industry's major tool. More than a half-million people are now engaged in research, and some $7 to $8 billion a year are being spent in the field. Almost every day new products, new methods and new materials come into being.

Automation is making great strides in most industries. Mechanical controls are replacing human controls in directing machines. This saves labor and may increase speed and further precision. Technological improvements in agriculture have nearly doubled production per worker since 1940. We travel at new high speeds. The new record for air travel, made a few months ago, was 1,900 miles per hour, and it is expected that this record will very soon be broken. There are new sources of energy. Within the last six weeks, nuclear power has started to turn generators in the production of electricity for public use. Also, solar energy is taking its place as a producer of power. In the later development, my good friend, Dr. Gerald Pearson, who grew up in the State of Oregon and was educated there, has had a major part.

On the whole, American industry is operating at a new high rate of efficiency. A recent study by the Twentieth Century Fund indicates that the average American worker is producing six times as much as the average worker of 1850.

Change in Industries' Relative Position

The relative position of the different industries has been changing. Some segments of the economy have grown rapidly—others have progressed less rapidly, or have declined. Agriculture, for example, has been producing an increasing volume of products, but it has been declining in relative importance. This change has been under way for many decades, despite different multibillion-dollar government programs to support agriculture. In recent years, the total number of farmers has been on the decline, and also the number of farms. But the decline in the relative importance of farming is no tragedy. It simply means that efficiency of farm production has been so improved that a smaller number of farmers can feed our growing population. Many, therefore, are finding employment elsewhere, employment which is more remunerative and, in the end, perhaps more to their liking.

In contrast, the service industries, including trade, have grown rapidly in importance. More than 17 million persons are now employed in service and trade industries, a total somewhat larger than employment in all manufacturing industries. The rise in importance of "services" is a manifestation of our higher living standard. It means we have more specialized work and more "frills" in our living. "Do it yourself" is now a means of diversion, or a hobby, for the specialist. In our grandfathers' day, "do it yourself" was taken for granted as there was no other way to get things done! Now, there is the radio and TV repair man, the oil burner man, the electrician, the service station man, the hairdresser, the manicurist, and so on, almost without end.

Along with the service industries, many others, including public utilities, petroleum, chemical and the airplane industry, have been expanding at a rapid rate. As some older industries have declined, new ones have taken their places. Now we have a whole new crop of young, vigorous industries, including atomic developments, plastics, wonder drugs, new metals, man-made fibers, etc.

The important point is that unequal degrees of success, and unequal rates of growth, among the different sectors of the economy are a part of progress. The experience of the government in attempting to support the agricultural sector of the economy over many years should serve to make clear the fact that ours is a free market economy, and for our government to favor, to aid, or to support one sector at the expense of the others is to slow down necessary adjustment and to retard progress.

Managed Money Ruling Here

Managed money is being given a trial run in this country. By "managed money" is meant a money system without the direct restraint of a metallic standard and one controlled by a money and credit authority. Almost all countries are trying the same experiment. Generally, it may be said that there has been the tendency for most countries to manage their money on the liberal side, so that expansion has taken place at an accelerated rate. While some countries have had fair success, the currencies of others have depreciated rapidly.

The dollar has not escaped the downward tendency. The decline in the purchasing value of the dollar has been about 15% during the past 10 years and more than 50% since 1939.

In view of the general tendency for currencies to decline in value, a humorist has recently stated that Gresham's Law (that "bad money drives out good money") may have little application nowadays, since there is so little good money around!

Thus far, in this country, the decline in the dollar has been taken rather lightly. Income receivers have viewed their dollar gains with satisfaction; debtors have been happy because the burden of their debts, as the dollar depreciated, became easier to carry. Invesors, generally, have done little, if anything, about the depreciation of the dollars which they hold in their portfolios or in their pockets.

As we look to the future, some economists conclude that slow decline in the dollar is inevitable and that this is the best we can hope for. If this assumption were true, of course, the private investor would do well to take a careful look at his holdings. If the dollar is to depreciate 3% a year, then, obviously, an investment paying a fixed rate of return of 3% is, in reality, providing no return. If the rate of return were 2½%, then, in real terms, he would be losing a part of his principal each year.

One reason why the slow decline in the value of the dollar has not caused greater disturbance thus far is that the public has not felt that the decline would be important or continuous. The investing public has not made long-range plans with a view toward getting maximum protection against depreciation in the value of the dollar. The moment the public takes seriously the view that the decline in the dollar is to be continuous and directs investments into channels which provide the greatest real values over the years, then things begin to happen. As Mr. Canby Balderston, Vice-Chairman of the Board of Governors of the Federal Reserve System, expresses it, "Once the community accepts the prospect of continued inflation and begins to make its business decisions in the light of that prospect, the infant [inflation] ceases to creep. He learns to walk, run and finally gallop . . ."

Furthermore, under managed money, the American economy has not been generating enough savings. Thrift is practiced less assiduously than is necessary. Since the growth of the economy is running into much larger proportions than formerly, it also needs savings in larger proportions, but these are not being provided. Over-all savings relative to disposable income show a ratio of about 6½% at the present time, which is no larger than it was when the growth requirement was much less than it is today. We cannot run a large water wheel of growth with a small stream of savings. One of our greatest needs today is to enlarge the savings stream.

There are many reasons why thrift has been running second to spending. In different ways, going into debt has been encouraged. In the first place, with the dollar declining, dollar debt could be repaid with greater ease. In the second place, the fact that rates of interest charged on debt were, for many years, held at an artificially low level encouraged borrowing. In this connection, it is to be observed that it was in the period of artificially easy money that consumer credit made its rapid rise. Easy credit caused some to feel that we had discovered a short cut to a high standard of living — the short cut being the car, the home, furniture, or recreation, purchased on credit. In the third place, saving was discouraged by a smaller reward to the saver in the form of an artificially low rate of interest.

Under the circumstances, it is not surprising that we have had a rapid growth of debt. Consumer credit has moved up to $41 billion, residential realty debt to $100 billion and the grand total of all debt to well above $700 billion.

In different areas of our economy, things have gotten somewhat out of kilter due to the lack of savings. For example, automobiles are crowding antiquated highways because we have neglected to put sufficient savings into new highways. Also, in some areas, our public school population has grown far too big for present classrooms, since these areas have neglected to put sufficient savings into new school facilities.

The reduction in spending and the increase in saving are best accomplished by market forces—in other words, by rates of interest which stimulate saving and retard spending. With high demand for credit, our monetary authorities find it impossible to keep interest rates down without allowing credit to expand unduly. But to remove credit restraint and to open the floodgates of credit expansion would be no different, basically, than the use of the printing press in earlier times.

Fortunately, we have had a wholesome exercise of credit restraint by our monetary authorities in recent years. It has helped check excesses. It has brought no disaster.

Predominance of Federal Finance

Federal finance has taken a position of predominating importance. Back at the turn of the century, Federal debt was about a billion dollars, and total annual Federal expenditures, about a half-billion dollars. These amounts were not large relative to the annual product of our farms and factories. Federal debt was about $16 per capita. Whether this debt was in securities falling due currently or many years later was of no

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*Abstract of an address by Mr. Michener before the Oregon Bankers Association, Portland, Oregon.

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. 30)—Features the Nuclear Navy; an artist's conception showing all 21 of the atomic vessels now in operation, under construction or planned; a table showing the principle contractors for the ships and reactor components; also mentions the large Swiss and Dutch holdings of the Fund's shares. Comments on High Voltage Engineering Company and Foote Mineral Company—Atomic Development Mutual Fund, Inc., Dept. C, 1033—30th Street, N. W., Washington 7, D. C.

Bank Stocks—101st consecutive quarterly comparison of leading banks and trust companies in the United States—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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

Cash Dividends every three months up to 93 years—Booklet—New York Stock Exchange, 11 Wall Street, New York 5, N. Y. Also available (10¢ per copy, $1 per year) is the current issue of "The Exchange" containing articles on "How Investors Can Help Business . . . and Themselves"; "Fifty Monthly Investment Plan Favorites"; "How're the Averages"; etc.

Chemical Industry—Some comparisons with particular reference to **Detrex Chemical Industry**—Moreland & Co., Penobscot Building, Detroit 26, Mich.

Investing for Inflation—Lists of suggested securities in current "Market Review"—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available are analyses of **Hertz Corp., Corning Glass Works,** and **Black & Decker Manufacturing Company.** Current issue of the "Pocket Guide" discusses 30 **Rail Equities.**

Industrial South — Data on industrial sites in area served — Louisville and Nashville Railroad, R. E. Bisha, General Industrial Agent, 908 West Broadway, Louisville, Ky.

Japanese Brewing Industry—Analysis in stock digest—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue is an analysis of the current Japanese market and business activity.

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

Life Insurance Stocks Are Gold Chips—Discussing growth pattern of the life insurance industry—Victor G. Paradise—Paradise Securities Company, 9477 Brighton Way, Beverly Hills, Calif.—$2 per copy.

New York City Banks — Analysis in "Monthly Review" — H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also in the same review are suggested lists of stocks for varying requirements.

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.

Railroad Shares—A reappraisal—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Tax Free Income—Bulletin on municipal bonds—Scharff & Jones, Incorporated, 219 Carondelet Street, New Orleans 12, La.

* * *

Amp Incororated—Analysis—Sanford & Company, Russ Building, San Francisco 4, Calif.

Advanced Oil Tools Inc. — Circular — Carothers & Company, Inc., Mercantile Bank Building, Dallas 1, Tex.

American Brake Shoe Co.—Memorandum—Walston & Co., Inc., 120 Broadway, New York 5, N. Y.

Amphenol Electronics—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also available is an analysis of **Chase Manhattan Bank of New York** and **Schering Corp.**

Atlas Corp. — Memorandum — Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Baltimore & Ohio Railroad—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Bank of America, N. T. & S. A. — Memorandum — First Securities Co. of Chicago, 134 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **Federal Sign and Signal.**

Baruch Kenilind Oil Corp. — Memorandum — Mountain States Securities Corp., Denver Club Building, Denver 2, Colo.

Bowater Paper Corp.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Carlisle Corp.—Memorandum—Saunders, Stiver & Co., Terminal Tower, Cleveland 13, Ohio.

Christiana Securities Co.—Circular—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of **General Cable Corporation.**

Columbia Broadcasting System — Memorandum — Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Commercial Credit Co.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Controls Company of America—Analytical brochure—Cruttenden, Podesta & Co., 209 South La Salle Street, Chicago 4, Ill.

Cuno Engineering Corp. — Analysis — Roosevelt & Gourd, 37 Wall Street, New York 5, N. Y.

Dover Corp.—Memorandum—Auchincloss, Parker & Redpath, 729 Fifteenth Street, Northwest, Washington 5, D. C.

Eastern Industries — Bulletin — DeWitt Conklin Organization, 120 Broadway, New York 5, N. Y. Also available is a bulletin on **Strong, Cobb & Co.**

Fisher Governor Company — Report — The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available is a discussion of "Sleepers in Today's Market?", a memorandum on **Arizona Public Service Co.** and an analysis of **A. J. Bayless Markets Inc.**

Friden Calculating Machine Company—Analysis—First California Company, Incorporated, 300 Montgomery Street, San Francisco 20, Calif.

Gladding, McBean & Co. — Analysis — Dean Witter & Co., 14 Wall Street, New York 5, N. Y. Also available is an analysis of **Douglas Aircraft Company Inc.**

Greyhound Corp.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a tabulation of **Fire Casualty Insurance Companies** preliminary aggregates for the first half of 1957.

High Voltage Engineering Corp.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Levingston Shipbuilding Co. — Memorandum — Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Louisiana Delta Offshore Corp. — Analysis — Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.

Mar-Tex Oil & Gas Company—Analysis—Ferris & Co., First National Bank Building, Dallas 1, Tex.

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.**

Reynolds Aluminum and the Company That Makes It—Illustrated brochure—Reynolds Metals Company, 19 East 47th Street, New York, N. Y.

Roosevelt Raceway, Inc.—Analysis—Security Adjustment Corporation, 16 Court Street, Brooklyn 1, N. Y. Also available is a bulletin on **Yonkers Raceway, Inc.**

Rose Marie Reid—Data—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Kin Ark Oil Co., Burndy Corporation,** and **American Electronics, Inc.**

Ed. Schuster & Co. Inc.—Analysis—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available is a report on **Wisconsin Power and Light Company.**

Shell Oil Company — Analysis — Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Robertshaw Fulton Controls Company.**

Socony Mobil Oil Company, Inc.—Analysis—Bacon, Whipple & Co., 135 South La Salle Street, Chicago 3, Ill.

Stone & Webster, Inc.—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also available are data on **Allis Chalmers Manufacturing Co.**

Vielad Industries, Inc.—Report—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Wheeling Steel Corporation—Progress report—Mellott, Thomsen, Pitney, Rowan & Co., 29 Broadway, New York 6, N. Y.

World Wide Helicopters Limited—Bulletin—Blair & Co., Incorporated, 20 Broad Street, New York 5, N. Y. Also available is an analysis of **General Reinsurance Corporation.** Available through a special arrangement with Blair and Co. are copies of Best's Digest of Insurance Stocks at a bulk rate of $11.09 per copy—checks for number of copies desired should be made payable to Blair & Co., Inc. and sent attention of George Geyer.

Yale & Towne Manufacturing Co.—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are data on **Harris-Intertype Corporation, P. Lorillard,** and the **Canadian Market.**

COMING EVENTS

In Investment Field

Sept. 6-7, 1957 (San Francisco, Calif.)
Federal Bar Association briefing conference on securities laws & regulations at the Mark Hopkins Hotel.

Sept. 12, 1957 (New York City)
Association of Customers' Brokers annual dinner and election at Whyte's Restaurant.

Sept. 13, 1957 (Chicago, Ill.)
Municipal Bond Club of Chicago 21st annual field day at the Medinah Country Club (preceded by a dinner Sept. 12 at the University 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, 1957 (Omaha, Neb.)
Nebraska Investment Bankers Association annual frolic and field day at the Happy Hollow Country Club (to be preceded by a cocktail party, Oct. 9 at the Omaha Club).

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.

New Issues

$44,000,000

CITY OF LOS ANGELES

Los Angeles County, California

City High School District
City School District

4% Bonds, Election 1955, Series D

Dated September 1, 1957 **Due September 1, 1958-82, incl.**

Principal and semi-annual interest (March 1 and September 1) payable at the office of the Treasurer of Los Angeles County in Los Angeles, California, or at any of the fiscal agencies of Los Angeles County in New York, N. Y. or Chicago, Illinois, at the option of the holder. First Coupon (annual) payable September 1, 1958. Coupon bonds in denomination of $1,000 registerable only as to both principal and interest.

In the opinion of counsel, interest payable by the Districts upon their bonds is exempt from all present Federal and State of California personal income taxes under existing statutes, regulations and court decisions.

We believe these bonds are legal investments in New York for trust funds and savings banks and in California for savings banks, subject to the legal limitations upon the amount of the bank's investment, and are likewise legal investments in California for other funds which may be invested in bonds which are legal investments for savings banks, and are eligible as security for deposits of public moneys in California.

These bonds comprise separate issues of two distinct districts. The bonds of each issue in the opinion of counsel constitute the legal and binding obligations of the issuing district and are payable, both principal and interest, from ad valorem taxes which may be levied without limitation as to rate or amount upon all of the taxable real property in the issuing District and which, under the laws now in force, may be levied without limitation as to rate or amount upon all taxable personal property, except certain classes thereof, in the issuing District.

The above bonds are offered when, as and if issued and received by us and subject to approval of legality by Messrs. O'Melveny & Myers, Attorneys, Los Angeles, California.

AMOUNTS, MATURITIES AND YIELDS

(Accrued interest to be added)

$34,000,000
Los Angeles City High School District
$10,000,000
Los Angeles City School District

High School	School	Due	Price to Yield
$1,360,000	$400,000	1958	2.80%
1,360,000	400,000	1959	2.90
1,360,000	400,000	1960	3.00
1,360,000	400,000	1961	3.10
1,360,000	400,000	1962	3.20
1,360,000	400,000	1963	3.30
1,360,000	400,000	1964	3.40
1,360,000	400,000	1965	3.50
1,360,000	400,000	1966	3.60
1,360,000	400,000	1967	3.65
1,360,000	400,000	1968	3.65
1,360,000	400,000	1969	3.70
1,360,000	400,000	1970	3.70
1,360,000	400,000	1971	3.75
1,360,000	400,000	1972	3.75
1,360,000	400,000	1973	3.80
1,360,000	400,000	1974	3.80
1,360,000	400,000	1975	3.85
1,360,000	400,000	1976	3.85
1,360,000	400,000	1977	3.90
1,360,000	400,000	1978	3.90
1,360,000	400,000	1979	3.90
1,360,000	400,000	1980	3.90
1,360,000	400,000	1981	3.90
1,360,000	400,000	1982	3.90

Bank of America N.T. & S.A. The Chase Manhattan Bank The First National City Bank of New York Bankers Trust Company Lehman Brothers Harriman Ripley & Co. Incorporated Halsey, Stuart & Co. Inc. Harris Trust and Savings Bank

Guaranty Trust Company of New York Blyth & Co., Inc. The First Boston Corporation Smith, Barney & Co. Security-First National Bank Los Angeles American Trust Company San Francisco California Bank Los Angeles Continental Illinois National Bank and Trust Company of Chicago

Chemical Corn Exchange Bank The Northern Trust Company Weeden & Co. Incorporated Lazard Frères & Co. Blair & Co. Incorporated Drexel & Co. Phelps, Fenn & Co. R. H. Moulton & Company Kidder, Peabody & Co.

Glore, Forgan & Co. C. J. Devine & Co. Eastman Dillon, Union Securities & Co. Merrill Lynch, Pierce, Fenner & Beane Shields & Company The First National Bank of Portland, Oregon Paine, Webber, Jackson & Curtis

Seattle-First National Bank Salomon Bros. & Hutzler R. W. Pressprich & Co. A. C. Allyn and Company Incorporated The Philadelphia National Bank White, Weld & Co. Equitable Securities Corporation

Stone & Webster Securities Corporation Bear, Stearns & Co. Dean Witter & Co. William R. Staats & Co. Mercantile Trust Company Reynolds & Co. Ladenburg, Thalmann & Co.

J. Barth & Co. Braun, Bosworth & Co. Incorporated Alex. Brown & Sons Clark, Dodge & Co. Estabrook & Co. Fidelity Union Trust Company Newark Hallgarten & Co. Hemphill, Noyes & Co. Hornblower & Weeks

A. M. Kidder & Co., Inc. Laidlaw & Co. Lee Higginson Corporation F. S. Moseley & Co. John Nuveen & Co. (Incorporated) Schoellkopf, Hutton & Pomeroy, Inc. Shearson, Hammill & Co. Trust Company of Georgia

B. J. Van Ingen & Co. Inc. American Securities Corporation Andrews & Wells, Inc. Bache & Co. Bacon, Stevenson & Co. Bacon, Whipple & Co. Baxter & Company A. G. Becker & Co. Incorporated William Blair & Company

Coffin & Burr Incorporated Dick & Merle-Smith R. S. Dickson & Company Incorporated Francis I. duPont & Co. First of Michigan Corporation Gregory & Sons Ira Haupt & Co. Hayden, Stone & Co. Hirsch & Co. E. F. Hutton & Company

W. E. Hutton & Co. Kean, Taylor & Co. Carl M. Loeb, Rhoades & Co. W. H. Morton & Co. Incorporated National Bank of Commerce of Seattle National State Bank Newark Roosevelt & Cross Incorporated L. F. Rothschild & Co. F. S. Smithers & Co.

Stroud & Company Incorporated G. H. Walker & Co. Chas. E. Weigold & Co. Incorporated Adams, McEntee & Co., Inc. Robert W. Baird & Co. Incorporated Barr Brothers & Co. Central Republic Company (Incorporated) City National Bank & Trust Co. Kansas City, Mo.

City National Bank & Trust Company of Chicago A. G. Edwards & Sons Eldredge & Co. Incorporated Ernst & Company Field, Richards & Co. Geo. B. Gibbons & Company Incorporated Ginther & Company Laurence M. Marks & Co.

New York Hanseatic Corporation Wm. E. Pollock & Co., Inc. Schwabacher & Co. Spencer Trask & Co. Stone & Youngberg Thornton, Mohr & Farish Wood, Struthers & Co. H. E. Work & Co. J. C. Bradford & Co.

Burns, Corbett & Pickard, Inc. Julien Collins & Company Commerce Trust Company Kansas City, Mo. Dominick & Dominick Goodbody & Co. Hayden, Miller & Co. Hill Richards & Co. The Illinois Company Incorporated Kalman & Company, Inc.

Kenower, MacArthur & Co. Lawson, Levy & Williams Irving Lundborg & Co. McCormick & Co. McDonald & Company McDonnell & Co. Wm. J. Mericka & Co., Inc. Northwestern National Bank of Minneapolis Rand & Co.

Shuman, Agnew & Co. Stern Brothers & Co. Taylor and Company Third National Bank in Nashville Tripp & Co., Inc. R. D. White & Company Robert Winthrop & Co. Wood, Gundy & Co., Inc. Barcus, Kindred & Company

Blunt Ellis & Simmons Breed & Harrison, Inc. A. Webster Dougherty & Co. Fahey, Clark & Co. Farwell, Chapman & Co. Federation Bank and Trust Co. The First Cleveland Corporation The First National Bank of Memphis

Foster & Marshall Granbery, Marache & Co. G. C. Haas & Co. Malvern Hill & Company Incorporated Hooker & Fay Indianapolis Bond and Share Corporation Lyons & Shafto Incorporated The National City Bank of Cleveland Newhard, Cook & Co.

Provident Savings Bank & Trust Company Rambo, Close & Kerner Incorporated Schaffer, Necker & Co. John Small & Co., Inc. Stern, Frank, Meyer & Fox Stern, Lauer & Co. Stranahan, Harris & Company

Stubbs, Smith & Lombardo, Inc. Sutro Bros. & Co. Talmage & Co. Thomas & Company Tilney and Company Van Alstyne, Noel & Co. Winslow, Cohû & Stetson Harold E. Wood & Company Zahner and Company

Fred D. Blake & Co. Cruttenden, Podesta & Co. Shelby Cullom Davis & Co. Dempsey-Tegeler & Co. Dittmar & Company, Inc. First National Bank of Minneapolis The First National Bank of Saint Paul Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc.

Frantz Hutchinson & Co. Glickenhaus & Lembo J. A. Hogle & Co. McDonald-Moore & Co. D. A. Pincus & Co. Rodman & Renshaw Seasongood & Mayer Townsend, Dabney and Tyson Wachovia Bank and Trust Company

Arthur L. Wright & Co., Inc. E. Ray Allen & Company, Inc. The Continental Bank and Trust Company Salt Lake City, Utah Doll & Isphording, Inc. The First of Arizona Company Hannahs, Ballin & Lee W. L. Lyons & Co.

McMaster Hutchinson & Co. Newburger, Loeb & Co. J. A. Overton & Co. Pierce, Carrison, Wulbern, Inc. Piper, Jaffray & Hopwood Soden Investment Company Wagenseller & Durst, Inc. Elkins, Morris, Stokes & Co.

Ellis & Co. Jones, Cosgrove & Miller The Weil, Roth & Irving Co. C. N. White & Co. Wulff, Hansen & Co.

August 14, 1957

A circular relating to these bonds may be obtained from any of the above underwriters.

Perspectives and Problems of Expanding Southern Growth

By DR. FRANK SODAY*

Vice-President, Research and Development, Chemstrand Corp. Decatur, Ala.

Dr. Soday describes the South's accelerated rate of industrial growth and the sweeping advance in the standard of living, and avers "the last half of the present century belongs to the South . . . [and its progress] will be limited only by the vision and ability of its industrial leaders." Praises liberal and community-minded executive leadership and outlines several problems yet to be solved, such as: tempting surplus labor to remain by attracting small sub-contract business firms, and properly educating its young people.

By every means of measurement one wishes to apply, the growth of industry in the South is continuing at an accelerated rate. Some 1,060 major manufacturing plants were completed in the area in 1956, and preliminary figures indicate that this number will be equalled or exceeded in 1957. The total value of products turned out by southern plants last year was 5½ times greater than in 1939, well ahead of the corresponding increase for the nation as a whole. The South led the country in expansion in 13 industrial groups, tied in 3 and lagged only in 4.

Since 1946, the area has surpassed the nation in the growth of such diverse economic items as construction, insurance, gross personal income, mineral production, beef and chicken production, wholesale and retail sales, electric power production, number of industrial plants, and telephones in use. Clearly, the last half of the present century belongs to the South, and its rate of growth and standard of living will be limited only by the vision and ability of its industrial leaders.

Praises Liberal Business Executives

For the liberals of today are to be found in increasing numbers behind the desk of our business enterprises. Commonly regarded by many as an unyielding conservative, the businessman has been mainly responsible for the dynamic forward drive of the economy of the South, which has had such a revolutionary effect upon its way of life. Translating the economic stability of the area into human progress, he has been the prime mover in the sweeping advance in the standard of living of the region and has assisted the people of the region as a whole in attaining those goals which the great religious and moral leaders have long envisaged. Once living in splendid isolation, the average top executive today spends up to one-third of his time on community affairs.

Business today looks upon its work through the eyes of the community and carefully considers the total welfare of the area in making its decisions. Instead of resisting change, business plays a creative role in directing it. Instead of building a fence around its markets and corporate position, business is pouring some $8 billion yearly into research to create new processes and products for the benefit of all. The businessman has become, to an ever increasing degree, the prophet of the New South.

Record of Growth

The evidence of such leadership is apparent to all. The South topped the national average in the chartering of new business corporations by 7% in 1956. Florida led the South, followed by Texas and Maryland. And the South continued to improve the commanding position it has taken in many growth industries, with noteworthy expansions in chemical manufacturing, synthetic fiber production, electronics, aircraft and guided missiles, and atomic energy. During 1956, the chemical industry completed $1.1 billion worth of new plants in the South, equivalent to 56% of the nation's total, and an additional billion dollars worth was either planned or under construction. Light metal production was substantially increased, and iron and steel capacity was enlarged.

Machinery manufacture, which has doubled in the area during the past 10 years, increased its productive capacity. In the well established textile industry, which has added a million new spindles during recent years while the national total has declined, the South continued to improve its leading position.

The diversification of agriculture continued, with a corresponding improvement in the health of this important segment of southern economy. And southern pine at long last has come into its own. The virtues of sound forest management have been preached so well that the region now has 65% of all of the tree farm acreage in the country. As a result, the South has taken the leadership in the paper industry, it produces more than half of the wood pulp manufactured in the country, and is the largest producer of chemical wood pulp in the world.

Solving Remaining Problems

With oll of this splendid progress, several problems yet remain to be solved. Due to the higher birth rate in the South, the area is still a source of labor for other sections of the country. To stop this flow of people will require the creation of 500,000 new jobs each year for at least the next 10 years. This is the great challenge which industry is facing in the area.

One possible solution to this problem is to increase the number of contract manufacturers supplying sub-assemblies and component parts to the larger industries establishing in the area. As an example, Lockheed has 40% of its major components produced for its use by other companies. Some $620 million worth of contracts are awarded each year to 11,000 firms in 45 states. A determined effort to encourage the establishment of small business enterprises to secure a greater proportion of this contract business would create a host of new job opportunities in the South.

Education Needs

But the greatest problem is one of education. The South has nearly 25% of the nation's industry, most of which is highly technical in nature, but is providing only 17% of the country's scientists and engineers. Some way must be found to double this scholastic production in the next few years if southern industry is to grow and prosper.

To emphasize this economic loss to the South, one needs only to consider the $8 billion annual loss suffered by the area due to its inability to properly educate its young people. Less than half of the High School graduate having an I. Q. above 130 (Ph.D. level) graduate from college. For every one of the 78,000 graduates of southern colleges and universities each year, there is another of equal intellectual ability who did not attend college. As the annual college graduate earns $100,000 more during his lifetime than the non-graduate, this represents an annual loss to the South of $8 billion.

*An address by Dr. Soday before the Southwide Market Research Conference, Miami Beach, Fla., July 27, 1957.

Dean Witter & Central Republic to Merge

CHICAGO, Ill.—An agreement to consolidate the staffs and facilities of Dean Witter & Co., one of the nation's largest brokerage and investment banking firms, and Central Republic Company, investment firm with headquarters in Chicago, has been reached by the partners of the Witter organization and the directors of Central Republic, it has been announced.

Consummation of the merging of the two firms is subject to the approval of stockholders of Central Republic Company and to the securing of necessary consent from regulatory agencies.

Dean Witter & Co., founded in 1924 in San Francisco, is the largest brokerage-investment house of non-New York management in terms of number of employees and services offered. It maintains 32 offices throughout the country, 11,000 miles of leased wires and is a member of six stock exchanges and 15 commodity exchanges.

Central Republic Company is one of the largest investment banking firms in the middle west. It maintains headquarters in Chicago and offices in ten other midwestern cities.

The merging of the two organizations will add to Dean Witter & Co. the offices maintained in ten midwest cities by Central Republic in addition to the staffs in Chicago and New York, thus bringing under one management a total of 42 offices in as many cities throughout the country.

The entire staff of Central Republic is expected to join Dean Witter & Co. and no changes in the present staff of the Witter organization are contemplated it is understood.

A special meeting of the Central Republic stockholders will be held the latter part of August, and if approved, the consolidated operations will start as of Sept. 1.

Dean Witter, founder of the Witter company, continues to be its senior partner with headquarters in San Francisco. Division headquarters are located in San Francisco, Los Angeles, Chicago and New York.

Central Republic Company was originally an investment affiliate of Central Republic Bank and Trust Company, Chicago, and was incorporated as a separate organization on June 25, 1931. In December, 1933, Newton P. Frye became President, in which capacity he served until December, 1954, when he became Chairman of the Board, and James M. Pigott was elected President.

Forms Hagaman Securities

JACKSON, Miss. — Robert L. Hagaman, Jr. is engaging in a securities business from offices at 1828 Devine Street under the firm name of Hagaman Securities Company.

Two With J. J. B. Hilliard

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky. — T. Ballard Morton, Jr. has become connected with J. J. B. Hilliard & Son, 419 West Jefferson Street, members of the New York and Midwest Stock Exchanges.

First Mortgage Railroad Bonds Available at Bargain Prices

By HUBERT F. ATWATER

Wood, Walker & Co., New York City
Members New York Stock Exchange

Mr. Atwater describes issues rendered unusually attractive by combined effect of interest rise and thin market; giving opportunity to buyers able to examine small offerings.

For reasons beyond the control of the investor the bonds shown in the accompanying table are today obtainable at prices affording an exceptionally high return.

Each of these first mortgage issues has felt the effect of a rise in interest rates and the absence of block buyers. It is well to point out that the lower prices of the moment are made on relatively small amounts. Many good bonds are, therefore, finding a home in the hands of buyers who are not too busy to look at modest offerings.


Hubert F. Atwater

New York Central's First Mortgage

I have kept a price chart of New York Central & Hudson River 3½s covering each of the 60 years since they were first offered at 98 in 1897. The security is ample, being a first lien on the 1,420 miles of railroad including the main line from New York to Buffalo, leasehold interest in the New York & Harlem and the pledge of the several valuable parcels of real estate owned in New York City.

In 1920 these bonds sold at 61¾, the lowest price ever recorded, but the yield at that time was not as great as could be obtained today due to the fact that maturity is 37 years nearer. In 1920 the country was suffering from excess accumulation of inventories, commercial paper of four to six months maturity commanded 7½% and the Vanderbilt management paid the New York Central stockholders $5 per share.

Again in 1942 we find the bonds selling as low as 67 only to rebound to higher prices each successive year 1943—87½, 1944—101, 1945—108, 1946—114⅛. This was the climax of several years of unusually low rates for money and concentrated buying by institutions and trustees.

My study has indicated that interest rates and quality considered the average value of these bonds has been about 4.30% yield or say 85 and that after excessive swings, the price tends to return to that level.

A similar story could be told about Lake Shore & Michigan Southern 3½s which cover the New York Central main line from Buffalo to Chicago. For many years following the date of issue this bond was considered the "best railroad bond" and sold accordingly.

When the Missouri Pacific was reorganized there was one divisional issue that might have been entitled to cash payment in full but to conserve resources of a new enterprise these 4¼% Collateral Trust Bonds due 1976 were issued. For a long time they sold above 100 but have now declined, with the market, to a 5% basis. The return on the bonds cannot be fairly considered on the basis of maturity in 1976 as there is reason to expect retirement of the bonds by purchase within the next three years.

Two Lehigh Valley Issues Interesting

Lehigh Valley has retired one-half its mortgage debt in the last eight or nine years. The 4½s 1974 are a first lien on the lines in New York including the mileage from Pennsylvania State Line to Buffalo. The Lehigh Valley Terminal Ry. 5s 1979 are particularly important because they cover the line from So. Plainfield to the Hudson River including the original terminals in Jersey City and a connection with the Pennsylvania RR. affording passenger trains access to the Pennsylvania stations in New York and Newark. Recent reports indicate that Pennroad, already heavily interested in Lehigh Valley, is adding to its holdings.

Soo Line first mortgage 4½s are the product of that road's reorganization in 1944. The bonds are technically described as "Income Bonds" and interest is paid annually. In 1956 the Soo reported net earnings available for fixed charges equal to 60% of the principal amount of the first mortgage.

Title	1956 High	Recent Price	Yield to Maturity
N. Y. Central & H. R. RR. 3½ 1997	82¾	62¼	6%
Lake Shore & Michigan So. 3½ 1997	92	67	5.55
Missouri Pacific 4¼ 1976	103½	91	5
Lehigh Valley of N. Y. 4½ 1974	94	76	6.65
Lehigh Valley Terminal Ry. 5 1979	100½	82	6.50
Minne. St. P. & S. S. Marie 4½ 1971	90	81½	6.60

With First Southern

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Joseph H. Allen has become affiliated with The First Southern Corporation, Peachtree at Ponce de Leon.

Joins J. J. B. Hilliard

(Special to THE FINANCIAL CHRONICLE)

OWENSBORO, Ky. — John D. Quertermous is now with J. J. B. Hilliard & Son, 417 Masonic Temple.

H. J. Hochman Opens

HOUSTON, Texas—Herman J. Hochman is engaging in a securities business from offices in the West Building. He was formerly an officer of Kay & Co.

J. C. Wheat Branch

ROANOKE, Va.—J. C. Wheat & Company have opened a branch office in the Mountain Trust Building under the management of William M. Meredith.

Issues Developed Before the Senate Finance Committee

By HON. WALLACE F. BENNETT*
U. S. Senator from Utah

Senator Bennett, outlining the issues developed during the first phase of the Senate Finance Committee Hearings, sees as a fundamental disagreement in basic economic philosophy, on the one side the Treasury's general acceptance of "classic" economics, and on the other a variety of unorthodox economic theories, some a hangover from the Nineteen Thirties' experimentation, favoring special benefits to certain groups, and distrustful of free markets. Discusses major issues, including the following: nature of the current inflation, Reserve support of government bond prices, interest rate rise related to inflation and depression, the Reserve and price stability, the Treasury's debt management, reduction in housing starts, corporate price policies, and the interest rate future.

In the 51 days that have passed since these hearings began on June 18, there have been hundreds of points of contention—but most of them are minor. By a thorough review of the transcript, I have noted 16 that I consider worth recording, 10 in the field of monetary policy, three touching debt management policies, and three of general economic significance. But before I discuss them separately, I should like to make some general observations.

Wallace F. Bennett

The More Fundamental Points of Disagreement

Behind these conflicts lie some more fundamental disagreements in basic economic philosophy. On the one side—the Treasury's—is a general acceptance of the validity of what might be called "classic" economics. On the other is a variety of unorthodox economic theories. Some of these are hangovers from the economic experimentation of the '30's. Some are calculated to give special benefits to certain groups. Some indicate a preoccupation with depression—and the past—by a general program of making all economic comparisons within the past 25 years. Some indicate an unwillingness to trust free markets to produce prosperity. In one way or another and from many angles, the time proven principles of economics are under attack.

Thus far our chief concern has been with inflation—its cause and cure. We know it exists in the form of a world-wide epidemic. We have not yet completed our study of its cause or causes. Whether it is a flare-up of a form of the disease that has been dormant at times—or whether it is a new and different form of the disease, we have yet to learn fully. It is being treated as though it is of the usual type. The orthodox monetary doctors say we are trying to use more energy than we possess—and taking the narcotic of inflation to keep us going. They are trying to slow us down to a rate that can be sustained by our natural increase in strength—even though it means postponing some things we would like to enjoy now.

Resentment of this program has developed in a number of forms. Some apparently believe that inflation isn't a disease after all—but a desirable way to increase our rate of growth. Some say the cure is worse than the disease. Others say that the cost in higher interest rates is too high. A few have suggested that this is all a plot between the doctors and the druggists (the banks) to make extra profits out of our illness—and that we can be cured at less cost. There are those who want the doctor fired—or at least they want to dictate the treatment. They say that the treatment has been going on for some months now—and hasn't cured the disease. They also point to the times when the doctors permitted a little stimulation and the disease didn't immediately show up and therefore assume that there is no relationship between the disease and the cure. On the basis of this argument they call for more stimulant, saying that by this means we may be able to take more exercise and thus develop more muscle. They are not concerned about the effect on our economic heart—the essential and healthy stability of the dollar.

Mr. Secretary [W. Randolph Burgess], as I have listened to the questions during our many sessions, both with you and with Secretary Humphrey, I have been impressed by the fact that both of you have had to deal with what amounts to a series of charges, carefully organized and buttressed with data, tabular material, relevant quoations and all the rest of it. The time and effort which must surely have gone into the preparation of the charges is impressive—but I have been even more impressed with the answers that you and Secretary Humphrey have provided. It is clear to me that some are seeking nothing less than a complete over-turn of the sound principles which have been developed over the course of long and hard experience.

My colleagues have been so thorough in their questioning that I feel it would be repetitious for me to cover again, by means of still more questions, the ground which has already been traveled. However, it does seem to me to be particularly important that the issues developed out of the charges and the answers be clearly defined. Accordingly, rather than to question you, I should like to list briefly the issues as I have understood them and I will give you an opportunity to comment at any point at which you feel my understanding is inadequate or faulty. In this way I know that you can be the most help to me, personally, in understanding the basic issues which have been developed, and perhaps also it will be of assistance to other members of the Committee and to the public.

Monetary Policy

(1) With respect to the issues in the field of monetary policy or monetary theory, the first is the nature of the current inflation. It is charged that these price increases have behind them none of the elements of a classic inflation but, instead, are caused by "tight money" and manipulated prices in semi-monopolistic industries. The answer the Treasury has given to this is that current price increases are basically caused by the same factors which must operate during every inflation: increased demand pressing against a limited supply of goods and services, with demand, in this case, particularly strong in the capital goods field.

(1a) There are two correlative issues here. It is claimed that restrictive monetary policy has not been successful in preventing price rises during the last year and a half. This has been answered by the fact that we now have relatively full utilization of some basic resources, particularly labor; and if these policies had not been adopted, there would have been considerably more inflation.

(1b) The other correlative issue—one which is particularly difficult for me to take seriously—arises out of the claim that the correct policy in combatting inflation is to provide for more rapid increases in the money supply than are currently permitted in order to secure substantial increases in output (for example, in housing), and that these output increases would depress prices. The response is that there is little possibility of output increasing at a faster rate than is already the case, regardless of excess capacity, because there is virtually no unemployment above the frictional level. Furthermore, although it is possible to conceive of substantial increases in output in some individual sector of the economy, like housing, it is an increase in the entire economy which must be considered in a situation of this sort. I said earlier that I find it difficult to take the issue seriously because I cannot comprehend how anyone can honestly advocate increasing the money supply to combat inflation. Are we then to believe—as we must, following this logic—that the way to halt a severe decline in prices is to contract the money supply?

(2) The second major issue in the field of monetary policy arises out of the claim that the Federal Reserve System can support prices of government bonds, thereby reducing the interest burden on the national debt and interest rates generally, without the necessity of making large purchases of government bonds and, therefore, without being inflationary. On the other hand, the Treasury has made it clear to me that the Federal Reserve cannot start a policy of pegging bond prices without, at the same time, relinquishing its control over monetary policies. The data which purport to show that the Federal Reserve can support bond prices without adding considerably to bank reserves through necessary purchases of government securities are taken from carefully selected years with conditions not comparable to the present.

(3) The next two issues relate to the effectiveness of higher interest rates in combatting inflation. It is claimed that higher interest cannot be a deterrent to capital investment since the volume of such investment is now at a peak. But it can certainly be said that with lower interest rates the volume would undoubtedly be much larger and inflationary pressures that much more severe.

(4) It is also suggested that higher interest is inflationary because it enters into costs and stimulates demand for higher wages. The other side of the issue is that the deflationary effect of higher interest is far more important than its inflationary effect, particularly when it is remembered that higher rates reflect tightness in the availability of money. Interest is, after all, a very small part of most costs, and the difference in rates that has developed is even less significant.

(5) The next issue arises out of the charge that current monetary policy is hurting only small business: that it does not hurt large business. Although it can safely be said that such a policy will adversely affect all marginal businesses, there is no reason to assume that all marginal businesses are small business. It is possible, as Secretary Humphrey admitted, that many small businesses may feel the pinch but the data which were submitted, particularly after analysis, did not prove that small business was hurt any more seriously than large business.

(6) The sixth issue has developed out of the charge that current monetary policy, which is allegedly providing insufficient growth in the money supply and is characterized by higher interest rates, will cause a depression, just as similar policies during the 1920's resulted in the depression of 1929-33. On the other side of this issue we find the wise judgment—which I believe was expressed in your (Mr. Burgess') testimony—that the primary value of current monetary policy is in preventing excesses of the type which eventually can lead to depression; and that the greater the excess—the deeper the depression. Also, you have noted that the money supply is not growing at too slow a rate when increases in velocity are taken into consideration, and finally, that monetary policy during the 1920's was not so much incorrect as poorly timed.

(7) The next two issues in my informal tabulation relate to the causes of higher interest. It has been stated that rates are higher because the Federal Reserve has increased its rediscount rate on a number of occasions since 1953. On the other hand, if I interpret the data correctly, changes in the rediscount rate have followed—not led—changes in the interest rate. Further, Federal Reserve influence over interest rates is exercised primarily through its control over the volume of money.

(8) A charge which, in my opinion, is entirely unsupported has created my eighth issue. This begins with the claim that the Treasury has the power to set the general level of interest rates through the rates it selects for its own securities; and follows with the charge that it has deliberately used that power to increase interest rates. I believe that both Secretary Humphrey and you have emphasized that the Treasury has never attempted to increase interest rates through its operations, but has accepted the market rate. Treasury operations, if I understand you correctly, are a factor in the market but there are, in addition, many other factors and influences.

(9) The ninth and tenth issues as I have tabulated them relate directly to the Federal Reserve. If I understood your testimony of several days ago (page 1604 of the transcript) the primary function of the Federal Reserve is to maintain a volume of money which will assure price stability and sound economic growth. But this has been challenged with the claim that the primary function is to provide all of the funds demanded by a growing economy, presumably without regard to the effect on the price level.

(10) The tenth issue is developed out of the claim that the Federal Reserve has almost unlimited power in its field and is controlled by only a few men who are, in effect, independent of any supervision. The other side of the issue—with which I am in agreement—is that although the Federal Reserve has great power, that power is not unlimited; its policies are directed by a large number of men from all areas and representing diverse economic backgrounds. In the final analysis, the Federal Reserve is an agent of the Congress, which can and should exercise its authority whenever appropriate. I might observe that the whole question of the independence of the Federal Reserve System seems to be developing rapidly.

There have been indications that some members of the committee are considering legislation which would have the effect of destroying the independence of the Federal Reserve by requiring that it center its activities on supporting the prices of U. S. Government obligations. This would place the Federal Reserve in a subordinate position to the Treasury, therefore, subject to the political pressures which must necessarily be present.

Debt Management

(1) Turning now to the field of debt management, it seems to me that here three basic issues have been developed. The first relates to the maturity distribution of the public debt, and is based on the claim that because sales of longer term securities are deflationary, such sales should be attempted now, even though Federal Reserve policy has made this more difficult than it need be. The answer given is that the time is not appropriate for the flotation of longer term securities since the Treasury would now have to pay excessive rates. There is simply no market for long-term bonds in large amounts at rates which the Treasury is permitted by law to pay.

(2) The second issue arises out of the charge that the Treasury has deliberately put itself at the mercy of the market in floating its securities. But the alternative, as I understand it, to acceptance of the competitive rate by the Treasury is to maintain artificially low

Continued on page 37

*Statement presented by Senator Bennett in the Senate Finance Committee, Aug. 9, 1957.

Research Is Big Business

By DR. R. C. SWAIN*

Vice-President, American Cyanamid Company

Dr. Swain, enthusing over the future of industrial research, and terming it Big Business, identifies some of the specific challenges it presents to business management. Maintains more progress has been made during past two decades than in all previous history, and future frontiers defying imagination

A little more than 100 years ago, those who moved west saw promise of great rewards in the gold that lay along the American river. And rewards there have been, beyond even the extravagant hopes of the pioneers. That was a time when man could still seek new land and new opportunities. So long as land existed, there were no problems of dwindling natural resources, declining land fertility, or over-population.

The New Frontier

Today in America that frontier is gone. But we have another frontier—not in virgin land, but in our scientific laboratories. We can look forward to a period of achievement that renders the accomplishments of the last two decades, magnificent as they are, only a beginning. This intellectual frontier has all the romance and adventure of its geographical equivalent, and it is limited only by man's mind, his initiative and ingenuity.

Behind us today, as we survey the future of research in industry, lie more than 2,000 years of scientific progress. At first it was tantalizingly slow and often bogged down in error and superstition, but we owe the very promise of modern industrial research to the past, and in the past we may find some clues to the future.

It is not surprising that the first appearance of what can be truly called a scientific spirit came with a passionate desire to know, purely for the sake of knowing. The Greeks, with completely disinterested curiosity, took the land surveying formula of the Egyptians and created deductive mathematical reasoning, one of man's most powerful intellectual weapons. Out of this interest came the development of some of the principles of thermodynamics — still one of the most important tools of the research chemist.

The medieval philosopher believed nature and the universe to be a rational whole, neither capricious nor arbitrary. He believed he knew the principles and the purpose of everything about him. Whatever could not be explained by reason, after the manner of Aristotle, could be explained through the Scriptures and Divine Revelation. This intellectual atmosphere was scarcely conducive to scientific inquiry.

A somewhat different climate was developed by the Alchemist of the 16th Century. He was an interesting combination of medicine man and lone wolf inventor. He professed to believe in his ability to transform base metals, such as lead, into gold, through some mysterious preternatural synthesis. His efforts were subsidized all too often by greedy and gullible clients. I regret to say that some of his lineal descendants are still with us and the supply of gullible clients has, by no means, been exhausted. It would be interesting to know how much money has been spent in recent years on perpetual motion machines, fake cancer cures, and cheap ways to make synthetic diamonds. The Alchemist, however, did develop techniques which accelerated the trend toward practical application of experimentally derived facts.

*An address by Dr. Swain before the Stanford Business Conference, Stanford University, California, July 23, 1957.

The New Departure During the Renaissance

The emergence of a scientific outlook during the Renaissance marked a clear departure from the metaphysical approach to the nature of things characteristic of the medievalists. It reached its full development when Newton contributed the concepts of observation and experiment. On this basis, hypotheses could be developed and then checked by experiment. Thus evolved a self sufficient system of science that no longer depended upon theology and metaphysics. But this scientific outlook needed a scientific method.

In 1772, Lavoisier, repeating some of the work previously done on combustion, noted that different experimenters often gave different explanations for the same set of facts. He decided it was time to make a critical repetition of selected experiments to find the correct answer or evolve a new theory. As the reproducible experiment permitted one scientist to duplicate exactly the results obtained by other scientists, and to transmit their findings in tangible form to later students, the scientific method became an operating tool, and research in the modern sense had begun.

However, we had yet to learn how to apply this new tool to industrial problems. For the most part, scientists worked alone or perhaps in universities, following their own interests. Commercial operations were family enterprises, whose interest in scientists, if any, was an intellectual rather than a business one. In between were the inventors with no predictable relationship to either. There was no regular channel of communication, no feeling of dependence, no basic need forcing them together.

During the last half of the 19th Century this situation changed. The first synthetic dyes from coal tar were discovered in England in 1856 and the golden age of the synthetic organic chemist began. Coming late to industrial maturity and lacking overseas possessions, Germany was forced to fill her needs through skill and ingenuity. She quickly recognized the importance of technical assistance to industrial problems, and set up the first of a continuing series of scientist-management teams. These groups, combined with a most effective cartel system of marketing, ultimately led to the formation of the famous I. G. Farben empire, and world-wide supremacy in the production and sale of a wide variety of important new dyes and drugs. This virtual monopoly was not broken until World War I, when America was forced to produce essential materials she could no longer import.

Immediately there was a demand for scientists—many more than were available, and our universities accepted the challenge by stepping up our meager supply both in quantity and quality. How successful they have been can be illustrated by a few figures. In 1900 the American Chemical Society, to which most chemists and chemical engineers belong, had a total membership of 1,715, and most of these men were associated with academic rather than industrial organizations. This figure rose to 14,000 in 1925 and almost 80,000 last year. Other scientific disciplines, such as physics, mathematics, geology, biology and engineering show the same steep rate of growth. And yet you are all familiar, I am sure, with the well publicized shortage of technically-trained college graduates which still faces us today.

There were other indications of rapid growth. The number of organized research laboratories multiplied tremendously. In 1900 there existed only a handful including Arthur D. Little formed in 1886, Eastman Kodak in 1893, B. F. Goodrich in 1895, General Electric in 1900 and the National Bureau of Standards in 1901. In 1920 there was a total of 220 such laboratories and by 1940 the figure had increased to more than 2,000.

In 1953 more than 15,000 companies engaged in research and development programs of some kind, spending a total of $3.7 billion, and employing over 400,000 scientists, engineers and supporting personal. This does not include, mind you, the number of scientists and dollars engaged in government-sponsored research, nor does it cover the activities of non-profit institutions and our universities. Our total national research and development bill in 1953 came to $5.4 billion and to $7.9 billion last year. An ever more spectacular growth occurred among non-profit scientific institutes. There were only two in this category in 1936 doing a total business of about $1 million. Now there are 48 with annual billings totaling over 100 million. Incidentally, one of these is our own Stamford Research Institute which has made a remarkable record in the brief years of its existence, and now ranks second to none.

Unprecedented Progress Since World War II

This rather lengthy discourse on the history of applied research points up the fact that more progress has been made in the last two decades and especially since World War II than in all previous history; and there is no indication of any immediate deviation from this trend. McGraw-Hill recently released an exhaustive survey on present and proposed research expenditures based on a questionnaire submitted to a representative cross section of all industrial groups. It shows that industry plans to spend an average of 33% more on research and development in 1959 than in 1956, an annual increase of 11%. From these increased expenditures, especially by those companies relatively new in the field, will come a host of new products, process improvements and the requirement for large capital investment to take advantage of them. The report further states "These plans for new research together with the new products from present research provide one explanation for industry's plans to invest more in the next four years than in any other similar period."

Research Is Big Business

It is thus evident that industrial research is now big business, and it is equally apparent that these large sums are not being budgeted for philanthropic purposes. Industry has discovered that properly directed research is profitable and has generally accepted this activity as an integral and essential part of its management teams. It is hard to quarrel with this philosophy when some companies including my own for example, can boast of the fact that over 50% of current sales are from products that didn't exist commercially 15 years ago. It is also noteworthy that with few exceptions those industrial groups which have placed the most emphasis on research have had the fastest growth and are most highly regarded by the investing public.

To those of us in research-management who have traditionally developed an inferiority complex toward Budget Committees, the

Continued on page 34

From Washington Ahead of the News

By CARLISLE BARGERON

Carlisle Bargeron

You have undoubtedly been reading in the press recently, via the syndicated columnists and some editors, that Mr. Eisenhower's great failing is that he can't be hardboiled in the exercise of his Presidential leadership. It so happens that he has been what is known as a leader since the days he was in grade school. I suppose what is meant by that is that he was the one who always got up the school dances and collected the money. Then as he grew up in life he was undoubtedly the chairman of the committees which are always being created in a man's life and which he must deal with.

But the gentleman unquestionably became a leader in World War II. He was the general in command of all the allied forces in the European sector. It is difficult to see how you can be any more of a leader than that.

Notwithstanding this leadership background, an increasingly large number of our editors and columnists feel it incumbent to lecture him on how to be a leader in the Presidency of the United States. That their criticism has gone home is indicated by the fact that he feels it frequently necessary at press conferences to explain that he is not the kind of leader that his critics want him to be, that he has his own ways of leadership. You can imagine that he thinks his ways of leadership are good because they have got him so far. But like the domineering wife, these editors and columnists of whom I am speaking insist upon changing him at his age, in the middle sixties.

Deny those Senators and Congressmen patronage, if they don't vote with you; don't let them be photographed with you—this is the thing to do, these editors and columnists are saying. You've got to learn to browbeat Congressmen, deal with them in the language they understand.

Well sir, I have an instance in which the President, reluctantly, I imagine, is trying to apply these tactics. A certain Senator who has gone out of his way to support the President many times against his better judgment, but on the theory of party loyalty, has pending the recommendation of a Federal Judge to be elevated to the Court of Appeals, and the appointment of another man to take this judge's place on the Federal Court. It so happens that both are outstanding men. The judge recommended for elevation has been out of politics for years, though he, along with his wife, has undoubtedly voted for the Senator whom I have in mind, making a total of two votes.

The man who has been recommended for the Federal judgeship to be vacated upon the elevation of the judge now sitting, fought for Eisenhower's nomination in 1952 against Taft Republicans.

Now, our Senator voted with the President to bypass the Senate Judiciary Committee and bring the House passed civil rights bill directly to the Senate floor. This insured a vote by the Senate on the bill. The Senator also voted with the President on the controversial section III by which it was claimed the bill was to apply to all civil rights, not just voting, but to integration in the Southern schools.

Then on the question of the celebrated jury trial amendment, the denial of a jury trial went against the Senator's grain as it apparently did to some of the foremost civil rights editors in the country. The Senator voted for the civil rights amendment. A couple of hours before this vote he had a call from the White House in which the Senator's judgeship recommendations were mentioned, and was then asked how he intended to vote on the jury trial amendment. This was the sort of cracking down or application of pressure which the editors and columnists had been demanding.

Now, since the Senator voted for the jury trial, he has found nothing but silence from the White House and the Department of Justice on his inquiries as how about the judgeships. They are putting him on the anxious seat, letting him sweat, so to speak.

There is no doubt that this is annoying to the erring Senator, but after all who is being punished? It will not affect the Senator's career in the slightest if his recommendations are turned down. He will be disappointed because of the failure of his efforts in behalf of two very worthwhile citizens. But it won't mean a penny out of his pocket, nor affect his standing as a Senator in the slightest.

The punishment will be to two distinguished citizens who deserve the appointments. What strange advice it is that certain editors and columnists are giving the President and which, in this instance, he seems to be inclined to try out a new type of "leadership."

E. W. Bache Rejoins R. H. Moulton & Co.

SAN FRANCISCO, Calif. — E. W. Bache is again associated with R. H. Moulton & Co., 405 Montgomery Street, according to announcement of the San Francisco-Los Angeles government and municipal bond firm. With a background of commercial banking experience in New York and foreign fields, Mr. Bache first became identified with the Moulton organization in 1933. He has recently been a partner in H. E. Work & Co.

Earl R. Davis

Earl Russell Davis, partner in Davis & Davis, Providence, R. I., and a member of the New York Stock Exchange, passed away Aug. 10 at the age of 71.

Joins Walston Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Clinton E. Lowry is now with Walston & Co., Inc., Mile High Center.

With Columbine Secs.

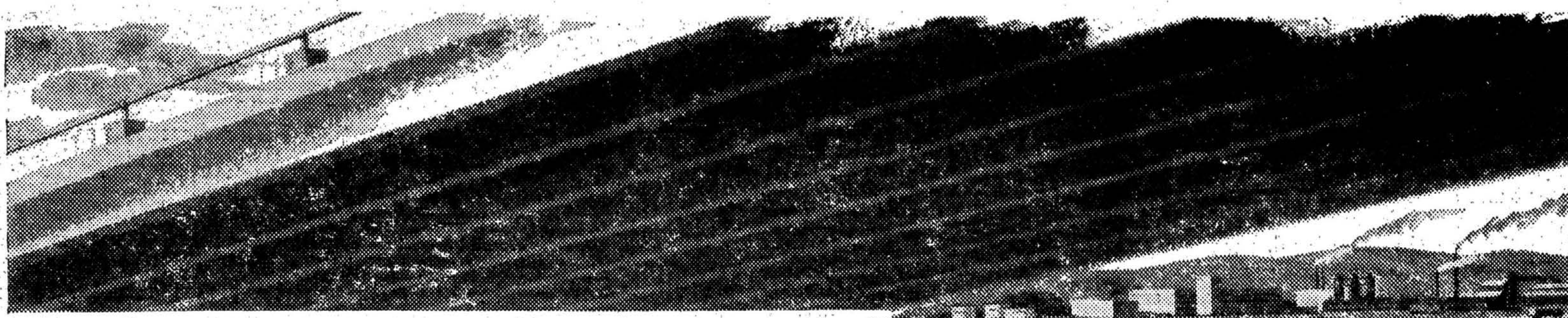
(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John M. Foster, Jr. and Kenneth L. Shepherd have been added to the staff of Columbine Securities Corp., 1780 South Broadway.

Geddes, Andrews Add

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo.—Richard E. Fryback is with Geddes, Andrews & Co., 201 North Fifth Street.



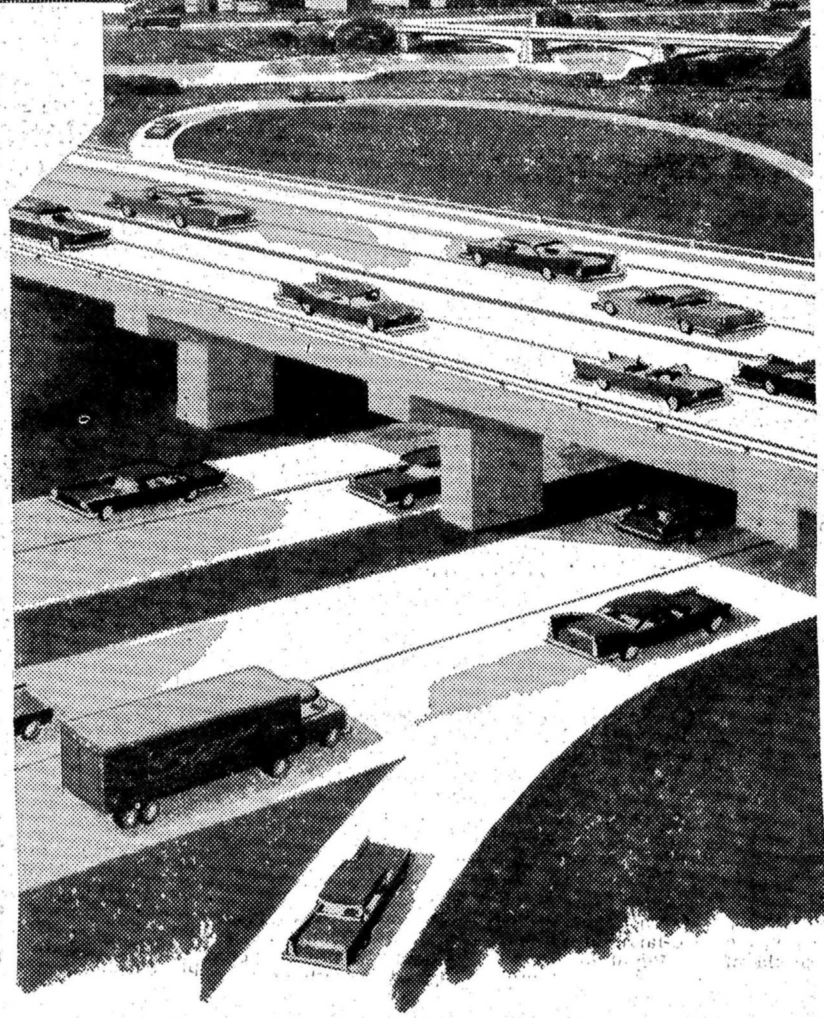
CREDIT..

EXPRESSWAY OF OUR AMAZING AMERICA

New York to Chicago without a stop light! As the modern expressway has created new dimensions in automotive travel, so consumer Credit has opened new dimensions in our buying power. For modern Credit is the "financial expressway" that keeps money moving, flowing, circulating . . . our nation selling, building, buying . . . resulting in a constantly increasing standard of living unmatched in the world today!

For 38 years Associates has been helping to build this vital artery of our expanding economy. Its creative financing policies have long been a key factor in the phenomenal growth of the automotive industry . . . within the last year Associates provided over 1¼ billion dollars for retail automobile purchases and wholesale financing. In addition, Associates annually supplies hundreds of millions of dollars to help develop American industry and hundreds of millions more to individuals for family needs.

With assets over 900 million dollars, Associates is one of America's great financial institutions . . . contributing to the expansion of the nation's "financial expressway" for greater progress and achievement in the future.



A REPORT FOR THE FIRST SIX MONTHS

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 1957	June 30, 1956
Cash and Marketable Securities	$ 87,369,416	$ 87,277,327
Receivables:		
Retail motor vehicle installment receivables	$713,932,341	$683,877,863
Wholesale motor vehicle short-term loans	95,848,295	72,754,696
Direct and personal installment loans	69,419,360	55,851,875
Commercial and other receivables	41,403,438	37,002,943
	$920,603,434	$849,487,377
Less: Unearned discounts	58,071,228	51,967,540
Reserve for losses	23,160,118	20,628,756
Total receivables, net	$839,372,088	$776,891,081
Other Assets	23,154,342	14,884,154
	$949,895,846	$879,052,562

LIABILITIES

	June 30, 1957	June 30, 1956
Notes Payable, short-term	$455,829,819	$435,831,400
Term Notes due within one year	14,707,000	37,500,000
Capital Debentures due within one year	1,600,000	—
Common Stock Dividend payable July 2, 1957	2,086,807	1,875,283
Accounts Payable, Accruals and Reserves	33,088,139	30,237,643
Unearned Insurance Premiums	28,972,657	29,258,942
Long-Term Notes	216,080,000	155,965,000
Subordinated Long-Term Notes	48,700,000	52,000,000
Capital Debentures	16,300,000	17,900,000
Preferred Stock	20,250,000	22,500,000
Common Stock	32,104,720	31,254,720
Surplus	80,176,704	64,729,574
	$949,895,846	$879,052,562

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Six Months Ended June 30, 1957	Six Months Ended June 30, 1956
Discount, interest, premiums and other income	$64,309,386	$59,449,847
Operating expenses	46,109,920	41,828,871
Net income before Federal income tax	$18,199,466	$17,620,976
Provision for Federal income tax	8,040,000	7,840,000
Net income	$10,159,466	$ 9,780,976
Consolidated net earnings per share of common stock after payment of preferred dividends	$3.01	$2.97

Associates

Commercial and Installment Financing

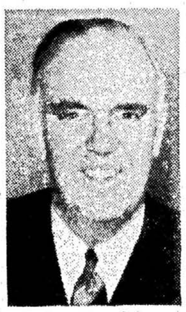
ASSOCIATES INVESTMENT COMPANY
ASSOCIATES DISCOUNT CORPORATION
and Other Subsidiaries
HOME OFFICE • SOUTH BEND, INDIANA

Canada's Mixed Economic Outlook

By J. DOUGLAS GIBSON*
Assistant General Manager, The Bank of Nova Scotia

As basis for optimism on Canada's future, Mr. Gibson cites: (1) Canada's endowment with world's needed resources; (2) rapid population growth; (3) favorable environment for investment and economic expansion; (4) resource expansion stimulating economic development and the northern frontier. Contends that, on the other hand, near-term outlook poses some difficulties regarding monetary and economic policy, with the boom "getting tired." Notes decline in export demand, pressure on base metal's prices, and fall in new housing starts. Calls attention to the dilemma of monetary policy, which is torn between the risk that restraining policies may entail a business downturn, and excesses could follow from relaxation.

I do not propose to give any forecasts of our position 25 years from now or to repeat those of the Royal Commission. For practical purposes I think we can accept those of the Commission, bearing in mind their admonition that such forecasts can never be accurate and are only useful in helping us to test and develop our thinking about the future. What matters is that we seem to be convinced that our long-term outlook is a good one with great potentialities for expansion and this is an important factor in present business decisions.



J. Douglas Gibson

As we move ahead we should always be reappraising the outlook and it is therefore essential to know just why most of us believe the long-range prospect in this country shapes up so favorably. To summarize my own thinking I would give five major reasons why we should be optimistic about the future of Canada. I make the assumption that there will be no major war. I should also add that my list of reasons for optimism is far from complete and that it is confined to the elements which are characteristic of the Canadian scene. It does not include such broad phenommena as the rapid rate of technological progress, as the great possibilities of improvement in underdeveloped countries and as the apparent increase in the ability of governments to cope with serious fluctuations in business. These are clearly important considerations but they are world-wide in scope and my time is limited.

Resources the World Needs

The first reason for optimism is that we are well endowed with the kind of resources which the world needs. We live next door to the huge and growing economy of the United States which has been making increasing demands on the kinds of commodities which we are well fitted to produce. Much of our development in the postwar period is a direct reflection of growing American requirements for minerals and wood products. Moreover, when our American neighbors look ahead at their future requirements of industrial materials, as they did when they compiled the Paley Report, they come to the conclusion that over the years they are going to need a great deal more of the kind of goods which they are getting from this country. The list of industrial materials which they expect to be in greatest demand or in short supply almost sounds like a catalogue of our developing basic industries—oil, natural gas, aluminum, nickel, iron ore, wood products, such new metals as titanium, and the traditional base metals. What is more, the growth in American requirements of industrial materials is not an isolated development; it is part of a wider world picture where rapidly increasing population and industrialization on both sides of the iron curtain is putting strong emphasis on the same basic commodities.

One of Highest Rates of Population Growth

The second reason for confidence is that we expect to have the people to develop and to use these resources effectively. Though our population is too small and will remain too small probably for a long time to come, it is growing rapidly—it has increased 40% since the outbreak of the last war and 60% since the late 'twenties. We have one of the highest rates of population growth in the world —recently about 2¾% per annum compared with 1¾% in the United States—the result of a high rate of natural increase and a substantial number of immigrants. It may be that the natural increase will be a little less rapid in the next few years because the number of young people reaching marriageable age is now reflecting the low birth rates of the great depression. For that reason the recent increase in immigration is doubly welcome since it will both add to the working force and probably increase the birth rate. Numbers are not the only factor in economic development and in Canada we are fortunate in comparison with many other developing countries in that we have an energetic and well-educated population and the ability to turn out more and more trained people. This is no small asset in a world where technology is advancing rapidly. We shall have to increase greatly our educational facilities, universities and technical institutions as well as high schools, but we have a good base from which to proceed and we have the kind of people who can take full advantage of these opportunities.

The third factor which will contribute to our development is less tangible but still very important. I refer to our economic environment and institutions which are of a kind conducive to economic growth. There is more room for initiative, more opportunity for advancement, a better climate for investment right here in Canada than in most other countries. We have the sort of climate which gives our own people and foreigners confidence and which appears to attract the neded new investment and techniques.

Resource Expansion Basis for Industry

The fourth influence which will stimulate our growth is that much of our basic expansion is of the kind which leads to additional economic development. As our great resource industries of mining and forestry have developed, we have increasingly processed these basic commodities in Canada. It has been a gradual trend, at times an uphill battle occasionally involving government intervention to persuade external users that such things as pulpwood and mineral concentrates could just as well be turned into pulp, newsprint and metals in Canada as elsewhere. But despite difficulties the trend has continued none the less and it will go on in the years ahead perhaps with a certain amount of pressure from governments from time to time. What is most important, however, is that a very substantial part of our rapidly developing natural resources is fuel, one of the basic requirements for industry. We have always had great advantages in hydro electric power and these have played and are still playing a very significant part in our industrial growth, witness the aluminum and pulp and paper industries. We have some big coal deposits, particularly in this province, but in the past their location has not been such as to stimulate their maximum use. Now atomic power is entering the scene and we are certainly well endowed with the necessary fuel.

For the next generation, however, the really big thing appears to be the oil and gas of the west. This means cheap fuel for an area which is not well endowed with hydro electric power. That in turn means economies for agriculture and the steady development of the type of industry in which cheap fuel is of major significance. There has been quite a little such development already and we only have to look at Texas and Oklahoma to envisage the future possibilities. And now with the pipelines, the advantages of cheaper and convenient fuel are being extended to the Pacific Coast, northern Ontario and, to a lesser though significant degree, to the industrial areas of southern Ontario and part of Quebec.

Importance of Northern Frontier

The fifth and final reason for confidence in our long-term outlook is that we have a physical frontier and shall have one for a long time to come. It is no longer the push west, though parts of the west may well develop more rapidly than the east. It is rather the push north all the way across the Dominion, from Quebec-Labrador in the east, to northern parts of Quebec, Ontario, and Manitoba in the centre, to Lake Athabasca, to the Peace River, to Great Slave Lake, to the northern interior of British Columbia and to the Yukon in the west. Never before has there been such a sustained push to the north along so many lines of communication.

It is hard to overemphasize the significance of the northern frontier. It is important for what is being done right now. It is important for the development that will follow the opening up of new areas. And it is also important for the attitudes of confidence and imagination to which it gives rise, for the fact that it is distinctively Canadian and not just a repetition of American development. In my view, the northern frontier deserves far more emphasis than the Royal Commission on our Economic Prospects appears to give it. Northern development is so important in our national picture that it deserves national attention and at times it may justify national outlays just as the development of the west did in our earlier history. We cannot assume that lines of communication and transportation into the north will be built as promptly as they are needed. When one reads of what the Russians are doing in their north, the question immediately arises of whether we can afford not to do more ourselves. From the standpoint of our own eco-

Continued on page 32

*A talk by Mr. Gibson at the Annual Meeting of the Canadian Gas Association, Jasper Park, Alberta.

International Aspects of Higher United States Interest Rates

By PAUL EINZIG

Dr. Einzig interprets U. S. Reserve Board's discount rate rise as contribution toward curbing world-wide inflationary trend. States apathy toward inflation abroad, rooted in absence of undue pressure on currencies, has stemmed from American inflationary trend. Asserts domestic effect here is doubtful, reporting that in Britain a much more drastic interest rate increases were added to cost of production and higher prices.

LONDON, Eng.—The decision to increase the Bank rate of four Federal Reserve Banks to 3½% must be welcomed as a disinflationary step the effects of which are likely to be felt well beyond the borders of the United States. Provided that the measure proves to be effective within the American economy, it will contribute to some degree toward slowing down, if not halting altogether, the world-wide inflationary trend. For a stiffening of resistance to inflation in the United States is likely to force the hands of other countries—foremost among them the United Kingdom—to abandon their complacency in face of the common danger.

Dr. Paul Einzig

The main reason why the British Government, and to a more or less extent many other governments, were taking recently, the line of least resistance against inflation has been the absence of any undue pressure on their currencies during recent months. And the reason for this absence of pressure has been the existence of an inflationary trend in the United States. Even though the extent of that trend has not been nearly as strong as in Britain, it has been strong enough to prevent the development of a strong pressure on sterling.

Domestic demand in the United States has been sufficiently strong to obviate the necessity for American industries to concentrate unduly on an export drive by means of price cutting. It is true, there has been once more a world-wide scarcity of dollars during recent months, but its extent has not been sufficiently pronounced to compel the British Government to adopt really drastic defensive measures to protect sterling. So long as wages inflation is proceeding also in the United States, the British balance of payments is not threatened sufficiently to impel the British Government to face up to the realities of its own inflationary situation.

Repercussion on British Balance of Payments

If the increase of interest rates in the United States results in a material reduction of American wages inflation, there would soon be repercussions on the British balance of payments position. The moment American industries feel they can no longer depend on virtually unlimited domestic demand they focus their attention on foreign markets. The expansion of British exports, which continued in spite of the non-stop rise in British cost of production, would then encounter strong resistance. In particular, British exports to the Dollar Area would cease to expand and might even decline.

Such developments would be deplorable from the point of view of the British economy; nevertheless, the change would be in the right direction provided that it would compel the British Government to take domestic inflation more seriously. It is a misfortune in disguise that the accentuation of the inflationary increase in British wages has failed so far to affect the British balance of payments perceptibly. There are, of course, the beginnings of the seasonal pressure on sterling. But the relative strength of the balance of payments continues to convey the impression that it is possible to indulge in an orgy of wages increases with comparative impunity.

Even the government itself, in its heart of hearts, would possibly welcome a balance of payments crisis, which would provide obvious justification for taking unpopular but necessary measures. So long as sterling is not actively menaced it would take a considerable dose of political courage to reinforce the existing ineffective disinflationary measures to an extent to which it would be necessary to make them effective. Thanks to the beneficial effects of the American inflationary trend, the British worker can continue to live in a fool's paradise. It is true, his rising wages means rising cost of production and rising cost of living. But so long as sterling holds its own in the foreign exchange market, there is no evident and imminent danger that would induce him to moderate his demand. And the general public would regard strikes arising from resistance to wages claims a bigger evil than a further deterioration in the purchasing power of sterling.

The British Experience

It remains to be seen whether the ½% increase in American Bank rates will produce the desired effect on business trend in the United States. Judging by the British experience, it would be far from safe to take this for granted. It depends on whether there will be a sufficient tightening of credit conditions to compel the American industrialists to resist wages demands. In Britain a much more pronounced increase in interest rates was unable to produce such an effect. This was because higher interest charges were simply added to the cost of production, and the industrial firms raised their selling prices. To the extent to which this could not be done, the existing high taxation of corporation profits moderated the actual loss arising from high interest rates.

Above all, such is the balance of power between employers and labor in Britain that the trade unions are able to enforce wages increases even during periods of declining profits. Industrial firms are more afraid of losses resulting from strikes than from a decline in their earnings if they should be unable to add the higher wages to their selling prices.

There is, of course, a marked difference in the degree of overfull employment in Britain and the United States, and also in the degree of taxation. It remains to be seen whether the difference is sufficient to make higher interest rates more effective than they have been in Britain.

Business Man's Bookshelf

British Government Publications —monthly list for June 1957—British Information Services, 45 Rockefeller Plaza, New York 20, N. Y. (paper), annual subscription 45¢.

Current Economic Comment, August 1957, containing articles on "Meaning of Work in an Age of Automation," "Inventory Cycles and Their Relationship to Distribution," "Point IV in Literary Perspective," "Current United States Trade Policies," "Measuring Distribution of Income," etc. — Bureau of Economic and Business Research, College of Commerce, University of Illinois, Urbana, Ill.—on request.

Demand for Aluminum: A Case Study in Long-Range Forecasting — James E. Rosenzweig — Bureau of Economic and Business Research, University of Illinois, Urbana, Ill.—$1.

Importance of Foreign Trade to the United States Economy—International Chamber of Commerce, Inc., 103 Park Avenue, New York 17, N. Y.—paper—30¢.

Infrared: A Library of Congress Bibliography, Part II—OTS, U. S. Department of Commerce, Washington 25, D. C.—$3.

Irish Export Promotion Board, Fifth Annual Report—Irish Export Promotion Board, 33 East 50th Street, New York, N. Y.

Labor Law for Automobile Dealers—Guide for automobile dealers in areas of labor relations management — National Automobile Dealers Association, 2000 K Street, N. W., Washington 6, D. C.—$35 to members with one year renewal fee of $10 covering revisions and supplements; for non-members, cost is $50 with one year renewal fee of $15.

Life Insurance Fact Book, 1957—Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y.—paper.

Life Insurance Stocks Are Gold Chips — Victor G. Paradise — Paradise Securities Company, 9477 Brighton Way, Beverly Hills, Calif.—$2.

Natural Gas Construction Data, January 1957 Edition—Marketing and Statistical Department, Gas Appliance Manufacturers Association, Inc., 60 East 42nd Street, New York 17, N. Y. (paper), $3.00.

Public Positions and Distinctions Conferred on Herbert Hoover—Hoover Institution on War, Revolution and Peace, Stanford University, California (paper).

Responsibilities of the Film Producer and Sponsor—Association of National Advertisers, Inc., 155 East 44th Street, New York 17, N. Y.—$5.

Structure and Policy of Electronic Communications — Dallas W. Smythe — Bureau of Economic and Business Research, 205 David Kinley Hall, University of Illinois, Urbana, Ill.—$1.50.

The Executive, A Guide to Reading for Top Management—Baker Library, Harvard University Graduate School of Business Administration, Soldiers Field, Boston 63, Mass. — paper — 50¢ per copy ($5 per year).

They Are America — report on major problems facing American working men and women in the next decade (including The Skill problem in America; the plight of the older worker; discrimination in employment; training needs of youth; safety and health standards; law enforcement; and economic state of the Nation)—U. S. Department of Labor, 341 Ninth Ave., Room 1025, New York 1, New York, 60¢.

Glore, Forgan Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Harold P. O'Connell has been added to the staff of Glore, Forgan & Co., 135 South La Salle Street. He was formerly with Continental Illinois National Bank and Trust Co. of Chicago.

With Lamson Bros.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Walter M. Campbell has become connected with Lamson Bros. & Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges. He was formerly with Harris Trust & Savings Bank.

Form Gotham Securities

LINDEN, N. J.—Gotham Securities Corp. has been formed with offices at 703 Chandler Avenue to engage in a securities business. Officers are Joseph Freundel, President; D. E. Freundel, Vice-President; and Sidney Freundel, Secretary and Treasurer.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks gave no indication this week of any real determination to go either way with gusto and, with trading continuing at about the lowest ebb of the year, it was mostly an aggravated case of the summer doldrums.

* * *

About the only cheering note for the bored spectators was that the 490 level in the industrial average did put up a bit of a fight to retain its status as something of a resistance level. Otherwise the majority element was inclined to write off the 1957 "summer rally" as ended even in the face of a half a month of trading still to go.

* * *

The chief speculation that helped while away the time wasn't as much about the market itself as it was over the possibility of a healthy upsurge in business this fall. And skepticism over the possibility was well exploited in print with the doubters pretty strident in spots.

Re-Emphasis on Selectivity

It was all enough to lift to a new high pitch the professional advice to give up trying to outguess the "market" and concentrate, instead, on individual situations that showed promise whether or not the entire economy and the market as well got any great autumn lift.

* * *

Otis Elevator, for instance, has been anything but a miracle item marketwise. Yet its business is bubbling along comfortably with a moderate increase in earnings indicated for this year and a yield well into the 4% bracket.

* * *

The company, apart from its diversification efforts of recent years, is busily engaged in new installations of elevators and escalators since office building work is estimated to be running at a rate some 10% ahead of last year despite the over-all lag in construction generally. Foreign operations indicate an even busier time and, more importantly, are more profitable than domestic ones.

* * *

A special facet of Otis' mainstay is the profitable service and maintenance work which, it is estimated, will account for some 20% of gross for a matter of years. Added to that is its work in the materials handling field, in electronics and in bowling alley pinsetters, the latter doing even better than preliminary estimates had indicated.

A Neglected Market Item

Robertshaw-Fulton Controls is another largely neglected market item that is doing good business with the prospect of a record high in sales this year and net profit at the best level in half a dozen years. The stock has held in about a 10-point range so far this year and also shows an indicated yield well into the 4% bracket and well covered by even the earnings for the first half of the year. Important contributions to earnings have been made by its expansion into electronic devices for aircraft and missiles. In some quarters the company is also regarded as a candidate for a better payout than the present dividend which has been static for six years.

Thriving Steels

As a group the steel companies still loomed as a thriving branch of industry, with the effects of the higher prices still to find their way to the profit reports. Doubts over the ability of the auto makers to snap back with their 1958 models was in part to blame for keeping the steels restrained, although there was still a good body of opinion that held a record output of the metal would be achieved this year nevertheless, eclipsing the 1955 peak. Individual preferences among the steels varied widely but the leaders, Bethlehem and U. S. Steel, with yields well into the 4% level, were more likely than not to appear on lists of companies confidently expected to post higher profits this year than last.

* * *

General Mills, which hasn't been much of a market feature, is a conservative item still available at a yield approaching 5%, in part due to the profit pinch on earnings that made them fall below the 1956 fiscal year level, although sales continued to climb to make a string of advances in effect more than half a dozen years. Company projections are that new facilities, added products and strenuous cost-saving efforts will offset the pinch and lead to better results in the current fiscal year.

* * *

Hershey Chocolate is another that has had a mundane market life despite a continued growth in earnings for several years running. And improvement is generally expected this year by the better part of a dollar a share. If, as also expected, the yearend dividend is boosted moderately, the payout would project it into the middle of the 5% bracket.

* * *

Stone & Webster whose most important subsidiary is an important engineering company isn't a name being bandied around by investors to any great extent but it, too, has been expanding earnings steadily. It is anticipated on the strength of the good pick-up in profit in the first half of this year that the increase over last year ultimately will exceed a dollar a share. At recent levels, the present dividend has approached a 5% yield and an increase in the payout is anticipated to keep in line with the improved showing.

Reynolds Comes Through the Cigarette Scare

Reynolds Tobacco, hit like the other cigarette companies by the recurring cancer scares, nevertheless is also a candidate for improved results this year. In fact, profits have grown consistently throughout all the "scares." In the process of increasing per-share results ever since 1952 without a break, the company succeeded last year in reaching a level double that of 1952 and estimates of this year's results, if they work out, would cover the present dividend more than twice. Obviously, this makes Reynolds a candidate for a better payment. The company was able to show a fat increase in sales for the first half of the year without yet indicating the results from a price increase recently put into effect.

* * *

Unlike the foregoing, Tennessee Corp. is not regarded as being in any position to boost its earnings this year over last year's record level. Yet the issue is still widely regarded, both because it has been well deflated from its peak of recent years, the trim running around 25%, and is little known among investors generally. As a result, it is selling at a lower price multiple than other "chemical" companies. But in addition to its chemical products, it is a producer of several copper compounds so it has weathered the uneasy copper markets well.

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

With Oscar Werner

(Special to The Financial Chronicle)

PASADENA, Calif.—Carl Sarafian has become connected with Oscar G. Werner & Co., 3870 East Colorado Street. He was formerly with J. Logan & Co.

Harris, Upham Adds

(Special to The Financial Chronicle)

OAKLAND, Calif.—Maurice E. Cousins is now associated with Harris, Upham & Co., 1400 Franklin Street.

Determining Jurisdiction of the National Labor Relations Board

By REUBEN E. SLESINGER*

Professor of Economics, School of Business Administration University of Pittsburgh

Labor relations economist reviews the specific business volume, as measured by sales outflow or purchase inflow, which serves as the criteria, expressed in dollar value, to determine where the National Labor Relations Board will assert jurisdiction in permitted areas. Professor Slesinger points out, for example, that public utilities must possess $3 million level sales to come under the Board's authority and, among other things, newspapers must gross $500,000 annually.

Since 1950, when the National Labor Relations Board first issued a specific set of rules defining its jurisdiction between inter- and intra-state business for purposes of handling unfair labor practices and representation cases, there have been periodic revisions of these standards. It is well now to review the highlights concerning them.

Defines Terms

It should be pointed out that the Board has the discretion of limiting its jurisdiction to those cases that it feels have a significant impact on interstate commerce. To measure this impact is by no means an easy matter. Prior to 1950 the Board used an **ad hoc** approach and decided each case on its own merits. The 1950 standards received substantial revision in 1954, generally representing an increase in the minimum volume requirements for each type of business. Whether the Board will assert jurisdiction is related to the volume of business as measured by either outflow of sales or inflow of purchases. Direct outflow refers to goods shipped or services furnished outside the state. Indirect outflow refers to sales within the state but to users who meet the direct outflow standards, or to public utilities, transit companies, and other companies that constitute channels of interstate commerce.

Direct inflow connotes purchases coming directly from out of state. Indirect inflow means purchases that are made from a seller within the state but that had their origin out of the state.

In addition certain types of businesses are included and others are excluded in spite of the criteria. The Board has no jurisdiction over railways and airlines, over most agricultural workers, over mutual non-profit water systems where 95% of the water is used for farming, and over hotels, taxicabs, charter buses, and recing except in Washington, D. C.

Specifies Standards

Now, as to the standards. A non-retail establishment will come under Board authority if it has a direct outflow of $50,000 annually, or an indirect outflow of $100,000, or a direct inflow of $500,000, or an indirect inflow of $1,000,000. It is interesting to note that direct inflow may be added to indirect inflow to determine whether the indirect inflow standard is met.

A multi-state non-retail establishment will come under Board authority if it meets any of the above outflow and inflow criteria, or if the direct outflow of the entire enterprise is $250,000, or if the indirect outflow of the entire enterprise is $1,000,000, or if the entire enterprise, regardless of its outflow or inflow, has a gross volume of business of $3,500,000.

Separate standards apply for those enterprises that are classed as instrumentalities of interstate commerce. For transportation and storage concerns, the requirement is $100,000 annual volume from services directly linked to the interstate carriage of goods and passengers or for services performed for concerns that annually ship goods valued at $50,000 or more out of the state. Radio and television stations are included if their gross business hits $200,000 annually. A similar gross volume is set for telephone and telegraph companies.

Retail Establishments

For retail establishments—one or more units, but operating completely within one state — the Board will assume jurisdiction when the direct inflow is $1,000,000 annually, or the indirect inflow is $2,000,000, or the direct outflow is $100,000. Here, again, direct inflow may be added to indirect inflow to determine whether the indirect standard is met. Multi-state retail establishments are covered if they meet any of the foregoing criteria, or the entire organization has gross sales of $10,000,000 annually.

Public utilities are required to reach the $3 million level of sales to come under Board authority.

Newspapers come under Board jurisdiction if they hold membership in or subscribe to an interstate news service, publish nationally syndicated features, advertise nationally sold products and have gross business of $500,000 a year. Office buildings are covered when the employer who leases or owns the building and who operates it is otherwise engaged in interstate commerce and uses the building primarily for his own business. Any firm that furnishes goods or services valued at $100,000 annually for national defense purposes or pursuant to a Federal Government contract automatically is covered.

Importance of Comprehensive Insurance Protection

By ROGER W. BABSON

Mr. Babson points out importance of policies covering casualty risks, including retailers' liability insurance for their stores, and their wives and children as well. Favors investment in fire insurance stocks at current levels below book values.

A friend of mine has a small retail store with two or three clerks. He has worked hard and accumulated a working capital of $15,000. Recently a customer suffered a peculiar accident in the store. A jury awarded the customer $20,000 damages. This not only wiped out the savings of a lifetime, but it put the owner into debt which may result in bankruptcy.

Roger W. Babson

Insurance Agents

We are solicited continually by life insurance agents. And if we have a mortgage on our store, or owe the bank anything, we must show in our statement how much fire insurance we carry. In fact, both life insurance and fire insurance are recognized by every retailer and home owner as "musts." The only question seems to be as to the friend to whom we will give the business and the amount which we are to carry.

I especially recommend what is known as the "comprehensive" policy! This includes most casualty risks other than life insurance. Unfortunately, less than 10% of the people use these comprehensive policies. My appeal, therefore, is for every retailer to take out a liability policy and to make it large enough.

Stores vs. Wives

Not only should retailers take out liability insurance for their stores, but also for their wives and children. A woman neighbor of mine had a hat with a protruding feather which put out the eye of another woman during a crowded retail sale. The jury awarded the woman $25,000, and tried to involve the retailer. In another case, a parent was awarded $10,000 because his boy got hurt by running into a person while sliding down a hill in winter. A milkman who stepped on a broken board collected $5,000. I could give scores of similar illustrations!

The point I especially want to make is that you will probably have to ask for such insurance. Telephone your agent today for prices and a sample policy. Read this policy carefully, especially **the fine print**. If the price seems too high, ask another agent to submit his price and a sample. Life insurance premiums are very competitive and vary little; fire insurance premiums are fixed by State Commissions at very low rates; but liability rates vary considerably.

Insurance Stocks as Investments

Stocks of life insurance companies are the most popular and have had a great rise in price during the past few years. Stocks of most fire insurance companies are selling below their book values. Owing to the tendency of State Commissions to hold down rates (perhaps unfairly sometimes) they are not making the money they should. However, they have excellent managements and ample reserves and I believe will some day be treated fairly. For this reason I am now buying fire insurance stocks while they are cheap. I have never liked accident insurance stocks.

Juries and Gravity

Probably the most money might be made (or lost) from the stocks of casualty companies. Their gross business will continue to grow. While thus far we have hated to sue our friends or neighbors, it is fast becoming the thing to do! Most lawers will take such suits on a retainer basis, perhaps for a two-hundred-dollar fee but with the understanding they are to receive 25% if they win the case. Juries are becoming constantly more generous in their awards, due to the rise in the cost of living, increased wages, and the depreciation of the dollar.

There is little argument about life insurance awards; a person is either dead or not dead. Damage from fire can also be fairly well ascertained. Moreover, "wonder drugs," new hospitals, and better doctors are constantly working to help life insurance profits; and sprinkler companies, fire-alarm companies such as Gamewell, and others, are working to prevent fire losses. Furthermore, the Gravity Research Foundation, in N. H., is working to prevent accidents, 80% of which come from falls. Occupational accidents are generally covered by compulsory insurance with fixed standard rates and compensations.

Forms Sano & Co.

Anthony J. Sano and Sebastian Gagliardi have formed Sano & Co. with offices at 15 William Street, New York City, to engage in a securities business.

Lawrence Tuller With J. Barth, Los Angeles

LOS ANGELES, Calif. — Lawrence H. Tuller, widely known in Southern California investment circles, has recently become associated with J. Barth & Co., 3323 Wilshire Boulevard, according to Walter E. Lawrence, Resident Partner. Mr. Tuller's duties will encompass analytical and research work as well as various administrative functions as assistant to Lawrence. Mr. Tuller's career in the investment business spans more than 30 years. He was recently with Kerr & Bello.

White, Weld & Co. To Admit Two Partners

White, Weld & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, on Sept. 1 will admit Robert K. Green and Thomas C. Pryor to partnership.

Prof. Inv. Management

WASHINGTON, D. C.—Professional Investment Management Co. has been formed with offices in the Walker Building to engage in a securities business. Officers are Oscar L. Chapman, Chairman of the Board; Gregory Hankin, President; and Joel D. Wolfsohn, Vice-President, and Secretary-Treasurer.

S. E. Secs. Corp.

HATTIESBURG, Miss.—Southeastern Securities Corporation is engaging in a securities business from offices in the Magnolia State Building. Dr. R. C. Cook is a principal in the firm.

A. N. Jones Dir.

Allen N. Jones, partner in Morgan Stanley & Co., New York City, has been elected a director of the J. I. Case Company, to fill a vacancy left by the resignation of A. O. Choate, partner in Clark, Dodge & Co.

Railroad Executives' Views on Outlook for the Industry

Continued from first page

general business conditions. For example, business and industrial inventories were reduced during the first quarter at the rate of $800 million annually, but were accumulated at a yearly rate of $1.5 billion during the second quarter. For the second quarter, the Gross National Product climbed to an annual rate of $433.5 billion, approximately 5% above last year, or about 2½% if the effect of inflated prices is taken into account.

All indications are that our current national prosperity will continue. As a major partner in the national business scene, the rails are in a position to share this progress in full measure. That they are determined to do so is borne out by the impressive increases in expenditures for new equipment. Thus, approximately 150,000 new freight cars have been ordered, or already received, during 1956 and 1957. Additionally, the rails have undertaken extensive road and yard modernization programs, have made increasing use of technology, and are actively experimenting with new services and operating techniques. These positive measures are excellent indicia of the industry's approach to the future.

Despite the many factors which furnish a bright outlook for our railroads, there are serious problems confronting them. Possibly, the major one, at present, is in connection with investment capital. Although many new cars have been ordered, more are needed. A few prosperous roads are well able to finance their own programs, or to attract the requisite capital, but others have not always been able to earn satisfactory profits. This fact is often given greater weight by potential investors than the very real prospect of increased profits from modernization. Most of these railroads, convinced of the necessity as well as the profitability of modernization, have applied to the Interstate Commerce Commission for approval of higher rates with the expectation that improved earnings will attract investment capital. Many of the increased rate applications have been approved, at least in part, and others are under consideration.

All in all, the country's railroads are in healthy shape, operating at a profit, and rendering an excellent service to the public. Conditions are not ideal, but there can be every expectation that they will become more nearly so as the industry continues to grow with the national economy. Under the Interstate Commerce Act, the railroads will continue to enjoy an arena wherein the traditional free enterprise of our country will endure and reasonable competition works for our mutual benefit.

GEORGE ALPERT

President, New York, New Haven and Hartford RR. Co.

The New Haven Railroad continues to make substantial progress towards a solution of many of the problems which faced us in January of 1956 when I became President. Although employees' wages, cost of material and supplies (especially fuel), and per diem rates have all increased while carloadings in general have declined, we have been able to hold our loss for the first six months of 1957 to $194,905 compared with a loss of $1,803,471 for the first six months of 1956. This was accomplished despite the fact that earnings for the second quarter of 1957 were affected by the Railway Express strike.

George Alpert

Even though our freight revenue was seriously affected during the month of July by the cement strike, I am cautiously optimistic that the balance of the year will show a considerable improvement over 1956. The Interstate Commerce Commission, realizing the plight of the railroads, has granted a 7% increase in freight rates which while in my judgment is inadequate will help in some measure. Moreover, our piggyback business is increasing substantially. During the past month, we placed in service 30 Fruehauf truck trailers designed to speed the development of our piggyback service between 210 points on the New Haven and more than 475 major industrial centers in the east and midwest.

I am very much encouraged by the increasing public awareness of the railroads' passenger service problem. This is particularly true in the field of the low-fare commuter service. Public authorities and even the commuters themselves are beginning to recognize that this service is essential to the welfare of the communities. Furthermore, the railroads can provide frequent, low-cost, all weather rail commuter service that will certainly do much to relieve present traffic congestion. However, besides increased fares, some other means must be found if privately-operated railroads are to continue its necessary service. Other means might take the form of relief from onerous taxes or even direct subsidy, as in the case of other forms of transportation. Unless some solution is found, we cannot continue to provide the service in the face of ever increasing costs.

Finally, our financial condition continues to improve. This has been accomplished with the aid of a $6,000,000 long-term flood loan in 1956, by the payment of certain outstanding obligations and by the rearrangement of others. In addition, we have already completed our sizable equipment financing program for 1957.

As to the mid-year outlook for the industry as a whole I feel that the balance of the year will be far more favorable than the record of the first six months. I expect carloadings will improve and with the benefit of the increase in rates granted by the Commission, to which I have referred above, I should expect an improvement in the net for the railroads throughout the country.

R. WRIGHT ARMSTRONG

Vice-President, Fort Worth and Denver Railway Co.

We on the Fort Worth and Denver Railway are very optimistic toward the outlook of our railroad during the year 1957. While our carloadings for the first six months decreased 8.6% under similar period last year, July increase of 3.5% has reduced this to 6.47% for the year, and this figure we feel will be largely dissipated in the remaining months of 1957, because we have had abundant rainfall in this entire area the early part of this year breaking the prolonged, seven-year drought. Our lakes and reservoirs have been replenished. Agriculture has been provided with a good sub-soil moisture. Cotton and milo maize crops are in excellent growing condition, and with seasonal moisture should produce bountifully. Analysis of passenger revenue from Jan. 1 to July 31, 1957, as compared to the same period during 1956, shows a 4.92% increase. Another indication why we are optimistic about the passenger service is that on June 16 we inaugurated two finer and faster Texas Zephyrs operating between Dallas-Fort Worth and Denver, and there is no doubt that our patronage on these trains has increased, and will continue to do so, because of the beautiful equipment, the improved schedule and performance of this operation. It is expected that our passenger revenue will increase 10% to 15% as compared with 1956.

R. Wright Armstrong

Further, the equipment that was released from our former Texas Zephyrs when our finer and faster Texas Zephyrs were inaugurated in June was placed on our secondary trains 7 and 8, thus giving us two good trains each day in each direction between Dallas-Forth Worth and Denver.

With the continued improvement of equipment and service, we are confident that the Fort Worth and Denver Railway can look forward to a very successful 1957.

ARTHUR K. ATKINSON

President, Wabash Railroad Company

The relative stability of industrial activity in the area served by the Wabash Railroad Company during the first half of 1957, as compared with the same period last year, is clearly reflected in our record of carloads handled which indicates an increase of less than ½ of 1%. Operating revenues during the first six months were up 6.3%, but operating expenses were up 7.2%, with the result that net railway operating income was approximately the same as for the first half of 1956.

Arthur K. Atkinson

While the general outlook for freight traffic appears brighter for the balance of this year and perhaps will carry over for the first half of 1958, there are a number of dark spots and cross currents which continue to blur the picture and require us to proceed with caution. The 13 regional Shippers' Advisory Boards predict carloadings during the third quarter will increase an average of 8.6% across the nation and we are told from many sources that industrial inventories are reaching an irreducible minimum requiring a step-up in orders for steel and other basic commodities. But the high interest costs for borrowing money, coupled with the upward pressure on prices for labor and materials, effectively serve to retard or postpone many programs for plant expansion and replacement.

On the Wabash every dollar of possible saving through elimination of unnecessary expense is being sought out so it may be applied to the betterment program for road properties and for new equipment in order to improve both service and operational efficiency. Successful marketing of railroad transportation under the present highly competitive situation calls for renewed efforts to tailor the rate structure and the service to better meet the demands of an expanding national economy. In doing so, the railroads must be ever mindful that their inherent advantage is the mass movement of persons and property at minimum charges with maximum speed and safety, therefore, if we are to attract the necessary volume for profitable operation, we must be certain that the rates are realistic and that our costs for performing the service are as close as possible to the irreducible low point.

The brightest prospect for volume growth in rail transportation is the piggybacking of freight in portable containers in flat cars which, in effect, combines the advantages of rapid mass movement by rail with the flexible convenience of truck door-to-door pick up and delivery. Whether the containers are specially constructed or typical highway trailers, owned by the railroad, the common carrier trucker or privately, in each case they have various features attractive to many shippers because of the opportunities to save on dunnage, handling costs, storage space and to facilitate the prompt transportation of goods with a minimum of loss and damage. Piggybacking also has a strong appeal to the general public who recognize it as a natural solution to the congested highway situation whereby the number of big cross-country trucks using the roads can be reduced.

On the Wabash, where piggyback operates entirely with railroad owned or leased equipment, the monthly trailer load count in our third full year since first offering this service has tripled the average monthly volume of the first year. We are confident that the intercity freight traffic which formerly moved by truck over the highways will be back on the rails via piggyback in ever growing proportions, as the advantages in efficiency and safety are overwhelming.

The outlook for further easing of regulatory restraints on the railroad industry becomes more encouraging as each new investigation and study of the problems facing the transportation industry reveals the extent to which competition among and between the various carrier groups has grown. Also, the principle that user charges should be collected from private agencies using facilities constructed and paid for by government with general tax revenues has not only become the general public opinion, but steps are being taken to give it effect in the policies of the Federal and state governments. These developments will lead to more equality of opportunity in public transportation and in turn to improved service to keep pace with the growth of the nation's economy.

ARTHUR E. BAYLIS

Vice-President, Freight Sales and Service New York Central System

The New York Central expects the last third of the year to be a time of strong upturn in business. In fact, we believe that the fourth quarter of 1957 will bring us a rate of business above that of last year and most in the pattern of the last quarter of 1955. Of course, the falloff in business activity in general brought us a disappointing second and third quarter this year. This was accentuated by some specific problem spots that affected the Central in particular. Examples of this were the less than predicted automotive production which carried with it a general dropoff in iron and steel shipments—all these three classes of business being especially important to the Central; a spotty movement of coal which began to improve and then was upset by a serious strike at the Toledo docks which still continues. In addition, there were several other strikes, including that of the cement industry which hit the Central especially hard.

A. E. Baylis

The Central, as well as other railroads, will have the benefit of a small freight rate increase from the end of August on. Although the carriers asked for a 15% increase taking holddowns into consideration, the Commission's "7%" increase will amount to only about 5% in the case of the Central. This amount does not cover the inflationary measures in our wage bill which will get another push upward with the scheduled cost-of-living wage increase in November. Despite the slackening in business, the Central did not curtail service and did not cut back its immense physical improvement program. We expect to spend $250,000,000 on this program this year. Repairs and maintenance were continued at a high level and freight cars were in good supply due to a continuing large car purchase program. Bad order cars continued low. The Central is going into a program of closely tailoring much of its freight car purchases to the needs of its customers by buying special equipment to service them.

In its continuing program of doing a better job in freight service, the Central during the last year has put into operation probably the largest number of major physical developments ever to be installed by one railroad during a 12 month period. We have opened our system-wide freight car tracing service bureau making use of automatic teletype and IBM equipment. Our giant new Frontier Yard at Buffalo—opened last Winter—replaced eight separate obsolete yards and has cut time of freight movement through Buffalo by two-thirds. This year we also opened our new Centralized Traffic Control division between Cleveland and Buffalo—the longest electrically controlled double track stretch in the world. The Central's CTC system is now being extended on our main line so that it will eventually cover our New York to Chicago route. It allows us to speed freight trains on express tracks at 60 miles per hour.

The last large scale development to be opened by the Central this year was our $1,000,000 technical research center in Cleveland. This new laboratory, the largest and most complete in the industry, is now working on projects ranging from the checking of ballast to the use of nuclear energy. Already it has produced a number of devices that have resulted in better and more reliable service to our customers. Along with the expansion of technical research, the Central is expanding its economic and market research to improve our service to our customers.

During 1957 also, we will put into service our revol

Continued on page

Railroad Securities

Outlook for Carriers in Balance of 1957

The nation's railroads in the last half of 1957 are expected to have one of the best six months earnings period in many years. There are a number of factors which indicate this probability.

The recent freight rate increase granted by the Interstate Commerce Commission in one important development. The carriers received a rate hike of 7% in the East and West and 4% was allowed in the South. These increases may be made effective in 15 days, or on about Aug. 21. It is estimated the additional rates will add about $440,000,000 to railroad earnings.

What is of great importance is the fact this rate boost will more than offset the higher wages which will become effective Nov. 1. In line with existing labor contracts, the railroads will increase wages by seven cents an hour on Nov. 1. It is estimated the pretax annual cost will approximate some $168,000,000 for the Class I roads. In addition, there probably will be an increase based on the escalator clause based on the cost of living index. Each one-half point rise in the cost of living, as defined by the Consumer Price Index of the U. S. Department of Labor, calls for a one-cent hourly wage lift for railroad labor under the contract.

The price index has been constantly rising and, consequently, it is indicated that rail labor will receive an additional three-cents an hour which would amount to $72,000,000 annually. Thus, total wages increases on Nov. 1 will amount to about $240,000,000 on an annual basis. For the final two months of 1957 the amount will be approximately $40,000,000. However, the carriers will have the advantage of having higher freight rates in effect for possibly two months prior to the wage increases.

It is believed the roads have made some progress in Washington on their plan for the Federal Government to establish a Government financed railroad freight car pool. Currently the roads are admittedly short of new and modern freight cars. The current high cost of money has been a deterring factor against many of the carriers seeking to finance the purchase of new equipment. As a matter of fact, the bad order cars of most roads have been reduced to a practical minimum. The carriers have found it more economical in most instances to junk older cars and use the labor formerly employed in maintenance in their own car building shops to produce new and more efficient equipment. This has resulted in a reduction in maintenance expenses in many cases.

Estimates of traffic in the third quarter are for a substantial rise as compared with a year ago when the level of carloadings were depressed by the long steel strike. Projections of the 13 regional Shippers Advisory Boards point to an 8.6% rise in the third quarter of this year as compared with a year ago. Some of the more badly affected areas last year estimate loadings as much as 15% ahead of 1956, while for the Northwest, hard hit by the stoppage in iron ore shipments, an increase of more than 55% is expected.

The somewhat more liberal decisions handed down by the ICC recently also have been encouraging to rail management. Not only the rapid action in the freight rate case which left the way open for additional petitions for rises, but the approval of Illinois Central acquiring control of the Central of Georgia over the opposition of other rails. Also, the approval of the Boston & Maine recapitalization plan which previously had been rejected by the Commission. Now before the Commission is the readjustment plan of the Missouri-Kansas-Texas which would eliminate the arrears on the preferred stock. A decision in this case is hoped for by the end of the year.

Having received the above encouragement, it is probable there will be more activity in other consolidations and in some cases the abandonment of unprofitable mileage and passenger service. Many operating savings can be made by these moves which improve operating efficiency.

While the operating ratios of most railroads have increased this year over last, it has been brought about by higher wages. Now that most carriers are highly dieselized cutting down transportation costs, other efficiency measures are being pushed. These include: installation of electronic yards to expedite the movement of trains; Central Traffic Control to cut down the needed number of tracks, thereby reducing maintenance expenses; and the installation of modern accounting machines. All of these should go a long way to enable the roads to bring down more of gross revenues to income.

At this time, it is estimated the roads probably will record full year's earnings of between $850,000,000 as compared with $873,900,000 reported in 1956 and $920,700,000 in 1955. For the first six months net is placed at around $350,000,000 as compared with $400,000,000 in the like period of 1956.

Wm. Hill, Jr., Dir.

William Hill, Jr., Vice-President of Dillon, Reed and Co., New York, has been elected to the Board of Directors of Falcon Seaboard Drilling Co., Tulsa, it was announced by T. N. Law, President.

Langley Howard Opens Philadelphia Branch

PHILADELPHIA, Pa.—Langley-Howard, Inc., have opened a branch office at 1401 Walnut Street under the management of Mr. A. L. Pennock Smith. Mr. Smith was formerly manager of the sales department of Compton & Wharton.

Slayton & Co., Inc. Opens New Branch

CORAL GABLES, Fla.—Slayton & Co. has opened a branch office at 204 Aragon Avenue in Coral Gables, Fla.

Fred E. Wood has been appointed divisional manager for the area; Foster E. Alter will be his associate.

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tionary highway-rail service—Flexi-Van, and have just announced contracts totaling more than $8,000,000 for first Flexi-Van equipment. Flexi-Van service will be inaugurated this Fall as a new high speed service on the Central, first between Chicago and New York and then expanded to other points over our 10,700-mile system. We think of it as an important part of our plan to provide expanded service to all types of shippers, especially those not receiving direct rail service. The Central is also increasing its activity in providing, through its wholly-owned trucking company, substitute highway service for rail service and in coordination of terminal freight handling.

F. H. BONNET

President, The Buckeye Steel Castings Company

The operations of the company continued on a satisfactory basis during the first half of 1957. The net earnings of $859,900 for the first six months compared with $812,500 for the same period last year.

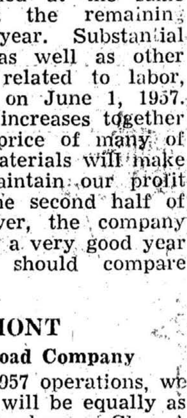
F. H. Bonnet

It is expected that our volume will be maintained at the same level throughout the remaining months of the year. Substantial wage increases, as well as other negotiated costs related to labor, became effective on June 1, 1957. These labor cost increases together with the rising price of many of our major raw materials will make it difficult to maintain our profit margin during the second half of the year. However, the company should experience a very good year and the result should compare favorably with the year 1956.

RUSSELL L. DEARMONT

President, Missouri Pacific Railroad Company

When we close the books on our 1957 operations, we expect the record to show the result will be equally as good as in 1956 when we earned $4.65 per share of Class A stock after mandatory appropriations of net income.



Russell L. Dearmont

Heavy snow, wind and rain storms in the first six months disrupted our operations resulting in property damage of almost $800,000. Loss of business because of damage to crops from drought and heavy rains, and delays in highway and building construction due to adverse weather conditions were the primary causes of gross revenue decline of $2,905,000.

The outlook for the last half of 1957 is good. Freight carloadings are expected to be about the same as the last six months of 1956, and with the higher freight rates just authorized by the Interstate Commerce Commission, if our forecasts are correct, we will end the year with operating revenues ahead of the $304.5 million in 1956.

Industrial development of Missouri Pacific territory continues to grow and expand. During the first half of 1957, 107 new industries were located in Missouri Pacific states with a capital investment of $26,686,440; 89 existing industries expanded their operations with a capital investment of $87,179,100.

Like all other railroads, our principal need is for more traffic so we can utilize to the utmost our physical plant which is in its best condition of our 106-year history. The response of shippers to our piggy-back operations is very encouraging and, in our opinion, offers the best opportunity for railroads to increase the utilization of their surplus capacity.

The big disappointment of the year is the failure of Congress to repeal the Transportation Tax and to relieve the railroads from archaic laws adopted when they enjoyed a transportation monopoly in the country, so that they can compete on equal terms with other forms of transportation. It is hoped that something constructive will come from Congress at their next session.

HARRY A. DeBUTTS

President, Southern Railway System

Railroads furnish a fair barometer of "economic weather" and results in the first half of 1957 certainly seemed to indicate that the year was quite likely to be a good even though not record-breaking one. Prospects for the last half of the year appear to be such as to make this certain.

Harry A. DeButts

When we consider all we read and know about national employment, national income, existing demands and buyer potential for goods and services, Federal spending programs of all sorts, state and local community needs, we must conclude that things are pretty good in our overall business picture. There may be "rolling adjustments" going on in some industries; there may be unresolved problems and some uncertainty. But there seems little doubt that these are only adjustments and not major economic setbacks in any critically important area.

The situation in the South so far in 1957 has perhaps been a little better than the national average. There has been some industrial slacking-off in certain lines, most notably in forest and paper products and in textiles.

There is some marking time on expansion projects in the planning stage and some new industrial building has been deferred but most big projects planned in the South are going forward. There should be a satisfactory continuance of both planning and performance during the remainder of the year. Southern, itself, should end the year with earnings that will compare favorably with those of previous years.

It would be fine to think that the remaining months of 1957 had as much of hope in them for other things of great importance to the railroads and the whole of the American common-carrier industry.

The Congress is showing little sign of relieving common carriers of war emergency excise taxes that have now persisted long into peacetime. Presently, the 3% tax on freight bills and the 10% tax on passenger travel impair the ability of railroads to compete for traffic made advantageous for private transport only because of the tax. And the tax costs the Federal Government more than it brings into the Federal Treasury according to studies of the matter made by competent authorities having no connection with the railroad industry.

Nor is much action being taken by Congress leading to the adoption of recommendations made by a Cabinet Committee that would open up wider areas of competition in the transportation field, relieving railroads of monopoly-type regulation that has outlived its original need and serves today only to hamper them in full development as the basic mass transportation industry of the country for peacetime requirements and wartime emergencies.

An expanding national economy deserves the best transportation services that can be rendered by all modes of transportation. Free and fair competition alone can insure that such needs will be met by efficient carriers at minimum rates to users based on ability to serve profitably. Railroads do not ask the privilege of engaging in cutthroat competition with any other carriers but they do ask freedom to put their plants into profitable use under laws that take the realities of today's competitive conditions into consideration.

WM. N. DERAMUS III

President, Missouri-Kansas-Texas Railroad Company

A mid-year outlook for business prospects in the Southwest for the remainder of 1957 does not reflect the brighter long-range prospects for growth and development in this area. Emerging this spring from a severe seven-year drought, rains came to excess in much of the territory served by the Katy Railroad, with floods and damage to crops which retarded business recovery. The much needed moisture, however, has greatly encouraged agriculture and live stock producers, and will eventually stimulate all business in the area.

Wm. N. Deramus, III

The Southwest is growing rapidly, both as to industrial development and population increases, and with the return of a more normal weather pattern, business improvement should be more pronounced in 1958 and thereafter.

The Katy Railroad is going through a transition period, both as to trimming costs and stepped up maintenance and improvement programs. Substantial savings are being effected which will, for some time to come, be almost wholly absorbed in much needed improvement expenditures. While the end results will not be apparent to large degree in 1957, the railroad should beginning in 1958 show benefits not only from lower operating costs but from an expected increase in traffic volume.

C. J. FITZPATRICK

President, Chicago and North Western Railway System

The Chicago and North Western Railway serves in in part a highly rural area. Consequently, agricultural products play a predominant role in its revenues. For this reason the last half of each year finds an acceleration of business on our railroad.

C. J. Fitzpatrick

During the recent past the western regions of our system have been engulfed in drouth conditions, which seriously affected crop production. With heavy rains having occurred in the Corn Belt area served by our lines, the present outlook is that there will be bumper crops of grains harvested this year, notwithstanding reduced acreage. These crops should greatly improve carloadings on our railroad and, in our opinion, encourage greater business activities in the farm regions.

While reduced home construction and credit restrictions have been reflected in our revenues during the first six months this year, and an easing of credit is considered unlikely within financial circles during the remainder of the year, we nevertheless feel that industrial construction and highway programs now under way will partially offset this impact on our revenues.

The trend toward reduction of inventories also has left its mark on our carloadings during the first six months of 1957. However, business leaders in many industries along our rails have expressed confidence that desired inventory reductions have been largely accomplished and look for improved industrial activity during the balance of 1957, particularly the last quarter.

The last half of 1956 was beset with many disturbing conditions which affected our revenues. Notably, of course, was the steel strike, in which iron ore, as well as manufactured iron and steel articles, was affected. These commodities are highly important to this company and stabilization within that industry should stimulate steel production. This will be particularly true if the automobile industry carries forward on its preliminary prognosis for the year 1958, as a stepped-up production in automobiles will reflect in increased steel production, and in turn promote greater steel activity on our railroad.

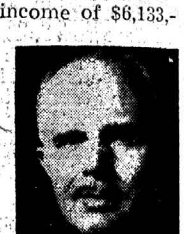
The Chicago and North Western Railway has confidence in the stability of American business, exemplified by its continuing programs of modernization and mechanization to provide the finest transportation service available.

CHARLES C. JARCHOW

President, American Steel Foundries

Earnings for the entire 1957 year will be good, but are not expected to equal the record-breaking results of 1956.

American Steel Foundries had net income of $6,133,-213, or $4.76 per share, on sale of $92,191,279 in the nine months ended June 30, 1957. Earnings in the first six months of the 1957 fiscal year were not as large as they were a year ago. However, earnings of $2,597,000 in the three months ended June 30, 1957, were the largest for any quarter in the company's history and were 9% higher than in the same period last year.



Charles C. Jarchow

Shipments and earnings in the last fiscal quarter will be less than in the quarter just ended because of vacation shutdowns, but they are expected to be larger than in the same quarter last year. The major factor that continues to adversely affect profit is the continued increase in labor and material costs. The general increase given many employes in the fall of 1956 and the cost of living adjustment granted in the spring of 1957 have added substantially to our payroll costs. Iron and steel scrap prices continue at a high level and there does not appear to be any foreseeable stabilizing of scrap prices. As a result of these ever increasing costs, we had no alternative but to increase selling prices in all of our product lines.

Railroad business continues to be good. Indications are that we will enjoy good volume in this area of our business for some time to come. The backlog of freight cars on order and undelivered totaled more than 90,000 on July 1, 1957. In the first nine months of our fiscal year, there was an average of about 7,800 new freight cars per months delivered to the railroad, while the railroads have been ordering about 5,200 cars a month.

We have great faith in the future of the railroads. Recent studies conducted by independent groups substantiate this faith. The long term projection has indicated that freight car buying will be good for the next few years and may be less cyclical than it has been historically. These studies indicate a need of from 75,000 to 100,000 freight cars per year for the next five to 10 years.

The demand for precision roller chains and sprockets is at a high level, though somewhat less than in our 1956 fiscal year. The backlog and future prospects should cause the springs, forgings, and machined parts for use in the machinery, earthmoving, and farm machinery fields to be good for the balance of 1957. Our backlog of orders is good for the hydraulic machinery, machine tool and pipe-coating product lines.

We are expanding our foreign operations. In addition to investment in three foreign affiliates, we have royalty or know-how agreements in Canada, Mexico, Venezuela, Brazil, Argentina, Australia, Union of South Africa, Great Britain, and Belgium. These foreign markets have excellent potential.

Capital additions are expected to average about $10,-000,000 per year in the next four years and we do not anticipate that outside financing will be required.

Our diversification moves have provided a degree of stability that did not exist when the company was so dependent upon the volume of purchases by the railroads. As a result, something less than 60% of our business is with the railroads today as compared with over 90% 10 years ago. This is not the result of a deemphasis on railroad business but of expansion in other fields.

Recently the Board of Directors, in addition to the regular quarterly cash dividend of 60 cents, declared an extra cash dividend of 50 cents.

The present backlog of $59,000,000 and prospects for the future make us optimistic for the balance of 1957 and for our 1958 year.

F. S. HALES

President, Nickel Plate Road

The railroads made a good case as to their need for a 15% freight rate increase in addition to the increase granted in December 1956. At mid-year it appeared likely that if such increase were granted promptly, Nickel Plate's earnings in 1957 would compare favorably with last year. However, the rate increase authorized by the Interstate Commerce Commission on Aug. 6 was disappointing. This increase, which is effective on 15 days' notice, amounted to about 7%, subject to certain exceptions and hold-downs, which may result in an effective increase of no more than 4.5% in Nickel Plate's freight revenues. As a result, the fulfillment of earlier predictions will depend in large part upon what happens in the steel, automotive and construction industries during the remaining months of this year. In the first six months of 1957, Nickel Plate revenue carloads of freight declined 7.9%, compared with the corresponding period of the preceding year. Operating revenues declined 1.2% and, as a result of the continuing increase in operating costs, net income declined 17.8% in the same period. July carloadings increased 10.9% over the same month in 1956 when a strike in the steel industry severely affected freight handling. At the close of July, carloadings for the first seven months still lagged 5.8% behind those for the same period last year.

Felix S. Hales

The railroads requested the 15% increase in freight rates to improve the pitifully low 3.95% industry return on invested net capital in 1956. A return so small threatens the railroad's ability to provide adequate service in peacetime or war. Future car supplies and improvements to rail systems are tied directly to earnings, and the bread and water diet on which the railroads presently are forced to subsist limits car-building and improvement programs.

One way of increasing earnings is to raise rates as soon as wage and materials costs rise. The railroads face a seven-cent hourly increase in wages, plus an upward cost-of-living adjustment, next Nov. 1. As suggested by the Commission in its recent decision, another rate increase most likely will be necessary to meet these increased costs. Moreover, prices of rolling stock and materials continue to rise, making it doubly difficult to finance new equipment and improvements out of earnings.

Another area of relief is the equalization of regulations applicable to railroads and their competitors. Despite subsidies received by competitors, there are numerous instances in which the railroads could charge lower rates than their competitors and still make money. Under present, out-moded regulations, in many cases the railroads have not been permitted to make proposed rate reductions on the grounds these would work hardships on their competitors. Such conditions must be changed if the railroads are to occupy their useful place in the economy and provide the services which the public has a right to expect from them.

WAYNE A. JOHNSTON

President, Illinois Central Railroad

The Illinois Central Railroad, in common with the industry as a whole, is being adversely affected by the tremendous impact of inflation. Increases in costs of both labor and materials, without adequate increases in railroad charges to reflect these increased costs, have created a situation unhealthful to the financial well-being of the nation's basic transportation system.

Wayne A. Johnston

Net income for the Illinois Central in the first seven months of 1957 is estimated to be $8,200,000, compared with slightly more than $12,600,000 in the corresponding period of 1956. Revenues during this period decreased $1 million from a year ago, however the principal reason for lesser net income is an increase in expenses amounting to $6,500,000.

The Interstate Commerce Commission on Aug. 6 authorized increases in freight charges which will produce for the Illinois Central an increase of less than 4%, or $11 million a year. This adjustment in rates which has been allowed is simply not adequate to meet spiraling expenses. It was hoped that it would be possible to obtain an increase in rates of at least 10%, with certain exceptions. Such an allowance would have produced revenues which would more nearly reflect the increased costs of providing rail service.

Illinois Central traffic volume for the first seven months of 1957 is approximately 6.5% under a year ago due to a reduced demand for coal and other commodities. Recent studies which the railroad has conducted indicate a possible upward trend in volume during the balance of the year. The increase in traffic, however, will not be sufficient to enable the Illinois Central to equal the financial results of a year ago. Failure to receive an adequate upward adjustment of freight rates now makes it necessary that we carefully review the company's maintenance and expenditures programs with a view to making every possible curtailment not inconsistent with safe and efficient operation.

Giving consideration to the traffic outlook, further economies which may be realized and the inadequate rates which have been allowed, it is anticipated that Illinois Central net income for the year will be about $19 million as contrasted with $23,750,000 for 1956. Illinois Central average net income during the preceding 10 years was $22,250,000.

The long periods during which railroads are compelled to operate at ever-increasing costs due to the continued inflation in the national economy before we are allowed to increase our prices result in similarly long periods of depressed income for the railroads. This is an irreparable situation and one which does not confront unregulated industry, including a large segment of subsidized competition in the transportation field. It is in the interest of all users of rail transportation to keep the railroad industry financially strong. To this end users of rail transportation should support every effort to correct this inequitable situation. There is at present legislation before Congress which will help to do this. Industry and public alike should press vigorously for prompt enactment of this much-needed legislation. Failure to enact this legislation will continue the "too little, too late" situation with which the railroads have had to live too long.

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J. P. KILEY

President, Chicago, Milwaukee, St. Paul and Pacific Railroad Company

Net income for the first six months was affected by the decrease in traffic volume and also the failure of the 5% freight rate increase on Dec. 28, 1956 to offset the higher wage and other costs which took effect on Nov. 1, 1956 and May 1, 1957.


John P. Kiley

Growing conditions are generally good throughout most of Milwaukee Road territory. Harvesting of wheat has started in some areas with a good yield being reported. Oat quality looks good and harvesting is about to start. A general potato harvest in the Columbia River basin is getting started. From these reports we expect an increased movement over last year.

Livestock in all territories are reported good. Pastures generally have a good grass growth and are supplying necessary feed. South Dakota is expected to have one of its largest hay crops. An increased movement of cattle to market is anticipated. Movement of meat and packing house products should also show an increase.

In products of mines, we expect about the same tonnage in coal as in last year, with increases in sand and gravel of at least 10% account road construction.

In products of forest, it is expected that the movement of lumber, shingles and plywood will show an increase over last year.

In manufactures and miscellaneous, there has been an increase in commodities such as iron and steel products, agricultural implements, automobiles and parts, machinery, cement and canned goods. It is expected that this increase will continue.

New wage agreements were made effective Nov. 1, 1956, for a three-year period with all groups, both operating and non-operating employees, amounting to $7,500,000 annually for the first year with further increases to be effective Nov. 1, 1957 and Nov. 1, 1958. The Nov. 1, 1957 increase will add approximately $700,000 to the payroll for the remaining two months of this year.

In addition, all of the agreements provide for a cost-of-living escalator adjustment provision based on the price index of March 15 and Sept. 15. The effective date of the first adjustment was May 1, 1957, resulting in a wage increase of three cents per hour or $150,000 per month. From all indications there will be another escalator increase effective Nov. 1, 1957.

The increase in freight rates authorized in Ex Parte No. 206, effective Dec. 28, 1956, was not adequate to meet all of the new expenses. The prompt granting of the 15% freight rate increase sought, together with the expected increase in traffic volume as indicated, should present a favorable outlook for the remainder of the year.

H. F. KNEEN

President, Safety Industries, Inc.

Our passenger car equipment business during the first seven months of 1957 has maintained a fairly normal rate. This has been, in general, the result of substantial orders for material for new car building and remodeling programs in Canada, Mexico, Cuba and Brazil.


H. F. Kneen

With the current generation of considerable activity in new car considerations on the part of major U. S. railroads, we look for greatly increased demand for Safety products during the last quarter of this year and continuing at an accelerated rate in 1958.

In order to supplement the products heretofore manufactured by Safety Industries, we have purchased the Star-Kimble Motor Division from Miehle-Goss-Dexter, Inc. Brake motors and brakes, induction heating generators, and a wide variety of motors and generators are key products of Star-Kimble, and while they are in general marketed to industrial accounts, should also have very extensive railroad use. Production of this equipment will be integrated into our Hamden, Conn., plant.

Our subsidiary, The Howe Scale Co., whose products to railroads are marketed through the Sales Division of Safety Industries, has track scales and motion weighing equipment under continuous development. Electronic weighing by Howe with a high degree of accuracy and dependability is now available. The use of Howe track scales on railroads is increasing, and we expect this trend to continue.

With consideration of all present-day indications, we expect to go into 1958 with a substantial backlog of orders for railroad products. Our plant has received a considerable amount of new manufacturing equipment this past summer, and we are increasing our research efforts.

E. S. MARSH

President, The Atchison, Topeka & Santa Fe Ry. System

Although gross operating revenue for the Santa Fe Railway in the first six months of 1957 were about two and one-half per cent ahead of the 1956 figure, net income for the system was approximately 16% lower than that of the first six months of last year because of higher operating expenses.


Ernest S. Marsh

The rise in operating expenses was occasioned by increases in wage rates, costs of materials, payroll taxes and damage to facilities occasioned by unprecedented rainfall and high water conditions in Texas and Oklahoma during May and June.

We look forward to a continuing good level of business during the balance of the year 1957, and we anticipate gross revenues slightly ahead of 1956.

Economic conditions in Santa Fe territory are generally good, and with the alleviation of the severe drouth should maintain their present level.

The agricultural picture is somewhat brighter than it was at this time last year because of the better rainfall. This is particularly true in the case of sorghum grain, with a bumper crop expected in the states of Kansas, Oklahoma and Texas. If normal moisture is received, the surghum grain crop could well establish a record in some areas.

Industrial activity in Santa Fe territory continues at a relatively good pace.

ROBERT S. MACFARLANE

President, Northern Pacific Railway Company

Northern Pacific had a reasonably satisfactory first half of 1957 despite a leveling off of business generally, and increased wages and other costs.

Due principally to reduced movement of lumber and manufactured products, our six months' operating revenues were off approximately $1¼ million from the first half of 1956. Net income was equal to $1.48 a share of stock as compared with $1.56 a share last year.


Robert S. Macfarlane

As of Aug. 1, prospects for the last half of the year shape up something like this:

It is currently estimated that our grain tonnage in the last half of 1957 will do well to equal, and may be below last year. It is not expected that the heavy Commodity Credit Corporation movement in late 1956 from country storage to terminals will reoccur. Furthermore the shifts in acreage from wheat to flax and barley resulting from heavy enrollments in the soil bank will adversely affect the fall and early winter movement of grain.

However, despite reduced wheat acreage, favorable growing conditions have produced a total gain crop in Northern Pacific territory somewhat above 1956. How much of the crop moves to terminals late this year will depend on the relation of the cash price to the CCC loan level. Increased production of sugar beets, soybeans and fruit is expected to partially offset the anticipated reduction in grain tonnage. Products of mines also are providing increased tonnage over 1956.

Even though an anticipated freight rate increase may not come early enough or be sufficient to offset increased wages and costs, Northern Pacific's increased nonoperating revenues from oil and gas, timber, real estate rentals and minerals, should result in favorable over-all earnings for the year.

In the meantime, to keep pace with a rapidly growing economy along the "Main Street of the Northwest," Northern Pacific's modernization and improvement program continues apace. Eighty additional diesel locomotive units being put in service this year brings NP nearer complete dieselization. We are buying or building 1,450 freight cars at a cost of nearly $12 million and expect delivery late this year on new passenger equipment for our Chicago-North Pacific Coast Vista-Dome North Coast Limited costing in excess of $3 million.

PATRICK B. McGINNIS

President, Boston and Maine Railroad

At the beginning of the year in the "Annual Review and Outlook Issue" of the "Commercial and Financial Chronicle," I mentioned strict Governmental regulations in the railroad business and the immediate necessity for the correction of these iniquities in some form. The Federal Government has made little progress for the year up to date and the rail industry continues to look forward hopefully to concrete legislation in the next Congressional session.


Patrick B. McGinnis

Recent passenger fare increases on the Boston and Maine have been welcomed and we are continuing in the accelerated program to reduce passenger-train miles in order to put this type of service on a more equitable level.

The Interstate Commerce Commission recently announced that it has authorized the Boston and Maine to issue nearly $30,000,000 in debentures to be exchanged for preferred stock. The authorization was made after the Commission had reconsidered an earlier rejection of the plan in the light of new evidence. In commenting on the decision the Interstate Commerce Commission said:

"Present management, which assumed its duties in 1955, has initiated many activities which promise well for the future. . . . The present Boston and Maine is a vastly improved railroad as compared with that which existed during the 1945-1954 period used in computing the average annual amount available for fixed charges. It is now completely dieselized, and before the end of 1957 it will have completely modernized its freight equipment."

The Commission also commented favorably on the steps which have been taken by Boston and Maine to improve the physical condition of the roadbed, track and structures for a three-year program initiated in 1956, for application of electronic equipment to its accounting department, with estimated annual savings of about $300,000.

"The applicant's revised forecast of future earnings," the Commission said, "does not appear to be unduly optimistic when considered in the light of the substantial and permanent changes in operations which have already been made, the promise of increased revenues implicit in the growing economy in the territories served by the applicant, and other facts now before us."

The authority granted will substantially lessen the road's Federal income tax liability, the Commission said, since interest payments on debentures, including scrip, are tax deductible, while dividends on preferred stock are not.

The Commission concluded that the transaction "means a strengthened carrier, better able to meet the transportation needs of the public."

Plan I Piggy Back service to the West has been inaugurated by the Boston and Maine and it's expected that this new service will grow measurably in the next quarter.

Delivery has been completed on the multi-million dollar order on rolling stock and we have accepted partial delivery on fifty new 1750 H.P. engines. A gradual shift in the maintenance of roadbed into cycle program has produced immediate savings. As 27% of the Boston and Maine produces 7.4% of the freight revenue, it is the policy of the railroad to make this 27% as fine as any roadway in the East.

Industry-wide, the railroads are still looking to the day when they will be able to compete for the nation's transportation business under the same set of rules and regulations as other carriers. If American economy is to have full advantage of the inherently efficient services the railroads are so able to perform, then it is essential that they have the right to make bulk, contract, quantity and agreed rates on merchandise.

There is an active increase in plans for the creation and revitalizing existing State Railroad Associations in order to provide up-to-date railroad information to legislators on state and regional levels.

Because the average rate of return for the nation's rail carriers is still less than 4%, they are not able to tap common sources or risk capital available to other business. Accordingly, there has been a proposal for the creation of a government agency to provide capital at reasonable interest rates for freight car financing. The pros and cons of this plan are being discussed among individual carriers.

The industry continues to actively study and explore new techniques and tools in trying to improve efficiency. Technical improvements, such as radio, electronic computers, industrial television, electronic hot-box detectors, roller bearings and cycle maintenance of roadway are a few of the technical improvements appearing daily on the railroad scene.

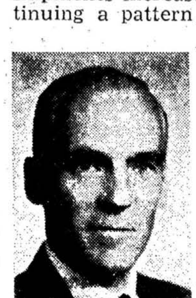
Eastern carriers are continuing discussions on everything from port differentials to thinking ahead about competition created by the Government subsidized St. Lawrence Seaway.

The logical solution for the survival of the railroad industry seems to lie in the direction of the combination of regional carriers and strength gained through diversification, thereby creating a stronger industry to serve the public better.

WILLIAM G. MILLER

Montreal Locomotive Works, Limited

Montreal Locomotive Works has completed a highly successful first half of 1957. Earnings and volume of shipments increased over the same period of 1956, continuing a pattern of year-to-year improvement established in 1951 with the changeover to diesel production. Output will be maintained at a high level throughout the remainder of the year as indicated by the current order backlog.


W. G. Miller

Included in the backlog are recent substantial orders for diesel-electric locomotives which reflect the continuation of the programmed purchasing of diesels by Canadian railroads. In the export market the company completed an order for 25 diesel units for the Argentine State Railways in June and continues to promote locomotive export sales. It is expected that a peak locomotive output will be maintained for some time and that an increasing volume of business for service products will be experienced.

While MLW maintains its excellent position in the locomotive market, the company continues to increase s business for a growing range of diversification prod-cts. Greater output of thermal and industrial products ill be achieved in 1957 contributing to the company's articipation in the industrial growth of Canada, while ssuring increased stability and potential.

H. C. MURPHY

President, Burlington Lines

Notwithstanding the first six months of 1957 fell hort of our expectations, the Chicago, Burlington & uincy Railroad views the outlook for the balance of the ear with continued optimism, based on early reports dicating a general improvement in usiness in many key sections of the ountry.

Harry C. Murphy

The winter wheat harvest in west-n states has produced a greater ovement of cars than a year ago, hile production in various mid-estern and western states served by urlington has been increased in 57. Indications of improved con-itions are seen in the generally tisfactory crop production in Burl-gton territory. Trailer-on-flat-car ovements continue to increase eadily.

Present estimates for the last half f 1957 indicate both freight and assenger revenues will exceed those a similar period of 1956, but despite these increases, t income is expected to be 5% less during the balance this year than for the comparable period last year. eight rate increases granted in 1956 did not offset sing costs of labor and material and provide necessary orking capital for the railroad industry. The carriers' tition for further increases in freight rates and charges s been granted in part by an order of the ICC released ug. 6. This supplemental increase *may* take care of creased wage and material costs to date but will not fset added tax and wage costs later this year.

Burlington freight car requirements for the first half 1957 have been met satisfactorily, with the exception an occasional shortage of cars for sugar and flour ading. We anticipate heavy demand for box cars dur-g peak loading periods this Fall, and the increased e of covered hopper cars by cement manufacturers rved by Burlington is expected to result in a demand r this class of equipment during the third and fourth arters. Burlington acquired over 750 new freight cars ring the first six months of 1957, with 880 additional rs scheduled for completion during the remainder of e year. Approximately 750 cars are also programmed r heavy repairs in the shops this year.

Burlington passenger traffic is expected to hold up ell for the balance of 1957. Two new Vista-dome Den-r Zephyrs providing through service between Chicago d Colorado Springs are being very well patronized. hese trains have the newly-designed Slumbercoaches hich are very popular.

Industrial development and the location of new indus-ies in Burlington territory has been quite active—a end we anticipate will continue through the last six onths of the year.

The new modern freight classification yard at Chicago Cicero) will be completed and put in service this year. his yard will have the newest electronic devices for utomatic movement of cars, and will result in improved rvice and increased speed in classification of freight hrough the terminal.

In spite of continually increasing labor and material osts, and regulations which adversely affect the rail-oad industry, we are confident that we will continue have a favorable year.

D. J. RUSSELL

President, Southern Pacific Company

"In the first half of this year business and earnings oth fell behind 1956. Freight volume, in terms of car-oadings, was 6 to 7% lower, chiefly because of a down-urn in lumber shipments and revenue losses following weather damage to perishables.

Donald J. Russell

"Moreover, we were not allowed to increase freight rates sufficiently to offset wage increases and rising costs. The interim increase which was granted December 1956 on interstate rates amounted to less than 4% because of holdowns on a number of important products and a number of states have not approved any increase in intrastate rates.

"Meantime, economies produced by higher productivity through complete dieselization and further mechanization have been outdistanced by increased costs, such as for fuel and steel.

"The year does not shape up as bad year, although not as good as last. Higher rates ave helped some and an unusually mild winter without lides, heavy snows or major flood damage kept costs rom climbing higher.

"Freight dollar volume, with the recently authorized ncrease in freight rates, should equal that of last year.

"This year Southern Pacific and solely controlled ffiliates will spend about $125 million for capital im-provements, with $71 million for new equipment, prin-cipally freight cars and diesel units.

"We would like to make more improvements along our lines, and would be spending about $15-20 million more if we had the earnings. Some projects, including terminal yard improvements and expansion of CTC and other electronic control equipment, have been postponed. Such plans, though not critical, will ultimately be necessary if we are to expand our services with the growing territory.

"The rate problem is one that cannot be too strongly emphasized in assaying the business outlook for Southern Pacific. Failure of regulatory commissions to act with reasonable speed and to grant adequate relief has been a definite handicap in producing a fair return on investment and enabling expansion of facilities. The Interstate Commerce Commission decision of Aug. 6 was quite a disappointment in this respect.

"The California Commission has failed to act on the two rate increases authorized last year by the ICC. In the meantime, three wage increases have taken effect and costs continue to mount.

"Although prospects do not seem to favor a business upturn during the remainder of 1957, the long-term growth prospects are favorable and we feel that a pickup in business volume is probable in 1958."

A. P. SHEARWOOD

Chairman and Chief Executive Officer, National Steel Car Corporation, Limited, Montreal, Canada

A high rate of production has been maintained during the past 12 months with satisfactory results. At this time, the future is uncertain as our backlog of orders has been greatly reduced and our customers have not yet placed orders for their 1958 requirements, although we have received inquiries for substantial new business.

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The Security I Like Best

course will find himself very well off capitalwise. In my opinion, the best place to look for such situations is either in an industry which is in the reasonably early stages of a dynamic growth or one where the handwriting is clearly on the wall that it is on the threshold of such a dynamic expansion. Furthermore, to find the "cheap" situations in such industries, it is necessary to go somewhat off the beaten path, paying particular attention to management at the foot of which in the last analysis lies the responsibility for fulfilling the potentialities of any company.

For the purpose of this article, I have selected two companies; one primarily in the field of avionics, which is electronics as it pertains to the field of aviation, including guided missiles, and the other primarily in the field of infrared instrumentation. Avionics is certainly in a period of dynamic growth which only a severe depression would interrupt, while infrared gives every evidence of being at the beginning of a period of mushrooming expansion which could become full-blown within the very near future.

Topp Industries, Inc. (traded over-the-counter) which is primarily engaged in avionics, operates in three divisions. Haller, Raymond and Brown, Inc., a wholly owned subsidiary and the nerve center of the entire company, is a research and development organization employing about 330 scientists, engineers and supporting personnel. Located at State College, Pennsylvania, it was acquired by Topp early in 1956 for approximately 155,000 shares of Topp stock—a key acquisition in that among other things R. & D. work will result in production contracts for the company's two production divisions. A large part of the work of HRB is highly classified and cannot be discussed. However, it was reported in a recent edition of the authoritative trade magazine, "Aviation Week," that the Civil Aeronautics Authority and the controllers of the New York City Air Route Traffic Control Center were extensively testing "Rafax," an HRB developed system which permits radar images to be transmitted over ordinary telephone wires and which will have many applications to the current and upcoming problems of air traffic control. In the fiscal year ended April 30, 1957, revenues of Haller, Raymond and Brown accounted for approximately 18% of the consolidated sales of Topp Industries as it is presently constituted.

Topp Manufacturing Co., located principally in the Los Angeles area of southern California, is the company's avionic equipment production division. Among its many products are highly technical systems for control of guided missiles as well as military and commercial jet aircraft which fly at such speeds and under such conditions as to render inadequate ordinary human abilities. In fiscal 1957, sales of Topp Manufacturing accounted for more than one-half of the consolidated sales of Topp Industries.

Heli-Coil Corp., located at Danbury, Conn., was acquired in November, 1956, primarily to supply the company with a source of earnings not largely dependent on government contracts or sub-contracts. Heli-Coil principally produces a line of patented precision formed coils made from diamond-shaped stainless steel or phosphor-bronze wire which may be installed in previously tapped oversized holes. The market is enormous for this type of insert which provides 2½ times the original thread strength at a saving in weight. The company believes that this market can and will be expanded through the successful development of new inserts and new uses for the present inserts. Heli-Coil accounts for about 30% of Topp's consolidated sales.

On the basis of the record, the management of Topp Industries, Inc. must be given a very high rating. In the fiscal year ended April 30, 1953, the company's first full fiscal year, sales of $1.8 million resulted in a deficit of $20,000. In the fiscal year ended April 30, 1957, sales of $9 million resulted in a pre-tax income of $943,000 (margin 10.5%) and a net income equal to $0.82 per share on the 569,000 shares then outstanding. Giving effect to a 4% stock dividend paid early in July there are now approximately 592,000 shares out, of which over 22% are owned by officers and directors of the company. For the current fiscal year, I estimate sales in excess of $14 million and earnings of over $1.25 per share on the number of shares currently outstanding. The external expansion accomplished during 1956 has immeasurably strengthened the company's competitive position and financial position is strong, the company having sold to the public last May a $2,750,000 issue of 6% convertible subordinated debentures due in 1977. All in all, I regard the common stock of Topp Industries, now available at about 14, as an outstanding speculation on the future of the avionics industry in this country.

Barnes Engineering Company (traded over-the-counter) is primarily engaged in the field of infrared instrumentation, which combines electronics with optics. While competition is rough (Aerojet General, Beckman, Eastman Kodak, Electronics Corp. of America, General Electric, Haller, Raymond and Brown [see above], Minneapolis-Honeywell, Perkin-Elmer, Philco, RCA, Texas Instruments, Westinghouse and others), nevertheless I have selected Barnes mostly for one reason: Dr. R. Bowling Barnes, 50, President of the company has been devoting his efforts to infrared research and development for over 30 years and probably knows more about infrared and its potential than any other human being. Further, the company has been masterfully managed and financed through its research and development period, so that now when earnings are about to roll in there are only 299,570 shares of stock outstanding.

Not too much is generally known about infrared, and for the reader who desires a good basic background of the subject and a knowledge of its capabilities and some of its limitations, I heartily recommend a series of articles which appeared in the March 4, 11, and 18, 1957, editions of "Aviation Week." From a military point of view proponents of infrared maintain it will do almost anything radar will do—better and much cheaper, and it seems probable that infrared systems will replace radar in some applications and supplement it in many more. In the field of civilian usage, the potential is vast. Chemical companies, oil companies in their refining processes, and others where precise chemical analysis can be obtained through measurement of minute temperature changes can use infrared instruments. Generally, the field of industrial applications of remote temperature measurement has scarcely been explored. However, it is known to be of material importance.

Naturally, the confidently anticipated period of dynamic growth of infrared which lies in the immediate future will be of much more material benefit per share to Barnes Engineering than it will to, say, General Electric.

Besides holding a pre-eminent position in the field of infrared instrumentation, Barnes Engineering is also heavily engaged in the field of industrial automation through its "Multra" and "Binotrol" divisions. I believe that here, too, the surface has been but scratched.

The fiscal year which ended June 30, 1957, was the first profitable year in the company's history. I estimate that approximately $0.40 per share was shown. It is impossible to estimate results for the current fiscal year because of the many imponderables—but there is a good possibility that they will mushroom. The company has no financial problems, and when the time comes that substantial new capital is required I can foresee no difficulty. The management must be given a top-flight rating, and the common stock now available at slightly over 6 represents, in my opinion, one of the most solidly based speculations for really substantial capital appreciation over the next year available in the current market.

It should be remembered in considering both of these common stocks that we are dealing for the most part with products not comprehensible to the average layman, including the writer. In the last analysis we must rely on the respective managements to direct the affairs of their companies in such a manner that the competitive pack is left behind, and the many pitfalls in the path of burgeoning concerns are by-passed. A basis for seeing the future may be had by looking at the past, and the record of the last five years gives a strong indication that the managements of both Topp Industries, Inc. and Barnes Engineering Co. will take good care of their stockholders.

Securities Laws & Regulations Subject to Briefing Conference

The Federal Bar Association will hold a briefing conference on securities laws and regulations in cooperation with the Bureau of National Affairs Sept. 6 and 7 at the Mark Hopkins Hotel in San Francisco.

Among the subjects to be discussed are: Current Objectives and Programs of the Securities & Exchange Commission; Mutual Funds Selling Literature and Other Current Problems in Investment Company Regulation; Recent Decisions and Other Important Developments in Public Utility Holding Company Regulations; Financial Statement Requirements and Accounting Problems; SEC and Corporate Reorganizations under the Bankruptcy Act; State Regulation—The Proposed Uniform Securities Act; Registration of Securities for Sale to the Public (Practical Aspects of Preparing and Issue for Market; and Processing Registration Statements and Problems of Adequate Disclosure); Proxy Rules and Proxy Contests; Current Enforcement Problems and Procedures under the Securities Acts; Broker-Dealer Enforcement and Fraud Problems; Commission Procedures in Investigations and Administrative Proceedings and Current Legislative Proposals.

Reservations may be made with the Briefing Conference Secretary, The Federal Bar Association, 1231 Twenty-fourth Street, N. W., Washington 7, D. C. Fee is $50 ($40 for FBA members).

With Walston Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Carl Rubens has become affiliated with Walston & Co., Inc., 265 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Dean Witter Adds

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SAN FRANCISCO, Calif.—William T. Smales, Jr. is now with Dean Witter & Co., 45 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — Stuart A. Schwalbe has joined the staff of Walston & Co., Inc., 12 South First Street.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Walter A. Frome, Jr. has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

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P. M. SHOEMAKER

President, The Delaware, Lackawana and Western Railroad Company

The first half of 1957 has shown an unusual disparity in the net income results achieved by individual railroads. A few, because of a locally favorable traffic pattern and frequently related to limited passenger service, limited terminals and limited specialized transportation costs such as harbor and heavy metropolitan station expenses, show more favorable results than for 1956. The majority, however, reflect the close relationship between an inflation-ary-forced high break-even point and a relatively small drop in freight traffic.

Perry M. Shoemaker

The Lackawanna is an interesting example of this. Its transportation ratio, after deducting commuter costs and New York Harbor marine and station expenses, is lower than that of most Eastern railroads. Its train-load performance is the best in its history, and yet the terrific impact of higher wages, higher material costs, when related to an 8.5% decline in carload business for the six months, left a highly unsatisfactory showing for that period. The impact of the cement strike in July, on top of the general concentration of industrial vacations, hit the Lackawanna particularly hard.

But with the strike settled, and with the general business outlook for the last five months of 1957 an encouraging one, there is every expectation that the year will be less disappointing than the first six month's picture would indicate.

H. E. SIMPSON

President, The Baltimore and Ohio Railroad Company

If the current level of general industrial activity continues, the Baltimore and Ohio Railroad expects to produce a net income for the whole of 1957 about equal to that achieved in 1956—roundly $30 million.

H. E. Simpson

In the first six months of 1957, although B & O operating revenues increased by about $300 thousand over 1956, operating expenses were down by more than $3 million — despite higher wage and material costs. The decrease in net income for the period, approximately $1.6 million, was due almost entirely to the fact that 1956's first-half net was distorted by non-recurring income tax exemptions, incident chiefly to the company's now-completed refinancing program.

Movement of the road's prime traffic constitutents—coal and steel-related freight—is expected to reach a level as good, or better than, last year's 12-month record. The prolonged cement strike starting in June, however, may have an adverse effect on the movement not only of that commodity but of related items for construction if "lost production" is not ultimately made up. In common with most railroads, we have suffered some decline in "manufactures and miscellaneous" traffic, owing largely to a general shrinkage of business inventory, but due, perhaps, in some measure, to diversion of higher rated traffic to trucking — chiefly of private status.

We view with marked interest the market research program now being undertaken by the eastern railroads. We hope their findings will be of material help in determining what kind of traffic the railroads can logically expect to handle and what kind of services and rates will be needed to obtain profitable traffic.

The Baltimore and Ohio's long-range program of eliminating unnecessary and below-cost passenger train service has progressed to the point where virtually all branch and secondary mainline service has been eliminated.

The next step is to expand studies leading to the rearrangement of mainline, long-haul passenger trains, with a view to extracting a maximum of economy with a minimum of loss of patrons. The B & O was the first railroad in the country to sell a passenger ticket. It is still vitally interested in the future of its passenger traffic. Its self-propelled "Daylight Speedliners," placed in daylight service between Philadelphia and Pittsburgh late in 1956, are the first self-propelled rail diesel cars in the country on a through, high-speed run with meal service. Even more recently, we have ordered two Siesta Coaches from the Budd Company. When put in service early in 1958, they will be the first on any eastern railroad.

As the originator of scheduled siding-to-siding service, the B & O is continuing its other specialized freight services and this year has seen additional extensions of our TOFCEE (Trailer-on Flat Cars) Service. Our program of assemly-line freight car construction and rebuilding at our shops in DuBois, Pa., has attracted industry-wide attention; dieselization is proceeding as rapidly as funds become available.

Included in the B & O's program of improvement are one of the world's most modern freight yards at Cumberland, Md., to cost in excess of $13 million, and a new bridge across Arthur Kill, at Staten Island, N. Y., to incorporate the world's longest single-track lift span.

R. H. SMITH

President, Norfolk and Western Railway Company

For the Norfolk and Western, experience for the first six months of the year has been fortunate, principally due to the increased coal loading largely as a result of greater volume of coal exports.

As measured by car loading, coal increased 8% and other commodity car loadings decreased 8%, with a net of all freight car loadings showing an increase of 4.1%. As a result, net income increased 12% over the same period in 1956. So far in July the same trend of increased car loadings, as compared with the previous year, is in evidence and we are optimistic about the remainder of the year.

R. H. Smith

This is the rosy part of the picture. The less bright part is the fact that the Norfolk and Western which for some 25 years has been able to finance improvements, and particularly new equipment purchases, out of retained earnings has in the last year and a half been forced to go back to financing new equipment acquisitions with equipment trusts, or borrowed money. This in spite of the fact that during that period its volume of traffic has been running at an all time high and its earnings, as measured by dollars, have been in excess of previous years. But these are present day dollars with much reduced real value or purchasing power.

Since the beginning of World War II the cost of equipment, wages, and major supplies which railroads must buy have tripled, while railroad service charges have been increased to a much smaller extent. This has had a serious adverse effect on the industry as a whole and is the principal reason why railroads are lagging in acquiring more of that indispensable article — new freight cars.

That situation must be recognized by Congress and the regulatory authorities if the railroad industry is to meet the problem which confront it and the transportation needs of the nation.

JAMES M. SYMES

President, The Pennsylvania Railroad Company

Our volume for the first half of 1957 was about 6% below the same period of 1956. Net income, however, was off almost 45%, $12,271,000 for the first half of 1957 as against $22,187,000 for the corresponding period of last year. Three factors account for the sharp drop in net: The decrease in freight traffic volume, a somewhat larger maintenance program, and increased costs in wages and materials not met by rate increases.

James M. Symes

For the second half of this year we look for slightly better volume than in that half of 1956, because last year's second half included the month-long strike in the steel industry. Our net income for the last six months is so dependent upon the outcome and timing of our requests for increase in freight rates, mail pay, express and other charges, that it is impossible to make a forecast at this time. Since the various applications for increases were made, months ago, our costs have continued to climb with further inflation. On the Pennsylvania Railroad alone, the increases in the prices of steel and related products we buy have gone up an additional $2,200,000 on an annual basis, since July 1, 1957.

Despite the delays in adjusting our prices which have held back our industry's earning power, the year has furnished some hopeful signs for the future. The Pennsylvania, for instance, is one of the railroads that loses a good deal of money on suburban and commuter passenger services. During the year there has been increasing recognition in several metropolitan areas of the nation that railroads cannot indefinitely continue to subsidize these services in their losing competition with publicly-provided highways and automotive bridges and tunnels. In New York, for example, the recent report of the Metropolitan Rapid Transit Commission specifically revognizes the community's obligations in this matter, and has proposed ways of meeting them.

Another corrosive blight on rail earnings is heavy state and local taxation of their roadway, stations and other facilities, while the corresponding "plants" of their highway, airway and waterway competitors are provided and maintained by the public and are untaxed. The worst state in this respect is New Jersey, where the railroad industry pays just over twice as much in such taxes as it earns in the state. This result is achieved by taxing all railroad property, regardless of function of earning power, on assessments of 100%—as against the average of 29% at which non-railroad property is assessed. Last year the state government set up a Commission to Study Laws Affecting Industrial Development in New Jersey. Among its recent recommendations was one that "the railroads be treated the same as and equally with other businesses in all taxes."

While this is only one state, and the recommendation is yet to be acted on, it is reasonable to hope that it will be—and that the example will spread to other states. Meanwhile, one of the most damaging aspects of such taxes is that they go on in bad years and good—making the railroads highly vulnerable to even the slightest fall-off in industrial activity.

On the positive side, there is another hopeful indication of better times ahead for the industry in the consideration being given a plan by which the Government would finance a certain number of freight cars and locomotives and lease them to railroads at a profit to itself. This plan would help us keep the industry abreast of the growing economy's need for our services—which we cannot do alone while our earning power is arbitrarily repressed, as it is now. If 1957 turns out to be the year in which that fact is finally recognized and acted on, it may well turn out to be the most fruitful year in the industry's history.

WALTER J. TUOHY

President, Chesapeake and Ohio Railway Company

The Chesapeake and Ohio Railway believes it has another record year in the making. In six of the last seven years, C&O has reported steadily rising net income, culminating in the $67 million, equal to $8.28 a common share, earned last year. Aided by a continually growing export coal market, the railroad expects to better that figure in 1957.

Walter J. Tuohy

Total volume of business for the railroad is forecast between $435 and $440 million this year, compared with last year's record $419 million.

Net income for the first seven months of this year was $36.2 million, or $4.48 a common share. This set a new record for the seven-month period, exceeding the previous all-time high of $4.42 last year. Monthly increases in earnings are expected to continue.

These increased earnings rest on rising traffic levels that stem from coal's growth and a territory that is under development industrially at a rapid pace.

So far this year, export coal traffic on the C&O is running 29% higher than last year. In 1956, C&O trains carried to tidewater for overseas shipment nearly 20 million tons of coal. This year the estimate is for 23 to 24 million tons. Tidewater loadings have been at record levels all year following the opening in January by C&O of a sixth coal dumper at Newport News, Pa.

National bituminous production last year amounted to 500 million tons, and a slight increase is forecast for this year. C&O is highly optimistic on the future of coal.

Industrial development on the C&O, which in 1956 brought 98 new industries to the railroad's right-of-way in seven states and Canada, is running ahead of last year. A recent example is a major chemical plant to be built by Union Carbide Corp. on the C&O at Putnam, W. Va., one of the largest of its kind. C&O merchandise traffic revenues hit an all-time high of $170 million on 1956, and with a good second half-year expected, 1957 should set another record for merchandise.

In May C&O's new Car Location Information Center (CLIC) went into operation. C&O will be able to tell shippers almost instantaneously from one completely-equipped point (the first on any railroad), at Huntington, W. Va., the location of any freight car along the entire 5,100 mile C&O system. This will give shippers on C&O a closer control of inventory and other benefits.

C&O will spend more money in 1957 than ever before in its history for freight cars, locomotives, new ore and coal docks and roadway projects in anticipation of the business which lies ahead. A new $8 million bulk materials handling pier is starting operations at Newport News. In addition, construction of another $7 million coal tower is now under way by C&O at Toledo, Ohio, to load a growing volume of lake coal and capable of handling seaway coal shipments if they come.

The total for C&O capital expenditures this year will approximate $100 million, against last year's record $90 million. Along with this heavy investment in new facilities, C&O's financial condition continues to be strong. At year end working capital will be near the $45 million level reported at the end of 1956.

All this reflects C&O's faith in the future. It is building a strong railroad, able to meet efficiently the increasing demand for its services.

C&O's faith also in the "transportation business" is typified too by its investment in Slick Airways, Inc., airfreight carrier, and C&O's partnership in the unique overseas coal export company, American Coal Shipping, Inc.

All in all, Chesapeake and Ohio, which has been reporting "best years" to its 90,000 shareowners, expects to be able to report another "best year" in 1957.

Continued from first page

Same Old Railroad Problem —Too Little and Too Late

are highly artificial in composition and all too often are arbitrarily established.

The Interstate Commerce Commission is charged with the responsibility and has the authority necessary to establish rates charged by the railroads of this country. Rates should be reasonable and fair to all concerned. The shipper, the farmer, the consumer, the commuter and the traveler are entitled to a fair deal. In the final analysis however, railroads must be permitted to charge rates that while fair to the public, are also in line with costs and which will permit them to earn a reasonable rate of return on their investment.

The Constitutional authority of the ICC is based on Article I, Section 8, Clause 3, known as the "Commerce Clause" of the Constitution of the United States, which prescribed that Congress shall have power "to regulate commerce with foreign nations and among the several states and with Indian tribes."

In 1913, the Valuation Act was enacted and directed the ICC to determine the valuation of properties used for common carrier purposes throughout the United States. For a period of 15 years or more this was a major project of the Commission as measured by employment activity.

The next piece of important legislation was enacted when the Transportation Act of 1920 was passed. It established the rule of rate making, which imposed upon the ICC an affirmative duty to fix rates that would give the railroads an opportunity to earn a fair return on their investment.

The last piece of legislation grew out of the President's Committee of Three, and later the Committee of Six, to develop the Transportation Act of 1940, which announced a new transportation policy for the Federal Government to regulate fairly and impartially.

Proposed Legislation

There is now legislation under consideration by Congress and that body is now studying proposed legislation resulting from reports submitted by President Eisenhower's Cabinet Committee on Transportation, which will give the railroads a fairer competitive climate in which to work, recognizing changed conditions in the transportation industry since the time of the last revision of governing laws in 1940 and the need for maintenance of a strong national common carrier industry (including rail, highway, and other segments of the industry). The major change under study involves the application by the Commission of its authority over rates charged for services by carriers and provides "this Commission shall not consider the effect of such rates on the traffic of any other mode of transportation; or whether such rates are necessary to meet the competition of any other mode of transportation."

Railroads favor legislation of this sort and are supported by substantial elements of the business community which recognizes the benefits to be realized from the operation of true competition in the common carrier industry. Selfish interests, hiding behind the Commission interpretations of inadequate regulations, profit today at the expense of the public and the common carrier industry, the railroads. Obviously regulation of transportation has been a changing thing over the years as the preceding outline of legislation indicates. The time has come for action . . . a redefining of the duties of the Interstate Commerce Commission. We are happy to state that Congress is now studying the matter.

The comparison of costs with revenues, stated above, is drastic evidence of the need for immediate action. But further evidence is found in studies along the lines pursued in my article, "1955 Is Not 1929" published in the "Commercial and Financial Chronicle" in the issue of June 9, 1955. This time I claim "1956 was not 1946."

The National Economy 1956 vs. 1946

The denominators enumerated below highlight the changes witnessed in the national economy since 1946. Expressed in percentages of 1946, the statistics for 1956 show the following:

Gross National Product in 1956 was 198% of the 1946 total; National Income 196%; Total Compensation to Employees 201%; Personal Consumption Expenditures 196%; Government Receipts 221%; Corporate Profits (before taxes) 193%; taxes paid by Corporations 242%; Corporate Profits (after taxes) 160%; Corporate Dividend Payments 205%. The average for these nine common denominators is 204%.

Now consider the railroad picture.

In 1956 freight revenues totaled only 155% of the 1946 gross; passenger revenue was only 53%; and total railway operating revenues only 141%. Because as recorded, rates (freight) were only 141% of the 1946 rates.

The year 1957 is proving to be one of great prosperity for most corporations and for industry in general, but that will not be true in the case of the transportation industry. What is true in the case of the railroads is equally true as far as the airline and trucking industries are concerned. Despite the fact that both airlines and the trucking industries are subsidized they are now finding it impossible to make both ends meet and come out with a profit. As a matter of fact, these subsidies to the segments of the transportation just mentioned tend to hold down the rate structure of the entire transportation industry as a whole.

The Railroad Investment

To perform the transportation service which the railroads render the American people, a service vital to each of us in our daily life, whether from the standpoint of our physical requirements, social activities, or our financial welfare, the railroads have invested (gross) almost $35 billion.

To stress just what an investment of $35 billion represents consider the following: it is an amount equal to the combined aggregate investment of 12 of the largest corporations in this world. Here are their names:

Bethlehem Steel, Du Pont, Eastman Kodak, General Electric, General Motors, International Nickel, International Paper, Sears, Roebuck, Standard Oil of California, Standard Oil of New Jersey, Union Carbide and U. S. Steel.

To further stress the meaning of $35 billion I ask you to consider the following:

(1) That sum would pay for the construction of 5,000 new primary schools at an average cost of $2 million each, plus, the construction of 1,000 new high schools at an average cost of $10 million each, and still leave a balance in an amount that would endow 200 colleges with $75 million each.

(2) For the sum of $35 billion we could build 100,000 miles of new highways at an average cost of $350,000 a mile (and keep in mind the fact that our railroads were built at a cost of only $150,000 per mile and this includes all equipment, stations, etc.).

(3) The sum of $35 billion would pay for the cost of building 2 million new private homes at an average cost of $17,500 each and on a cash basis.

(4) The sum of $35 billion would make it possible to produce 10 million new automobiles at an average cost of $3,500 each, or on the other hand, place in the living rooms of 35 million individual families a new color television set valued at $1,000.

When broken down, the amount of $35 billion is equal to $1.60 for each $1.00 earned by all the corporations of the U. S. in 1956 and is equal to $2.90 per $1.00 of dividends paid by these same corporations.

Funded Debt

Against the $35 billion invested, the Class I Railroads have funded debt in the amount of $8.4 billion outstanding, capital stock issues totaling $6.8 billion, with total capitalization amounting to $15.2 billion.

The total debt structure of the railroads is just about equal to that of 25 of the largest public utility companies of this country when combined. Here are their names:

Consolidated Edison of New York, Detroit Edison, American Gas and Electric, Commonwealth Edison, Consumers Power, American Natural Gas, Baltimore Gas and Electric, Southern California Edison, Boston Edison, Florida Power and Light, El Paso Natural Gas, Central and Southwest Corp., Cleveland Electric Illuminating, Columbia Gas System, Duke Power, Duquesne Light, General Public Utility, Houston Light and Power, Illinois Power and Light, Middle South Utilities, Pacific Gas and Electric, New England Electric System, Niagara Mohawk Power, Northern States Power and Ohio Edison. This may surprise some; the railroad debt structure is nearly twice that of American Telephone.

Comparison

In 1956, the Class I railroads of the U. S. grossed operating revenues in the amount of $10.5 billion. This gross, as stated, was produced on the basis of a $35 billion investment. We listed 12 individual industrial corporations whose total gross investment was just about equal to the total railroad investment ($36 billion).

Yet one of these corporations alone in 1956, General Motors, grossed $10.8 billion. The comparison that follows is not offered in a spirit of criticism of General Motors, one of the great industrials of the world, nor of the profits made. The author is strongly in favor of the free enterprise system and the profit motive which stimulates it to function. Nevertheless the facts and figures

Continued on page 28

TABLE I

Comparison of National Economy 1956 vs. 1946
Statistical Factor (in Billions of Dollars)

No.		1946	1956	1956 in % of 1946
1.	Gross National Product	$209.3	$412.4	198%
2.	National Income	179.6	342.7	196
3.	Total Compensation to Employees	117.7	239.1	201
4.	Personal Consumption Expenditures	146.6	265.7	180
5.	Government Receipts	51.2	112.4	221
6.	Corporate Profits (Before Taxes)	22.6	43.7	193
7.	Corporate Taxes	9.1	22.0	242
8.	Corporate Profits (After Taxes)	13.5	21.7	160
9.	Corporate Dividend Payments	5.8	12.0	205
10.	Average of Above 9 Factors	72.8	149.2	200%
	VS.			
1.	Railway Freight Revenues	5.8	9.0	155%
2.	Railway Passenger Revenues	1.3	0.8	53
3.	Railway Total Operating Revenues	7.6	10.6	139
4.	Average Rate Per Ton Mile	0.978c	1.384c	141
5.	Average Rate Per Passenger Mile	1.947c	2.683c	137
6.	Average Revenue Per Ton	4.10	6.20	151
7.	Average Revenue Per Passenger	1.59	1.75	110

TABLE II

Class I Railroad Total Investment vs. Total Investment 12 Major Industrial Companies (Dec. 31, 1956)

No.	Company	Billions Invested
1.	Bethlehem Steel	$2.6
2.	E. I. du Pont	1.6
3.	Eastman Kodak	0.7
4.	General Electric	2.0
5.	General Motors	7.3
6.	International Nickel	0.7
7.	International Paper	1.0
8.	Sears Roebuck	0.8
9.	Standard Oil of California	2.8
10.	Standard Oil of New Jersey	8.7
11.	Union Carbide	1.7
12.	U. S. Steel	5.5
		$35.6
	Total 12 Companies as Shown	
	VS.	
	Total Class I Railroads of the United States	34.9

Fred Goth V.-P. of McKendrick, Haseltine

MINNEAPOLIS, Minn.—Fred S. Goth has become associated with McKendrick, Haseltine & Wilson,

Fred S. Goth

114 So. 9th St., Minneapolis, as Vice-President. Mr. Goth was formerly the Executive Vice-President of Irving J. Rice and Company, St. Paul, Minn.

$44,000,000 Issue of Los Angeles School Bonds Underwritten

A syndicate headed by Bank of America N. T. & S. A. and jointly managed by The Chase Manhattan Bank and Lehman Brothers is offering $44,000,000 City of Los Angeles, Calif. 4% school district bonds due Sept. 1, 1958-1982 at prices to yield from 2.80% to 3.90%. The group submitted a bid of 100.429% for the bonds, a net interest cost of 3.96% to the issuer.

Included in the offering syndicate are:

The First National City Bank of New York; Bankers Trust Company; Harriman Ripley & Co., Incorporated; Halsey, Stuart & Co. Inc.; Harris Trust and Savings Bank; Guaranty Trust Company of New York; J. P. Morgan & Co. Incorporated; Blyth & Co., Inc.; The First Boston Corporation; Smith, Barney & Co.; American Trust Company, San Francisco; Security-First National Bank, Los Angeles; California Bank, Los Angeles; Continental Illinois National Bank and Trust Company of Chicago.

Chemical Corn Exchange Bank; The Northern Trust Company; Weeden & Co. Incorporated; Lazard Freres & Co.; Blair & Co. Incorporated; Drexel & Co.; Phelps, Fenn & Co.; R. H. Moulton & Company; Kidder, Peabody & Co.; Glore, Forgan & Co.; Goldman, Sachs & Co.; C. J. Devine & Co.; Eastman Dillon, Union Securities & Co.

Merrill Lynch, Pierce, Fenner & Beane; Shields & Company; The First National Bank of Portland, Oregon; Paine, Webber, Jackson & Curtis; Seattle-First National Bank; Salomon Bros. & Hutzler; R. W. Pressprich & Co.; A. C. Allyn and Company, Incorporated; The Philadelphia National Bank; White, Weld & Co.; Equitable Securities Corporation; Stone & Webster Securities Corporation; Bear, Stearns & Co.; Dean Witter & Co.; William R. Staats & Co.; Mercantile Trust Company; Reynolds & Co.

Joins E. M. Adams

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Edward J. Kenney, Jr. is now affiliated with E. M. Adams & Co., American Bank Building.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Dexter Fairbank is now connected with Merrill Lynch, Pierce, Fenner & Beane, Wilcox Building. He was previously with Walston & Co., Inc.

Continued from page 27

Same Old Railroad Problem —Too Little and Too Late

speak for themselves and clearly point up the differences between the results of independent management and mis-regulated management. General Motors, whose management is able to keep costs and prices in line, in 1956 grossed $10.8 billion on a total gross investment of $7.3 billion or $1.48 per $1.00 invested, while the Class I railroads were regulated to the extent that permitted them to gross only $10.5 billion, only 33¢ per $1.00 invested. Summing up:

(1) Whereas General Motors paid out $894 million in taxes in 1956, the rails paid $1,121 million.

(2) General Motors made capital expenditures of $891 million; the rails expended $1,231 million.

(3) Net Income reported by General Motors was $847.4 million; by the rails $873.9 million.

(4) Dividend payments made by General Motors totaled $558.4 million; by the rails $444.9 million.

Summed up, the Class I railroads on an investment of $4.80 per $1.00 of General Motor's investment grossed slightly less than General Motors, paid out more in taxes, expended a larger amount for capital improvements, reported a slightly higher total of net income but paid out a smaller amount in dividends.

There is another consideration which must be stressed. In 1956 it was estimated that there were one million people employed by the Class I Railroads vs. only an estimated total of 500,000 employed by General Motors. The total cost for wages and salaries to the railroads in 1956 was $5.3 billion; to General Motors, the cost totaled an estimated $3 billion.

Only one conclusion can be drawn from study of these comparative statistics. The railroad contribution to the economic welfare of the nation exceeds by far that made by any single corporation, even including General Motors. But the reward for that contribution to the owners of the railroads has been niggardly.

Comparison Eastern Railroads vs. U. S. Steel

Our next comparison involves study of the "Eastern Railroads" and U. S. Steel.

Total assets of the Eastern railroad group were $15.1 billion against $5.5 billion for U. S. Steel. In 1956 the Eastern group grossed $4.7 billion against $4.2 billion for U S Steel. Whereas the Eastern group was able to gross 31¢ per dollar invested, U. S. Steel showed a gross of 77¢ per dollar invested. Tax payments made by the Eastern railroads were $470.5 million versus $331.0 million by Steel; net income after taxes, respectively, $340.3 million against $348.1 million; dividend payments $170.9 million against $146.6 million; capital expenditures $552.5 million versus $311.8 million; estimated average number of employees 500,000 against 300,000; estimated total cost for wages and salaries $2.4 billion against $1.6 billion.

Ton-Mile Rates vs. Price of Steel

Consider the following: In 1946 the price of steel averaged 2.67¢ per pound. In the same year the average ton-mile rate was 0.98¢; that rate representing 36.7% of the price of a pound of steel. Based on the latest figures, the price of a pound of steel is 5.97¢, the ton-mile rate 1.39¢; today the ton-mile rate is only 23.3% of the price of a pound of steel as against 36.7% in 1946.

In 1946 the average price of a ton of steel was $53.10, the railroad average per ton moved was $4.10, or 7.7% of the price of a ton of steel. Based on the latest figures, the price of a ton of steel is $119.40 up from $53.10 in 1946 or some $66.30 per ton, while the average rate received by the railroads today is $6.20 per ton moved, up from $4.10, or only $2.10 per ton increase. Whereas the price of moving a ton by our carriers in 1946 was 7.7% of the price of a ton of steel, today it represents only 5.2%.

We all realize that prices in general have advanced sharply since 1946, in many cases they have more than doubled. But not railroad freight rates. The carriers are required to pay their costs with $1.41 in terms of the 1946 dollar, whole practically every other business has available at least $2.00 for the same purpose.

1956 vs. 1946

To stress the changes in respective operating results as recorded for 1956 in comparison with the year 1946, I will submit a summary of such results. In this comparison 12 industrial companies are stacked up against 12 rail companies. In each case the companies compared are major in nature. (See Table attached to this study.)

In 1946, the 12 industrials grossed in the aggregate, $5.4 billion or $1.40 for each of the $3.9 billion grossed by the 12 rails. In 1956, the 12 industrials grossed $22.3 billion or 410% of their 1946 gross. In comparison, the 12 rails in 1956 grossed only $5.3 billion or 137% of their 1946 gross. Again whereas the industrials in 1946 grossed only $1.40 per $1.00 grossed by the rails, in 1956 the figure was $4.12 per railroad gross dollar.

Net income reported by the industrial group in 1946 was $500 million against $180 million earned by the rail group. In 1956 net income rose to $2,236 million for the industrial group while rail net increased to $483 million. In 1946, the industrial net was 272% of the rail net but in 1956, it had risen to 490%.

The preceding series of statistics opens up another avenue of thought. If the present Administration, the Congress or the Interstate Commerce Commission have any intention of making the railroad industry the whipping boy in the fight on inflation, now going on, they had better begin to look for another victim. The railroad industry made no contribution to the inflation witnessed over the past 10 years; on the contrary the industry has become one of the principal casualties of this trend.

The Problem Must Be Solved

It is clearly evident that the railroads, because of outdated and outmoded regulation, and unwise governmental policies which force them to complete on an unequal basis with other forms of transportation, have not been allowed to participate as they should in our growing economy. This despite the fact that a sound railroad industry is vital to this country both in times of peace and war. Railroad credit has deteriorated, its working capital has declined and it has either from earnings or otherwise, an insufficient ability to finance needed and projected capital expenditures. These in the form of equipment alone should run two or three times over the next few years what they have financed in the past five years. It is highly essential that Congress immediately take cognizance of this situation and develop sound policies to be followed in the future to preserve this industry which is so vital to our country.

It is obvious that some brand new approaches must be taken to this most serious problem threatening the basic economy of the country, and forward - looking James M. Symes, President of the Pennsylvania R.R. is to be congratulated on the courage and foresight which he has demonstrated in recognizing this problem by proposing such a constructive solution to part of the problem in the form of his proposed governmental railway equipment agency. In some cases this has been mistakenly branded as putting government into private enterprise and of giving subsidies to the railroad industry. Nothing could be further from the realistic

TABLE III

Class I Railroad Total Funded Debt Outstanding vs. Total Funded Debt of 25 Major Utility Companies (Dec. 31, 1956)

No.	Company	Millions in Funded Debt
1.	Consolidated Edison Company	$785.2
2.	Detroit Edison	415.0
3.	Southern California Edison	437.2
4.	Boston Edison	113.1
5.	American Gas & Electric	585.8
6.	Commonwealth Edison	671.2
7.	Consumers Power	293.2
8.	American Natural Gas	409.6
9.	Baltimore Gas & Electric	172.1
10.	Florida Power & Light	148.6
11.	El Paso Natural Gas	427.3
12.	Central & South West Corp.	251.7
13.	Cleveland Electric Illuminating	140.0
14.	Columbia Gas System	358.4
15.	Duke Power	185.0
16.	Duquesne Light Co.	162.4
17.	Gentral Public Utility	389.6
18.	Houston Lighting & Power	140.0
19.	Illinois Power & Light	151.1
20.	Middle South Utilities	290.3
21.	Pacific Gas & Electric	821.6
22.	New England Electric System	260.2
23.	Niagara Mohawk Power	416.5
24.	Northern States Power	187.0
25.	Ohio Edison	197.1
1.	Total 25 Major Public Utility Companies	$8,208.1
2.	Total Class I Railroads of the United States	$8,400.0
3.	Total American Telephone & Telegraph	$4,618.0

TABLE IV

Class I Railroads of U. S. vs. General Motors Year 1956

Statistical Denominator (in Millions)

No.		Class I Railroads	General Motors
1.	Total Assets or Investment (Gross)	$34,865.0	$7,335.4
2.	Gross Dollar Volume	10,550.9	10,796.0
3.	Tax Payments	1,121.3	894.0
4.	Net Income (After Taxes)	873.9	847.4
5.	Dividend Payments	444.9	558.4
6.	Capital Expenditures	1,231.3	891.0
7.	Est. Average No. of Employees	1.0	0.5
8.	Est. Total Pay Roll for Wages & Salaries	5,318.8	3,000.0
	Ratios		
1.	Total Assets Per Dollar of Gross	$3.30	$0.70
2.	Gross Dollar Volume Per Dollar of Assets	0.33	1.48
3.	Tax Payments Per Dollar of Gross	0.12	0.08
4.	Net ncome Per Dollar of Total Assets	0.03	0.11
5.	Capital Expenditures Per Dollar of Gross	0.12	0.08
6.	Wages & Salaries Per Dollar of Gross	0.50	0.28

TABLE V

Eastern Railroads vs. U. S. Steel Year 1956

Statistical Denominator (in Millions)

No.		Eastern Railroads	U. S. Steel
1.	Total Assets or Investment (Gross)	$15,136.0	$5,490.2
2.	Gross Dollar Volume	4,678.2	4,199.0
3.	Tax Payments	470.5	331.0
4.	Net Income (After Taxes)	340.3	348.1
5.	Dividend Payments	170.9	146.6
6.	Capital Expenditures	552.5	311.8
7.	Est. Average No. of Employees	0.5	0.3
8.	Est. Total Pay Roll for Wages & Salaries	$2,417.0	$1,550.0
	Ratios		
1.	Total Assets Per Dollar of Gross	$3.42	$1.31
2.	Gross Dollar Volume Per Dollar of Assets	0.31	0.77
3.	Tax Payments Per Dollar of Gross	0.10	0.08
4.	Net Income Per Dollar of Assets	0.023	0.063
5.	Capital Expenditures Per Dollar of Gross	0.12	0.074
6.	Wages & Salaries Per Dollar of Gross	0.51	0.39

TABLE VI

Steel Prices vs. Railroad Ton Mile and Ton Rates

Year	Price of Steel per Llb.	RR. Rev. per Ton Mile	% RR. Rev. per Ton Mile to Price of Steel	Year	Price of Steel per Ton	Average Rev. per RR. Ton	Rev. per Ton in % Steel per Ton
1946	2.67c	0.98	36.7%	1946	$53.10	$4.10	7.7%
1946	3.01	1.08		1947	60.20	4.43	
1948	3.43	1.25		1948	60.80	5.12	
1949	3.71	1.34		1949	74.20	5.57	
1950	3.86	1.33		1950	77.20	5.58	
1951	4.13	1.34	32.4	1951	82.60	5.66	6.7
1952	4.24	1.43		1952	84.80	6.16	
1953	4.52	1.45		1953	90.40	6.27	
1954	4.72	1.42		1954	94.40	6.19	
1955	4.97	1.37		1955	99.40	5.95	
1956	5.36	1.38		1956	107.20	6.20	
*1957	5.97	1.39	23.3	*1957	119.40	6.20	5.2

*Estimates.

truth. Actually Mr. Symes has incorporated in his plan the Administration's own principle that a user must pay the cost of services provided by the government. He has established it 100% and is to be applauded for so doing. There is not a single dollar of subsidy involved in his proposal; he merely realizes the railroad industry must find a new source of capital if it is to progress and put its house in order. The query also arises, if you do it for the railroads, why not for the air lines and the truckers? To this Mr. Symes promptly responds that if these industries are willing to forego subsidies and to adopt the principle of the user paying the costs, he would welcome them into the same plan. Such action on the part of all segments of the industry, in Mr. Symes' opinion, would go far to correct present evils and bring prosperity to the entire transportation industry.

Conclusion

We conclude with the premise that a 1.40¢ freight rate per ton-mile of 1956-1957 vs. 1946, is far too low and especially in consideration of the facts and figures herein presented. In terms of 1946—since the index to our national economy stands at 200%; costs of railroad operation at 190%, industrial gross at 410%, (12 companies), the writer offers a series of calculations of what he considers constitutes a reasonable ton-mile rate.

Spokesmen for the railroads get off on the wrong foot when they make their requests for rate increases in percentage of present rate structures which we reiterate are far too low. The average ton-mile rate today should be no less than 1.65¢. Applying that rate to the 677 billion ton-miles moved in 1956 would produce freight revenues of some $11 billion, an increase of around $2 billion over those grossed in 1956. Assuming an increase in operating expenses of 25% or $500 million, and an allowance of an additional $200 million for interest on new capital expenditures, a balance of $1.3 billion would be brought down to net before taxes. Splitting that balance with the Federal tax collector would show an increase in net income of approximately $600 million.

These calculations may raise a few eyebrows and some may ask the logical question, "can the national economy and industry in general absorb a freight bill increase of $2 billion as calculated?"

My personal answer to that question is as follows:

In 1946 the price of a ton of steel averaged $53. At this time, steel is priced at around $119 per ton, an increase of some $66 a ton since 1946. Applied to the estimated 1957 production of 115 million tons, that increase would mean a total increase of over $7½ billion in the steel bill over 1946, assuming production in both years was at the same rate. That increase of $7½ billion is 3.7 times the projection I have offered as a freight revenue increase. If our national economy and the users of steel can absorb that increase of $7½ billion, then the American public and industry can pay the much lesser $2 billion proposed increase in freight costs.

The Commission might keep in mind the old adage "Nero fiddled while Rome burned." In the past requests for rate increases have resulted in action that was always "too little and too late."

The recently announced freight rate increase once again points up this fact. The increase as granted is far "too little" and because of the long delay involved is "too late."

The railroad industry must continue to press for a more adequate rate structure. I have in my way, attempted to present the facts and figures necessary to confirm the need for more adequate rates.

Because of my many years' experience as a railroad security analyst, I am naturally aware of, and sympathetic to, the problems of railroad management. For the same reason I am often critical of the lack of industrial statesmanship needed to get together and work harmoniously for the common good.

Today, however, my concern is that of an American citizen. For the benefit of the current national economy, our current national defense program, and the future of the American way of life, people outside the railroad industry — legislators and opinion leaders — have got to be told the facts and convinced of the need for quick action to restore the railroads financial health because it may soon be too late.

TABLE VII
12 Industries vs. 12 Railroads

No.	Company	Net Sales (Millions) 1946	1956	No.	Company	Operating Revenues (Millions) 1946	1956
1.	General Motors	$1,962.5	$10,796.4	1.	Pennsylvania	$822.0	$991.4
2.	E. I. duPont	661.8	1,917.4	2.	Southern Pacific	484.5	678.3
3.	Bethlehem Steel	787.7	2,326.7	3.	New York Central	616.8	780.4
4.	Standard Oil of California	372.8	1,452.5	4.	Union Pacific	361.4	514.3
5.	Union Carbide	415.0	1,324.5	5.	Santa Fe	411.6	590.2
6.	Eastman Kodak	274.9	761.7	6.	Southern Railway	212.0	275.4
7.	International Nickel	133.1	444.7	7.	Chesapeake & Ohio	244.1	418.7
8.	International Paper	287.9	969.6	8.	Great Northern	167.4	280.5
9.	Johns-Manville	92.0	310.4	9.	"Nickel Plate"	95.6	124.6
10.	United Aircraft	120.6	952.9	10.	Atlantic Coast Line	126.1	166.6
11.	American Smelting & Refin.	154.2	592.9	11.	Louisville & Nashville	169.7	212.4
12.	American Cyanamid	179.0	500.7	12.	St. Paul	201.2	253.9
	Total 12 Companies	$5,441.5	$22,350.4		Total 12 Companies	$3,912.4	$5,286.7

1956 in % of 1946 = 410%.
Industrials in % of Rails: 1946 = 1.40% — 1956 = 4.12%.

1956 in % of 1946 = 137%.

No.	Company	Net Income (Millions) 1946	1956	No.	Company	Net Income (Millions) 1946	1956
1.	General Motors	$87.5	$847.4	1.	Pennsylvania	$1.7	$41.5
2.	E. I. duPont	112.6	383.4	2.	Southern Pacific	25.7	54.5
3.	Bethlehem Steel	41.7	161.4	3.	New York Central	*10.4	39.1
4.	Standard Oil of California	67.0	267.8	4.	Union Pacific	30.4	78.6
5.	Union Carbide	57.2	146.2	5.	Santa Fe	39.0	70.2
6.	Eastman Kodak	35.7	94.2	6.	Southern Railway	9.3	38.9
7.	International Nickel	29.7	96.3	7.	Chesapeake & Ohio	28.4	66.7
8.	International Paper	31.1	86.6	8.	Great Northern	23.5	32.2
9.	Johns-Manville	5.8	25.0	9.	"Nickel Plate"	9.4	16.3
10.	United Aircraft	6.1	37.1	10.	Atlantic Coast Line	5.5	11.8
11.	American Smelting & Refin.	15.7	39.8	11.	Louisville & Nashville	11.6	25.0
12.	American Cyanamid	8.7	44.2	12.	St. Paul	6.4	8.5
	Total 12 Companies	$489.8	$2,236.4		Total 12 Companies	$180.5	$483.3

1956 in % of 1946 = 419%.
Industrials in % of Rails: 1946 = 272% — 1956 = 490%.

1956 in % of 1946 = 230%. *Deficit.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The appointment of Robert J. Arnold as an Assistant Treasurer of **Manufacturers Trust Company, New York,** was announced on Aug. 9 by Horace C. Flanigan, Chairman of the Board.

Mr. Arnold came to the trust company in August 1955 and is assigned to the bank's out-of-town division, his territory embracing the State of Texas.

* * *

The board of directors of **American Trust Company, New York,** announced on Aug. 12 three elections.

Harvey L. Schwamm, heretofore a Director, was named Chairman of the Board. Theodore A. Davis, Jr. was made President and was elected a Director. He succeeds David H. G. Penny who was named Vice-Chairman of the Board, a newly created post. The elections of Mr. Davis and of Mr. Penny are effective Sept. 1.

Mr. Schwamm has been identified with American Trust Company, New York, and its predecessor, **Pan American Trust Co.,** for many years. Mr. Davis was formerly President of the **Pan American Bank of Miami.** He held that post for nine years. He served as a director of the Jacksonville branch of the Federal Reserve Bank of Atlanta. His term expired last year. Mr. Davis's early banking connections included **Bank of the Manhattan Company.**

Mr. Penny served as President of the trust company since January, 1956 and previously as a Vice-President. He was a Senior Vice-President of the **National Bank of Commerce** in the 1920's and with **Irving Trust Company's** foreign department.

Mr. Davis began his banking career as a bookkeeper. At the age of 23, he was made an officer and rose to the position of branch manager with **Bank of the Manhattan Company** three years later. Subsequently, he was a deputy supervisor of the bank's 50 branches in the loan division. Later, he moved to Florida and after serving as chief officer of various national and state banks, he became President of the then new **Pan American Bank of Miami.**

Mr. Penny looks back over a banking career extending well over half a century. He was a Vice-President of the **American Trust Co.** until he was elected President, January, 1956.

Mr. Penny has been a senior officer of **Irving Trust Company** and **National Bank of Commerce.**

* * *

Walter R. Bonn has been elected an Assistant Treasurer of **Dollar Savings Bank of the City of New York,** according to an announcement made on Aug. 13 by Robert M. Catharine, the bank's Chairman of the Board.

* * *

The **First National City Bank of New York** announced on Aug. 13 that Robert P. MacFadden, Vice-President, who has been in charge of the Bank's business in Canada, is moving his headquarters to London where he will be associated with Robert J. Breyfogle, Vice-President, in the supervision of the Bank's affairs in the United Kingdom. Mr. MacFadden will move to London on Oct. 1 and have direct supervision of the Bank's new Berkeley Square Branch at 17 Bruton St., London.

Carl W. Hayden, Vice-President, in charge of the Bank's branches and business in the United Kingdom, will retire on Oct. 1 and will be succeeded by Robert J. Breyfogle, Vice-President. Mr. Breyfogle has been Vice-President and Manager of the Bank's City Office at 117 Old Broad Street.

The Bank's Board of Directors on Aug. 13 appointed George L. Magruder as Manager of the City Office where he had formerly served as sub-manager.

* * *

The appointments of Kennedy Buell and Harry S. Craver as Vice-Presidents in the public utilities department of the **Chase Manhattan Bank New York** were announced on Aug. 7. Both officers joined the staff in 1928 and have been Assistant Vice-Presidents since 1953.

Other officers promoted were Robert B. Rivel in the financial planning department from Assistant Treasurer to Assistant Vice-President and Adam C. Heck from Assistant Treasurer to Assistant Controller.

* * *

Irving Trust Company New York announces the promotions of Hamilton Adams, Fred E. Borchert, Jr., Henry C. Farrand, John C. Kingman and Donald C. Sheldon to Assistant Vice-Presidents.

Messrs, Adams, Kingman and Sheldon are associated with the Bank's Empire State Branch Office; Mr. Farrand is associated with the Woolworth Branch Office and Mr. Borchert, Jr. with the Lexington Avenue Office.

In addition, Benjamin W. Brown, David J. Dowd, Robert H. Kaupe, Roger A. Olson, Ernest W. Reed and William D. Smith were named Assistant secretaries. These men are assigned to the Bank's various branch offices.

* * *

A merger certificate was issued July 31 by the Office of Comptroller of the Currency approving and making effective as of the close of business July 31, the merger of **The First National Bank and Trust Company of Camden, Camden, N. Y.,** with common stock of $100,000, into **The Oneida National Bank and Trust Company of Utica, Utica, N. Y.,** with common stock of $1,307,910. The merger was effected under the charter and title of "The Oneida National Bank and Trust Company of Utica."

At the effective date of merger, the receiving association will have capital stock of $1,397,910, divided into 139,791 shares of common stock of the par value of $10 each; surplus of $3,750,000; and undivided profits of not less than $1,151,671.47.

* * *

The First National Bank of Whippany, New Jersey increased its common capital stock from $250,000 to $350,000 by the sale of new stock effective July 30. (Number of shares outstanding—7,000 shares, par value $50.)

* * *

The common capital stock of **The Gettysburg National Bank, Gettysburg, Pa.,** was increased from $250,000 to $375,000 by a stock dividend and from $375,000 to $625,000 by the sale of new stock effective July 31. (Number of shares outstanding — 125,000 shares, par value $5.)

* * *

Paoli Bank, Paoli, Pa., and **Berwyn National Bank, Berwyn, Pa.,** merged under charter of Paoli Bank, and new title **Upper Main Line Bank,** with head office transferred to Berwyn, Pa.

* * *

A new office of **Mellon National Bank and Trust Company Pittsburgh, Pa.,** will open this fall in Harmony Township at 2712 Duss Avenue according to an announcement made on Aug. 13 by Frank R. Denton, Vice-Chairman of the Bank.

* * *

By a stock dividend, the common capital stock of **The First National Bank of Amarillo, Tex.,** was increased from $1,200,000 to $2,000,000 effective Aug. 1. (Number of shares outstanding—200,000 shares, par value $10.)

* * *

The United States National Bank of San Diego, Calif., increased its common capital stock from $2,887,500 to $3,000,000 by the sale of new stock effective July 31. (Number of shares outstanding—300,000 shares, par value $10.)

J. E. Larzeler With Irving Lundborg & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Joseph E. Larzeler has become associated with Irving Lundborg & Co., 310 Sansome Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Larzeler was formerly with William R. Staats & Co. and Irving H. Lee & Co.

W. E. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Thomas C. Haydock, Jr. has become connected with W. E. Hutton & Co., First National Bank Building.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Leon Sacks is with Goodbody & Co., National City East Sixth Building.

Green, Erb Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Richard O. Gaeckle is now affiliated with Green, Erb & Co., Inc., N. B. C. Building, members of the Midwest Stock Exchange.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — David L. Evans is with Paine, Webber, Jackson and Curtis, Huntington Bank Building.

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Stocks and Security

Washington was doing to stop "inflation." I told him what steps I thought were being taken and asked him whether he thought the farmers were in favor of lower wheat prices. He said that, of course, they were NOT. Like too many of us he wanted inflation for the products he sold and deflation for the products he bought. It is this spirit today which cries against what is loosely known as "tight money." The popular way of looking at only one side of a coin has always seemed strange to me. One wants to buy a new appliance on the installment plan. The down payment is bigger than expected and the interest rate is a shade higher. So, naturally, he must join the crowd and complain about tight and expensive money.

But what about the other side of the picture? What about the value of his or her son's college endowment policy? Or, his life insurance? Or, the value of the interest credit earned in his savings account? Believe me, if we could evaluate all of the pros and cons all of us would be for as sound a dollar as this troubled world would permit.

Security and Monetary Fluctuation

To achieve financial security in a troubled world, it is necessary to first allow for the fluctuating value of money. One certainly can't just ignore it. I feel it would be foolish to think that inflation is with us indefinitely. We would also lose by being perpetual pessimists and perpetual deflationists. In short, one either has to try to be as right as one can about the trend or, lacking the foresight, most of us will have to hedge.

Right now, so much publicity has been given to inflation that I think some should be given to the possibility of a reversal of the trend. Looking at a chart of wholesale prices, they were way up in 1814. After that, prices went down until about 1860 and then they flared up for five years and down again in 1896. Then came the sharp rise to 1919, followed by the break in prices to 1932. Since 1932, on an overall basis, prices have been increasing with only the most infinitesimal and minor interruptions. I have not consulted any historians but I am quite sure that in the three previous periods of high prices since 1800, a belief in the persistence of the trend probably was just as rampant as the belief largely held today.

War is a major cause of inflation. Once the time is reached when we have no war or threat of war, deflation is almost certain. The "cold war," which has been with us almost since the end of the last World War, has postponed and may continue to postpone any deflation. Thus, I feel that if in one's individual situation it is possible to personally consider these things or to have access to others who can, serious consideration should be given to a possible change in the direction of dollar value. If it is not possible to be in the position to attempt to forecast, then by all means don't be lulled into forgetting to hedge. We can all do it if we wish to pay the price of cutting down potential results, and I will discuss later what I think is the easiest way to hedge.

It is worth pointing out that the trends of individual commodities do not all follow this general pattern. We have had and have right now many individual markets characterized by lower prices. Some have been long-lasting — some brief. Inflation and political regulation have hurt the gold mines. The price of copper has plummeted from 46 cents a pound in 1956 to 29¼ cents a pound, and it remains soft. There are many other examples against the trend which could be cited for the generally rising price period of 1932-1957.

It is very elementary thinking to feel that the only change in the value of money comes from a change in its purchasing power.

There is another aspect about the value of money which I find rarely discussed. Money is usually thought of as a medium of exchange or a measure of value. It is the most convenient way of being paid for things and paying for things. It is also the most convenient way of storing surplus current earnings over current needs.

Its value, however, also changes with the relative availability of goods and services. Here in this country where there are few things one can't buy if one can pay for them, this possible lack of availability is rarely understood. But in many foreign countries shortages are a basic fact of life. Shortages have happened here and they can happen again.

Money loses value in times when rationing is imposed. The basic fundamental rationing of supply and demand is aided by an artificial rationing through coupons or other things that decrease the freedom of the flow of money. Alongside of the dollar earned or saved is the red or blue or green ration coupon allotted by other means.

Taxes and Money Value

Taxes also change and affect the value of money. As taxes increase money becomes less valuable. I am not thinking of income taxes but of spendable money, which is affected by various types of sales taxes. Most individual sales taxes in this country are concealed and today they add a large percentage to the purchase price of an article. Thus, the saver of many years ago who would not have had to pay these taxes had he spent his money then, has seen part of the value of his money disenfranchised. Other countries have the same high concealed taxes and also many other taxes which are very high and that are not as well concealed.

Finally, there is the personal factor which varies the value of the dollar to the individual. I think we can all understand without much effort why money beyond basic needs has a different value in both youth and old age. There is also a law of diminishing returns which works just the same with money as with everything else. The more one has of it, the less its value is appreciated. People who lack sufficient money find this difficult to believe but it is very true.

A variation of the personal factor is the unpredictable state of one's health in the future. Ill health in later years may force one to alter plans and may make savings quite valuable.

Usefulness of Spending

What this all adds up to as far as I am concerned is that it is important in looking for financial security in a troubled world to also pay attention to learning to spend money, as well as how to save it. Money is only useful when it is spent. If it remains as a credit in the bank for the inheritance tax collector to remove, I hardly think it is an example of financial security or intelligent planning. Here again we deal with a strictly individual factor—the difference between the person who in his youth or even later in life can plan intelligently and the one who can not. I can not give an overall answer here — I can only suggest the subject for consideration. The ideal for which to strive is a balance. It is taking away from a full enjoyment of life to oversave. Similarly, it is certainly unwise not to save enough and to be short of capital when an opportunity or emergency occurs. The intelligent ones should be able to figure this balance out. The others will have to fall back on the same hedging principle mentioned in connection with the varying purchasing power of money. One should sort of divide up his current budget and be thrifty and look to tomorrow with half of it. With the other half he can be something of a spendthrift and live for today. The object is not to overspend and constantly be short and thus become a dependent as one grows older. On the other hand, one should not be a miser or overly cautious man who saves everything for the day when he expects his ship to come in or when he expects to retire. Often the people will find that when the time comes they can not recognize it or can not change. Too often it is so late in life that the time for enjoyment has passed.

Years ago I went to Indo China and visited the most marvelous ruin in the world, the deserted city of Ankor Wat. The French hotel keeper there told me he had left his family in France years ago to take the higher paying job at Ankor. His idea was that in running a hotel his living would be free and he would save his salary for a blissful retirement in his homeland. The only trouble was that he saved his francs and the value of the franc dropped faster than his ability to add to his pile. So, in his case, inflation wrecked his financial plans. The sacrifice of his personal present for his future was in vain. His whole plan was out of balance in more ways than one.

I have seen the reverse of this situation with people I know who live so much in the present and up to their income that, when a chance came for the breadwinner to set out on his own and perhaps get a real profit and consequently a real future, he was not in the position to put up the capital or take the risk.

I have tried to follow the principle of looking ahead with some degree of success. We are all human and human abilities really can rank very low in the scale as measured against a theoretical par for the course. I can look back on policies I followed that worked out wonderfully well and I can look back on others that I would have altered had my foresight been as good as my hindsight. I know, however, that I did a lot better than I would have, had I never looked ahead at all.

My principles were somewhat governed by the times. In the days when I was growing up, well raised young men were taught only to spend income and never touch capital. So, I budgeted myself on the basis of building up capital and never spending in any one year more than 6% of my net worth. Of course, to begin with, that was 6% on more or less nothing. But as time went on the situation changed. Today I think the average young man thinks more of security. He looks for it to be supplied by the government or his employer or an inheritance rather than through his own efforts. Thus, he tends to spend not only his current income but with installment purchases he mortgages some of his future income as well. It is a way of life that must be the modern way because everybody seems to be doing it. I am probably old-fashioned but I think if ever an opportunity came along, this type of living would never provide the savings necessary for a person to be able to take advantage of it. I know that all of us have varying degrees of ability and that we all tend to reach differing levels beyond which our own intelligence can not lift us. My feeling is that before resigning oneself to any given income or administrative level, one should take a chance in his young years and flex his muscles to try and see how strong he is. It will be time enough after that to assess one's limitations.

This is one of the policies I think worked out in my case.

As I said before, I naturally also made mistakes. The whole theme of this talk is not to give the answer because no one knows the answer, but simply to plant the seeds for thought and personal individual consideration and decision.

Thus, to achieve financial security, one must learn how much to save and how much to spend and how each should be done.

Having discussed the generalities, it should be obvious that any well conceived financial program must combine offensive as well as defensive efforts for one's savings. Te defensive investments are fixed dollar investments such as cash, bonds, insurance, mortgages, etc. Here my advice can be given in one sentence. It is that one should not quibble with safety or liquidity for the sake of income. Liquidity and safety come from cash and bank deposits and relatively short-term or at least mixed maturity government or money rate bonds. In inflationary times such investments will decrease in value inevitably. I want to hold the decrease to that which occurs from a decrease in the purchasing power of money or an increase in money rates and not from a lack of liquidity. It is unproductive to attempt to seek a small increase in net income after taxes and risk an important loss of principal. Risks should be taken only when it is posible to balance a possible loss against a really important possible gain. Insurance should be sharply divided in one's calculations between insurance to cover loss and insurance as an investment. Investment insurance must be added to one's defensive portfolio of deflation hedges. Otherwise, one will have perhaps unknowingly an important imbalance in his affairs.

Advice on Tax-Exempts

I will say that for most people, buying tax-exempt bonds as a defensive investment requires more thought than just looking at the simple tables which compare tax-exempt income with income returns from taxable bonds. All of the tables that I have ever seen are directed to a person's thinking only of his top bracket when more often than not people should think of their average bracket. Everything can't come off the top. It is also important to weigh the market swings of long-term taxable bonds against their tax exempt income return.

Income (in the form of wages) from one's personal efforts is the first part of the offensive side of financial security. In a way this is tied up with the prosperity and growth of the country either if one is in business for himself or if one works for someone else. Earnings are generally larger if times are good. Although many without experience find it hard to believe, earnings will generally be less when times are bad.

Next in many cases comes the part of income generated by a business, which reflects the profits from a cash investment rather than from employment of time. This return on an equity investment is of course a truly offensive means to financial security.

Real Estate and Security

I'd like to turn to real estate as a means for financial security. While Bill Zeckendorf is going to talk to this forum at a later date about real estate, I have a hunch about what he is going to discuss from the title of his talk, "How Real Is Your Real Estate Today"? He told me not so long ago how valuable some real estate was today that my associates and I had owned for many years. It was a most realistic, precise and educational exposition. I probably will be thought of as prejudiced but sincerely I feel real estate even more than stocks is for the expert. It has wonderful possibilities as an offensive equity for the person who really knows what he is doing. It has tax advantages and collateral advantages currently denied to the stock market. However, it lacks other attributes possessed by stocks, perhaps the most important of which is liquidity. I just don't think it is for the "man on the street" in the way that a good investment trust can be good for him.

The legal definition of a home is that it is real estate. I, personally, prefer thinking of a home as being personal property rather than considering it an investment either offensive or defensive. A home is probably one of our most desired and treasured possessions. It is surely one of our important lifetime goals. People today, due primarily to our inflationary times, think of homes as an excellent investment against inflation. Rarely is the other side of the picture discussed, which includes the difficulty of converting a home into cash in hard times. I would prefer, as I said, to consider a home a personal possession like clothing, an automobile, a watch or a tennis racket. I realize that many people will want to tar and feather me but I think a home should be bought only when it can be afforded and rarely when it is a necessity. Believe it or not, I have heard people asked if they had any debt or owed any money. They answered, "No." Later, it developed that they did not think the mortgage and promissory note on their home was either a debt or meant owing anyone anything. There are many people who could have taken advantage of opportunities had it not been for the liability involved in home ownership. Those of them who realized the limitations I am sure could join me in talking about the value of the much despised "bundle of rent receipts."

I am not too old to remember that practically nothing had any value outside of hard cash between 1929 and 1932. Many people refer to this period as the time of the "stock market crash." To me, even as a native San Franciscan, this is like calling April 18, 1906 "the great San Francisco fire." Everything went down in the 1929-32 era, not just the stock market. The stock market was the whipping boy and received the publicity because it was the one place where one could get his money and what he could get was printed on the financial pages of every paper in the land. People who bought real estate mortgages found them under water, uncollectible and later their payment was postponed by legal moratorium. Even bank deposits were frozen for a while.

If one doesn't feel competent or willing to cope with having his affairs in gear with inflation or deflation, by all means as I said before, he should hedge.

What I mean by hedging is that investments should be split in half between defensive and offensive types. The best hedge for those who are not financially expert is to split investment funds equally between government bonds and equity type general investment trusts. This simple investment policy will be the nearest thing to thought-free protection against broad fluctuations one can receive. If one did this 10 years ago, the offensive half would now be worth a lot more and the defensive half would be worth a little less. So, it is only human to say I could have done much better if I had not hedged at all. In this respect hedging temporarily or seemingly costs money.

This, however, is assuming one was right. The cost of hedging is like the cost of an insurance policy. Naturally, one could have done much better by not paying the premiums on a fire policy if his house doesn't burn down. But suppose it does?

This brings us to common stocks, which is the subject of this talk and which I think are the best practical means of investment for one's offensive dollar or at least for a large part of it.

I have been accused of being inconsistent, so let me start by saying that one man's meat can easily be another man's poison. What I have to say is highly colored by my 35 years' experience. This experience was gained by being a stock broker for others and an investor for myself and has not been confined to what I happened to buy or sell or learned personally. It is also experience that comes from seeing what other people have been doing with investments—all kinds of people and all kinds of investments. If I were to tell how little the smallest investors I ever knew invested, everyone would probaly believe me. If I told how much I had seen invested, everyone probably would not. Nevertheless, I will mention one individual personal portfolio that I examined not so long ago. It was all in listed stocks and the market value was something like $35 million. What is more, I don't think the possessor of this portfolio had a dollar to his name in 1921. I know of bigger individual stockholdings than this but let's just compromise and agree that my experience covers many kinds of people with enormously varying abilities, with very different net worths and with a great variety of aims. There are also differences of the utmost investment importance which have to do with personality, courage, fear, greed, etc. Each one of these factors affects the net result of an investment sometimes much more than the net earnings per share or the dividend rate.

Let's start at the beginning and at the bottom and say that if a person does not know a great deal about stocks and does not know people from whom he can be very sure of real help, he should not flex his muscles. In this case, the stock portion of one's funds should be confined to the top-flight investment trusts. I could name them of course, but they are so well known that this would be superfluous. The big investment trusts give safe and secure average results. Do not discount this word "average" as meaning results not worth going after.

The next step above this would be to do something on one's own. I recommend if a person starts on his own, to begin with the obvious leaders. These would be the biggest, best known, most successful, most popular companies. Lists of these companies are easy to find and for that matter many of them are part of the popular Dow-Jones Averages. As a part of the general discussion of putting one's funds in trusts as against individual stock selection, it is important to first consider what might be gained and what might be lost and why. In order to make a comparison fairly understandable, I have calculated the results of investing $1,000 from the end of 1946 to date, a period of over ten years. The last ten years is in a sense a bad period to use as an example because it has been practically all fair weather. Thus, there is the danger that the tyro may think that the key to the last ten years is the same key that will unlock the next ten years. It could be but I personally doubt it very much. On the other hand, in the ten years before, namely, 1937 to 1946, we find the market started at a high spot in 1937—went down and later recovered, so that for several months in 1946 prices as measured by the Dow-Jones Industrial Average were back to the same level as had existed ten years before. Other averages may have given slightly different results, but broadly speaking this is true. However, for camparative purposes the period 1946 to date is probably just as good or better than the 1936-46 period because tax factors and government regulations, etc., are more up to date with factors as they exist today.

Comparative Performance

As an initial point of comparison let us divert for a moment and look at a government bond. An investment of about $1,000 in long-term U. S. Treasury 2½% Bonds due in 1967-72 made at the end of 1946, by the end of 1956 would have paid about $250 in interest and would be worth currently about $891, or a decrease of 13.5%. Taxes have not been deducted from this income. I am not taking into consideration the loss of purchasing power either but simply a dollar change.

An investment of $1,000 in Massachusetts Investors Trust, the largest in the world, made at the end of 1946 would now be worth over $2,500, an increase of 150%. Dividend income in the ten-year period would have totaled over $675. Capital gains distribution, which from a tax angle can be applied to reduce cost, would have amounted to another $185-plus. An important aspect of mutual funds which is rarely discussed is that the purchaser of an open-end type fund with large unrealized capital gains profits indirectly assumes part of the accrued tax liability. Some of the closed-end investment trusts have large unrealized losses or large tax loss carryovers which can ultimately work out to the benefit of the investor.

Actually, in the above discussion of the investment trusts and the long-term money rate bond, the trust did better because the period under comparison was an era of inflation. If it had been a time of deflation the story would have been different. Thus, the sole determinant here, as far as I am concerned, is the influence of the changing value of the dollar and related factors like interest rates. The comparison means absolutely nothing insofar as what might happen in the next ten years except to the person who feels sure he knows what is going to happen to the cost of living.

During this same ten-year period the Dow Industrial Average, which I suggested as a place to start to look for individual stock selection, was up 255%. What would have happened to the individual who was on his own to the extent that he confined himself to the big leaders and who rode through the whole period? Well, the determining factor here would of course first be his belief in inflation over the time covered. Without such a background his major stock selections would have been relatively unimportant.

Now if he was really the smartest man in the block he would have bought and held United Aircraft, which is one of the Dow Jones Industrials, which went up over 750%. In fact, 13 of the 30 stocks that made up the Dow-Jones Industrial Average did better than the Average. To name a few, duPont, up about 600%; Standard Oil of New Jersey, up about 445%; General Electric, up about 400%; General Motors, up about the same 400%; Standard Oil of California, up about 315%; and so forth.

Seventeen stocks did not do as well as the Average of which they are a part. Allied Chemical, for example, was up only 139%; Sears Roebuck was up only 126%. The worst was American Tobacco, off 9%. If my memory serves me right, however, in the 1929 decline, this stock went down a lot less than the Average. In fact, it actually went up and went higher than its 1929 high in 1930. American Tobacco was not always a non-volatile stock. From 1920 to 1929 it went from approximately 25 to over 130. An investment of $1,000 in the favorite stock of widows and orphans, American Telephone, made at the end of 1946 would have been worth about the same $1,000 ten years later. This shows no gain. Dividend income during the ten-year period would have amounted to $540 and while this stock is thought of as having a generous income, the income generated from the fund will look small when later compared to several industrial growth stocks. During this period the company also issued rights to subscribe to several issues of convertible debentures and stock. If the investor did not exercise these rights, he theoretically would have lost a portion of his ownership in the total property. In order to have exercised the rights, he would have had to put up additional capital. Considering the rights as having been sold at an average price in the market, they would have brought a total of about $118. For tax purposes, this can be applied to reduce the cost of the stock from $1,000 to $882, so one can then consider the $1,000 left at the end of the ten-year period as representing a 13% gain over the cost of the fund.

Other old favorites which fell behind the Averages in the period selected included Woolworth, up only 15%. Woolworth, it should be noted, was one of the great growth stocks of the pre-1929 era, advancing from about 6 to over 100 from 1919 to 1929. In fact, this is a good place to divert a moment and say that the great growth stocks of any decade are unlikely to be the great growth stocks of a subsequent period.

The Dividend Record

Dividends received by the Dow-Jones Industrial stocks varied. While I think the important point in investing for financial security is capital gains, I would like to discuss dividends for a moment. During this ten-year period, I have pointed out that American Telephone, which is commonly thought of as an income stock, paid $540 as dividend income. It might be interesting to note that Standard Oil of New Jersey on a similar $1,000 investment would have paid out over $1,100; General Motors, over $1,600; and General Electric, close to $950. At the time of purchase some of the yields on these stocks may have seemed low but to the foresighted investor they have proved very much worthwhile.

Now, I am trying to be practical, realistic and helpful. Some years ago a famed theatrical producer read my book and asked me to come up and talk to him about certain paragraphs he had marked. He wanted to know whether this or that might be practical. I told him in my case the practice came first and writing about it came after it.

Here I have to do a little educated guessing and I would just guess that in a practical way the average investor who bought a leader or a couple of leaders at the end of 1946 and sat with them would not have picked the right ones. If he bought several leaders, the more he bought the closer his results would have approximated the Average itself.

Of course, I want to mention in passing the dream stories and romances one hears talked about. There is a classic story about the man who in 1914 bought 100 shares of International Business Machines at a cost of $2,750 and subscribed to all rights up to 1925, making a total cost of $6,364. At the end of 1956, he would have had 4,987 shares of I.B.M. valued at $2,700,000 and would have received dividend income of over $200,000 during the period 1914 to 1956. Or, to bring this story in line with our comparison, $1,000 invested in International Business Machines at the end of 1946 would currently be up 1,150%, or worth almost $12,500. In my experience, these results are for the story books—not for real life. I guess people like this exist but if I ever meet one and have the chance to ask him a few questions I am sure I would find out that he also bought some other stocks prominent let's say in 1929 which have not seen daylight since. For example, although it is fairly difficult to compare today's prices of some of the utility holding companies with their 1929 highs because many of these financial empires have long since been split up, look at the Dow-Jones Utility Average. This Average sold at a high of 144 in 1929 and today is no higher than the lower 70's. Look at Consolidated Edison, which sold over 183 in 1929, and today is near 43; Radio Corporation of America with its 1929 high of close to 115, today is selling near 33; Montgomery Ward with a high of close to 79, today at 39. There are countless examples to illustrate this point. I would think that a mentality that would stick with a good thing would tend to stick with a bad one unless he was truly a genius.

Let's go a little further along in the statue of our imaginary investor. The first step was an investment trust. The second step buying the leaders. The third step should be to attempt to discriminate between the entire list of relatively recognized operating companies. There should be no promotional shares; with only a few exceptions, only dividend-paying shares and with a few exceptions, only shares listed on the Exchange.

Personally, I don't think the results would change very much, providing one just bought and sat. In this case, the problem is anticipating the poorer acting industries and avoiding them. Some of these since 1946 have been the hard and soft drinks, textiles, including carpets and rayon, sugar, tobacco, and air transport. As far as the latter is concerned, it is a safe bet the average investor would have thought it a remarkable growth industry 10 years ago. True, its gross revenues have grown but not its market price. The gross revenues of American Airlines increased from $68 million in 1946 to over $200 million in 1956; however, the current market price is within a point of its 1946 high.

What can be expected if an investor tried to discriminate and bought a more or less average stock and sat with it. A calculation of an average rate of growth for all stocks on a yearly basis would certainly be affected by the period selected. I think, however, it would be safe to say that over the past 20 years the average yearly appreciation for all stocks has been 9 or 10%. This does not take into consideration compounding either profits or dividends. An investment of $1,000 in a stock that grew 10% a year would be worth $2,000 in 10 years. After deducting a 25% capital gains tax, $1,750 would be left. Assuming an even better rate of growth of 25% a year, which would seem very generous, a $1,000 investment after 10 years would liquidate into $2,375 after taxes. By not compounding we can approximate the position of the investor who sits with his original investment over a period of time.

Of course, compounding dividends would make these figures considerably better. The trouble is most people who compound on paper forget the actual needs of everyday living and the needs of paying taxes on income even if it were available for reinvestment and compounding.

Basic Investment Philosophy

This all brings us closer to my philosophy of investment. It is a philosophy than can not be directed at the average man because it calls for above average attributes and above average aims. This, then, is for the man who thinks he can way outrun the average and wants to try.

I don't believe in sitting, and by this I mean over long periods of years. All stocks have their period of building where more often than not the seeds that are laid for the future do not show and to the extent that they do show, they are not understood. This means the market capitalization will be low. This is followed by a period of realization when earnings advance rapidly and a stock goes up. As the public begins to look, the price earnings ratio of the stock will go up also. Combine a rising general market with rising earnings and dividends and a rising price earnings ratio and the result is not a 10% gain or a 25% gain but a 100% gain and more. After the situation flowers, it naturally consolidates for a while—sometimes several years. The price rise more often than not is overdone and for a while a correction takes place. I feel the proper aim is to look for these realization periods. Surely if one thinks he can make 100% and is half right, he will make 50%. Do not think that 100% gains are confined to penny mining stocks or obscure atomic or uranium shares. The chances are that the 100% losses will be found in these departments. We have had 100% gains right along in top grade companies. For example, General Motors from 18 to 54 in about two years—as a matter of fact a 200% gain. Standard Oil of New Jersey from 1954 to 1955 moved from a low of 24 to a high of 51, a gain of over 100%.

If the more substantial gains can be realized within periods of *from six months to a year and a half, the investor will be able to* compound the profits and watch his bundle skyrocket.

When 50% a year is realized and compounded, then results really go up fast. The impossible feat of taking $1,000, turning it into $1,500 at the end of the first year, paying the tax, reinvesting the $1,375 left and compounding in this manner for 10 consecutive years would result in a fund worth over $24,000. It looks a little better to say start with $10,000 and end up with almost a quarter of a million. Uncompounded, the $10,000 with a 50% increase would be worth $47,500 after taxes, in 10 years.

The Difficulties

There are many reasons why it is very difficult to do this. Every year just is not favorable for such results. Also, one will not be right every time. Each time one is wrong creates an additional handicap to overcome. Probably one of the greatest bars will be the psychological limitation of staking larger and larger sums each time. On a $10,000 example, at the end of the ninth year one would have to invest over $175,000 in a limited number of situations. There are not many people who can start at $10,000 and advance to think of risking $175,000. However, my own experience is that if a person can not hit the bull's eye, he will come closer to it by adopting the point of view of trying to do the maximum. I believe in setting one's sights high. That's the important thing.

I think, too, that seeing ahead in the market or in business is no different than using one's eyes. A person can see better nearby than

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Stocks and Security

far away. When things are very far away only a telescope can help. And if its around the corner nothing can help. The same is true of life. It is easier to estimate what will be going on in the next hour than in the next day. And its easier to know the next day than the next week, and certainly easier to forecast the next month than the next year. So, I say change by trying to visualize situations. Try to stay with the live ones. One will do better as he goes along. Why stick with the first and perhaps kindergarten selection unless the situation really warrants it.

Actually, I would say that in the last 20 years there have been only five really bad years for the flexible, competent, professional full-time investor. Nineteen thirty-seven was a bad year. Others might include 1940, 1941, 1946 and 1953. There were about seven years where selectivity would have paid. There were about eight years where the situation was really favorable.

In some of these bad years good timing could have made them bonanza years. For example, a man who got out early in 1937 and got back in a year later and greatly increased his stock buying power. The number of shares he could purchase for a given number of dollars went up substantially. The reduction in the amount of capital to invest because of taxes paid on 1936 gains was more than offset by the cheaper prices at which shares could be bought.

I do not believe in diversification. Remember this also applies only to the above average investor — the professional or semi-professional or man with helpful professional connections.

I don't believe in diversification because of what I have seen. Every great fortune in America has been made on the one principle of putting all the eggs in one basket and watching the basket. As a matter of fact, the really great fortunes have been made by doing more than this— helping the basket, as it were. I also know that no individual alive can select a great many better than average situations at one time.

Art and Not Science

The art of knowing whether we are in an inflationary period or deflationary period or a bull or a bear market is not a science. I have seen geniuses who have known it but the methods of a genius whatever they are, are not generally consistent. They may hit it once and miss it the next time. The trained professional or the great research staffs who work on the best material that is available for economic and market forecasting have never logically and consistently forecast bull and bear markets in time to do something about them. To be safe and sure they will necessarily have to miss a good portion of the move.

On the other hand, the development of proficiency and success in the selection of individual securities has been mastered by many individuals who have put it into practical and profitable use.

Above all, however, I think that for any program for financial security to have above average results, a changing and flexible policy must be adopted. The aim of successful changing among stocks is to compound profits. I think I have proved that if this can be done the end results will more than justify the taxes that have to be paid along the line. Changing will also help to minimize mistakes. However, I think that it is even more important to consider changing as making a person more aware that he is inevitably affected by his position. He should be long stocks only if he is bullish and short or out of the market only if he is bearish. Sitting is no way to develop objective opinions and certainly no way to achieve the utmost financial security through common stocks.

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Canada's Mixed Economic Outlook

nomic development and of strategic considerations as well, we may have to give the pushing back of the northern frontier a considerably higher priority in our national policies than we have been accustomed to in the past.

So much for the long-range outlook. It would appear that we have good reason for confidence and the large investment decisions being made by people like yourselves are ample evidence that such confidence is sustaining and stimulating current business activity. But a good long-term prospect is not the only element in determining the state of the economy and there are times when it may seem to have a rather remote bearing upon it. The long-range picture which actually will develop will in fact be the result of a gradual accumulation of day-to-day and year-to-year changes and decisions reflecting the conditions and attitudes then prevailing. While we want to know if the long-range outlook is favorable, the great majority of business decisions must be made in relation to the present position and near-term prospects. Present earnings and the prospects for the next few years are the stuff out of which most business decisions are made. And this is the area of time in which we encounter our most practical and urgent problems.

Questions About Near-term Outlook

When we come to look at the near-term prospect today the picture appears to be considerably more confused than the longer-range outlook. It is true that we are enjoying a continued general state of prosperity. We are going ahead with the biggest capital investment program of our history —even bigger than last year's. Employment thus far in 1957 has been somewhat greater than in 1956 and incomes are considerably higher. But, at the same time, there are a number of weak spots in the economy and some other industries where demand is not keeping pace with productive capacity. There are also some rather pressing questions to which we do not yet appear to have clear answers. In the remainder of this discussion I propose to make a few comments about the near-term outlook and about the difficult problems which it poses in monetary and economic policy.

Will there be a business reaction on this continent in the next year or two? Is the boom running out of steam? There are no sure answers to these questions, but they are questions which we should not cease to ask. Up until a year or so ago, businessmen were asking themselves a good many questions about the outlook and this attitude of healthy skepticism did much to prevent excesses which might have got us into trouble. I don't think there is enough questioning going on today There is too much uncritical acceptance of the indefinite continuance of prosperity; there is too much acceptance of the idea that we are in an era of creeping inflation.

I we look at the present picture dispassionately, we can scarcely fail to find indications that the boom may be getting tired. The current period of expansion has after all been going on almost continuously since the end of the war, for over 10 years. In the process, our price structure and our capital values have adjusted themselves to the much increased money supply which had its origin in the war. Business is less liquid than it was and money has become tight. The accumulated backlogs of demand on the part of business and of consumers have been made good and, though there are still deficiencies of social capital such as roads and schools, our industry is well equipped and consumers better stocked than ever before with autos, household equipment and even housing. Defense outlays appear to have leveled out and the capital investment program also shows signs of leveling out though admittedly at a very high level. There has been some evidence of speculation particularly in the area of real estate values. The business picture while good in general is rather mixed with some industries operating at record levels and others having a certain amount of difficulty.

Canadian Picture Mixed

These comments apply to the broad North American environment. When we come to look specifically at Canada, the contrasts seem somewhat greater than in the United States. In the aggregate Canadian business is relatively more active than American. Our economy has been growing more rapidly than that of the United States and we have a relatively bigger capital expansion program. Yet there are a number of industries where problems have been arising. In some directions, export demand has slackened, the two industries most seriously affected being wheat and lumber. Indeed,, in this part of the country, you have the most striking contrast in the Canadian business picture, that between oil and gas on the one hand and wheat and lumber on the other. There has also been some easing in the pressure of demand on metals; prices of the traditional base metals have declined and even aluminum is in fairly ample supply. New housing starts are down considerably and some domestic industries, including those making household appliances, have found the market something less than satisfactory.

This, of course, does not add up to a recession. There remains the tremendous stimulus of the capital expansion program, especially of the number of big projects going ahead of which the two largest are the Trans-Canada Pipeline and the St. Lawrence Seaway. Consumer incomes are high and still rising. The level of employment is favorable. Behind our expansion there is the very considerable momentum of our growth and it seems altogether likely that this momentum is sufficient to maintain active conditions at least through this year and perhaps longer. But having said this, it should also be recognized that the upward trend has been chcked and that there is a distinct possibility that our business situation will become more mixed.

Dilemma of Monetary Policy

Any such analysis as this immediately raises one of the burning questions before us now, of how restrictive monetary and fiscal policies should be. On the one hand, it may be argued that with signs of easing in certain directions the money squeeze should be relaxed. Such arguments are frequently advanced and sometimes supported by the more general statement that money has been made too tight for a developing country. On the other hand it is still obvious that wage and other costs are rising considerably and that the atmosphere is inflationary in other respects. For example, despite the marked rise in interest rates, common stocks remain highly popular and many new bond issues are sweetened by selling them with stock or rights to buy stock. Many people are talking about creeping inflation, about the permanently inflationary environment, and of course it must be realized that if such views gained general currency, inflation would do more than creep. Thus, on the one hand, we face the risk that restraining policies might contribute to a downturn in business activity. On the other, we face the risk that relaxation might encourage inflationary excesses which could ultimately result in a more serious readjustment.

This is the dilemma facing our monetary authorities in Ottawa. In general it is the same problem which faces the American monetary authorities. In Canada, however, it is further complicated by the close connections which we have with the U. S. economy and by our relatively small size. I do not wish to suggest that these connections are not helpful to Canada. They most certainly are and have greatly facilitated our growth in recent years. But the fact remains that they complicate the Canadian problem of monetary management. Many companies operating in Canada are controlled or have close connections in the United States and this means that they have access to funds in the United States and are generally less affected by tight money in Canada than are many Canadian-owned concerns and particularly the smaller ones. There is nothing unreasonable about this and from many points of view it is a great advantage to be able to draw on American sources of capital as we do. But it creates a problem nevertheless, which may be quite difficult when money is as tight as it is at present. Another problem arising out of our connections in the United States is that tight money, through its quite remarkable power to attract funds across the border in times like the present, works to keep the exchange rate high. This in turn may have undesirable consequences on some of the export industries and on some of the domestic industries who find import competition accentuated.

Merely to state these problems does not suggest a solution. The dilemma is a real one and there is no simple answer to it. Whatever is done is likely to be wrong from one point of view or another. To state the problem, however, does indicate the limitations of monetary policy in a country like ours. One of these limitations is that we cannot without great strain and difficulty carry a policy of monetary restraint farther than the Americans. This is after all a developing country and, while few really want inflation and most are against it in general, we find it very difficult to do better than our American neighbors in combating it. Thus if the United States were to relax their tight money policy there would be strong reasons for moving in the same direction and at a similar rate in this country.

To put it another way our success in combating inflation depends in great measure on the success of the United States. Fortunately, the Americans appear to be doing a fairly good job in this department. However, if inflation were to gain serious headway in the United States, we should have an extremely difficult problem in this country and, to put it mildly, we should be faced with an "agonizing reappraisal" of our position and policies. Under such conditions, we should certainly have to consider the use of a much wider arsenal of economic weapons than those available in the sphere of monetary policy.

In conclusion, I do not apologize for airing problems of this kind. The long-range outlook is most encouraging but we shall never be free of economic problems and of problems which are a blend of the economic and political. This is one of the conditions of living in this world, and it is particularly a condition of life in a relatively small country which values its national identity living beside an economic giant. The more we face up to our problems and the more successful we are in reaching intelligent solutions, or more usually intelligent and workable compromises, the greater will be our progress toward the kind and size of economy to which we all look forward in 1980.

Coughlin Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Edward L. Edwards has been added to the staff of Coughlin & Company, Inc., Security Building.

Gerald B. Ryan With Cruttenden, Podesta Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Gerald B. Ryan has become associated with Cruttenden, Podesta & Co., 524 17th Street. Mr. Ryan was formerly with Walston & Co., Inc. and Dempsey-Tegeler & Co.

Joins Jonathan Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Leonard Geller has joined the staff of Jonathan & Co., 6399 Wilshire Boulevard.

With Kerr & Bell

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Earl L. Bald has become connected with Kerr & Bell, 210 West Seventh Street, members of the Pacific Coast Stock Exchange. He was previously with Akin-Lambert Co., Inc.

Two With Marlo

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Frederick L. Kolb and Victor A. Serra are now with Marlo Investments, 939 Oakridge Avenue.

Logan Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Ralph S. Stone has been added to the staff of J. Logan & Co., 721 East Union Street.

Elected Director

Rudolph H. Deetjen, senior partner of Emanuel, Deetjen & Co., investment banking firm, has been elected a director of Avco Manufacturing Corporation.

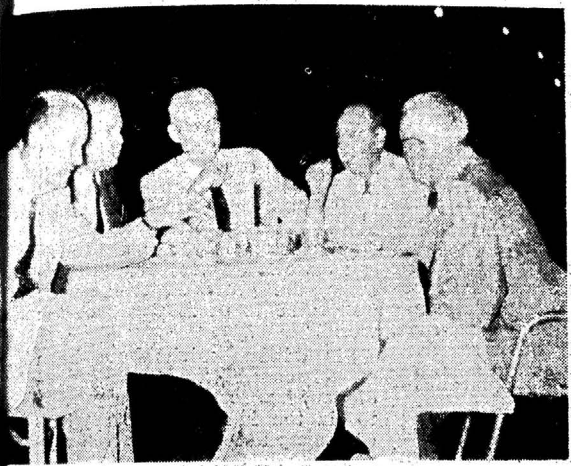
Form Edw. Lewis Co.

Edward Lewis Co., Inc. has been formed with offices at 50 Broadway, New York City, to engage in a securities business. Officers are Morton I. Binstock, President; Ida Gallup, Vice-President; and Sol Gallup, Secretary and Treasurer.

McCullough Eberhart Open

DALLAS, Texas—McCullough-Eberhart Investment Corp. has been formed with offices at 4015 Killion Drive to engage in a securities business. Officers are Lawrence E. McCullough, President; and Charles E. Eberhart, Secretary-Treasurer.

Bond Club of Denver—Rocky Mountain Group IBA Summer Outing







The Bond Club of Denver and Rocky Mountain Group of the Investment Bankers Association held their 23rd annual summer frolic and golf tournament Aug. 1 and 2, with over 300 members and guests in attendance.

Winners of the various sports events were:

GOLF—*Low net*, Robert Mitton, Robert L. Mitton Investments, Denver; Robert Baker, Don A. Chapin Co., Ft. Collins; and Robert Delaney, Boettcher and Company, Colorado Springs in a three-way tie. *Low gross*, Robert L. Mitton, first; Robert Baker, second. *Low team net*, William Buxton, Cruttenden, Podesta & Co., and Robert Delaney, first; Robert Baker, and John Hagerty, Mountain State Securities Corporation, tied for second place with Robert L. Mitton, and Jack Fuller, Boettcher and Company.

PUTTING—John Mackenzie, North American Securities Co., San Francisco, first; Myles Tallmadge, second.

HORSESHOES—Roy Sandberg, Boettcher and Company, first; Nicholas Truglio, Bosworth, Sullivan & Co., Inc., second.

Out-of-town guests attending the outing were:

Arthur Quinn, Quinn & Co., Albuquerque, N. Mex.; Charles White, Sanders Investment Co., Albuquerque; W. Robert Dubois, Stock Growers National Bank, Cheyenne, Wyo.; E. Ray Allen, E. Ray Allen & Co., Chicago; Robert Brinker, John Nuveen & Co.; Miles Pelikan, John Nuveen & Co., Chicago; Linus F. Greene, A. C. Allyn & Co., Chicago; Edde K. Hays, Central Republic Company, Chicago; Matthew J. Hickey III, Hickey & Co., Chicago; D. A. Keeler, Lord, Abbott & Co., Chicago; J. G. Parker, Lord, Abbott & Co., Chicago; Roy W. Michel, Salomon Brothers & Hutzler, Chicago; Lawrence W. Morgan, The Parker Corporation, Chicago; William J. Roberts, Glore, Forgan & Co., Chicago; Floyd Sanders, White, Weld & Co., Chicago; Robert J. Taaffe, Blyth & Co., Inc., Chicago; George B. Wendt, First National Bank, Chicago; Harry J. Wilson, Harry J. Wilson & Co., Chicago; Robert Delaney, Boettcher and Company, Colorado Springs; Thomas Moon, First National Bank, Colorado Springs; James F. Jacques, First Southwest Company, Dallas; Robert Temple, Keith Reid & Co., Dallas; M. W. Lambert, Harry W. Peters Co., Grand Junction, Colo.; Harry W. Peters, Harry W. Peters Co., Grand Junction, Colo.; John J. Bondank, Zahner and Company, Kansas City, Mo.; K. Stephen Brown, Barret, Fitch, North & Co., Kansas City, Mo.; Joseph M. Crowe, Luce, Thompson & Crowe, Inc., Kansas City, Mo.; Kenneth Thompson, Luce, Thompson & Crowe, Inc., Kansas City, Mo.; Joseph M. Luby, Commerce Trust Company, Kansas City, Mo.; Oscar F. Humble, First Trust Company, Lincoln, Neb.; E. M. Hunt, First Trust Company, Lincoln, Neb.; John C. Hecht, Dempsey-Tegeler & Co., Los Angeles; Marshall Barlow, Robert Schweser Co., Omaha; Charles Heider, Wacob-Bender Corp., Omaha; Benton Lee, Dean Witter & Co., Phoenix, Ariz.; John Mackenzie, North American Securities Co., San Francisco; Henry Dahlberg, J. A. Hogle & Co., Tucson, Ariz.; Wesley Keating, Small-Milburn Co., Wichita; Duane T. Smith, Small-Milburn Co., Wichita; and Kenneth Smith, Zahner & Company, Wichita.

The party was highlighted by two skits—one portraying a local municipal bond price meeting, and the other a typical trader's desk conversation. Participating in the municipal bond price meeting skit were Richard Burkhardt and Owen Moore of Boettcher and Company, Fred Wiesner and Jack Ormsbee of Kirchner, Ormsbee & Wiesner, Inc., and Bob Gerwin of Coughlin and Company. Bill Buxton of Cruttenden, Podesta & Co. handled the skit showing a typical trader's telephone conversation of local speculative securities.

Orville C. Neely, Merrill Lynch, Pierce, Fenner & Beane, President of the Bond Club of Denver, and Robert Kirchner, Kirchner, Ormsbee & Wiesner, Vice-President, were in charge of the outing.

Taken at the Bond Club-Rocky Mountain Group Dinner

Factors Affecting Bank Stock Prices Analyzed

Dividends, earnings, and book value the primary factors, National Bureau of Economic Research finds. David Durand reports rate of return high enough to support price above book value prerequisite to appeal as a growth stock.

Intensive statistical analysis of bank stock prices through an eight-year period indicates that dividends, earnings, and book value are the primary factors determining price. The location of the bank also makes a significant difference, but no other significant effects were found despite strenuous search. These are the major findings reported by David Durand in *Bank Stock Prices and the Bank Capital Problem*, published by the National Bureau of Economic Research.

The study was made as part of the National Bureau's Financial Research Program under the direction of R. J. Saulnier. Dr. Saulneir, now on leave from the National Bureau and Barnard College, Columbia University, to serve as Chairman of the Council of Economic Advisers, contributed the Introduction to Durand's report, discussing broad questions of the adequacy of bank capital and the relationship of the study to them. According to Dr. Saulnier, the study "sheds much new light on a critical economic problem in its analysis of factors influencing the availability of capital to banking institutions."

The study was aided by a grant to the National Bureau of Economic Research from the Association of Reserve City Bankers. The National Bureau is a private nonprofit organization devoted to gathering economic facts and interpreting them scientifically in the public interest.

Dr. Durand explored how modern statistical techniques—especially multiple regression—could throw light on bank capital problems.

Prices of New York Bank Stocks Governed Mainly by Book Value; Prices of Bank Stocks Outside New York Governed Mainly by Dividends

The results of the investigation varied greatly among six different groups of banks. Dividends were clearly the most important factor for a group of 25 large banks outside New York, he shows, and also for the northeastern and midwestern banks studied. But prices of New York City bank stocks were governed mainly by book value. Further applications of the techniques Dr. Durand develops may help security analysts to judge whether stocks are over- or under-priced and bank managements to gauge the effect of earnings level and dividend policy on their prospects in the capital market.

Cost of Equity Capital for Banks Found Difficult to Measure

The plan behind this work was to investigate the cost of equity capital for banks. The investigation showed that this concept is not only difficult to define, but virtually impossible to measure. Probably the most baffling problem of concept and measurement was posed by the growth of the bank. Dr. Durand expected that growth would exert a fairly obvious effect on bank stock prices, and he made several attempts to measure that effect. He concludes that the effect of growth is so small relative to book value, dividends, and earnings that it could not be measured.

Lacking positive empirical findings concerning the effect of growth on bank stock prices—and hence on the cost of bank equity capital—Dr. Durand examines the growth problem theoretically and concludes that a rate of return high enough to support a stock at something more than book value is almost essential to make that stock attractive as a growth stock.

Dr. Durand was a member of the National Bureau's research staff at the time of the study, and is now on the faculty of the Massachusetts Institute of Technology.

Mutual Funds Inv. Co.

LOUISVILLE, Ky.—Mutual Funds Investment Co. has been formed with offices at 1534 Bardstown Road to engage in a securities business. Officers are Stephen L. Swift, President and Dorothy W. Swift, Secretary-Treasurer. Mr. Swift was previously with Waddell & Reed, Inc.

Paynter & Co. Formed

ST. MORGAN, Colo.—Paynter & Co. has been formed with offices at 114 East Kiowa Avenue to engage in a securities business. Officers are Richard B. Paynter, President; Stanley B. Paynter, Vice-President; and H. R. Paynter, Secretary and Treasurer.

Forms Secs. Diversified

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Gerald M. Fine is engaging in a securities business from offices in the National Building under the firm name of Securities Diversified. Mr. Fine in the past was with Reynolds & Co.

Continued from first page

As We See It

until the great depression of the 'Thirties or perhaps until the emergence of the New Deal, notions of this sort had ever been so widely and so intensely held.

The fact is, of course, that the growth of the doctrine that it is a function of government to keep business going at top speed has tended to put a kind of pseudo-logical foundation under this attitude toward Federal Reserve policy. Plainly the idea that the Federal Reserve can control the rate of activity in business by turning the credit spigot on and off is in any event fallacious, but even if it could, the question would remain as to whether it should do anything of the sort. And that goes as well for government. It is really disheartening to find so many who should know better advocating this, that, or the other public action to stimulate lagging industries.

Hazardous Failure

Certain dangerous misconceptions, and a hazardous failure to recognize certain simple facts underlie all this sort of nonsense, and so long as these defects in popular thinking exist, we are more or less certain to have to contend with efforts to cajole central bank authorities and governmental agencies to take steps which can in the end only do harm to the economic system. One of the most pervasive of these false notions is that businessmen need to have "incentives" supplied by governmental action. The fact of the matter is that when that time comes, if it ever does, when the American businessman is not willing and ready to grasp any and every opportunity to earn an honest dollar by producing something that the people want and are willing to pay him a profit to produce—if that day ever comes the end of this country as a potent economic force in the world and of the American plane of living as we have known it will be at hand.

Banking, credit and money are to be regarded merely as instrumentalities to facilitate operations which have their origin and their incentives elsewhere. If they are viewed and used as anything else, they may or may not induce temporary activity here and there, but they can be counted upon to bring serious trouble in the end. Neither a bank nor the government does a businessman a good turn by dangling funds before him and thus persuading him to undertake ventures or to carry on activities that his own better judgment does not suggest to him. It certainly does not well serve a consumer by supplying him with funds on loan which he can not afford to borrow.

If evidence were required in support of such obvious truths, the present state of agriculture in this country should provide it. Farmers have for years been induced to produce what was not wanted by anyone at prices which cover cost of production and leave any profit at all for the producer. The result has not been any real enrichment of the farmer. Unduly easy and loose credit is in this case only one of the numerous ways that the politicians have devised to come to the aid of the embattled farmer, but it is an important element in this unfortunate situation, and in light of the results, it is not easy to understand how anyone can suppose that essentially the same type of program could do better elsewhere in the business community.

Action to be Avoided

If government wishes to do all that it can be expected to do to iron out the extremes of the so-called business cycle let it start by scrupulous avoidance of action likely to create conditions which must almost of necessity deteriorate into depressions at one time or another. One of the types of action to be avoided for this reason is precisely the use of easy credit and related tactics to induce developments which can not survive the necessity of existing without such special treatment. Inflations have regularly had the effect, among others, of bringing into being enlargements of industries or even new industries on a footing that could not support them.

It has always seemed a little strange to us that so many who would be the first to condemn government for interjecting itself into the affairs of private business are ready enough to demand action on the part of the Federal Reserve for their special benefit. For the banks to supply funds which should come only from the savings of the people is but another way of providing "purchasing power" without the production of goods or services which these additional dollars are certain to demand. Scarce or costly money normally is an indication of over-extension, and unduly abundant or cheap money should only come when business is too dull to make use of it. Interference with these natural forces by government or by central banks is dangerous.

We are badly in need of a vigorous revival of real Americanism in this country.

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Research Is Big Business

physical growth of industrial research is perhaps less important than its growth in responsibility and prestige. Once a rather mysterious activity carried out in a semi-academic atmosphere isolated from the routine operations of the company concerned, it has emerged into a new relationship which permits and requires it to function as a full partner in the integrated organization of the modern industrial corporation. With this new stature have come definite responsibilities comparable to those of the traditional functions of manufacturing, sales, and purchasing. It is no longer supported with the vague and pious hope that something exciting and important may develop some day in the distant future. Research programs must now be planned carefully far enough ahead to be able to supply management continually with the technological ammunition needed to anticipate and meet competition as and when it develops.

A Long Road

Industrial research has come a long way from the atmosphere of the lone inventor working in a garret, for in order to accomplish its objectives efficiently and effectively research-management must know all the details of its company's future plans and be in a position to evaluate at an early stage the technological feasibility of any proposed project.

Moreover sales and production management must know what is being developed in the laboratory so they can predict production costs and sales potentials. It has always struck me as rather strange that while a company would never think of authorizing the manufacture of products with no idea of whether they can be sold or not, it is not at all uncommon for a company to expect its research organization to develop new products or processes without having first determined whether they are worth promoting.

This, of course, is a problem of basic corporate communication, yet it is surprising that only in recent years has any concerted effort been made to solve it. Perhaps a partial reason for this was the lack of a common language. A research man was not expected to concern himself about production costs and sales volume, so he learned very little about these important items in a company's earnings statement. And a corporate balance sheet was often completely uncomprehensible to him. Conversely, an old timer in the sales department could have little interest in a new product, described in chemical shorthand. A word like 1, 1, 1-trichloro-2, 2-bis (p-chlorophenyl) ethane, for example, would discourage most laymen, even though they would recognize it immediately if called DDT, a commonly used insecticide.

Problems of this sort are freely discussed among companies that in all other respects are highly competitive, and it is somewhat refreshing to observe that while all of us recognize the necessity of doing something about it, no two proposed solutions are in any sense identical. The incentive to do something, however, is evident and it becomes more so as the costs of operating industrial research laboratories continue to spiral. Up to 70% of a typical research budget is required to cover direct salaries and wages of its personnel, and we are thus especially vulnerable to inflationary influences. Our only solution, common to many other segments of American industry, is to attempt to improve our efficiency and more important, perhaps our productivity.

I am convinced that the extent to which a company solves this integration problem, other things being equal, will be a determining factor in the success or failure of its research effort, and perhaps its corporate future as well. As a management group, you will recognize that this problem is by no means limited to industrial research, but a common objective remains—a balanced and informed team effort.

Organizational Balance Essential

This organizational balance is equally essential in the detailed planning and scheduling of work within a research laboratory itself. Research management must be sure that its collective efforts are distributed over a sufficiently broad area so as to cover adequately the technical requirements of all of its company's operating divisions and yet at the same time it must avoid the extreme breadth of technical diversification which might prevent any single project from being thoroughly evaluated and solved in a reasonable period of time. A proper balance among long range or basic research, offensive research and defensive research is, therefore, essential. Without such a balanced perspective, or with undue concentration on defensive or "crash" programs for instance, the research effort would probably not produce the background technology required to develop really important new products or processes for the future. On the other hand, emphasis on very long range research might very possibly lead to solution of important problems after our companies had gone out of existance.

An effective solution to this problem of proper balance in industrial research effort seems to me to have an important bearing on how far out we can push our technological frontier. A few definitions and examples might illustrate this.

Defensive or short range research might be defined as the continuing effort required to improve present product lines in order to protect or improve a competitive position. It might also be called "Keeping up with the Joneses" or "a minimum technological insurance policy". While usually not glamorous nor especially newsworthy, it is absolutely essential to any modern industrial company. A three or four year old radio, for example, built before the development of transistors has little current market value, and gasoline which was entirely adequate for 1950 cars could not be sold competitively today and we cannot be concerned with products alone. Manufacturing processes, too, must also be kept up to date to remain competitive. My own company learned this lesson very early in its career and I am citing this incident in some detail because it explains one of the reasons why we have placed so much emphasis on a broad research program over many years.

Sir William Crookes, an eminent British Scientist made an important address in London in 1898. Commenting on the dwindling reserves of naturally occurring nitrogen compounds essential for agriculture as well as many industries he said in part,

"The fixation of atmospheric nitrogen, therefore, is one of the great discoveries awaiting the ingenuity of chemists. It is certainly deeply important in its practical bearings on the future welfare and happiness of the civilized races of mankind. This unfulfilled problem . . . is vital to the progress of civilized humanity, and unless we can class it among certainties to come, the great Caucasian race will cease to be foremost in the world."

Sir William might have been entirely correct in this gloomy prediction, but fortunately a process to fix the inexhaustible supplies of atmospheric nitrogen was developed in Germany just about the turn of the century. This process resulted in the production of calcium cyanamide, a compound rich in nitrogen, and American Cyanamid Company was founded in 1907 to put it to work. A plant, built in Niagara Falls, Ontario, in order to tap inexpensive power supplies, was the first on the North American Continent to make synthetic nitrogen fertilizers available to farmers, and the founders had every reason to look forward to a bright future. Yet less than ten years later a famous German scientist, Fritz Haber, developed a direct catalytic process combining nitrogen from the air, and hydrogen from coke oven gases to produce ammonia. On a unit nitrogen basis this product could be manufactured at a cost that made it virtually impossible for calcium cyanamide to compete, and the new company was eventually faced with the alternative of abandoning its investment or finding new uses for its product.

Quest for New Uses Successful

Over the years continuing research for new uses has been quite successful, and in spite of greatly expanded capacity, the great majority of our cyanamide production now goes into a wide variety of useful and profitable chemical compounds entirely outside of the fertilizer market. Among these new products are Melamine, for a growing list of plastics and resins, intermediates for sulpha drugs, paper chemicals, insecticides, and synthetic fibers. This is one instance when near disaster was a blessing in disguise because the impelling necessity to explore new fields has ultimately resulted in what is now a widely diversified company selling over 6,000 different products. It has also taught us the dangers of complacency in a highly competitive industry and I don't imagine that we will permit ourselves to become so vulnerable to product or process obsolescence again.

But back to the problem of proper balance of research programs—the second important area of industrial laboratory responsibility might be defined as offensive or long-range research. This largely ignores the day-to-day problems of product and process improvement and concentrates its efforts on new products designed either to replace existing ones or to permit expansion into entirely new fields. This type of research in order to be successful requires both highly trained teams of creative scientists and a lot of patience on the part of its corporate backers, as there are many pitfalls which can quickly change a most promising laboratory discovery to a commercial failure, and only a very few long-range projects survive to maturity. The rewards for success, however, are enormous.

From this class of research have come most of the unexpected developments which have created entirely new industries and which have made America the strongest nation in the world. The electronics industry, for example, born during World War II, has already done much to improve the productivity and efficiency of both industry and agriculture. It is one of our principal hopes of solving the dilemma of a rapidly increasing population, fewer citizens of working age, and less land from which to feed them. The synthetic fiber and synthetic rubber industries produce superior products from readily available chemical intermediates and thus relieve us from periodic shortages and dependence on the vagaries of price and quality of natural products. The pharmaceutical industry has already reduced the mortality rate of many diseases to acceptable levels and has raised life expectancy to a point where a healthy male of 65 can now look forward to 14 further years of productive life.

There is little doubt that these success stories, plus many others, will persuade more and more industrial groups to place greater emphasis on long-range research, and this in turn should result in an ever increasing flow of new products. There is, therefore, good reason, assuming a generally favorable political and economic climate, to share the enthusiasm for our future experienced just last week by the Twentieth Century Fund. "The United States has not merely climbed to a new plateau," the statement said, "but is ascending heights whose upper level is not yet measurable and at an accelerated rate of speed."

There is little question that our present industrial research momentum, when added to known but as yet undeveloped discoveries in existing laboratories, can justify such optimistic projections on a short-range basis. However, many scientists are strangely conservative about guessing too far into the future. They are troubled, I believe, with doubts as to the vitality of the third essential partner in a balanced research organization—basic research.

Basic or fundamental research is simply an expression of man's intellectual curiosity—a desire to create new knowledge without regard to practical applications. The vast reservoir of this kind of knowledge about our world and its natural laws, accumulated over the centuries, has been the fountainhead of applied or industrial research. There is great risk that our emphasis on applied research has depleted this source of new knowledge to a dangerous level.

Historically, these basic studies have been concentrated in our academic institutions, and many of our most important industrial developments can be traced back to seemingly unrelated experiments conducted in university laboratories and reported in the scientific literature. The atomic bomb, for example, could never have been developed without the help of isolated bits of knowledge reported many years ago by academic scholars from all over the world. The present miracle of broad spectrum antibiotic drugs would also probably never have happened, except for the almost casual observation by a British professor that a mold isolated from bread inhibited bacterial growth on an agar plate. This man was interested only in extending his knowledge of mycology, not in solving medical problems.

Our universities in this country have in the past done their share to continually replenish this reservoir of basic knowledge, but during World War II, in marshalling all our resources, many of our top flight professors were enlisted in the defense of their country and assigned practical problems of immediate interest to our military forces. Thus, the pattern of unrestricted research was interrupted and we have never regained our pre-war momentum.

Industry's Dependence on Knowledge

Industry is now beginning to recognize its dependence on basic knowledge, and in its own self-interest has begun to spend more of its research time and money on programs entirely unrelated to practical problems.

A few of our larger companies have set up separate basic research departments staffed by a few of their more creative scientific minds with no restrictions on the areas of science they may explore. This will help, but we recognize that it isn't the final answer. Basic research flourishes best in a purely academic environment, an atmosphere and state of mind most difficult to reproduce in an industrial complex.

Our greatest hope for the future of basic research still lies in the universities and other independent research institutions—and there are encouraging signs. Industry's increasing support of outstanding scholars and research laboratories through grants-in-aid and restricted gifts is heartening. But it must continue to expand, if industrial research is to keep pace with the future needs of society.

And as industry broadens its support of basic research, it is of paramount importance that we avoid the risk of limiting the freedom essential to the academic scientist. There is a grave danger that financial support tied specifically to industry's own immediate self-interest, will reduce the nation's basic research effort to even more dangerous levels. Growing financial support from industry, free of self-serving restrictions, can perhaps help to restore the balance in our research effort essential to continuing technological progress.

From what I've said it is obvious that I am enthusiastic about the future of industrial research. I have also endeavored to identify some of the specific challenges research presents to business management. There can be no doubt that behind the research frontiers we survey today lies the promise of a future beyond the imagination of most of us. And if that promise is to be fulfilled, as I believe it will be, the management of American industry will deserve a large and essential share of the responsibility.

Bright Rail Prospects Forecast

Past railroad investment results justified the costs according to recently completed Republic Steel study which goes on to depict 1965 expectations of ten-year plan calling for capital expenditures of well over $10 billion.

In *U. S. A Tomorrow*, published recently by Republic Steel Corporation, which provides an insight into the promise of the future in several areas, an encouraging prospect is depicted for the railroad industry in the next ten years.

The book points out that "in the decade ending in 1955, the railroads invested $11 billion in capital improvements. With their money, they bought better rolling stock for freight hauling, lighter weight and more convenient passenger cars, improved track and control systems, and diesels to replace the steam locomotives.

"The results justified the cost. Although passenger miles showed a drop from 66.2 billion to 28.7 billion miles, freight ton-miles increased from 602 billion to 631 billion during the ten-year period.

"The rise in population and in general business, coupled with a ten-year plan calling for capital expenditures of well over $10 billion is expected to raise freight ton-miles to 880 billion, and perhaps to reverse the downtrend in passenger service, ending with an estimated 30 billion passenger miles by the end of 1965.

New Stock

"Dieselization and electrification of railroads is saving some $300 million a year in fuel costs and $400 million in repair bills. According to a recent study some 2,000 new diesel locomotives and 80,000 new freight cars will be installed each year through 1965. Terminals will be improved and expanded, and the number of automatic yards—which combine radar with computer control to handle marshaling operations—will be greatly increased.

"Terminal layover time will be shorter and road speeds will be greater. Rails will be longer, reducing the number of joints, and will be made of stronger, tougher steels. Maintenance will be further mechanized, and electronic communications devices will permit faster schedules with fewer interruptions, lower cost and a maximum of safety.

"Other technological changes are in the works throughout the systems—computers for cost accounting and automatic billing; television control for switching and spotting cars; robot train watchers; radioactive boxcars for preserving perishables, and improvements in over-all electronic control which bring "pushbutton railroading" one step nearer.

Passenger Trade

"Bidding for the passenger trade will be lighter, low-center trains for high-speed runs; high-level trains for long-haul journeys; improved arrangements for reservations and ticketing and the increased use of railway credit cards, similar to air travel cards, for firms and individuals.

"Still further in the future is the possibility of developing high-speed shuttle trains for commuter service. Whether monorail or conventional, diesel or electric, such trains, automatically controlled, may be the not-too-distant solution to the commuting problems of tomorrow's Suburbia. Such trains may reverse the downtrend in passenger traffic and ultimately relieve urban traffic congestion."

Customers' Brokers to Hold Election & Dinner

The Association of Customers' Brokers will hold their annual dinner and election of officers at Whyte's Restaurant, Thursday, Sept. 12. The business meeting will be held at 4:30 p.m., with cocktails at 5:30, and dinner at 6. Tariff of $10 includes dinner, one cocktail and all gratuities. Reservations should be made with Sam Minsky, Hardy & Co.

John K. Mills

John K. Mills passed away at the age of 77 following a brief illness. Mr. Mills was one of the founders of the New York Curb (now American Stock) Exchange, and had been in the investment business in New York City since 1901.

Hodnett & Woodson Open

MARTINSVILLE, Va.—Hodnett & Woodson, Inc. has been formed with offices at 25 Broad Street to engage in a securities business. Officers are Roy K. Hodnett, President; Fred V. Woodson, Jr., Vice-President; and Ralph E. Westervelt, Secretary and Treasurer. Mr. Westervelt and Mr. Woodson were previously associated with Rives S. Brown.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

For some months this space has taken a somewhat bearish stand on the fire-casualty insurance stocks. We believe that most "growth" portfolios of investors should carry some insurance stocks, for the industry is unquestionably a growth one. However, as in all industries there are all gradations of stocks so far as quality of management and growth are concerned.

Why, therefore, would it not be judicious, while the industry news is so unfavorable, to do some shifting of funds from the secondaries to the better grades?

The half-yearly reports that are now being issued give full justification for the lower prices at which even most blue ships in the insurance list are selling. A scattered few are satisfactory, but these are mostly specialty carriers that confine their operations to a relatively few profitable lines, and are in no sense among the large multiple-line companies.

One test of longer-term behavior lies in the shareholder's gain in equity over a number of years sufficient to cover at least two cycles in the underwriting portion of the insurance business. In this effort to bring out differences from company to company we have first determined the dollar differences in liquidating values for the period Dec. 31, 1946 to Dec. 31, 1956. Adjustments have been made for stock dividends and splits; and it is assumed that where rights to purchase additional shares have been offered, the privilege has been exercised. These dollar differences are then related to the liquidating values at the start of the period, and also to the price (adjusted) at the same date. This gives the proportionate gain in equity and the price performance as it relates to equity.

Many investors are more concerned with equity appreciation in insurance stocks than they are with dividend income. Of course, we all are aware that the income tax laws are responsible for this anomaly.

Now, there are pronounced differences between companies in this comparison, and for the insurance stock investor who favors equity growth, the guide posts are clear. And it may be pointed out that in almost every case where a company excels as an underwriter, its investment results are also good — a sequent of good management, of course.

Reference has been made to the reports now beginning to appear for the 1957 first half. For the multiple-line writers these, as they relate to statutory underwriting results, are generally very bad. Unless there is a decided improvement in the second six months, 1957 may well turn out to be a worse year than 1956. Investment operations are reasonably good, but statutory underwriting results will constitute a heavy offset. There appears to be plenty of time to buy insurance stocks.

Gain to Stockholders

	Increase in Liquidating Value 12/31/46-12/31/56	Ratio of Incr'se to 12/31/46: Liq. Value	Price
Aetna Fire	$38.01	55%	70%
Agricultural	26.56	72	110
American Ins. a	16.45	88	286
Bankers & Shippers	36.52	65	220
Boston Ins.	25.64	86	113
Continental Ins.	49.66	185	242
Federal Ins.	21.39	123	166
Fidelity Phenix	60.93	218	292
Fire Ass'n	33.01	77	113
Fireman's Fund	34.91	104	124
Firemen's Ins.	44.51	204	363
Glens Falls	24.78	93	108
Great American	40.22	143	241
Hanover Ins.	31.98	74	117
Hartford Fire	83.05	126	170
Home Ins.	36.77	89	160
Ins. Co. No. Amer.	69.35	220	250
National Fire	59.31	65	116
National Union	29.85	86	97
New Hampshire	37.19	78	85
Northern Ins.	92.82	273	403
North River	28.39	92	136
Pacific Fire	61.33	185	336
Phoenix Ins.	65.98	92	129
Prov. Washington	—12.57	--	--
St. Paul Fire	25.53	136	159
Security Ins.	19.15	41	69
Springfield	39.31	64	98
United States Fire	18.68	87	139
Westchester	23.28	97	143
Aetna Casualty	98.30	159	204
Amer. Re Insur.	20.78	97	143
Amer. Surety	6.13	31	42
Continental Cas.	40.75	259	336
Fidelity & Deposit	56.50	90	145
Mass. Bonding	7.32	18	23
Seaboard Sur.	49.00	132	194
U. S. Fid. & Gty.	47.48	166	162

a Includes American Automobile Insurance.

Public Utility Securities

By OWEN ELY

Fifth Avenue Coach Lines, Inc.

The transit industry, with some exceptions such as Fifth Avenue Coach, has been sick for many years—with a temporary respite during World War II — and the great majority of investors and analysts shy away from transit stocks as highly speculative. Yields of 7% to 13% are available and price-earnings ratios are generally on the low side as compared with other utility stocks. The industry's troubles are well known — constantly rising wage rates, resistance to increased fares by passengers using other forms of transportation, and slow progress in gaining relief from traffic jams and heavy local taxation. Basically, the problem is the same as that encountered by the railroads—the rapid increase in the use of automobiles.

As the result of sharp fluctuations in earnings resulting from lags in obtaining higher fares to offset increased wage rates, occasional strikes, etc., most companies in the industry have either been reorganized over the years with little or no funded debt, or have reduced debt by sinking funds and voluntary bond retirements, thus strengthening their balance sheet positions to absorb irregularities in earnings.

Fifth Avenue Coach Lines, Inc., formerly New York City Omnibus Corp., recently celebrated the fiftieth anniversary of motorized bus transit in New York. The company has made a determined and generally successful fight against the recurring difficulties of the industry. With the help of rate increases it about doubled its revenues in the postwar period, and is now doubling them again through acquisition of Surface Transit, Inc., the old Third Avenue System which came out of bankruptcy early this year. The combined company will have annual revenues of about $66 million.

In April this year the company announced that it was also negotiating with the New York City Transit Authority to acquire five City-operated bus routes in Manhattan. New Yorkers were recently surprised to learn that the City-owned buses had finally gotten "out of the red" and earned a $7,000 surplus. The "World Telegram and Sun" remarked editorially, that "one of the TA's jobs when it was set up was to prepare for the sale of the buses . . . and the TA still has an obligation to (do so)."

Fifth Avenue Coach earned over $4 on the common stock in 1937-39, and during the wartime period earnings fluctuated between $2.69 and $3.67. The years 1946-50 proved difficult with the company going rather heavily into the red in 1948 (its only year of loss operation). But beginning in 1951 increased fares finally restored share earnings to almost their previous level, and except for 1953 when earnings dropped to $1.47 the record of recent years has been favorable—particularly in 1956 when $3.47 was reported compared with $2.85 in the previous year. The dividend record has been spotty, since the company has chosen to make liberal payments when it could. Dividends were omitted entirely in 1948-50 and in 1953, but in other recent years either $2 or $2.50 has been paid.

Acquisition of Surface Transit is expected eventually to result in substantial operating economies and tax benefits, but for the time being these are apparently being offset by accounting changes and extra maintenance costs resulting from Fifth Avenue's higher operating standards. This was particularly true in the first quarter when expenses were increased $226,000 by the conservative policy of accruing vacation wages over the whole year instead of charging them during the vacation period. Some extra maintenance work is being done on the Third Avenue buses. Moreover, the company in the first four months was restricted by the Courts in making changes in operations of Third Avenue, which would have resulted in economies.

In the first six months net income for the combined companies was $1,326,630, equivalent to $1.50 on the increased number of shares (882,575) resulting from the acquisition of Third Avenue Transit. This figure compares with $1,131,909 for the same period last year; but while the latter includes Surface Transit figures they are not on a pro forma basis and therefore not comparable. On an operating basis the company did not do as well as last year, due to a slight shrinkage in revenues and an increase in operating expenses and local taxes. Thus gross income before interest charges and Federal income taxes declined by $1,035,000 or nearly one-third.

It seems reasonable to expect at least $3 a share for the year 1957. At the annual stockholders' meeting in May, President McCarthy stated that 1957 results might not equal the $3.47 earned last year, but that the company expected to maintain the regular 50c quarterly dividend, with the possibility of a year-end extra (last year 50c extra was paid). He also told the meeting that he expected the use of buses in Manhattan to increase sharply in the next five years as more restrictions are imposed on private automobiles. In the meantime, the company is "dressing up its buses" with new color schemes and new seating arrangements, and is experimenting with air-conditioning.

While Fifth Avenue hopes to benefit from the increased parking difficulties encountered by private passenger cars, it is also suffering to some extent from the experiments designed to increase the flow of traffic. Last year the company strongly opposed the Traffic Commissioner's plan to create additional one-way avenues in Manhattan, but nevertheless, this was put into effect in March. The company is hopeful that experience will prove the Commissioner wrong, and that instead the use of passenger cars in certain zones will be further restricted, or even prohibited as is being done in some cities. Setting up of a separate lane for the use of buses along the curb is being tried elsewhere.

The industry is slowly obtaining tax relief in many areas, and the precarious financial condition of many small bus companies has spotlighted the need for further relief. Fifth Avenue pays at least 15 kinds of taxes, and seemingly the most unwarranted of these are the straight "utilities taxes" imposed by New York City and New York State which aggregated 3% of revenues or about $2 million last year. A bill was passed by the Legislature to end the State tax but Governor Harriman did not sign it because (it is reported) provision for the loss of revenue had not been made in the budget. It seems probable that this legislation will eventually be passed, possibly in 1958. The 2% State tax (after adjusting for the reduction in Federal income taxes on Fifth Avenue's portion only) is equivalent to roughly $1 million or $1.13 a share.

Fifth Avenue's consolidated balance sheet is still a little difficult to interpret, until final merger adjustments are out of the way. Current position at the 1956 year-end showed about $10 million in current assets (principally cash and Government securities) compared with about $8.9 million current liabilities. However, the latter included some special items such as reorganization allowances and accrued vacation pay. Total long-term debt included $2,333,000 bank loans (secured by Surface Transit stock), $3 million first mortgage 6% bonds which are being amortized, and $1,327,000 equipment obligations. Common stock equity was carried at nearly $20 million, but this included an item of $8,177,000 of restricted surplus representing the amount reported as investment in capital stock of Surface Transit in excess of the latter's underlying book value.

The stock recently sold at around 24½ to yield 8.2% or 10.2% if the 50c year-end extra could be counted on. With earnings estimated around $3 the price-earnings ratio approximates eight times—about in line with stocks of bus companies with normal payout ratios such as Cincinnati Transit, Rochester Transit and National City Lines. Delayed merger benefits plus potential tax savings seem to afford interesting long-term possibilities, despite the steady erosion of earnings from regular wage increases, etc.

Ark. Secs. Formed

HOT SPRINGS, Ark. — The Arkansas Securities Corporation has been formed with offices at 233 Central Avenue to engage in a securities business. Officers are Russell N. Keith, President; Archibald E. Crow, Vice-President; and Nathan L. Schoenfeld, Secretary.

Form Davis & Humphreys

PARIS, Tex.—Dimple C. Davis and William J. Humphreys have formed the partnership of Davis & Humphreys to engage in a securities business from offices at 6th Northeast at Lamar.

Joins Boettcher Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — John L. Talbott has joined the staff of Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange. He was formerly with G. R. Harris Investments.

Continued from page 4

The State of Trade and Industry

48,943,000 barrels, compared with 44,598,000 barrels last year on the corresponding date.

The light types, including those used in the home, increased 5,093,000 barrels. At the end of the week they amounted to 169,526,000 barrels, nearly 21,000,000 above a year ago.

The oil industry's refineries stepped up their operations during the latest week. Runs averaged 7,936,000 barrels daily, a gain of 173,000 as compared with 7,964,000 barrels a day, a year ago.

Production of crude oil dipped. Daily runs averaged 6,843,350 barrels, down 78,650 barrels. Last year's rate was 7,065,450 barrels daily.

Manufacturing and trade sales for the month of June (on a seasonally adjusted basis) slipped slightly while inventories edged higher, the United States Department of Commerce currently reports.

Although stocks advanced to $90,800,000,000, up $200,000,000 from the previous month with seasonal factors taken into account, the agency noted the gain was considerably smaller than the monthly average increase of last year and somewhat below the monthly boosts earlier this year.

After adjustment for seasonal changes, total sales declined to $56,600,000,000 in June, off $200,000,000 from May, the department added. Manufacturing sales for both durable and non-durable goods went down for a total drop of $200,000,000 to $28,400,000,000 during the month. Wholesale sales also slipped a bit but retail volume increased, according to the report.

In the automotive industry, production which netted the 4,000,000th unit since Jan. 1 last week, shows no softening signs despite the approaching end of the 1957 model year assembly, "Ward's Automotive Reports" stated on Friday last.

Scheduled for the past week in United States plants were 120,908 passenger cars, marking a 1.3% rise from the preceding week's 119,323 and pointing towards a robust volume of 500,000 completions for the entire month of August.

Matched with dealer sales the booming production promises some unusual bargains for new car buyers in August, September and October, "Ward's" states.

Dealer new car inventories increased by 25,000 units during July, to a 43 day supply, putting the Aug. 1 count nearly 100,000 units above the year ago level. Apparently the auto makers feel that the retail demand "is there," the statistical agency said and some are showing unusual sales successes thus far.

Chrysler Corp. dealer new car sales jumped to 22.5% of the industry's total in July from 19.2% in June as their customer deliveries topped the 100,000-unit mark for the fifth straight month.

Reflecting a general businsss optimism, the Big Three auto makers scheduled five-day operations last week; the reporting agency said that a return to normal assembly at Mercury's Wayne, Mich. and Los Angeles plants, plus a rise in Buick-Pontiac-Oldsmobile programs, offset a week-long suspension in Detroit operations of De Soto.

Meanwhile, American Motors manufacturing remained idle due to the annual vacation and model changeover, reasons which will idle Studebaker-Packard Corp. the end of this week.

Truck production in the United States dipped to 18,722 the past week from 20,833 in the previous week due to an easing in output rates by Ford and International Harvester. Willys, meanwhile, marked off the second week of its three-week closedown.

Lumber shipments of 490 reporting mills ran 10.4% above production for the week ended Aug. 3, the National Lumber Manufacturers Association reports.

Output for the week was 0.5% above the week prior, while shipments stood 11.4% above the July 27 week. New orders for the latest week were 7.4% of production, compared with 5.2% the week before. Compared with the corresponding week in 1956, production for the Aug. 3 week was down 9.4% but shipments were ahead 6.2%. New orders trailed the year-ago mark by 11.1%.

The association also reported that national production of lumber for the first half of 1957 totaled 17,073,000,000 board feet, a drop of 9% from the similar period last year. June output of 2,934,000,000 board feet trailed the 1956 month's total by 11%. But, the association said, unfilled orders at the end of June were 6% greater than on June 30, 1956.

During June consumer installment credit outstanding rose $433,000,000 to about $32,344,000,000; the increase during June 1956 was $321,000,000. The most noticeable increases occurred in automobile paper and personal loans. At $28,500,000,000 in June, sales by manufacturers were 1% below those of May, but exceeded those of June a year ago by 4%. Manufacturers' new orders were somewhat below those of both the preceding month and June 1956. Much of the decline occurred in orders for transportation equipment.

Awards for heavy civil engineering construction contracts fell almost 26% last week, and were 4% less than a year ago, according to the "Engineering News Record." The most noticeable declines occurred in industrial building and private mass housing, offsetting increases in contracts for waterworks and sewers. Contracts for the first seven months of 1957 were 16% below the record set in the comparable 1956 period.

Steel Production Placed This Week at 81.9% of Ingot Capacity

A turning point in steelmaking operations is approaching, "Steel" magazine stated on Monday of the current week. Producers are hopeful that there will be a pickup in orders for September delivery.

Steel production, it added, is not as brisk as it was early this year, but it is steady, having hovered around 80% of capacity for six consecutive weeks.

In the week ended Aug. 11, the nation's steelmaking furnaces operated at 79% of capacity for the second consecutive week.

Yield was 2,022,000 net tons. Helping hold down output was a strike at the Great Lakes Steel Corp., Detroit.

The publication pointed out that steel orders will have to precede by several weeks the actual production that should cause a noticeable upturn in September.

Despite a slow summer, output for the first eight months of this year will total around 78,500,000 net tons or 2,600,000 tons above the output for the same period in 1955, the record steelmaking year.

The 1957 figure has been achieved in the face of slack demand from the automobile industry. Steelmakers still find automotive orders disappointing. Some orders for preliminary runs on 1958 models are developing, but large tonnages are not due until next month, this trade weekly reports.

Automakers' changeover plans indicate many of the 1958 models will reach the market in the last week of October and the first week of November. Present schedules call for introduction in this period of 15 of the industry's 19 makes.

In the farm implement industry, there is some strengthening of activity now that stocks of finished machines have been reduced. The appliance field continues to be marked with lethargy and stocks have not dropped to the point where ambitious production schedules are being planned. The construction industry has played a big part this year in taking up some of the slack stemming from other steel consuming groups, this trade paper states.

"Steel's" arithmetical composite on base prices of finished steel remained at $146.19 a net ton in the week ended Aug. 7. Its price composite on steelmaking scrap is at the lowest level since the first week of June. At $53.83 a gross ton, it is down 67 cents from the previous week, concludes this metalworking weekly.

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 81.9% of capacity for the week beginning Aug. 12, 1957, equivalent to 2,097,000 tons of ingot and steel for castings, as compared with 79.8% of capacity, and 2,043,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,459,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 79.3% and production 2,030,000 tons. A year ago the actual weekly production was placed at 2,154,000 tons or 87.5%.

The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Turned Lower the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 10, 1957, was estimated at 12,070,000,000 kwh., according to the Edison Electric Institute. Output the past week eased below the level of the previous period.

The past week's output declined 404,000,000 kwh., under that of the previous week; it rose 540,000,000 kwh., or 4.7% above the comparable 1956 week and 1,341,000,000 kwh. over the week ended Aug. 13, 1955.

Car Loadings Turned Fractionally Higher the Past Week

Loadings of revenue freight for the week ended Aug. 3, 1957, advanced by 4,304 cars, or 0.6% above the preceding week, the Association of American Railroads reports.

Loadings for the week ended Aug. 3, 1957, totaled 740.711 cars, an increase of 80,424 cars, or 12.2% above the corresponding 1956 week, when a nationwide steel strike was in its fifth and final week, but a decrease of 19,676 cars, or 2.6% lower than the corresponding week in 1955.

U. S. Automotive Output Showed a Mild Decline Last Week

Automotive output for the latest week ended Aug. 9, 1957, according to "Ward's Automotive Reports," registered a slightly lower trend a week ago.

Last week's car output totaled 120,908 units and compared with 119,323 (revised) in the previous week. The past week's production total of cars and trucks amounted to 139,630 units, or a loss of 526 units below that of the preceding week's output, states "Ward's."

Last week the agency reported there were 18,722 trucks made in the United States. This compared with 20,833 in the previous week and 19,493 a year ago.

Last week's car output rose above that of the previous week by 1,585 cars, while truck output declined by 2,111 vehicles during the week. In the corresponding week last year 108,167 cars and 19,493 trucks were assembled.

Business Failures Reversed Prior Week's Trend and Declined Moderately

Commercial and industrial failures declined to 265 in the week ended Aug. 8 from 281 in the preceding week, Dun & Bradstreet, Inc. reports. However, the toll exceeded considerably the 229 a year ago and 169 in 1955. For the second consecutive week, casualties remained above the prewar level of 252 in the comparable week of 1939.

Failures involving liabilities of $5,000 or more fell to 229 from 242 last week but continued well above the 190 a year ago. Small casualties under $5,000 dipped to 36 from 39 in both the previous week and the similar week of 1956. Nineteen of the failing businesses had liabilities in excess of $100,000 as compared with 15 in the preceding week.

Wholesale Food Price Index in Latest Period Extended Its Gains for Sixth Straight Week

Up for the sixth week in a row, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose 2 cents last week to stand at $6.39 on Aug. 6, a further new high since June 28, 1955, when it stood at $6.42. The current level marks a gain of 4.8% over the $6.10 a year ago.

Higher in wholesale price the past week were wheat, corn, rye, oats, hams, butter, milk, cocoa, potatoes, steers and hogs. Lower were flour, bellies, lard, sugar, coffee, cottonseed oil, eggs and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Advanced Slightly Further the Past Week

Price increases on livestock, flour and some grains helped boost the general commodity price level last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 294.91 on Aug. 5, compared with 294.40 a week earlier and with 291.47 on the comparable date a year ago.

Increased trading resulted in a moderate rise in wheat futures prices the past week. Wheat receipts at primary centers amounted to 17,110,000 bushels during the week, compared with 24,210,000 bushels a week earlier and 17,975,000 bushels a year ago. There was a slight decline in corn futures prices as buying activity slackened. Arrivals exceeded those of both the prior week and the comparable period last year. Stocks of corn in Chicago totaled 25,000,000 bushels, down slightly from the preceding week.

Prospects of a year-to-year decrease in the soybean harvest resulted in increased prices, but trading fell appreciably. Total purchases of soybean futures in Chicago the week before amounted to 104,828,000 bushels, compared with 162,103,000 bushels in the prior week and 78,870,000 bushels in the similar 1956 week. The daily volume of trade in all futures in Chicago averaged about 51,000,000 bushels.

Both spot and futures prices on cocoa fell somewhat last week as trading lagged. Warehouse stocks of cocoa in New York declined slightly to 351,576 bags during the week and were below the 430,275 bags a year ago. Total arrivals in the United States for the season to date amounted to 2,410,508 bags compared with 2,850,944 bags last year.

A slight decline in sugar prices was reported as trading slackened at the end of the week. There was a moderate rise in wholesale inventories. While coffee trading sagged, prices were close to those of a week earlier.

Continued light receipts and high trading boosted hog prices to the highest level in three years in Chicago. Hog receipts were the smallest for a week since August, 1954. A slight rise in prices on steers occurred, but lamb prices slipped fractionally. In contrast to the price rises on hogs, lard prices dipped somewhat. Lard stocks in Chicago totaled 39,677,113 pounds at the end of July compared with 39,646,516 pounds a month earlier and 84,185,956 pounds a year ago.

Reports on favorable weather conditions in growing areas resulted in a moderate decrease in cotton trading during the week and prices were below those of the prior week. The New York Cotton Exchange estimated that United States exports of cotton staple in the week ended last Tuesday totaled 130,000 bales, against 109,000 bales a week earlier and 33,000 bales in the comparable 1956 week. For the season through July 30 exports amounted to about 7,697,000 bales, compared with 2,215,000 bales in the similar period last year.

Trade Volume in Latest Week Held Close to Level of Similar Period in 1956

While total retail sales advanced somewhat during the week, they were close to those of the similar 1956 level. Numerous sales promotions encouraged consumer interest in boys' and girls' back-to-school apparel, while the call for children's Summer clothing slackened. Sales of both women's Summer and Fall apparel remained at a high level, and men shoppers stepped up their buying of Fall merchandise. Automobile dealers reported a moderate rise in volume in new and used passenger cars, and sales slightly exceeded those of last year. There was a slight year-to-year decline in purchases of major appliances, but interest in television sets equalled that of a year ago. Despite continued hot weather in many regions, volume in air conditioners slackened. Furniture stores reported a fractional rise in sales, with gains in bedroom suites and case goods.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 1% below to 3% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England and West South Central —2 to + 2: Middle Atlantic +1 to +5; East North Central, West North Central and Mountain 0 to +4; South Atlantic and East South Central —4 to 0; Pacific Coast —5 to —1%.

Attracted by showings in Chicago and Kansas City, buyers increased their purchases of upholstered chairs and occasional furniture. The volume was close to that of the comparable 1956 period. Wholesalers at the New England Curtain and Drapery Show in Boston reported moderate year-to-year gains in sales of better-priced merchandise. While orders for air conditioners slackened, the buying of television sets and automatic washers continued at the level of the prior week. There was another rise in purchases of women's Fall apparel, with noticeable gains in budget dresses, sweaters and skirts. Except for some scattered orders in print cloths, trading in cotton gray goods lagged. The call for industrial fabrics and man-made fibers was sustained at a high level. Food buyers were primarily interested in fresh meat, fresh produce, some dairy products and rice.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Aug. 3, 1957, declined 1% below the like period last year. In the preceding week, July 27, 1957, an increase of 4% was reported. For the four weeks ended Aug. 3, 1957, an increase of 3% was recorded. For the period Jan. 1, 1957 to Aug. 3, 1957, an increase of 2% was registered above that of 1956.

Retail trade sales volume in New York City the past week registered a 6 to 8% gain over the similar period a year ago.

Good weather and a better than normal response to white goods, ready-to-wear shoes and men's wear accounted for the good showing.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Aug. 3, 1957, increased 3% above that of the like period of last year. In the preceding week, July 27, 1957 an increase of 8% was reported. For the four weeks ending Aug. 3, 1957, an increase of 4% was registered. For the period of Jan. 1, 1957 to Aug. 3, 1957, the index recorded a rise of 4% above that of the corresponding period of 1956.

Continued from page 11

Issues Developed Before the Senate Finance Committee

rates through rigid price supports by the Federal Reserve. As indicated earlier, this policy would mean the acceptance of considerable inflation in return for lower interest rates.

(3) The third issue relates to the Treasury policy of consulting with market representatives. It has been suggested that this consultation before the issue of securities may cause the market to anticipate new rates and make upward adjustments beforehand. It is stated that the Treasury should make its own determination of appropriate rates and volume, presumably in secret. On the other side of this issue it has been shown that it is necessary to consult with a large number of people representing many different types of lenders in view of the large volume of financing which the Treasury must undertake. This policy, which has been followed for a considerable period of time, even before this Administration came into power, is correct so long as discretion is maintained and it is understood that the Treasury does not commit itself in advance to the acceptance of any particular suggestion.

Other

(1) Finally I note three other issues which I have put in a miscellaneous category, even though, on closer examination, they might be fitted into either of the two major categories I have just described. The first relates to housing and arises from claim that a reduction in housing starts has been a goal of this Administration. I must say that I was greatly impressed with the answer of Secretary Humphrey to this charge when he clearly defined the issue by pointing out that the reduction in housing starts is a response to the influence of the free market; and was not deliberately planned by anybody. As demand shifts, and interest rates on mortgages become competitive, funds will again move into the housing market.

(2) The second of my miscellaneous issues relates to the claim that corporations are somehow immoral if they set prices sufficient to secure a return which will provide funds to finance expansion. It seems to me that it should be self-evident that some portion of its income must be put aside by every corporation for expansion and renewal. All funds used for expansion (other than those secured from equity financing) must come out of income—whether it be from current income or from future income to repay borrowing.

(3) My third and final issue in this category relates to the claim that since the Federal Reserve took a substantial portion of the latest Treasury refunding, and since that refunding was at the rate of 4%, this must indicate that a constant increase in interest rates can be assumed for the foreseeable future. However, it is impossible to see how this conclusion can be drawn from those facts. Interest rates have always fluctuated considerably, even during the past few years, and there is no assurance that during the next few months they will be either higher or lower than they are today. This concludes my summary of the issues.

C. Byron Koerner

C. Byron Koerner passed away Aug. 12 at the age of 80 following an extended illness. Mr. Koerner was associated with the First Investors Corporation.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

● Allied Paper Corp., Chicago, Ill.
July 15 filed 21,000 shares of common stock (par $8) to be offered in exchange for outstanding common stock of Allied-Albany Paper Corp. on the basis of 5/22nd of a share of Allied stock for each share of Allied-Albany stock; offer to expire on Sept. 6. Statement effective Aug. 7.

★ Aloe (A. S.) Co., St. Louis, Mo.
Aug. 9 (letter of notification) 7,450 shares of common stock (par $5). **Price**—At market (estimated at $37 per share). **Proceeds**—To Estate of Edith R. Aloe, deceased. **Underwriters** — Newhard, Cook & Co. and Scherck, Richter Co., both of St. Louis, Mo.

● Alsco, Inc., Akron, Ohio (8/26)
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. **Underwrter**—Van Alstyne, Noel & Co., New York.

★ American Educators Life Insurance Co.
Aug. 5 (letter of notification) 142,500 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To go to capital stock account and surplus account. **Office**—4601 North Seventh Ave., Phoenix, Ariz. **Underwriter**—None.

American Income Fund, Inc., New York
May 24 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None. Burton H. Jackson is President. **Investment Adviser** — Securities Cycle Research Corp., New York.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

American Trailer Co., Washington, D. C.
July 11 (letter of notification) $120,000 of 10-year 6% first mortgage bonds (in denominations of $1,000 each), 120 warrants for common stock and 1,500 shares of common stock (no par). Each $1,000 bond has detachable warrants for 10 common shares at $15 per share exercisable at any time through June 30, 1959. **Price**—Of bonds, at par. **Proceeds** — For construction and improvements, payment of debts and working capital. **Office**—5020 Wisconsin Ave., Washington, D. C. **Underwriter**—Mackall & Coe, Washington, D. C.

Anchorage Gas & Oil Development Co., Inc.
July 24 (letter of notification) 160,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds** — For development of oil and gas properties. **Office** — 505 Barrow St., Anchorage, Alaska. **Underwriter**—Grace C. Tucker, 500 Wall St., Seattle, Wash.

Apache Oil Corp., Minneapolis, Minn.
July 22 filed 200 participating units in Apache Oil Program 1958. **Price**—$10,000 per unit. **Proceeds**—To acquire, develop and operate oil and gas leaseholds; and for other corporate purposes. Underwriter none; sales to be made through corporation and APA, Inc., its subsidiary.

Atlantic Refining Co. (8/20)
July 30 filed $100,000,000 of convertible subordinated debentures due Aug. 15, 1987. **Price**—To be supplied by amendment. **Proceeds** — To repay $81,000,000 of bank loans and for acquisition and development of production properties and for acquisition and improvement of refining, marketing and transportation facilities. **Underwriter**—Smith, Barney & Co., New York.

Bridgeview Towers Associates, Fort Lee, N. J.
July 25 filed $360,000 of participations in partnership interests. **Price**—$10,000 each participation (minimum). **Proceeds**—To buy an apartment building. **Underwriter**—None.

★ Broderick & Bascom Rope Co., St. Louis, Mo.
Aug. 12 (letter of notification) 20,000 shares of common stock (par $1). **Price**—At market (estimated at $13 per share). **Proceeds**—To Estate of Charles E. Bascom, deceased. **Underwriters**—McCormick & Co., Chicago, Ill.; Stifel, Nicolaus & Co., Inc., St. Louis, Mo.; and Schneider, Bernet & Hickman, Dallas, Texas.

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.

★ Calvert Drilling, Inc., Olney, Ill.
Aug. 13 filed 250,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To prepay bank debt and other indebtedness and for working capital and other general corporate purposes. **Underwriter**—W. E. Hutton & Co., Cincinnati, Ohio.

Cameron Industries, Inc., New York
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.

Caramba Mokafe Corp. of America
July 12 (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For machinery, equipment, inventory and working capital. **Office**—701 Monroe St., Hoboken, N. J. **Underwriter**—Garden State Securities, Hoboken, N. J.

● Carolina Natural Gas Corp. (8/21)
July 26 filed $1,600,000 first mortgage 6% bonds due Aug. 1, 1982, $800,000 6½ sinking fund subordinated debentures due Aug. 1, 1977, and 112,000 shares of common stock (par $1) to be offered in units of $100 of bonds, $50 of debentures and seven shares of stock. **Price**—To be supplied by amendment. **Proceeds**—For new construction, etc. **Office**—Hickory, N. C. **Underwriters**—Cruttenden, Podesta & Co., Chicago, Ill., and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

Celotex Corp. (8/19-20)
July 31 filed 150,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — For working capital and general corporate purposes. **Underwriters** — Hornblower & Weeks and Eastman Dillon, Union Securities & Co., both of New York.

★ Central Airlines, Inc.
July 29 (letter of notification) 105,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For payment of notes payable and to reduce trade accounts payable. **Office** — Meachem Field, Fort Worth, Tex. **Underwriter**—None.

★ Chatham Oil Producing Corp.
July 29 (letter of notification) 100,000 shares of 19 cent non-cumulative convertible first preferred stock (par 30 cents). **Price**—$3 per share. **Proceeds**—For oil development operations. **Office**—42 Broadway, New York 4, N. Y. **Underwriter**—G. F. Rothschild & Co., Inc., New York, N. Y.

Chess Uranium Corp. (8/20)
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.

Cincinnati & Suburban Bell Telephone Co. (9/3)
Aug. 2 filed 124,991 shares of capital stock to be offered for subscription by stockholders of record Aug. 27, 1957 on the basis of one new share for each 10 shares held; rights to expire on Oct. 3, 1957. **Price**—At par ($50 per share.) **Proceeds**—To reduce bank loans. **Underwriter**—None. American Telephone & Telegraph Co. owns approximately 30% of the outstanding capital stock.

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.

Coastal States Gas Producing Co. (8/20)
July 30 filed 150,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — Together with other funds, to purchase 150,659 shares of common stock from an estate for an aggregate amount of $1,054,613, and for working capital and other corporate purposes. **Underwriters** — Paine, Webber, Jackson & Curtis and Blair & Co. Incorporated, both of New York.

Colonial Aircraft Corp., Sanford, Me.
July 5 filed 248,132 shares of common stock (par 10¢). **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—Glick & Co., Inc., New York.

Comico Corp., Memphis, Tenn. (9/3-6)
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.

★ Commonwealth Income Fund, Inc.
Aug. 8 filed 500,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—San Francisco, Calif.

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 $1.32 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 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. Statement effective July 31.

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. **Offering**—Expected this month (July).

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.

● Dilbert's Quality Super Markets, Inc. (8/26-30)
Aug. 1 filed 180,000 shares of 7% cumulative first preferred stock (par $10) and 180,000 shares of common stock (par 10 cents) to be offered in units of one preferred and one common share. **Price**—$10.10 per unit. **Proceeds**—To acquire Big Ben Supermarkets; for equipment and merchandise for five new supermarkets; and for working capital and other corporate purposes. **Office**—Glendale, L. I., N. Y. **Underwriter**—S. D. Fuller & Co., New York.

★ Duke Power Co. (9/10)
Aug. 8 filed $50,000,000 of sinking fund debentures due Sept. 1, 1982. **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.

★ El Paso Natural Gas Co. (8/28)
Aug. 7 filed $60,000,000 convertible debentures due Sept. 1, 1977 to be offered for subscription by common and common B stockholders of record Aug. 26, 1957, with rights to expire on Sept. 11, 1957. **Price**—100% of principal amount. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—White, Weld & Co., New York.

★ El Paso Natural Gas Co. (8/28)
Aug. 7 filed 100,000 shares of cumulative preferred stock, second series of 1957 (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—White, Weld & Co., New York.

Electronic Research Associates, Inc. (8/19)
July 31 (letter of notification) 100,000 shares of Class A common stock (par 10 cents). **Price**—$3 per share. **Proceeds** — For acquisition or lease of plant, and for working capital, etc. **Office**—67 East Centre St., Nutley, N. J. **Underwriter**—Singer, Bean & Mackie, Inc., New York.

★ Empire Sun Valley Mining Corp., Jerome, Ida. (9/3)
Aug. 9 filed 340,000 shares of common stock, of which 200,000 shares are to be publicly offered at $3 per share and 140,000 shares to stockholders of Sun Valley Mining Corp. at $1 per share. **Proceeds**—For exploration and acquisition of mines; and for working capital. **Underwriter**—For public offer, John Sherry Co., New York.

★ Employers' Group Associates, Boston, Mass. (8/29)
Aug. 9 filed 88,761 shares of common stock (no par) to be offered for subscription by common stockholders of record about Aug. 28 on the basis of one new share for each four shares held, rights to expire on Sept. 17. **Price**—To be supplied by amendment. **Proceeds**—For formation of life insurance company, 51% of the voting stock of which will be owned by Employees & Group Associates and the remainder by The Employers' Liability Insurance Corp. Ltd. **Underwriter**—Morgan Stanley & Co., New York.

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 has become effective upon acceptance by holders of more than 86% of Colonial stock and will continue to and including Aug. 16, 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 National Life Insurance Co., Phoenix, Ariz.
July 29 filed 106,500 shares of common stock (par $4), of which 90,000 shares are to be offered publicly and 16,500 shares to employees pursuant to stock purchase options. **Price**—To public, $12 per share. **Proceeds**—For expansion and other corporate purposes. **Underwriter**—None.

★ First National Life Insurance Co. of Phoenix
July 29 (letter of notification) 25,000 shares of common stock (par $4). **Price** — $12 per share. **Proceeds** — For capital and surplus. **Office**—First National Life Bldg., 1230 E. Camelback Road, Phoenix, Ariz. **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.

★ Fruehauf Trailer Co.
Aug. 9 (letter of notification) 13,500 shares of common stock (par $1). **Price**—At market. **Proceeds**—To pay a 2% dividend of common stock to fractional shareholders. **Office**—10949 Harper Ave., Detroit 32, Mich. **Underwriter**—None.

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 Co. of California (8/27)
Aug. 7 filed 500,000 shares of cumulative preferred stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass.; and Mitchum, Jones & Templeton, Los Angeles, Calif.

● General Telephone Co. of the Southeast
July 18 filed 120,000 shares of 5.80% cumulative preferred stock (par $25), of which 92,120 shares are being offered in exchange for the following outstanding securities on a share-for-share basis, plus, in each case, cash equivalent to the redemption premium for each such share offered in exchange: 5½% and 6% cumulative preferred stocks of Durham Telephone Co., the 6% cumulative preferred stock of Georgia Continental Telephone Co., and the 5½% cumulative preferred stock of South Carolina Continental Telephone Co. and of Southern Continental Telephone Co. This offer will expire on Aug. 30, 1957. All shares not surrendered for exchange will be redeemed on Sept. 12, 1957. The remaining 27,880 shares are being offered to public at par and accrued dividends. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

Genie Craft 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.

Genung's Inc., Mount Vernon, N. Y. (8/19)
July 26 filed $500,000 of 6½% convertible debentures due 1977 and 20,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for increased inventories and other corporate purposes. **Underwriter**—P. W. Brooks & Co. Inc., New York.

Giant Petroleum Corp.
July 22 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To pay outstanding debt and for working capital. **Office**—225 East 46th St., New York, N. Y. **Underwriter**—A. G. Bellin Securities Corp., 52 Broadway, New York, N. Y.

● Gibbs Automatic Moulding Corp.
May 22 filed $1,000,000 of 6% convertible debentures due March 31, 1967. **Price**—At par. **Proceeds**—To increase company's activities and for working capital. **Office**—Henderson, Ky. **Underwriter**—Cook Enterprise, Inc., 111 S. 7th St., Terre Haute, Ind. Statement effective Aug. 7.

Great Lakes Natural Gas Corp.
July 15 filed 779,393 shares of common stock (par 50 cents) to be offered for subscription by common stockholders of Great Lakes Oil & Chemical Co. on basis of one-fourth share of Natural Gas stock for each share of Oil & Chemical stock. **Price**—$1.25 per share. **Proceeds**—For exploration costs, improvements, expansion, etc. **Office** — Los Angeles, Calif. **Underwriter** — Dempsey-Tegeler & Co., St. Louis, Mo.

★ Guaranty National Insurance Co.
July 23 (letter of notification) an undetermined number of shares of common stock (par $1) to be offered indirectly by Federal Investors, Inc., by offer of its own securities. **Proceeds**—For capital and surplus. **Office**—2185 Broadway, Denver 5, Colo. **Underwriter**—None.

★ Heat-Timer Corp.
Aug. 12 (letter of notification) 25,000 shares of common stock (par 20 cents). **Price**—$1.25 per share. **Proceeds**—For working capital. **Office** — 657 Broadway, New York 12, N. Y. **Underwriter**—None.

● Holiday Inns of America, Inc. (8/21-22)
July 26 filed 120,000 shares of common stock (par $1.50). **Price** — To be supplied by amendment. **Proceeds** — For working capital and for construction program. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

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NEW ISSUE CALENDAR

August 16 (Friday)
Two Guys From Harrison, Inc. — Class A Common
(Bache & Co.) 200,000 shares

August 19 (Monday)
Celotex Corp. — Common
(Hornblower & Weeks and Eastman Dillon, Union Securities & Co.) 150,000 shares
Electronic Research Associates, Inc. — Class A Com.
(Singer, Bean & Mackie, Inc.) $300,000
Genung's Inc. — Debentures
(P. W. Brooks & Co. Inc.) $500,000
Seminole Oil & Gas Corp. — Common
(Albert & Co., Inc.) $206,250
Walter (Jim) Corp. — Bonds & Common
(Carl M. Loeb, Rhoades & Co. and Prescott, Shepard & Co., Inc.) $2,425,000

August 20 (Tuesday)
Atlantic Refining Co. — Debentures
(Smith, Barney & Co.) $100,000,000
Chess Uranium Corp. — Common
(Jean R. Veditz Co., Inc.) $300,000
Coastal States Gas Producing Co. — Common
(Paine, Webber, Jackson & Curtis and Blair & Co. Incorporated) 150,000 shares
Holiday Inns of America, Inc. — Common
(Equitable Securities Corp.) 120,000 shares
Iowa Southern Utilities Co. — Bonds
(Bids noon CDT) $5,000,000
Narda Microwave Corp. — Common
(Milton D. Blauner & Co., Inc. and Michael G. Kletz & Co., Inc.) $270,000
Pacific Telephone & Telegraph Co. — Debentures
(Bids to be invited) $90,000,000

August 21 (Wednesday)
Carolina Natural Gas Corp. — Bonds, Debs. & Com.
(Cruttenden, Podesta & Co. and Odess, Martin & Herzberg, Inc.) $1,600,000 bonds, $800,000 debentures and 112,000 shares of stock

August 26 (Monday)
Alsco, Inc. — Common
(Van Alstyne, Noel & Co.) 200,000 shares
Dilbert's Quality Super Markets, Inc. — Preferred & Common
(S. D. Fuller & Co.) $1,813,000

August 27 (Tuesday)
General Telephone Co. of California — Preferred
(Paine, Webber, Jackson & Curtis and Mitchum Jones & Templeton) $10,000,000
Southern California Edison Co. — Bonds
(Bids 8:30 a. m. PDT) $40,000,000
Steel Improvement & Forge Co. — Common
(Fulton, Reid & Co., Inc.) 86,709 shares

August 28 (Wednesday)
El Paso Natural Gas Co. — Debentures
(White, Weld & Co.) $60,000,000
El Paso Natural Gas Co. — Preferred
(White, Weld & Co.) $10,000,000
Public Service Electric & Gas Co. — Bonds
(Bids 11 a.m. EDT) $60,000,000
Texota Oil Co. — Debentures
(Piper, Jaffray & Hopwood) $650,000
Walt Disney Productions — Common
(Goldman, Sachs & Co., Lehman Brothers and Kidder, Peabody & Co.) 400,000 shares

August 29 (Thursday)
Employers' Group Associates — Common
(Offering to stockholders—underwritten by Morgan Stanley & Co.) 88,761 shares
Hycalog, Inc. — Debentures
(Keith, Reed & Co., Inc.; Aetna Securities Corp.; and Roman & Johnson) $300,000
United Utilities, Inc. — Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.) 312,506 shares

August 31 (Saturday)
Pacific Telephone & Telegraph Co. — Common
(Offering to stockholders—no underwriting) 1,822,523 shares

September 3 (Tuesday)
Cincinnati & Suburban Telephone Co. — Common
(Offering to stockholders—no underwriting) 124,991 shares
Comico Corp. — Common
(Southeastern Securities Corp.) $1,500,000
Empire Sun Valley Mining Corp. — Common
(John Sherry Co.) $600,000
Northwestern Public Service Co. — Bonds
(Bids to be invited) $1,500,000
Quaker State Foods Corp. — Preferred
(Childs, Jefferies & Thorndike, Inc. and Syle & Co.) $91,540
Stratford (John G.) Film Corp. — Common
(Joseph Mandell Co.) $299,999

September 4 (Wednesday)
Louisville Gas & Electric Co. — Bonds
(Bids 10:30 a. m. CDT) $12,000,000
Westcoast Transmission Co., Ltd. — Debentures
(Eastman Dillon, Union Securities & Co.) $25,000,000

September 5 (Thursday)
Tampa Electric Co. — Bonds
(Bids 11 a.m. EDT) $18,000,000
Tampa Electric Co. — Common
(Offering to stockholders—underwritten by Stone & Webster Securities Corp.) 217,286 shares

September 10 (Tuesday)
Duke Power Co. — Bonds
(Bids to be invited) $50,000,000
Roach (Hal) Productions — Common
(S. D. Fuller & Co.) $1,125,000

September 11 (Wednesday)
New Jersey Bell Telephone Co. — Debentures
(Bids to be invited) $30,000,000

September 12 (Thursday)
Philadelphia Electric Co. — Bonds
(Bids to be invited) $40,000,000

September 16 (Monday)
New Haven Water Co. — Common
(Offering to stockholders—no underwriting) $3,000,000

September 17 (Tuesday)
Consolidated Natural Gas Co. — Debentures
(Bids 11:30 a.m. EDT) $30,000,000
General Tire & Rubber Co. — Debentures
(Kidder, Peabody & Co.) $12,000,000

September 18 (Wednesday)
Norfolk & Western Ry. — Equipment Trust Ctfs.
(Bids noon EDT) $4,260,000
Pacific Power & Light Co. — Bonds
(Bids to be invited) $20,000,000

September 23 (Monday)
Consumers Power Co. — Bonds
(Bids 11:30 a.m. EDT) $35,000,000

September 24 (Tuesday)
Niagara Mohawk Power Corp. — Bonds
(Bids to be invited) $40,000,000
Utah Power & Light Co. — Bonds
(Bids to be invited) $15,000,000
Utah Power & Light Co. — Common
(Bids to be invited) 400,000 shares

September 25 (Wednesday)
Northern Illinois Gas Co. — Bonds or Preferred
(Bids to be invited) $8,000,000 to $10,000,000

September 30 (Monday)
Gulf States Utilities Co. — Bonds
(Bids to be invited) $17,000,000

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 9 (Wednesday)
Public Service Co. of Indiana, Inc. — Bonds
(Bids to be invited) $30,000,000

October 16 (Wednesday)
Consumers Power Co. — Debentures
(Offering to common stockholders—bids noon EDT) $35,156,760

October 22 (Tuesday)
Consolidated Edison Co. of New York, Inc. — Bonds
(Bids 11 a.m. EDT) $50,000,000

October 29 (Tuesday)
American Telephone & Telegraph Co. — Debentures
(Bids to be invited) $250,000,000

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

December 10 (Tuesday)
Indiana & Michigan Electric Co. — Bonds
(Bids 11 a.m. EST) $20,000,000

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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.

● **Hycalog, Inc. (8/29)**
July 24 (letter of notification) $300,000 of 6¾% convertible debentures due Sept. 1, 1967. **Price**—99% of principal amount. **Proceeds**—To retire bank notes and to purchase equipment. **Office**—505 Aero Drive, Shreveport, La. **Underwriters**—Keith, Reed & Co., Inc., Dallas, Tex.; Aetna Securities Corp., New York, N. Y.; and Roman & Johnson, Fort Lauderdale, Fla.

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 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.

Iowa Southern Utilities Co. (8/20)
July 26 filed $5,000,000 of first mortgage bonds due Aug. 1, 1987. **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. **Bids**—Expected to be received up to noon (CDT) on Aug. 20. at Northern Trust Co., 50 So. La Salle St., Chicago 90, Ill.

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.

Janaf, Inc., Washington, D. C.
July 30 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—Par for debenture, plus $2 per share for each 10 shares of Stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None.

★ **Jupiter Oils Ltd.**
Aug. 5 (letter of notification) 100,000 shares of common stock (par 15 cents). **Price**—$3 per share. **Proceeds**—To repay bank loans and for working capital. **Business**—Oil and gas properties in Canada and United States. **Office**—350 Fifth Ave., New York, N. Y. **Underwriter**—None.

★ **Lourraine Coast, Inc., Belleville, Ill.**
Aug. 12 (letter of notification) 250,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital and other general corporate purposes. **Office**—1121 East B St., Belleville, Ill. **Underwriter**—None.

★ **Louisville Gas & Electric (9/4)**
Aug. 8 filed $12,000,000 of first mortgage bonds due Sept. 1, 1987. **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**—Scheduled to be received up to 10:30 a.m. (CDT) on Sept. 4.

Madison Improvement Corp., Madison, Wis.
July 29 filed 50,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital, etc. **Underwriter**—None. Henry Behnke is President.

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.

● **McDermott (J. Ray) & Co., Inc.**
July 18 filed $20,292,000 of 5% convertible subordinated debentures due Aug. 1, 1972, being offered for subscription by common stockholders of record Aug. 6, 1957 on the basis of $100 of debentures for each 10 common shares held; rights to expire on Aug. 20, 1957. **Price**—At 100% of principal amount.. **Proceeds**—For expansion of operations. **Underwriters**—Dominick & Dominick and Kidder, Peabody & Co., both of New York.

★ **Microveer, Inc.**
Aug. 6 (letter of notification) 47,500 shares of common stock. **Price**—At par ($4 per share). **Proceeds**—To purchase machinery and equipment and for working capital. **Office**—Calle Luisa 57, Santurce, Puerto Rico. **Underwriter**—None.

★ **Miracle Mining Corp.**
July 30 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For mining expenses. **Office**—710 S. Fourth St., Las Vegas, Nev. **Underwriter**—None.

Mississippi Valley Portland Cement Co.
Dec. 26, 1956 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.

Mon-O-Co Oil Corp., Billings, Mont.
July 11 filed 22,474 shares of class A common stock and 539,376 shares of class B common stock to be offered in units of one class A share and 24 class B shares, which shall not be separately transferable until May 1, 1960. Of the units, 14,474 are to be issued in exchange for or conversion of working interests in joint lease acreage operations, etc., and 8,000 are to be offered for subscription by existing stockholders, on a pro rata basis. **Price**—$75 per unit. **Proceeds**—For development and exploration costs, etc. **Underwriter**—None.

Montek Associates, Inc.
July 16 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To purchase additional electronic test equipment, shop machinery, and to increase working capital. **Office**—2604 South State St., Salt Lake City, Utah. **Underwriter**—D. Richard Moench & Co., Salt Lake City, Utah.

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.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

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.

● **Narda Microwave Corp. (8/20)**
July 30 (letter of notification) 90,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To retire bank loan and for equipment and working capital. **Underwriters** — Milton D. Blauner & Co., Inc., and Michael G. Kletz & Co., Inc., both of 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.

New Brunswick (Province of)
Dec. 14, 1956, filed $12,000,000 of 25-year sinking fund debentures due Jan. 1, 1982. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to The New Brunswick Electric Power Commission to repay bank loans. **Underwriter**—Halsey, Stuart & Co. Inc., New York and Chicago. **Offering**—Indefinitely postponed.

★ **New Haven Water Co., New Haven, Conn. (9/16)**
Aug. 9 filed 60,000 shares of common stock to be offered for subscription by common stockholders of record Sept. 16, 1957, on the basis of one new share for each three shares held. **Price**—At par ($50 per share). **Proceeds**—To reduce bank loans. **Underwriter**—None.

Northwestern Public Service Co (9/3-4)
Aug. 2 filed $1,500,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; A. C. Allyn & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received on Sept. 3 or Sept. 4.

★ **Nucleonics, Chemistry & Electronics Shares, Inc.**
Aug. 13 filed $7,500,000 of single investment and monthly investment plan certificates for accumulation of shares of this corporation. **Underwriter**—The First Southern Corp., Atlanta, Ga.

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.

Old American Life Co., Seattle, Wash.
July 22 filed 15,825 shares of class A stock (par $10) and 3,165 shares of common stock (par $10) to be offered in units of one common share and three class A shares. **Price**—$260 per unit. **Proceeds** — For working capital and other corporate purposes. **Underwriter**—None.

★ **Old Colony Finance Corp.**
Aug. 5 (letter of notification) 4,000 shares of common stock (par $1) to be offered at $2.25 per share; 400 shares of 6% cumulative preferred stock to be offered at par ($25 per share) and $31,000 of 6% subordinate debentures, due July 1, 1971, to be offered in denominations of $100, $500 and $1,000. **Proceeds** — For notes payable and working capital. **Office**—3219 Rhode Island Ave., Mt. Rainier, Md. **Underwriter**—None.

★ **Pacific Power & Light Co. (9/18)**
Aug. 13 filed $20,000,000 of first mortgage bonds due Sept. 1, 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Blyth & Co., Inc. and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on Sept. 18.

Pacific Telephone & Telegraph Co. (8/20)
July 26 filed $90,000,000 of 23-year debentures due Aug. 1, 1980. **Proceeds** — To repay advances from American Telephone & Telegraph Co., the parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—To be received at Room 2315, 195 Broadway, New York, N. Y., up to 11:30 a.m. (EDT) on Aug. 20.

Pacific Telephone & Telegraph Co. (8/31)
July 26 filed 1,822,523 shares of common stock to be offered for subscription by stockholders of record Aug. 28, 1957 on the basis of one new share for each six shares of common stock and/or preferred stock held; rights to expire Sept. 30. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent. **Underwriter**—None. American Telephone & Telegraph Co. owns 90.54% of the voting stock of Pacific T. & T. Co.

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.

● **Precision Transformer Corp.**
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. **Offering**—Expected in about a week or two.

Prudential Investment Corp. of South Carolina
Aug. 6 filed 750,000 shares of common stock. **Price**—$2.50 per share. **Proceeds**—For investment and general corporate purposes. **Office** — Columbia, S. C. **Underwriter**—None.

Public Service Electric & Gas Co. (8/28)
Aug. 1 filed $60,000,000 of first and refunding mortgage bonds due Sept. 1, 1987. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co., and Lehman Brothers (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 28.

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.

● **Quaker State Foods Corp. (9/3-6)**
July 29 (letter of notification) 9,154 shares of 7% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds** — To purchase machinery and equipment and for working capital. **Office**—131 Dahlem St., Pittsburgh, Pa. **Underwriter** — Childs, Jeffries & Thorndike, Inc., Boston, Mass.; and Syle & Co. of New York, N. Y.

★ **Ramapo Uranium Corp. (New York)**
Aug. 13 filed 125,000 shares of common stock (par one cent). **Price**—$5 per share (for each five shares purchased, buyer will receive one additional share as a bonus from certain principal stockholders). **Proceeds**—For exploration and development of properties and completion of a uranium concentrating pilot mill. **Underwriter**—None.

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.

★ Roach (Hal) Productions, Culver City, Calif. (9/10)
Aug. 8 filed 375,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For expansion of production of filmed television commercials and for working capital. **Business**—Produces films for television. **Underwriter**—S. D. Fuller & Co., New York.

Rose Records, Inc.
July 22 (letter of notification) 11,022 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—705 South Husband St., Stillwater, Okla. **Underwriter**—Richard B. Burns Securities Agency, Stillwater, Okla.

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.

St. Paul Fire & Marine Insurance Co.
June 25 filed 417,000 shares of capital stock (par $6.25) being 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 conditioned upon acceptance by holders of not less than 240,000 shares (80%) of the outstanding Western stock. This offer will expire on Sept. 26, unless extended. **Exchange Agent**—First National Bank & Trust Co., Helena, Mont.

★ Scottsbluff Packing Co., Scottsbluff, Neb.
July 30 (letter of notification) $255,000 of 6% 10-year debentures in varying amounts. **Price**—At par. **Proceeds**—To purchase Scottsbluff Rendering Co. of Scottsbluff, Neb., and for construction and equipment. **Underwriter**—None.

● Seminole Oil & Gas Corp., Tulsa, Okla. (8/19)
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
July 18 filed $4,000,000 of nine-month 8% funding notes. **Price**—At par (in denominations of $100 each). **Proceeds**—For working capital and other corporate purposes. **Underwriter**—Sire Plan Portfolios, Inc., New York.

Southern California Edison Co. (8/27)
Aug. 5 filed $40,000,000 of first and refunding mortgage bonds, series J, due 1982. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Dean Witter & Co. (jointly); Blyth & Co., Inc.; Kuhn, Loeb & Co. **Bids**—Expected to be received up to 8:30 a.m. (PDT) on Aug. 27.

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.

★ Stanley Drug Products, Inc.
July 29 (letter of notification) 1,000 shares of 6% preferred stock and 4,000 shares of common stock (no par). **Price**—Of preferred stock, at par ($100 per share); and of common stock, $25 per share. **Proceeds**—For expansion and working capital. **Office**—934 N. E. 25th Ave., Portland 8, Ore. **Underwriter**—None.

● Steadman Investment Fund, Inc.
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. Statement effective July 24.

● Steel Improvement & Forge Co. (8/27)
Aug. 6 filed 86,709 shares of common stock (par $1), of which 60,000 shares are to be sold for account of company and 26,709 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures, payment of debt of subsidiary and for working capital. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland, Ohio.

Stratford (John G.) Film Corp. (9/3-6)
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.

Syntex Corp. (Republic of Panama)
July 24 filed 1,165,750 shares of common stock (par $2) to be offered for subscription by common stockholders of Ogden Corp. on the basis of one new share for each four shares held and to holders of options on the basis of one share for each option to purchase four shares of Ogden common stock; unsubscribed shares to be offered to certain employees and officers. **Price**—$2 per share. **Proceeds**—To pay outstanding obligations to Ogden Corp. **Underwriter**—None.

Tampa Electric Co. (9/5)
Aug. 2 filed $18,000,000 of first mortgage bonds due July 1, 1987. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Goldman Sachs & Co.; Merrill Lynch, Pierce, Fenner & Beane; Kuhn, Loeb & Co. **Bids**—To be received at 90 Broad St., New York, N. Y., up to 11 a.m. (EDT) on Sept. 5.

Tampa Electric Co. (9/5)
Aug. 2 filed 217,286 shares of common stock (par $7) to be offered for subscription by common stockholders of record Sept. 4, 1957 at the rate of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on Sept. 23, 1957. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — Stone & Webster Securities Corp., New York.

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.

Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders on a basis of two new shares for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

● Texas Eastern Transmission Corp.
July 22 filed 1,000,000 shares of common stock (par $7) being offered in exchange, on a share-for-share basis, for capital stock of La Gloria Oil & Gas Co. of Corpus Christi, Tex. The offer was conditioned upon deposit of at least 81% (810,000 shares) of outstanding La Gloria stock prior to Sept. 6, 1957, and it was announced on Aug. 8 that in excess of this amount had been deposited. Offer may be extended from time to time but not beyond Dec. 5, 1957. **Underwriter**—None. Statement effective Aug. 6.

Texas Glass Manufacturing Corp., Houston, Tex.
May 28 filed 2,116,292 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For expansion and working capital. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Texas.

★ Texota Oil Co., Denver, Colo. (8/28)
Aug. 7 filed $650,000 of convertible debentures due Aug. 1, 1967. **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans and for drilling of wells, acquisition of new properties and payment of rentals on oil and gas leases. **Underwriter** — Piper, Jaffray & Hopwood, Minneapolis, Minn.

● Thompson Products, Inc.
July 24 filed $19,729,500 of 4⅞% subordinated debentures due Aug. 1, 1982 (convertible into common stock until Aug. 1, 1967) being offered for subscription by common stockholders in the ratio of $100 of debentures for each 14 shares of stock held of record on Aug. 12, 1957; rights to expire on Aug. 27, 1957. **Price**—100% of principal amount. **Proceeds** — For working capital and other general corporate purposes. **Underwriters**—Smith, Barney & Co., New York.; and McDonald & Co., Cleveland, Ohio.

★ Thrift Buyers, Inc.
Aug. 2 (letter of notification) 1,500 shares of voting common stock (par $10) and 6,000 shares of non-voting class B common stock (par $10). **Price**—$12.50 per share. **Proceeds**—To lease property and for inventory, etc. **Business**—To purchase and sell merchandise. **Office**—313 Market St., Camden, N. J. **Underwriter**—None.

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.

★ Town & Country Insurance Co.
July 22 (letter of notification) 7,500 shares of common stock (par $10). **Price**—$20 per share. **Proceeds**—To establish and operate the business of automobile insurance including public liability, medical, etc. **Office**—716 West Grand, Oklahoma City, Okla. **Underwriter**—None.

★ Trepac Corp. of America
Aug. 6 (letter of notification) 6,600 shares of capital stock (par 25 cents). **Price**—40 cents per share. **Proceeds**—For working capital. **Office**—One Engle Street, Englewood, N. J. **Underwriter**—None.

Tripac Engineering Corp.
Feb. 27 (letter of notification) 100,000 shares of class A common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital; machine tools; equipment and proprietary development. **Office** — 4932 St. Elmo Ave., Bethesda 14, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Truly Nolen Products, Inc.
July 19 (letter of notification) 100,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For plant and laboratory expansion, advertising and working capital. **Office**—6721 N. E. 4th Ave., Miami, Fla. **Underwriter**—Alfred D. Laurence & Co., Miami, Fla.

● Two Guys From Harrison, Inc. (8/16-19)
July 25 filed 200,000 shares of class A common stock (par 10 cents). **Price**—$9 per share. **Proceeds**—For expansion and working capital. **Office**—Newark, N. J. **Underwriter**—Bache & Co., New York.

★ United Utilities, Inc. (8/29)
Aug. 9 filed 312,506 shares of common stock (par $10) to be offered for subscription by common stockholders of record Aug. 28, 1957, at the rate of one new share for each six shares held; rights to expire on Sept. 13, 1957. **Price**—To be supplied by amendment. **Proceeds**—For investments in subsidiary companies. **Underwriter**—Kidder, Peabody & Co., New York.

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.

Walt Disney Productions (8/28)
Aug. 6 filed 400,000 shares of common stock (par $2.50). **Price** — To be supplied by amendment. **Proceeds** — To Atlas Corp., the selling stockholder. **Underwriters**—Goldman, Sachs & Co., Lehman Brothers and Kidder, Peabody & Co., all of New York.

● Walter (Jim) Corp., Tampa, Fla. (8/19-23)
July 22 filed $1,250,000 of 9% subordinated bonds due Dec. 31, 2000, and 50,000 shares of common stock (par 50 cents) to be offered in units of $25 principal amount of bonds and one share of stock. **Price**—$48.50 per unit. **Proceeds**—For working capital. **Business**—Construction of "shell" homes. **Underwriters**—Carl M. Loeb, Rhoades & Co., New York; and Prescott, Shepard & Co., Inc., Cleveland, Ohio.

★ Westcoast Transmission Co., Ltd. (9/4)
Aug. 13 filed $25,000,000 of subordinated debentures series C, due April 1, 1988 (convertible until July 15, 1978). **Price** — To be supplied by amendment. **Proceeds**—For construction of pipeline. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

★ White River Telephone Co.
July 30 (letter of notification) 215 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—To pay existing indebtedness; for equipment and additional service facilities. **Address**—P. O. Box 6, Elkins, Ark. **Underwriter**—None.

★ Williston Co., Inc.
July 26 (letter of notification) 4,300 shares of common stock (par $10) to be offered in units of 50 shares per unit. **Price**—$500 per unit. **Proceeds**—For purchase of oil properties and working capital. **Office**—674 Dexter Horton Bldg., Seattle, Wash. **Underwriter**—None.

Wycotah Oil & Uranium, Inc., Denver, Colo.
July 29 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For acquisition of property and for other corporate purposes. **Underwriter** — Teden & Co., Inc., New York. **Offering** — Expected shortly after Labor Day.

★ Xttrium Laboratories, Inc.
Aug. 1 (letter of notification) 20,000 shares of preferred stock (par $7.50). **Price**—$10 per share. **Proceeds**—For manufacture and distribution of new pharmaceutical products; for research of new drugs, purchase of additional equipment and working capital. **Office**—415 W. Pershing Road, Chicago, Ill. **Underwriter**—None.

Prospective Offerings

Aircraft, Inc.
July 9 it was reported company plans to issue and sell up to $12,500,000 common stock, following spin-off by California Eastern Aviation, Inc. of its subsidiaries, Land-Air, Inc. and Air Carrier Service Corp. into Aircraft, Inc., a new company. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

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.

American Telephone & Telegraph Co. (10/29)
July 17 it was announced that company plans to issue and sell $250,000,000 of debentures to be dated Nov. 1, 1957 and to mature on Nov. 1, 1983. **Proceeds**—For improvement and expansion of system. **Underwriter**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly). **Bids**—Expected to be opened on Oct. 29.

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 out-

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standing 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.

★ California Electric Power Co.
Aug. 9 it was announced the company expects to sell 140,000 shares of cumulative preferred stock (par $50) in late September. **Proceeds**—To retire short-term bank loans. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

★ California Oregon Power Co.
Aug. 13 company applied to the California P. U. Commission for authority to issue and sell $10,000,000 of first mortgage bonds due Oct. 1, 1987. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co.

★ California Oregon Power Co.
Aug. 13 it was anounced company has applied to the California P. U. Commission for permission to issue and sell 200,000 shares of common stock (par $20). **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Blyth & Co., Inc. and The First Boston Corp., both of New York.

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 4⅝% 12-year convertible debentures placed privately, to be used to repay bank loans and for construction program. **Underwriters**—Kidder, Peabody & Co. and White, Weld & Co. about the middle of last year arranged the private placement of an issue of $5,000,000 series G first mortgage bonds.

Chesapeake Industries, Inc.
June 3 it was reported company plans early registration of $3,500,000 of 5½% collateral trust sinking fund bonds due 1972 and 350,000 shares of common stock. Each $10 of bonds will carry a warrant to purchase one share of common stock. **Underwriter** — Van Alstyne, Noel & Co., New York.

Chesapeake & Potomac Telephone Co. of Md.
July 30 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. **Offering** — Expected late November or early December.

★ City Investing Co., New York
July 30, Robert W. Dowling, President, announced that the directors are giving consideration to the possible future issuance of debentures which could be used largely to acquire investments producing ordinary income as well as those with growth potentials.

Cleveland Electric Illuminating Co.
Nov. 12 it was reported company plans to issue and sell $25,000,000 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.; 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.
July 22 company announced it is planning to sell publicly in October an issue of $8,000,000 par amount of cumulative preferred stock. **Price**—To be determined later. **Proceeds**—To reduce short term bank loans. **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.

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); no common stock financing is contemplated. **Proceeds** — For construction program. **Underwriter** — (1) For any preferred stock, may be The First Boston Corp. and Glore, Forgan & Co. (jointly). (2) For any bonds, to be determined by competitive bidding. 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.

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)
July 22 it was announced company plans to issue and sell $30,000,000 debentures due 1982. **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.

Consumer Power Co. (9/23)
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). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Sept. 23.

Consumers Power Co. (10/16)
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. **Bids**—Expected to be received up to noon (EDT) on Oct. 16.

Cook Electric Co.
July 15 it was reported that company is planning some equity financing. **Underwriter**—Probably Blunt Ellis & Simmons, Chicago, Ill.

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.

● General Tire & Rubber Co. (9/17)
Aug. 6 it was reported that this company is considering an issue of $12,000,000 convertible subordinated debentures (with stock purchase warrants attached). **Proceeds**—For working capital. **Underwriter**—Kidder, Peabody & Co., New York. **Registration**—Expected late in August.

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. (9/30)
Aug. 5 it was announced company plans to issue and sell $17,000,000 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.; 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. **Bids**—Expected to be received on Sept. 30.

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. (12/10)
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 Dec. 10.

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 & 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.

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.

Molybdenum Corp. of America
July 16 it was announced company plans to offer its common stockholders the right to subscribe for about 196,851 additional shares of common stock (par $1), plus warrants to purchase an additional 196,581 shares, on the basis of one new common share and one warrant for each seven shares presently held. The holders of record date will be the fifth day following the effective date of registration with the SEC. **Proceeds**—For expansion program. **Office**—Grant Bldg., Pittsburgh, Pa. **Underwriter**—None.

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).

★ **National Cylinder Gas Co.**
Aug. 12 it was announced company plans to offer publicly $17,500,000 of 20-year convertible subordinated debentures. **Proceeds**—For expansion and working capital. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Expected in third week of September, with registration late in August.

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. (9/24-27)
April 22 it was reported company tentatively plans to issue and sell $40,000,000 of first mortgage 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). **Bids**—Expected week of Sept. 24.

Norfolk & Western Ry. (9/18)
Bids are expected to be received by the company up to noon (EDT) on Sept. 18 for the purchase from it of $4,260,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Illinois Gas Co. (9/25)
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. 25.

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

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. (9/12)
July 22 it was announced company plans sale of $40,000,000 additional bonds to mature in 1987. **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). **Bids**—Expected to be received on Sept. 12.

Public Service Co. of Indiana, Inc. (10/9)
July 29 it was announced that it is expected that a new series of $30,000,000 first mortgage bonds will be issued and sold by the company. **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). **Bids**—Expected to be received on Oct. 9.

Public Service Electric & Gas Co.
Aug. 1 it was announced company anticipates it will sell in the Fall of 1957 or in 1958 $25,000,000 of preferred stock (in addition to $60,000,000 of bond now registered with the SEC). **Proceeds**—For construction program. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Beane, New York.

San Diego Gas & Electric Co.
April 23, E. D. Sherwin, President, announced that company will probably raise about $7,500,000 late this fall through the sale of preferred stock. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

Siegler Corp.
June 25 it was announced company plans to issue and sell in September or October of this year a maximum of 200,000 additional shares of common stock. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

Smith-Corona, Inc.
Aug. 1 it was announced stockholders on Sept. 30 will vote on approving an offering to stockholders of approximately $5,000,000 convertible debentures. **Proceeds**—For expansion and to reduce bank loans. **Underwriter**—Lehman Brothers, New York.

South Carolina Electric & Gas Co.
Jan. 14 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. **Bids**—Not expected to be received until next Fall.

Southern 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.

★ **Sperry Rand Corp.**
Aug. 9 it was reported company plans to raise $110,000,000 in September through a financing program, the details of which have not yet been worked out. **Proceeds**—For expansion program. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers, both of New York.

Superior Tool & Die Co.
July 26 it was announced company plans to issue and sell 150,000 shares of 70-cent cumulative convertible preferred stock (par $10). **Price**—Expected to be between $11.12½ and $11.50 per share, depending upon market conditions. **Proceeds**—To discharge a note of $1,160,500 held by City Industrial Co. in connection with acquisition of Bethlehem Foundry & Machine Co. common stock and for working capital and general corporate purposes. **Underwriter**—Van Alstyne, Noel & Co., New York.

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.

Union National Bank of Lowell
Aug. 6 the Bank offered to its stockholders of record July 31, 1957 the right to subscribe on or before Aug. 26, 1957 for 17,600 shares of capital stock (par $12.50) on the basis of one share for each five shares held. **Price**—$31 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Kidder, Peabody & Co., New York.

Utah Power & Light Co. (9/24)
March 12 it was announced company plans to issue and sell about $15,000,000 of first mortgage bonds due 1987. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. **Bids** — Tentatively scheduled to be received on Sept. 24.

Utah Power & Light Co. (9/24)
March 12 it was also announced company plans to offer to the public 400,000 shares of common stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. **Bids**—Tentatively scheduled to be received on Sept. 24.

Virginia Electric & Power Co. (12/3)
March 8 it was announced company plans to sell $20,000,000 of first mortgage bonds. Probable bidders for bonds may include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; White, Weld & Co. **Bids**—Expected to be received on Dec. 3.

Walworth Co.
Aug. 6 it was reported company plans to sell an issue of more than $5,000,000 convertible subordinated debentures. **Proceeds** — To finance plant expansion and increase working capital. **Underwriters** — May be Paine, Webber, Jackson & Curtis and Blair & Co. Incorporated, both of New York.

Wisconsin Public Service Co.
May 29 it was announced company plans to issue and sell about $7,000,000 of first mortgage bonds and about $5,000,000 common stock. **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

Latest readjustments in the money market seem, at this point, to have been pretty well discounted as far as the investment market, that is fixed term securities, is concerned.

At any rate the secondary market seems to be coasting along without having experienced any serious unsettlement in the wake of the newest developments. Truth is, of course, that by and large, what is happening now had been foreshadowed for some time.

The prime commercial bank rate and the Federal Reserve System's charge to member banks for rediscounting had been lagging behind the parade in the money market as a whole.

The real test for the new capital market looms in the weeks ahead when industry will be seeking large chunks of money to finance expansion and improvements:

Currently the situation is comparatively slow, but the forward calendar is steadily building up, and unless there is a change in present indications, the outpouring of new issues will get under way in volume shortly.

As a matter of fact the seasoned market appears to be attracting more interest. People, however, are not doing much more than "watching" for the present, being inclined to glance at what is ahead. This, observers say, is enough to forestall any real rush of buying at the moment.

Getting Away Early

At last two large potential borrowers decided to get under the wire before the rush which is expected to be on the market after the Labor Day holiday, a fortnight hence.

Atlantic Refining Co., through its bankers, is slated to put $100 million of 30-year convertible, subordinated debentures up for sale next Tuesday. It will use the proceeds to pay off $81 million in bank loans and for the acquisition and improvement of certain new facilities.

On the same day Pacific Telephone & Telegraph Co. is scheduled to open bids for $90 million debentures carrying an unusual maturity, 23-years. It is raising the money to repay American Tel. & Tel., parent firm, for advances made.

The Following Week

Looking a little further ahead, that is to the following week, the calendar shows three utility companies scheduled to put a total of $170 million new issues on the market.

On Aug. 28, El Paso Natural Gas Co. will, if there is no change in plans, market $60 million of convertible debentures and $10 million of first preferred stock. The day before, Southern California Edison Co. has $40 million of bonds due up for bids.

On Aug. 28, Public Service Electric & Gas Co. is slated to open bids for $60 million of bonds. And a banking group is priming a secondary offering of 400,000 shares of Walt Disney Productions for the account of Atlas Corp.

National Sales Up

Sales of the National Securities Series of mutual funds in July established a record for the month of $6,602,320, an increase of $2,081,275 or 46% over the similar month last year, according to figures released by E. Waln Hare, Vice-President of National Securities & Research Corporation.

Seven month sales were reported at $43,451,369 by Mr. Hare, up 37% or nearly $13,000,000 over the previous record total set in the comparable 1956 period.

Mutual Funds

By ROBERT R. RICH

Capital Goods Industry to Benefit Hugely

Capital goods industries will "benefit hugely" if the younger and older segments of the American population continue to rise at the rate estimated by the United States Census Bureau, in the opinion of the investment counselors of a $54 million mutual fund.

According to a special population report being distributed by Slayton Associates to the 15,250 shareholders of Managed Funds, Inc., the "most striking" statistics issued by the Census Bureau have been those indicating rapid increases in the number of Americans under 20 and over 65.

By 1975, it was estimated, the population should reach 217.9 million, reflecting a 36% gain in the under-20 age group and a 56.7% increase in the over-65 group, compared with 25.4% for the entire population.

"By 1965 the number of people in these non-working groups will amount to an estimated 48% of the total population," the report continued. "They will have to be supported by the remaining 52%, which means that technological progress and the trend toward automation in industry will have to be accelerated to maintain our living standards."

If the statistics hold up, Slayton Associates said, unemployment among the working force will become "practically non-existent."

Currently, population growth is being accompanied by increasing per capita production and increased per capita income, the report went on, adding:

"Each growth factor is multiplied by the other. And this means a substantial expansion of industry to supply the vastly enlarged demand for goods and services, and a continually growing need for more and more schools, homes, hospitals, roads—and all the institutions and implements needed to support our continually rising living standards."

Slayton Associates termed the spectacular rise in population as one of the "most favorable" factors in the long-term investment outlook.

"Barring some major catastrophe, such as another war," their report concluded, "there is no end in sight to the rising long-term trend in production and prices stimulated by population growth. This is a trend that should continue to be reflected in the upward movement of security prices."

Automation Shares Now on Market In New Offering

Automation Shares, Inc., a new open-end investment company with an initial capitalization of 300,000 shares of capital stock, $1 par value each, has been organized in Washington, it was just announced. Public offering of the fund's shares will commence immediately.

Dr. Herbert W. Robinson, former assistant to Lord Cherwell, personal scientific and statistical adviser to Prime Minister Churchill, and widely-known international economic authority, has been elected President and Director of Automation Shares, Inc.

Organized to invest its resources in companies participating in the manufacture, rental and installation of automation devices and equipment, the investment policies of the fund are geared to take advantage of the immediate and future prospects in a new era that is characterized by steadily expanding demand for goods and services.

To aid in its investment analyses, Automation Shares, Inc. has retained as adviser the Council for Economic and Industry Research, Inc., Washington, D. C. The Council is a consulting and research organization specializing in the application of modern economic, mathematical and statistical techniques to government, business and financial problems.

The Riggs National Bank of Washington is custodian of the fund's assets, while the First Pennsylvania Banking and Trust Co., Philadelphia, is the transfer agent.

The fund will maintain headquarters at 734—15th Street, N. W. Washington, D. C.

I. P. C. Sales

An average of 1,427 new planholders each month is being added to the number of investors who own Investors Planning Corporation of America plans for the accumulation of shares of Axe-Houghton Fund B, Inc.

Walter Benedick, President of I. P. C., reports that, in the eight months from fiscal year-end Oct. 31, 1956 to June 30, 1957, the number of I. P. C. plans has increased from 22,773 to 34,190, an increase of 11,417 plans or 50.1%. The value of shares held under these plans on June 30 was $29,950,000, up $8,465,000 in eight months, for an increase of 48.4%.

Group Expects Renewed Upward Movement

"As we entered upon the anticipated period of consolidation about two years ago no one could be sure how it might develop. Today, there is more basis for believing that the correction or consolidation of business and securities prices since late 1955 can be completed without a serious disturbance to the broad averages of either. We, therefore, believe that increasing confidence can be felt that a base is being laid for a further substantial forward movement—which, however, must still be awaited."

This comment of Distributors Group, Inc., sponsor of Group Securities, Inc., is made in its current "Quarterly Review," a new survey prepared by the fund.

The "Quarterly Review" prefaces specific comment on the present price position of the 15 different industry funds offered by Group Securities, Inc., and further discusses these industry funds in the light of the three basic investment purposes of long-term growth, relative stability of principal and income, and cyclical price action.

In separate "fact sheets" on each of these funds, a 10-year record of price and dividend performance is given which, for the first time, also shows results of a fully maintained investment through reinvestment of capital gain distributions.

Distributors Group comments that these adjusted figures not only give a clearer picture of the individual fund performance, but also permit a clearer comparison of one to another.

An examination of the 10-year results from the four funds recommended for long-term growth discloses that from the 1947 low to last year's high, Aviation shares led with a gain of 562%, followed by Petroleum shares up 396%, Electronics and Electrical Equipment shares up 231%, and Chemical shares up 166%. Dividend payments for the four growth funds increased on average 297% during the 10-year period.

An illustration of the price-and-dividend-stable funds is given by the performance of Food shares, which experienced relatively little intermediate fluctuation in either price or income. Performance for the 10-year period shows an increase of 49%, with an income gain of 38%.

Outstanding performer among the cyclical funds was Steel shares, with a 10-year price rise of 410% and an income gain of 289% for the same period.

With Smith, Clanton

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — Walter T. Thomas, Jr. has joined the staff of Smith, Clanton & Company, First Citizens Bank Building.

Joins Perry Blaine

(Special to THE FINANCIAL CHRONICLE)

ASHTABULA, Ohio—Robert E. Maltby is with Perry T. Blaine & Co., 4519 Main Avenue.

Axe-Houghton Business Index On Decline

The Axe-Houghton weekly business index has recovered from an early June low point but the downward trend has subsequently been resumed so that the index is now only slightly higher than the May level, this representing a decrease of about 5% from the January peak.

The Axe-Houghton index of durable goods raw material prices has followed a similar course. Nonferrous scrap prices have been weak but steel scrap prices have recovered more than half the December-April decline although they too are beginning to decline again. The index of semidurable goods raw material prices has continued to be remarkably firm and by the middle of the year it had recovered to within a short distance of the December high.

The situation with respect to manufacturers' new orders and inventories shows surprisingly little change, the Axe report states. New orders have shown a moderate upturn, but, as has been the case for many months, inventories have continued to expand so that the ratio of new orders to inventories is clearly in a moderate downward trend. Since the beginning of the year, moreover, manufacturers' shipments as a whole have been higher than incoming orders, so that unfilled orders have gradually receded. Unfilled orders are indeed only $6 billion higher than inventories, as compared with a spread of $12 billion at the beginning of last fall, and have fallen nearly to the 1954 low point.

Plant expansion, which of course normally has a favorable effect on business because of the increased demand for men and materials it creates, may become a temporarily unfavorable factor if demand slackens and imports increase, as is the situation today in some industries such as nonferrous metals, rayon, and, to some extent, paper. A few years ago for example virtually all the dissolving pulp used in making rayon and cellophane was produced by Rayonier, Inc. Others have entered the industry however and Rayonier has expanded so that by 1958 the industry's capacity is expected to reach almost 2.2 million tons as compared with actual production of 1.4 million tons in 1956 and 754,000 tons in 1948 (Rayonier is used as an illustration of the possible danger of industry overexpansion and the above is not necessarily to be considered an unfavorable comment on Rayonier as a long-term investment).

A few industries on the other hand appear to have made considerable progress in readjustment operations to a somewhat lower level of demand. In the agricultural machinery industry for example there has been a reduction of output so that the industry is possibly in a position to take advantage of the moderate upturn recently reported in farm income. Farm expenses have increased but this has been offset by increased operating efficiency so that realized net farm income has increased 2½%, according to the Department of Agriculture. Livestock prices have recently advanced sharply, moreover, and this should have a favorable effect on the demand for agricultural machinery.

Machine tool orders have shown a moderate upturn and the steel industry appears to be confident that the production of 1958 model passenger automobiles will create an increased demand. Retail demand for goods generally has remained high despite a continued letdown in sales of many types of consumers' durable goods.

Business activity abroad remains generally high despite varying degrees of financial stringency in several countries. Industrial production in West Germany, for example, has again reached a new high record, allowing for seasonal variation. American foreign trade has consequently remained high.

Rates charged for the hire of coal cargo ships have recently shown a sharp decline but it is not yet clear whether this reflects a temporary situation or whether it foreshadows a downturn in the demand for American coal. Domestic production has remained relatively high, although the underlying trend is temporarily obscured by the present tendency for many miners to take vacations in July.

Closed-End News

Asset value of Electric Bond and Share Company's common stock was $177,060,700, or $33.72 a share at June 30, 1957 according to the company's financial statements for the six months ended that date released today. This is an increase of 6% over asset value of $31.77 a share at the same date a year ago.

Unrealized appreciation at June 30, 1957 in marketable securities acquired since April 1954, when the investment program began, amounted to $9,464,600. Market value of $26,460,400 was 56% in excess of cost. These investments are primarily in the oil, chemical, electronic and metal fields.

Net income for the first half of 1957 was $3,960,693, or 75 cents a share, compared with 65 cents a share for the comparable period of 1956. Dividends were increased from 31¼ cents to 35 cents a share with the company's second quarter June 28, 1957 payment.

With Schirmer, Atherton

(Special to The Financial Chronicle)

PORTLAND, Me.—Townsend M. Byrne is with Schirmer, Atherton & Co., 634 Congress Street.

Hill Darlington Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Alfred L. D'Urso has become connected with Hill, Darlington & Co., 31 Milk Street. He was formerly with Coburn & Middlebrook, Inc.

Lee Higginson Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Robert C. Lopes is now affiliated with Lee Higginson Corporation, 50 Federal Street.

With Keenan & Clarey

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Walter F. Handke is now affiliated with Keenan & Clarey, Inc., Pillsbury Building.

Joins H. O. Peet

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Graham T. Hunt has become connected with H. O. Peet & Company, 23 West 10th Street, members of the New York and Midwest Stock Exchanges.

Securities Salesman's Corner

By JOHN DUTTON

Personal Interest Is the Answer When You Sell to Women

I have opened the accounts of many women investors over the years. Some of them have had investment experience with other firms; others are first time investors. Invariably I have heard the remark, "I have had an account with another firm, and they are alright I suppose, but the young man who took my orders always seemed so busy. His phone was ringing every few minutes and when I talked with him, he didn't seem to take very much interest in my account. Oh, he calls me once in a while and suggests something I should buy but I never feel as if my account means very much to him, just like I was another number on the books." This is the reaction of many women who walk into a busy office of some firm and instead of being ushered into a conference room, and made to feel at home, they have been rushed through the usual treatment of filling out some new account cards, and then a busy account executive proceeds to do the best he can in making some recommendations.

Most women have a certain feeling of being out of their element when they walk into a bank, or a busy investment firm. They realize that they are in a man's world and to a certain extent they are bewildered. Also, some of them have heard of so-called pitfalls and other disappointments that have befallen some of their friends and acquaintances when they have made unfortunate investments, and since they realize they are not equipped to understand the vagaries of investment, they are naturally hesitant about giving their confidence to anyone.

Reach Out and Make a Sincere Offer of Assistance

Women are quick to sense an "attitude" of a person with whom they are considering doing an important piece of business. If you are sincerely dedicated to your job of helping your clients build up an investment account that is as suitable to their requirements as you can make it, you will find that most women investors will welcome your help.

When you meet for the first time give your lady prospects an opportunity to talk with you. Be as relaxed as possible and show them that their business interests come first with you. Here's a sample. Several days ago I had a visit from a woman client who had bought just a few small lots of mutual funds from me. She had asked to have the dividends reinvested and I sent her the necessary forms clearly designating what she should do and where she should sign. Several months went by and she did not understand that the Trustee bank was holding her additional shares; in fact, the whole thing was sort of a muddle to her. She telephoned and asked me if she could come in and see me and if I could straighten her out. I made the appointment and it so happened that she called during an especially busy morning. My telephone was ringing again and again and as soon as we started to talk there was another interruption.

Finally, I told my operator that she should hold my calls unless there was something very urgent until I called her back. I noticed a surprised look on her face when I did this but also she seemed to be very pleased. Then my bewildered lady client, and I went over her seemingly important difficulties and I straightened it all out.

About this time my secretary came to my door and told me that someone wanted to see me and I told her that he could wait until I got through. With this my client turned to me and said, "I think you have been just wonderful to me to give me all this time and I don't want to keep you from more important things. I also have received some extra funds from my uncle's estate and I would appreciate it if you would think about it and let me know what I should do with it."

Several days later I made some suggestions and the investment commissions on these transactions certainly more than repaid me for the 30 minutes of my time which I undividedly gave to this woman investor. She knows that when she wants to talk with me I haven't too many other things on my mind and she will get the best advice and assistance that it is possible to offer.

Take your time—let your women clients and prospects tell you their problems—ask questions—find out about their financial requirements—tell them frankly the only way you can help them to obtain the most income — the most secure program—and the greatest amount of "peace of mind" is for them to take you into their confidence. Then do a good job—and never try to rush them into buying anything. Be a helper and you won't ever have to be a pusher.

Coordination With Treasury Now Our Chief Defense Problem, Says Eliot Janeway

Economist asserts U. S. can afford Defense Program it needs, but it has been underfinanced for five years. Hails advent of Treasury Secretary Anderson citing his defense experience.

The American economy can afford to buy prosperity for the free world while defending it against Communist imperialism, Eliot Janeway, President of Janeway Publishing and Research Corporation told the annual convention of the Air Force Association in Washington on August 2. But right now people seem to be worrying too much about the state of prosperity and not enough about the state of defense. Defense is our primary problem at the moment, not prosperity. Prosperity can be trusted to continue expanding the economy. The question is whether our defense program can be trusted to continue keeping the peace.

Eliot Janeway

The Problem of Defense Financing

It's time to amend the well-known saying—"War is too important to be left to the generals." Nowadays, war, or the prevention of war, is too costly to be left to financiers with no practical experience of defense financing. President Eisenhower has recognized this by his appointment of Robert Anderson to head the Treasury. Mr. Janeway said. "Thanks to his experience as Secretary of the Navy and Deputy Secretary of Defense, Secretary Anderson is as well informed about the defense crisis ahead of us as he is about the Treasury crisis that has already resulted from our defense problems."

Defense Program Underfinanced

Continuing, Mr. Janeway stated: "Everyone now knows that our Treasury is underfinanced. But very few people understand that the reason for this is the more fundamental fact that our defense program has been underfinanced for the better part of five years. Even the monetary authorities have not grasped this fact. For they have clung to their recent monetary policy as if the Treasury were going to need less money instead of more. If the monetary authorities are allowed to continue with their present experiment, we will find ourselves in the position of paying more in order to buy less firepower. Thus, we will be jeopardizing not only our national security, but the value of our dollar as well.

"From the standpoint of national security, our defense problem would be a pressing one even if it were not complicated by the financial limitations that are being imposed on it in the name of economy. But it is. The most urgent pressure on the Defense Establishment today is a financial pressure and not—as it should be—the requirement to stay competitive in the arms race with Russia, both short-term and long-term. The cost of understanding long-term defense requirements during any short-term money squeeze will more than offset any genuine economies achieved by better administration within the Defense Establishment. The most effective defense economy we can hope to achieve is to create the military strength necessary to keep the peace as quickly and as continuously as possible.

"The more quickly and continuously we are able to do this, the less our defense program will cost. At the moment, the most important aspect of the current defense crisis is not the defense dollar, but the interest dollar. The higher the cost of the money the Treasury must borrow, the more inflation we will suffer—and the less actual firepower our defense dollar will buy.

"Recent optimism about disarmament as a solution to our defense financing problem is dying a slow, painful, and costly death. Even if disarmament were in the cards at the moment—which it isn't — the cost of termination across the boards would have the immediate effect of increasing the actual cash flow of Treasury payments to contractors. But the fact is that the disarmament negotiations have bogged down; and Secretary Dulles' desperate flight to London makes it official. Why should Russia negotiate seriously with us towards disarmament when the money troubles of the Defense Department—and, therefore, of the Treasury—are rapidly running us into a competitive arms disadvantage during the years immediately ahead.

"The rising deficit in defense financing has raised the question of whether or not we can afford to defend ourselves against the ominous accumulation of Russian strength we shall have to face by the 1960s. As matters stand now, the strength of our Defense Establishment is being critically limited by current fears about what we can and cannot afford, under money conditions as they are at the moment. This is an intolerable situation.

"Timing is the fundamental consideration in any arms race—especially in the one we are now engaged in with Russia. Just so, timing is the most important factor in any economic calculation or monetary policy. And because the financing of the present arms race depends on present monetary policy, timing is now a more critical problem than ever.

"At the moment, U. S. defense and U. S. monetary policy are out of step with each other. It takes approximately eight years, for example, to get a modern air weapon off the drawing boards and into the air. As a matter of fact, it has taken eight years and the better part of $800 million recently just to decide that one well-known missile won't get into the air at all.

Change the Basic Premise of Our Monetary Problem

"By contrast, the basic premise on which our monetary policy is based is the assumption that it will change with every economic gust of wind. The monetary authorities themselves admit this when they explain their monetary purpose as that of "leaning into the wind." The economic wind is always changing. It is precisely this kind of monetary thinking that is responsible for both the delay and the cost inflation to which our defense program is now being subjected. Monetary conditions change with business conditions, both as a matter of fact and as a matter of policy. Monetary conditions are also subject to change with domestic political conditions, every two or four years. But America's security problem does not change except to grow more serious. Thus, the lead time imposed on the defense cycle by modern technology—eight years or more — is considerably longer than the constitutional limit imposed by our system on any political cycle.

"History will honor the late James Forrestal as the founding father of our modern system of defense planning and our philosophy of national security. Certainly he was a martyr in the fight to coordinate all the resources vital to our national security. Mr. Forrestal brought to his job a combined background in both defense and finance. So does Secretary Anderson. Forrestal's approach to the problem of defense was dominated by his insistence that defense planning and monetary policy must be constantly and continuously coordinated. Our economy can afford any defense program required for the continuous security of the free world. Anyone with a combined background in defense and financial problems—like Secretary of the Treasury Anderson and the late Secretary of Defense Forrestal before him — can be expected to be clear about this. President Eisenhower is indeed to be congratulated on the appointment of someone with Secretary Anderson's qualifications at this time of crisis for our combined Treasury and defense programs."

With Gibbs & Co.

(Special to The Financial Chronicle)

WORCESTER, Mass.—John W. Spillane is now with Gibbs & Co., 507 Main Street.

Kalman Adds to Staff

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Thomas M. Dale, Jr. has been added to the staff of Kalman & Company, Inc., McKnight Building.

With Stern Bros. & Co.

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Donald L. Gumbiner is with Stern Bros. & Co., 1009 Baltimore Avenue, members of the Midwest Stock Exchange.

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)	Aug. 18	§81.9	*79.8	79.3	87.5
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 18	§2,097,000	*2,043,000	2,030,000	2,154,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 2	6,843,350	6,922,000	6,952,000	7,065,450
Crude runs to stills—daily average (bbls.)	Aug. 2	¶7,936,000	7,763,000	7,840,000	7,964,000
Gasoline output (bbls.)	Aug. 2	27,417,000	26,556,000	25,876,000	27,045,000
Kerosene output (bbls.)	Aug. 2	2,045,000	1,894,000	1,743,000	1,854,000
Distillate fuel oil output (bbls.)	Aug. 2	11,819,000	11,920,000	12,446,000	12,841,000
Residual fuel oil output (bbls.)	Aug. 2	7,561,000	7,764,000	7,730,000	7,551,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 2	176,360,000	175,698,000	185,920,000	177,561,000
Kerosene (bbls.) at	Aug. 2	31,454,000	30,611,000	28,597,000	29,415,000
Distillate fuel oil (bbls.) at	Aug. 2	138,072,000	133,822,000	119,592,000	119,289,000
Residual fuel oil (bbls.) at	Aug. 2	48,943,000	48,737,000	46,248,000	44,598,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 3	740,711	736,407	535,334	660,287
Revenue freight received from connections (no. of cars)	Aug. 3	601,396	589,712	523,987	589,721
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 8	$298,259,000	$401,045,000	$325,465,000	$322,829,000
Private construction	Aug. 8	147,396,000	206,232,000	111,090,000	189,264,000
Public construction	Aug. 8	150,863,000	194,813,000	214,375,000	133,565,000
State and municipal	Aug. 8	127,719,000	163,732,000	124,359,000	118,302,000
Federal	Aug. 8	23,144,000	31,081,000	90,016,000	15,263,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 3	9,700,000	10,010,000	1,500,000	9,205,000
Pennsylvania anthracite (tons)	Aug. 3	551,000	569,000	69,000	579,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 3	103	101	94	104
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 10	12,070,000	12,474,000	11,964,000	11,530,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 8	265	281	256	229
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 6	5.967c	5.967c	5.967c	5.374c
Pig iron (per gross ton)	Aug. 6	$66.15	$66.15	$64.76	$62.95
Scrap steel (per gross ton)	Aug. 6	$53.83	$53.50	$54.50	$55.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 7	28.100c	28.525c	28.825c	39.550c
Export refinery at	Aug. 7	26.075c	26.350c	27.350c	38.075c
Lead (New York) at	Aug. 7	14.000c	14.000c	14.000c	16.000c
Lead (St. Louis) at	Aug. 7	13.800c	13.800c	13.800c	15.800c
‡Zinc (delivered) at	Aug. 7	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Aug. 7	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Aug. 7	26.000c	25.000c	25.000c	24.000c
Straits tin (New York) at	Aug. 7	94.750c	95.625c	97.625c	99.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 13	86.69	87.34	87.50	92.57
Average corporate	Aug. 13	90.77	91.19	92.50	102.46
Aaa	Aug. 13	94.71	95.32	96.54	106.04
Aa	Aug. 13	92.93	93.23	94.86	104.66
A	Aug. 13	91.05	91.62	93.38	102.13
Baa	Aug. 13	84.68	85.20	85.85	97.16
Railroad Group	Aug. 13	88.95	89.78	90.48	100.98
Public Utilities Group	Aug. 13	91.48	91.34	93.52	102.46
Industrials Group	Aug. 13	91.77	92.50	93.67	103.64
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 13	3.65	3.59	3.58	3.09
Average corporate	Aug. 13	4.36	4.33	4.24	3.60
Aaa	Aug. 13	4.09	4.05	3.97	3.39
Aa	Aug. 13	4.21	4.19	4.08	3.47
A	Aug. 13	4.34	4.30	4.18	3.62
Baa	Aug. 13	4.81	4.77	4.72	3.93
Railroad Group	Aug. 13	4.49	4.43	4.38	3.69
Public Utilities Group	Aug. 13	4.31	4.32	4.17	3.60
Industrials Group	Aug. 13	4.29	4.24	4.16	3.53
MOODY'S COMMODITY INDEX	Aug. 13	428.2	429.0	427.5	424.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 3	359,226	246,869	238,939	341,759
Production (tons)	Aug. 3	282,952	282,617	158,025	280,659
Percentage of activity	Aug. 3	95	93	54	95
Unfilled orders (tons) at end of period	Aug. 3	506,493	433,554	446,373	524,084
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 9	110.32	110.16	110.22	108.99
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	July 20	1,522,820	1,863,070	1,544,090	1,464,850
Short sales	July 20	283,060	392,820	277,620	270,210
Other sales	July 20	1,242,660	1,531,980	1,228,100	1,197,420
Total sales	July 20	1,525,720	1,924,800	1,505,720	1,467,630
Other transactions initiated on the floor—					
Total purchases	July 20	286,330	394,810	253,850	270,670
Short sales	July 20	18,700	31,700	20,300	17,700
Other sales	July 20	242,410	371,000	268,600	342,400
Total sales	July 20	261,110	402,700	288,900	360,100
Other transactions initiated off the floor—					
Total purchases	July 20	486,402	644,290	562,635	616,395
Short sales	July 20	77,450	75,770	93,460	105,070
Other sales	July 20	508,207	639,970	641,606	631,048
Total sales	July 20	585,657	715,740	735,000	736,118
Total round-lot transactions for account of members—					
Total purchases	July 20	2,295,552	2,902,170	2,360,575	2,351,915
Short sales	July 20	379,210	500,290	391,380	392,980
Other sales	July 20	1,993,277	2,542,950	2,138,306	2,170,868
Total sales	July 20	2,372,487	3,043,240	2,529,686	2,563,848
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	July 20	1,469,140	1,679,737	1,321,026	1,327,688
Dollar value	July 20	$76,557,055	$90,589,510	$71,218,077	$74,679,772
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 20	1,195,715	1,386,929	1,099,282	1,140,773
Customers' short sales	July 20	5,224	8,180	8,895	5,065
Customers' other sales	July 20	1,190,491	1,378,749	1,090,387	1,135,608
Dollar value	July 20	$58,980,325	$72,447,447	$57,518,106	$74,679,772
Round-lot sales by dealers—					
Number of shares—Total sales	July 20	286,930	329,050	297,550	296,950
Short sales	July 20	------	------	------	------
Other sales	July 20	286,930	329,050	297,550	296,950
Round-lot purchases by dealers—					
Number of shares	July 20	542,260	643,180	469,070	470,370
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	July 20	442,030	563,020	465,770	480,570
Other sales	July 20	11,425,920	13,316,810	10,968,610	11,796,380
Total sales	July 20	11,867,950	13,879,830	11,434,380	12,276,950
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 6	118.0	117.9	117.7	114.2
Farm products	Aug. 6	93.2	92.8	91.5	89.1
Processed foods	Aug. 6	106.7	106.1	106.4	102.4
Meats	Aug. 6	98.7	96.3	97.1	82.4
All commodities other than farm and foods	Aug. 6	125.5	125.5	125.4	121.9

*Revised figure. ¶Includes 1,118,000 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
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE—Month of June (000's omitted)	$1,679,000	$300,000	$1,623,300
CIVIL ENGINEERING CONSTRUCTION — ENGINERING NEWS-RECORD — Month of July (000's omitted):			
Total U. S. construction	$1,589,073	$1,561,367	$1,835,418
Private construction	637,218	730,187	1,103,598
Public construction	951,855	831,180	731,820
State and municipal	677,410	685,777	525,396
Federal	274,445	145,403	206,424
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of June 30:			
Total consumer credit	$42,245	$41,707	$39,454
Instalment credit	32,344	31,901	30,084
Automobile	15,092	14,852	14,255
Other consumer goods	7,806	7,731	7,417
Repairs and modernization loans	1,801	1,783	1,700
Personal loans	7,645	7,535	6,712
Noninstalment credit	9,901	9,806	9,370
Single payment loans	3,702	3,741	3,335
Charge accounts	3,903	3,785	3,804
Service credit	2,296	2,280	2,231
CONSUMER PRICE INDEX — 1947-49=100— Month of May:			
All items	119.6	119.3	115.4
Food	114.6	113.8	111.0
Food at home	113.0	112.1	109.5
Cereals and bakery products	130.4	130.1	124.7
Meats, poultry and fish	103.7	102.0	95.5
Dairy products	110.0	110.5	107.5
Fruits and vegetables	122.5	118.7	121.5
Other foods at home	109.9	111.0	110.9
Housing	125.3	125.2	120.9
Rent	134.7	134.5	132.2
Gas and electricity	112.3	112.4	111.8
Solid fuels and fuel oil	135.4	138.1	127.9
Housefurnishings	104.2	105.1	102.6
Household operation	127.3	126.4	122.4
Apparel	106.5	106.5	104.8
Men's and boys'	109.0	108.8	107.0
Women's and girls'	98.6	98.7	97.9
Footwear	127.8	127.3	122.8
Other apparel	92.0	92.0	91.1
Transportation	135.3	135.5	127.1
Public	176.8	176.8	172.5
Private	125.4	125.5	117.1
Medical care	137.3	136.9	131.9
Personal care	123.4	123.3	119.6
Reading and recreation	111.4	111.8	108.2
Other goods and services	124.3	124.2	121.5
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Consumed month of June	649,700	672,756	809,814
In consuming establishment as of June 29	1,250,893	1,405,340	1,147,443
In public storage as of June 29	10,059,527	10,842,327	13,280,361
Linters—Consumed month of June	92,144	104,749	137,500
Stocks June 29	841,756	924,124	1,094,865
Cotton spindles active as of June 29	18,174,000	18,246,000	18,954,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on June 29	21,213,000	21,406,000	21,934,000
Spinning spindles active on June 29	18,174,000	18,246,000	18,954,000
Active spindle hours (000's omitted) June 29	8,396,000	8,533,000	10,664,000
Active spindle hours per spindle in place June	419.8	426.7	426.5
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE— Crop as of July 1 (in thousands):			
Corn, all (bushels)	3,011,912	------	3,451,292
Wheat, all (bushels)	940,093	970,533	997,207
Winter (bushels)	715,124	735,720	734,995
All spring (bushels)	224,969	234,813	262,212
Durum (bushels)	39,791	------	39,607
Other spring (bushels)	185,178	------	222,605
Oats (bushels)	1,374,304	------	1,152,652
Barley (bushels)	439,431	------	372,495
Rye (bushels)	26,456	------	21,558
Flaxseed (bushels)	47,350	------	48,712
Rice (100-lb. bags)	38,930	------	47,402
Hay, all (tons)	119,608	------	108,708
Hay, wild (tons)	11,119	------	8,671
Hay, alfalfa (tons)	68,280	------	61,127
Hay, clover and timothy (tons)	21,058	------	21,107
Hay, lespedeza (tons)	4,740	------	4,188
Beans, dry edible (cleaned—100-lb. bags)	16,683	------	17,114
Peas, dry field (100-lb. bags)	3,104	------	4,652
Potatoes (hundredweight)—			
Winter	6,810	6,445	5,260
Early spring	4,243	4,172	4,022
Late spring	28,610	29,022	24,330
Early summer	9,432	9,547	9,503
Late summer	31,229	------	33,967
Fall	------	------	166,634
Total	------	------	243,716
Sweetpotatoes (hundredweight)	16,610	------	16,922
Tobacco (pounds)	1,660,756	------	2,180,805
Sugarcane for sugar and seed (tons)	7,516	------	6,485
Sugar beets (tons)	14,805	------	13,010
Hops (pounds)	42,060	------	38,383
Apples, commercial crop (bushels)	112,904	------	100,623
Peaches (bushels)	67,347	71,398	69,859
Pears (bushels)	33,461	32,828	32,322
Grapes (tons)	2,682	------	2,895
Cherries (12 States) (tons)	220	220	168
Apricots (3 States) (tons)	211	212	196
DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average = 100—Month of June:			
Sales (average monthly), unadjusted	111	115	113
Sales (average daily), unadjusted	113	113	111
Sales (average daily), seasonally adjusted	117	115	*114
Stocks, unadjusted	126	136	119
Stocks, seasonally adjusted	134	131	126
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of June:			
Seasonally adjusted	143	143	141
Unadjusted	144	143	141
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of July:			
Industrials (125)	3.75	3.79	3.68
Railroads (25)	6.19	6.31	5.25
Utilities (not incl. Amer. Tel. & Tel) (24)	4.88	4.96	4.46
Banks (15)	4.68	4.84	4.25
Insurance (10)	3.05	2.97	3.05
Average (199)	4.01	4.05	3.87
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of June	£29,151,000	£48,946,000	£19,606,000

Continued from page 5

Observations . . .

Mines. Also important in its historical connotations and highlighting the author's wide range of interests, were his quarter-century-long business association and friendship with Thomas Fortune Ryan, initiated at the time, 1899, of the war on the Tobacco Trust.

Colorful too, if less important, is the author's recounting of his relationships with such as "Diamond Jim" Brady and "Bet a Million Gates"—Gates actually made the famous bet on Baruch's cards in a baccarat game at the Waldorf.

One of the major implications from the Baruch story in both the business and securities areas is the pointing up of the contrast between the old *laissez-faire* "robber-baron" days and our post-crash times of the SEC and other government regulation.

Ageless Investment Philosophy

In the setting-forth of his investment philosophy and rules our author makes contributions whose value is not eradicated by the passage of time or external conditions. Particularly helpful is the frank emphasis on his own mistakes and failures; underlining the ageless pitfalls besetting the investor and speculator—the knowledgeable as well as the inexpert. Continuingly he stresses the importance of basing longer-term policy as well as individual decisions on painstaking running-down of the relevant facts, including statistical criteria of value. Consistent therewith, and most important in the eyes of this reviewer, is this veteran's stressing of the *psychological* pitfalls. He graphically depicts the speculative public's characteristic pyramiding of extravagant hopes of an earlier "New Era" back in 1901—28 years before that Great-er Crash (and half a century before our current Era of inflation-and-the-common-stock). And he devotes a section to the curious psychology of crowds as it is spelled out in Charles Mackay's "Extraordinary Popular Delusions and the Madness of Crowds." Originally published in 1841 and reprinted in 1932, this "remarkable documentation of the unbelievable crazes that have swept down through the ages," has been observed by Mr. Baruch as a stock market bible since the turn of the century.

"Nearly always the problem that arose in the Stock Exchange or in other business dealings was how to disentangle the impersonal facts of a situation from the elements of human psychology which came with these facts," says Mr. Baruch early in his introduction.

And not only in his market doings, but in his large-scale achievements with the War Industries Board, in his public service culminating in the monumental Rubber and U. S. Atomic Energy Report, in his close relationships with Presidents and such figures as Winston Churchill, has his outstanding forte undoubtedly lain in unique ability to balance material facts with the human elements.

"Playing by Ear"

In the face of his stressing of the psychological factors, we have the distinct impression that Mr. Baruch in his own investment activities does not realize how much he has relied on his intuitive prescience. While the rules he sets down are logical and unexceptionable, this great artist of speculation, like others in his and other fields, again and again discloses, unwittingly, that he bases decisions through "playing by ear" in lieu of formal rules.

There is also discernible in the Baruch story how intuition and psychological "savvy" likewise have led the successful speculator to know when to ignore even the revered "economic facts." For example, during the Northern Pacific Corner his market participation was confined to short-selling of other leading stocks—wholly irrespective of their value—in anticipation of their panicky liquidation by the squeezed N. P. bears.

Again, inconsistent with his credo tied to cold economic and statistical value appraisal, is his psychologically-rooted speculative instruction to avoid the emotional foible of selling a profit-accrued stock to protect a loss—"Actually, the procedure one should follow is to sell the bad stock and keep the good stock [*sic*]. With rare exceptions, stocks are high because they are good, and stocks are low because they are of doubtful value."

Surely Mr. Baruch grossly underestimates the number and variety of the talents contributing to his success.

Continued from page 6

Don't Underestimate the Stamina of American Business

great concern in the markets generally.

Now, Federal finances are much more prominent. Per capita Federal debt is 100 times what it was at the turn of the century. With this debt at $275 billion, it now makes a great difference whether it is in short-term or long-term obligations. It also makes a great difference whether our authorities responsible for credit control are trying to support Treasury securities at fixed levels. Current Treasury financing makes the problem of credit control more difficult.

It is clear that policies relating to the management of debt have improved in recent years. Support of Treasury issues at fixed levels by the monetary authorities ended with the Treasury-Federal Reserve "Accord" in March, 1951. Further progress toward free market rates for Treasury issues has been made in recent months.

Not only debt management, but also Treasury fiscal affairs, have important influence on our money market. It is well known that Federal expenditures have moved upward in recent years. A major part of the increase has been in military expenditures. More than one million men are serving in our armed forces outside this country. All told, the total cost is nearly $40 billion, or something more than 10% of our Gross National Product.

Federal expenditures are also swollen by foreign aid, domestic subsidies, supports and programs. They are also expanded by grants of funds to State and local governments and, further, by the Government's policy of attempting to take much wider responsibility for the "welfare" and for the "security" of the population. The storm of public opinion against the height of the budget estimate for 1958 is a wholesome reaction in view of the present trend of Government spending.

With Federal expenditures at their present height, Federal taxes have remained high. The result is that taxes have an increasing influence in economic life. Both business concerns and individuals are confronted by tax considerations at almost every turn. In many cases, these are of sufficient importance to influence the direction of economic activity. For example, going into debt is encouraged by the fact that interest charges on debt, being deductible for income tax purposes, are, in part, "paid for" by the Federal Government. Purchases of realty may be encouraged by the fact that local taxes, being deductible, are partly "paid for" by the Federal Government. And so the illustrations might be continued. From another angle, the individual in the high income bracket might, in theory, find it to his advantage to borrow money (with the Federal Government "paying" part of the interest) and to buy tax-exempt securities. Furthermore, with the present high income tax rates, the high-risk (possibly) high-return venture is less attractive to the investor, and the "mature" and the "safe" type of investment is more attractive. Thus, the small and the venture-some firm, vital to the progress of the economy, is hard pressed for capital.

Thus, from many angles, Federal finances now influence our economic life to a degree scarcely imagined before the levels of Federal expenditures and Federal debt were so greatly expanded.

What Progress From Here On

The five developments which have been pointed out—population changes, technological progress, shifts in the importance of industries, managed money and the new prominence of Federal finances—are very important. They make the present American economy different from that of a few decades ago. On the one hand, our economy is now more complex and has additional problems. On the other hand, it is a more dynamic economy and has far more forward thrust than ever before. The basic question is, can we take the new developments in stride? Can we keep our balance and proceed gracefully from here on?

In contemplating future possibilities, it would, indeed, be an error to underestimate the capacity of American business to make necessary adjustments provided free market conditions remain. There are more than four million separate enterprises in the United States. Each is making its own decision. Each is making its own adjustments to new developments and each is striving to produce goods or services which will best meet market requirements. This is the American economy. This accounts for our present achievement.

Perhaps the greatest injustice we could do to our economy would be to underestimate its capacity to meet the new challenger of the present situation, and to conclude that Government regulation and Government operation should be extended. Granting that the American economy has new characteristics and new problems, it is clear that its basic free market system has not been impaired. Strength is everywhere in evidence.

In this country, where every man is his own economist, may we not underestimate the ability of American business to adjust to new circumstances and to continue to provide an increasingly better standard of living.

Joins Peters Staff

GRAND JUNCTION, Colo.—Jim E. Jinks is with Harry W. Peters, 411 Main Street.

R. L. Ferman Company

MIAMI, Fla.—Robert L. Ferman & Company is engaging in a securities business from offices in the Ainsley Building.

Now Ft. Worth Secs.

FT. WORTH, Texas — The firm name of McLeod, Fisher, Crook & O'Neall, Inc. has been changed to Ft. Worth Securities Corp. Offices are located at 316 Bailey.

du Pont, Homsey Branch

PALM BEACH, Fla.—du Pont, Homsey & Company have opened an office at 241 Via Linda, with Gordon M. Copp as representative.

Montgomery Scott Branch

WESTFIELD, N. J.—Montgomery Scott & Co. have opened an office at 300 Mountain Avenues with Ernest L. Taylor as representative.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The hearings before the Senate Finance Committee on the financial condition of the United States thus far have indicated that about the only thing in short supply in this country is money.

At the same time, testimony has shown that the growing indebtedness is primarily in the hard-pressed local and state governments, and individuals and corporations.

Oklahoma's Senator Robert S. Kerr, sharp-tongued critic of the monetary policies of the Eisenhower Administration, is apparently seeking to aid fellow Democrats in getting them an issue for next year's National elections. He is not missing an opportunity in the hearings to heap some of the blame for "inflationary conditions" on the Republican executive branch of the Federal Government.

Senator Wallace F. Bennett of Utah is serving a "defender" of the Administration's policies. He insists that the higher interest rates are necessary and should prove to be anti-inflationary.

Senator Kerr maintains that the Federal Reserve Board's half-point increase in the discount rate in four Federal Reserve Districts, and the increase by the Federal Housing Administration from 5 to 5½% in the maximum interest rate allowable for FHA-insured mortgages were additional fuel for the inflationary fires.

Soaring Debt Burden

The hearings, flavored with politics, have brought out that the Federal debt during the past four and one-half years, has increased only $5 billion — from $267 billion to $272 billion. Here, in the free-spending Nation's Capital where authorizations and appropriations are done in astronomical figures, the sum of $5 billion is no longer an impressive governmental figure.

The Federal Government debt on June 30, 1957, was the equivalent of $1,581 per person in the United States as compared with $1,832 for June 30, 1946. Interest charges on the debt is $7.3 billion.

Administration spokemen and Republican senators insist that actually the current interest rates are not high when they are compared to the depression and wartime years, and when the bonds of the government were pegged by the Federal Reserve Board.

On the other hand the debts of state and local governments have risen from $31.2 billion on Dec. 21, 1952 to $50 billion on Dec. 31, 1956, or an increase of $18.8 billion.

The individual debt (mortgage and consumer credit) rose from $135.5 billion on Dec. 31, 1952 to $207.5 billion on Dec. 31, 1956, or an increase of $72 billion. The corporate debt (plant expansions, etc.) jumped from $202.9 billion at the end of 1952 to $249.3 billion at the end of 1956 for an increase of $46.4 billion.

The state and local governments have rolled up increased indebtedness for more schools, hospitals, roads, streets, sewage disposal plants, and to pay more for goods and services. Local governments pay more to operate schools than any other function of government, and the cost of education is growing all the time.

Burgess on Interest Rates

Under Secretary of the Treasury W. Randolph Burgess spent 10 days on the witness stand before vacating the chair to Chairman William McChesney Martin of the Federal Reserve Board. Mr. Martin is expected to spend several days giving testimony on the Federal Reserve policies.

Tracing the technical ramifications of Treasury policies for about 10 days, Mr. Burgess made a series of pertinent observations. Among other things he expressed the conviction that interest rates may edge a little higher, before there is a leveling off. If rising interest rates persist, government savings bonds are going to have tougher sledding. The Under Secretary also said that a curb on Federal spending would aid a bit in reducing inflation.

Chairman Martin says that in scattered sections of the country buyers are resisting high prices. This means that the stockpiles of goods is getting bigger. However, until there is a round of price reductions there is little likelihood the Federal Reserve will loosen the strings on borrowing.

Discussed thoroughly was the agreement the Treasury and Federal Reserve Board reached in 1951 whereby the Board no longer supported the U. S. bond market. As a result the market for government securities have gradually declined. Because the Federal Reserve Board no longer supports the bonds, the government has to go into the money market to finance its operations and it has to compete in the open market for the scarce dollars. Thus, the government which paid 2.3%, now is having to pay 4%, with a possibility the rate might go slightly higher before leveling off.

Highways and Population

Building highways these days is an expensive job, and everybody pays for them. Some authorities say the huge highway construction program authorized by Congress for the next 13-to-15 years will be more than 75 times greater than the building of the Panama Canal.

Because it is the biggest public works program in history, and it will affect the lives of everybody, the Bureau of Public Road put up the money for the Census Bureau to make state population estimates to 1970.

The Bureau of Roads has the responsibility of helping to mark the course of 41,000 miles of Interstate divided multilaned highways. Some of the great highways, with only access roads, will bypass cities, and others will cut right through them.

The Census Bureau report came up with no startling projections, but a series of interesting estimates. The 1970 national population figure is placed at 208,346,000, an increase of 44,043,000 over the 1955 estimate of 164,303,000.

New York and California will be running neck and neck for first place among the 48 states. The estimates imply a total population range of from 18½ million each on the low side to 20 million on the high side for each. The 1955 estimates listed a population of 16 million for New York, and 13 million for California or about 1.2 million less than their 1950 difference.

Other Projections

The 1970 estimates for Texas showed a high of 11.8 million and a low of 10.7 million for the Lone Star State, and Florida with a high of 5.9 million and a low of 5.1 million. Florida could crowd its way into becoming one of the 10 highest populated states by 1970. By 1960, when the next decennial census is taken, the estimated population for Florida is 4.1 million.

Highest figures shown in the report for each of the 10 largest states (as ranked in 1950) for 1970 with the 1960 figures also given in thousands in parenthesis follow:

New York 20,023 (17,342); California 20,296 (15,273); Pennsylvania 12,508 (11,917); Illinois 11,353 (9,958); Ohio 12,258 (10,035); Texas 11,752 (9,724); Michigan 10,483 (9,380); New Jersey 6,942 (5,849); Massachusetts 5,514 (5,004); and North Carolina 5,226 (4,360).

The Census Bureau admitted that the figures are subject to relatively large errors. Nevertheless, they should be worthy for planning purposes. The Bureau used variations of three factors: migration, birth rate, and death rate.

All states are expected to grow except Oklahoma, Arkansas, and possibly Mississippi. Nevada, long the smallest state, is expected to double. In 1950, it had 160,000 people.

Congressmen on Inflation

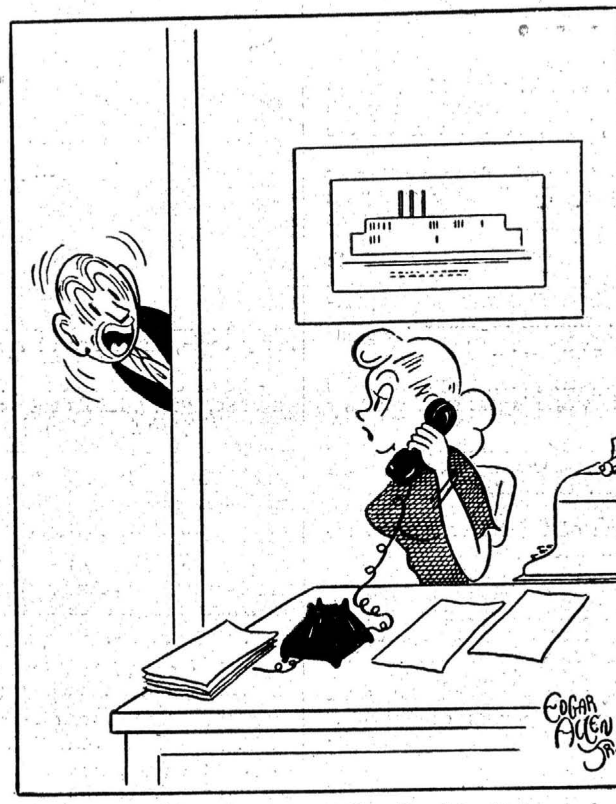
Many Congressmen each week dispatch news letters to daily and weekly newspapers in their districts. For weeks practically all of them have been hitting hard at inflation. The angles they have placed on their letters usually depended on their brand of politics.

Some foreboding statements have been directed to constituents. Examples: ". . . We are of prosperity." ". . . Like a thief in the night, galloping inflation is destroying the dollar and robbing thousands of thrifty Americans of the value of their savings, their insurance, victory bonds and rainy day nest eggs." ". . . Inflation is a greater enemy to America than Communist Russia." ". . . Although President Eisenhower advocated economy in government, there has been little indication of the practice of economy in this administration." ". . . Everyone is blaming the other fellow. The vicious cycle rolls on to higher and higher crests."

While it is obvious that the dollar is shrinking, the average American is able to buy more goods and services than at any time in history, according to Department of Commerce records. The Department contends the per capita income in 1956 was almost 50% greater than 1929. The average income has been rising faster than prices and taxes.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"I know you're new here, Miss Dopley, but we don't phone a furniture store to get a dividend table!"

With National Securities

Eric P. Alvord has joined National Securities & Research Corp. as representative in the states of Oregon and Washington, it was announced by Henry J. Simonson, Jr., President.

With Greene & Ladd

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — Donald J. Dumford has become affiliated with Greene & Ladd, Third National Building, members of the New York Stock Exchange.

Now With George Patten

PORTLAND, Oreg. — Derek Swails has become asssociated with George Patten Investment Co., American Bank Building. He was formerly with Camp & Co.